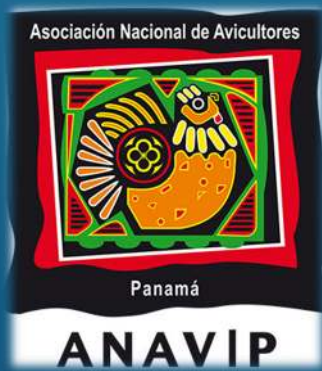




2015 ANNUAL REPORT

Panama Poultry Export Quota, Inc.



PAN-PEQ

Panama Poultry Export Quota, Inc

Panama Poultry Export Quota, Inc. c/o DTB Associates, LLP
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MISSION STATEMENT

The Panama Poultry Export Quota, Inc. (PAN-PEQ) is a not-for-profit corporation established to manage on an open tender basis the tariff-rate quotas (TRQs) for chicken leg quarters (CLQs) granted by the Republic of Panama to the United States under the terms of the United States-Panama Trade Promotion Agreement. PAN-PEQ then distributes the proceeds of the tender process to the poultry industry associations of the Republic of Panama and the United States to fund market development, educational, scientific, and technical projects. In this manner, PAN-PEQ fosters the cooperation and integration of the poultry industries of both Panama and the United States.

* PAN-PEQ's mission was established under the terms of an Export Trade Certificate of Review, issued by the U.S. Department of Commerce on June 25, 2012, and published in the Federal Register on July 17, 2012/ Vol. 77, No. 137.

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1. CHAIRMAN'S LETTER

The Panama Poultry Export Quota, Inc. (PAN-PEQ) held open tender auctions for export of chicken leg quarters (CLQs) to Panama in December 2014 and May 2015 for 439 metric tons (MT), respectively, of the duty-free tariff-rate quota (TRQ) assigned in the U.S. - Panama Trade Promotion Agreement (TPA). Auction receipts reached \$736,356, an increase of 16% from 2014, with 100% of the TRQ amount being auctioned.

PAN-PEQ was formed in 2007 by the poultry industries of Panama and the United States under the provisions of the TPA, which entered into force on October 31, 2012. In June 2012, PAN-PEQ received an Export Trade Certificate of Review (ETCR) from the U.S. Department of Commerce to manage, through a neutral third party Administrator, TRQs of CLQs on an open-tender auction basis, and to distribute these proceeds, after covering operating expenses, to fund market development, educational, scientific, and technical projects for the benefit of the poultry industries of both participating countries.

In its fourth year of operations, PAN-PEQ has made significant contributions to the participating poultry industries through its programs, such as improving the national industry technical expertise; promoting poultry and egg consumption in Panama; updating a mobile poultry database in the United States; and encouraging the collaboration between member associations.

In 2015, PAN-PEQ funded projects in Panama for a total of \$229,729, an increase of 92% compared with 2014.

These activities included:

- ❖ Organization of an educational and technical knowledge transfer forum at Panama's 26th National Poultry Summit;
- ❖ Hiring of a veterinary doctor and a trade expert; and
- ❖ Support provided to the National Egg Commission for an egg promotion campaign

During PAN-PEQ's annual and board meetings in February 2015, and pursuant to PAN-PEQ's bylaws, the Board appointed Messrs. Victor Epifanio from ANAVIP as Chairman, and Martin Piffaretti from USAPEEC as Vice-Chairman. Mr. Mateo Paz-Soldan and Ms. Violeta Gutierrez from DTB Associates, the firm acting as Administrator, were confirmed as Secretary and Treasurer, respectively. Following best business practices, in 2015 the board of directors approved a Conflict of Interest Policy as well as a Travel and Expense Reimbursement Policy.

I take this opportunity to thank the governments of the participating countries as well as the member associations for the support provided to PAN-PEQ throughout this year.

Under my Chairmanship in 2016, I am committed to continue working with the board to achieve another successful year for PAN-PEQ.

Sincerely,



Martin Piffaretti
Chairman

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2. DIRECTORS AND OFFICERS

Pursuant to PAN-PEQ's bylaws and the Export Trade Certificate of Review (ETCR) approved by the U.S. Department of Commerce, the members of PAN-PEQ are the national trade associations representing the poultry industries of Panama and the United States. A six-member Board of Directors appointed by these associations governs PAN-PEQ.

DIRECTORS FOR 2015:



Victor Epifanio
Chairman
ANAVIP - Panama



Martin Piffaretti
Vice-Chairman
USAPEEC – United States



Augusto Valderrama
Director
ANAVIP - Panama



Robert Toledano
Director
ANAVIP - Panama



Hector Rainey
Director
USAPEEC – United States



James Sumner
Director
USAPEEC – United States

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OFFICERS FOR 2015:

In addition to Mr. Epifanio who served as Chairman, and Mr. Piffaretti who served as Vice-Chairman, Mateo Paz-Soldan, and Violeta Gutierrez from DTB Associates, LLP, PAN-PEQ's Administrator, served as Secretary and Treasurer, respectively.



Mateo Paz-Soldan
Secretary
DTB Associates, LLP



Violeta Gutierrez
Treasurer
DTB Associates, LLP

3. OPEN-TENDER PROCESS AND RESULTS

Under the terms of the ETCR, PAN-PEQ is tasked with managing the tariff-rate quota (TRQ) for chicken leg quarters (CLQs) established for Panama on a yearly basis, as stipulated in the US-Panama Trade Promotion Agreement.^[1] PAN-PEQ, through an independent Administrator, manages this TRQ through an open tender process, or auction, in which certificates for duty-free shipments of CLQs are awarded to the highest bidders, pursuant to ETCR requirements. Notice of each open tender process is published in advance both in Panama and the U.S. Bid specifications and contents are included in the notice and also published on the PAN-PEQ website. Once the open tender closes, results are audited, and bidders are notified of the disposition of their bids. The complete results are sent to the governments and consolidated results are made available to the member poultry associations, and to the public on the PAN-PEQ website. Open tender proceeds are then maintained in an interest-bearing bank account until funding requests of participating member associations are approved by the PAN-PEQ Board (see Section 4).

¹ See General Notes and Appendix 1 – Chicken Leg Quarters (Bone-in), Annex 3.3-PA-Notes-9 and 10 of the text of the US-Panama Trade Promotion Agreement.

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The TRQ for CLQs agreed to by both governments for 2015 was 878.00 metric tons (MT).^[2] The Board agreed at the September 2014 meeting to hold two open tenders to be split in two tranches of 439 MT each. Total open tender revenues increased by 16% from 2014. As may be observed in Table 1 above, PAN-PEQ obtained excellent results for both open tenders in its fourth year of operations. The highest average successful bid was \$838.67/MT and the lowest successful bid \$682.00/MT. 100% of the tonnage established under the TRQ for 2015 was awarded.

Table 1
PAN-PEQ Open-Tender Results for 2015

Category	First Tranche	Second Tranche	Total
Panama	Dec 1 - 5, 2014	May 11 - 15, 2015	
Available Quota for Auction (MT)	439.00	439.00	878.00
Certificates Awarded (MT)	439.00	439.00	878.00
Average Successful Bid (\$/MT)	\$746.53	\$930.81	\$838.67
Lowest Successful Bid (\$/MT)	\$682.00	\$880.00	\$682.00
Auction Receipts (\$)	\$327,728.13	\$408,627.50	\$736,355.63

*Data compiled from PAN-PEQ's audited financial statements and published information at www.pan-peq.org.

4. REPORTING AND OUTREACH

As established in PAN-PEQ's ETCR, an important part of the corporation's responsibilities include maintaining the governments of Panama and the United States informed of open-tender results, the dates selected for open tenders, and other key issues impacting the corporation. In addition, PAN-PEQ must comply with annual reporting requirements before the U.S. Department of Commerce and the U.S. Internal Revenue Service, and with requests for information by Panamanian or U.S. government authorities.

On behalf of PAN-PEQ, Mr. Paz-Soldan and Ms. Gutierrez of the PAN-PEQ Administration met with U.S. Department of Commerce government officers in April 2015. The purpose of this meeting was to provide an overview of PAN-PEQ's operations to date.

² See U.S.-Panama Trade Promotion Agreement, Annex 3.3, Appendix 1, pp. 9-10, Paragraph 7(a).

5. DISPOSITION OF PROCEEDS

PAN-PEQ's ETCR requires that the proceeds of the open tender process are to be applied and distributed to the poultry industries of Panama and the United States on a fifty percent (50%) basis each to fund market development, educational, scientific, and technical projects.³ After paying operating expenses at the end of each year, the Administrator distributes the remaining proceeds to fund capacity building projects in the abovementioned categories.

In 2015, ANAVIP, the Panamanian member, obtained board approval for disbursement of \$229,728.94 to fund the following project: "ANAVIP support for improving Poultry Industry." This project aimed to improve technical capacity in the poultry industry, and fund ANAVIP's participation in international poultry organizations, technical health and trade meetings; as well as support for a nationwide egg consumption campaign. The activities funded under this project are as follows:

Market Development

1. Egg promotion campaign of the National Egg Commission "Panamanian Eggs are good for everything" (in Spanish, El Huevo Panameño es bueno para todo), this campaign aimed to improve egg consumption nationwide. Based on a study of the Panamanian egg market, this campaign informed the public of the importance of egg consumption for improved health, and emphasized eggs as a rich source of nutrition, vitamins, and proteins. The campaign included billboards, radio, press and printed material to distribute in public health events. The campaign reached out to more than 1 million consumers, and resulted in more than 31,500 clicks in virtual publications, likes, comments and shares. See Figure A.
2. The continued hiring of a trade expert, to address issues concerning market access, trade and international agreements.

³ See: Federal Register, Vol. 77, No. 137, July 17, 2012, p. 41971.

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Figure A
The Panamanian Egg Promotion Campaign in the Media



Source: La Estrella de Panama newspaper, June 3, 2015



Source: Panama America newspaper, June 7, 2015



Source: part of a video posted on the Panamanian Egg Commission, "CONAHU," facebook page, December 29, 2015



Source: El Sitio Avicola news website, June 8, 2015

Figure A (Continuation)
The Panamanian Egg Promotion Campaign in the Media



Source: Campaign Slogan provided by ANAVIP

Educational and Technical

3. Improve the technical capacity in the poultry industry nationwide, through the continued hiring of a veterinary doctor to work on sanitary and phytosanitary (SPS), food safety and trade issues at the national and regional levels (Central American Customs Union), as well as the coordination of educational and other activities with local governments. See Figure B.

Figure B
Improving the Technical Capacity of the Poultry Industry Nationwide

Workshop on Necropsy, Sampling and Handling
(Santiago de Veraguas, July 15, 2015)



Lecture on Poultry Production
Veterinary Department, Panama University
(October 6, 2015)



Lecture on Avian Influenza and Newcastle diseases
(Santiago de Veraguas, September 24, 2015)



Avian Influenza Drill
(Santiago de Veraguas, October 19 – 24, 2015)



Source: ANAVIP

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4. The organization of Panama's 26th National Poultry Summit provided training for more than 1,000 poultry industry representatives from Panama and the Western Hemisphere, which represented an increase of 11% and 43% from 2014 and 2013, respectively. The Summit offered lectures by 35 international speakers from Latin America, the U.S., and the U.K., and focused on key issues for the poultry industry such as poultry nutritional trends, health, breeding, market trends, and the latest technologies. See Figure C.

Figure C
XXVI Panama's National Poultry Summit
(Panama City, November 13, 2015)



Source: ANAVIP

5. Participation in International Poultry Organizations, which are industry forums that provide highly valued information and training about markets, trade, and technical issues. See Figure D.

Figure D
Regional Technical Meeting on Poultry Health and Trade
International Poultry Council (IPC) Annual Meeting
(Rome, April 17, 2015)



Source: ANAVIP

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- Attend technical meetings on poultry health and trade, such as those of the Central America Custom Union, of which Panama is a member, in order to understand and negotiate improved agreements for the national poultry industry. See Figures E and F.

Figure E Technical Meetings on Poultry Health and Trade

Meeting of the Central American Regional Technical Committee (El Salvador, June 9-10, 2015)



Meeting of the Scientific Technical Committee of the Latin American Poultry Association (ALA) (Dominican Republic, April 22, 2015)



Source: ANAVIP

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1. AUDITED FINANCIAL STATEMENTS

A. Statements of Financial Position / December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash in bank	\$ 1,692,271	\$ 1,044,454
Prepaid expenses	<u>1,728</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,693,999</u>	<u>\$ 1,044,454</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Deferred auction revenue	\$ 546,119	\$ 327,728
Accounts payable and accrued expenses	<u>569</u>	<u>1,849</u>
Total Current Liabilities	<u>546,688</u>	<u>329,577</u>
Net Assets		
Project Funds-United States	811,455	480,373
Project Funds-Panama	<u>335,856</u>	<u>234,504</u>
Total Net Assets	<u>1,147,311</u>	<u>714,877</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,693,999</u>	<u>\$ 1,044,454</u>

*Information in this annual report is compiled from audited financial statements.

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B. Statement of Activities and Changes in Net Assets / Years ended December 31, 2015 and 2014, Including Operating Expenses

2015

	General Operating Fund	Temporarily Restricted Funds			Total
		Board Designated Funds	United States	Panama	
Revenues					
Auction revenues	\$ 736,356	\$ -	\$ -	\$ -	\$ 736,356
Membership fees	14,728	-	-	-	14,728
Total Revenues Collected	<u>751,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>751,084</u>
Expenses Paid					
Accounting and auditing	5,376	-	-	-	5,376
Bank fees	1,148	-	-	-	1,148
Consulting and management fees	55,955	-	-	-	55,955
Legal fees	8,090	-	-	-	8,090
Licenses and filing fees	278	-	-	-	278
Meetings	6,533	-	-	-	6,533
Office supplies	56	-	-	-	56
Postage and delivery	644	-	-	-	644
Printing and reproduction	101	-	-	-	101
Project costs	-	-	-	229,730	229,730
Publications	2,046	-	-	-	2,046
Travel and entertainment	6,626	-	-	-	6,626
Website expenses	2,067	-	-	-	2,067
Total Expenses Paid	<u>88,920</u>	<u>-</u>	<u>-</u>	<u>229,730</u>	<u>318,650</u>
Change in Net Assets	662,164	-	-	(229,730)	432,434
Transfer from general to temporarily restricted funds	(622,164)	-	331,082	331,082	-
Net Change After Transfer	-	-	331,082	101,352	432,434
Net Assets, Beginning of Year	-	-	480,373	234,504	714,877
Net Assets, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 811,455</u>	<u>\$ 335,856</u>	<u>\$ 1,147,311</u>

*Information in this annual report is compiled from audited financial statements.

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2014

	General Operating Fund	Temporarily Restricted Funds			Total
		Board Designated Funds	United States	Panama	
Revenues					
Auction revenues	\$ 636,442	\$ -	\$ -	\$ -	\$ 636,442
Membership fees	12,727	-	-	-	12,727
Total Revenues Collected	<u>649,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>649,169</u>
Expenses Paid					
Accounting and auditing	5,631	-	-	-	5,631
Bank fees	962	-	-	-	962
Consulting and management fees	55,971	-	-	-	55,971
Legal fees	5,706	-	-	-	5,706
Licenses and filing fees	230	-	-	-	230
Meetings	10,034	-	-	-	10,034
Postage and delivery	632	-	-	-	632
Project costs	-	-	52,000	67,500	119,500
Publications	3,964	-	-	-	3,964
Telephone	62	-	-	-	62
Travel and entertainment	9,114	-	-	-	9,114
Website expenses	1,675	-	-	-	1,675
Total Expenses Paid	<u>93,981</u>	<u>-</u>	<u>52,000</u>	<u>67,500</u>	<u>213,481</u>
Change in Net Assets	555,188	-	(52,000)	(67,500)	435,688
Transfer from general to temporarily restricted funds	(555,188)	(67,520)	311,354	311,354	-
Net Change After Transfer	-	(67,520)	259,354	243,854	435,688
Net Assets, Beginning of Year	-	67,520	221,019	(9,350)	279,189
Net Assets, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 480,373</u>	<u>\$ 234,504</u>	<u>\$ 714,877</u>

*Information in this annual report is compiled from PAN-PEQ's audited financial statements.

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C. Statements of Cash Flows / Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 432,434	\$ 435,688
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Increase (decrease) in:		
Prepaid expenses	(1,728)	-
Deferred auction income	218,391	(4,571)
Accounts payable and accrued expenses	<u>(1,280)</u>	<u>293</u>
Net Cash Provided by Operating Activities	647,817	431,410
Cash and Cash Equivalents at Beginning of Year	<u>1,044,454</u>	<u>613,044</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,692,271</u>	<u>\$ 1,044,454</u>

*Information in this annual report is compiled from PAN-PEQ's audited financial statements.

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