

Panama Poultry Export Quota, Inc.



Asociación Nacional de
Avicultores de Panamá

2017 ANNUAL REPORT



PAN-PEQ

Panama Poultry Export Quota, Inc

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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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*PAN-PEQ Annual & Board Meeting, March 2017
New Orleans, United States*

1. Chairman's Letter

During its sixth year of operations, PAN-PEQ held open-tender auctions for the export of chicken leg quarters (CLQs) to Panama in December 2016 and May 2017. The CLQ duty-free tariff rate quota (TRQ) of 1063 metric tons (MT) established in the TPA for 2017 was auctioned off in two tranches of 532 and 531 MT, respectively. Auction receipts reached \$493,513 a decrease of 49% from 2016, with 100% of the TRQ being auctioned.

In 2017, PAN-PEQ distributed proceeds totaling \$445,880 for projects under the terms of the Export Trade Certificate of Review (ETCR). ANAVIP, the Panamanian Poultry Association requested \$245,000 and USAPEEC, the US Poultry Association, \$200,000. Project activities included:

- ❖ Organization of Panama's 28th National Poultry Summit;
- ❖ Organization of Marketing and Leadership workshops for the industry;
- ❖ Continue working with a veterinary doctor to improve technical capacities in the industry;

- ❖ Support market promotion for the National Egg Commission;
- ❖ Redesign of ANAVIP's website;
- ❖ Support to USAPEEC's Mexico Export Market Development Program

During PAN-PEQ's annual and board meetings in March 2017, and pursuant to PAN-PEQ's bylaws, the Board appointed Mr. Robert Toledano from ANAVIP as Chairman, and Mr. 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.

I take this opportunity to thank the governments of Panama and the United States, as well as the poultry member associations, for their continuous support during the last six years.

As PAN-PEQ's Chairman for 2018, I will continue the good work of my predecessors and wish the organization and its member associations another successful year.

Sincerely,



Juan Garfias
PAN-PEQ Chairman 2018

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 2017



Robert Toledano
2017 Chairman
ANAVIP - Panama



Martin Piffaretti
2017 Vice Chairman
USAPEEC – United States



Augusto Valderrama
Director
ANAVIP - Panama



Victor Epifanio
Director
ANAVIP - Panama



Juan Gabriel Garfias
Director
USAPEEC – United States



James H. Sumner
Director
USAPEEC – United States

Officers for 2017

In addition to Mr. Toledano 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 and the PTPA, PAN-PEQ is tasked with managing the TRQ for CLQs established for Panama on a yearly basis.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 United States. Bid specifications and contents are included in the notice and also published on the PAN-PEQ website. Once the open-tender period 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 by the 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.

The TRQ for CLQs agreed to by both governments for 2017 was 1,063 metric tons (MT).² The Board agreed on October 10, 2016 to hold two open tenders to be split into two tranches of 532 and 531 MT each. Total open-tender revenues decreased by 49% from 2016 due to market conditions. As may be observed in Table 1, PAN-PEQ awarded the full amount of tonnage established under the TRQ for 2017 in its sixth year of operations. The highest average successful bid was \$563.21/MT and the lowest successful bid \$308.65/MT. Auction receipts reached \$493,513.

Table 1
PAN-PEQ Open-Tender Results for 2017

Category	First Tranche Dec 12 – 16, 2016	Second Tranche May 7 - 11, 2017	Total
Available TRQ for Auction (MT)	532.00	531.00	1,063.00
Certificates Awarded (MT)	532.00	531.00	1,063.00
Average Successful Bid (\$/MT)	\$563.21	\$365.13	\$464.26
Lowest Successful Bid (\$/MT)	\$440.92	\$308.65	\$308.65
Auction Receipts (\$)	\$299,628.43	\$193,884.99	\$493,513.42

*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 affecting the corporation. In addition, PAN-PEQ must also 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.

In addition, the Administration meets trade government authorities from both Panama and the U.S. periodically to provide updates and receive feedback with regard to TRQ management, as well as auction and project results, among other related issues.

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. These distributions are made after funding requests by member associations are evaluated and approved by the Board based on compliance with the ETCR requirements.

PANAMA

In 2017, ANAVIP, the Panamanian member, obtained board approval for disbursement of \$245,880 to fund a project titled *"Support for educational events, enhancement of regional trade capabilities, website, and participation in poultry organizations"*. This project aimed to improve technical capacity in the poultry industry; support the National Egg Commission and the National Poultry Summit; and supported updates for ANAVIP's website with user-friendly information, among others. The activities funded under this project are as follows:

Market Development

1. **Support for the "CONAHU" or National Egg Commission Program (continuation)**, through the continuous hiring of a nutritionist to promote egg consumption in Panama. In 2017, project funds were used for (see Figure A):
 - The organization of an egg festival *"Festihuevo"* on October 8th, 2017. This event gathered children and their families to celebrate International Egg Day with games, shows, and animated films. Representatives of the Ministry of Health (MINSa), University of Panama's School and Institute of Nutrition (IANUT), and the National Secretariat of Food and Nutritional Security (SENAPAN) also participated in this event.
 - An exhibit at the biggest baby show in Panama held on February 2017 that attracted more than 13,000 visitors.
 - An outreach campaign in elementary schools to educate children, teachers and parents on the benefits of egg consumption.
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, 2012, p.41971.

Figure A
Market Promotion for the National Egg Commission Program

“Festihuevo” Event at Recreational Park



Baby Show Exhibit



Outreach at Elementary Schools



Source: ANAVIP

Educational and Training

- 3. The organization of Panama’s 28th National Poultry Summit**, provided training for more than 1,200 poultry industry representatives from Panama and the Western Hemisphere. The Summit brought 28 international speakers from 13 countries to present on several key subjects for the poultry industry community. See Figure B.

Figure B
The Organization of Panama's 28th National Poultry Summit



Source: ANAVIP

4. **Improve the technical capacity in the poultry industry nationwide** (continuation), 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. In 2017, funds also supported the following technical training:

- The use of antibiotics in aviculture
- Methods of necropsy and sample collection
- Prevention and Monitoring of diseases, and their impacts on the poultry industry
- Proper methods of handling hatching chickens in their first 7 days
- A poultry workshop for veterinary students from the University of Panama

In addition, ANAVIP staff participated in technical meetings with the Ministry of Health (MINSAs); the National Utility Agency (ASEP); the National Consumer Protection Bureau (ACODECO); the Panamanian Authority for Food Security; the Ministry of Commerce and Industry; and the Technical Commission for National Poultry, among others. See Figure C.

Figure C
Improving the Technical Capacity of the Poultry Industry Nationwide



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. ANAVIP participated in the IPC Meeting in Colombia and the Technical and Scientific Committee of the Latin American Poultry Association (ALA), among other international events. See Figure D.

Figure D
Participation in International Poultry Organizations
International Poultry Council Meeting in Cartagena de Indias, Colombia (April 26-28, 2017)



Source: ANAVIP

6. **The organization of a week-long workshop titled “How to turn my client into a strategic partner”.** Forty-six staff members from poultry companies participated in this workshop. Under expert guidance, this training aimed to teach marketing techniques to increase the value and position of companies, as well as to design, establish, and implement business strategies that optimize efforts from sales teams. See Figure E.

Figure E
Workshop “How to Turn my Client into a Strategic Partner”



Source: ANAVIP

7. **The ANAVIP Leadership Academy**, a leadership course for 90 poultry industry management staff. The program was held in three different regions nationwide: Panama City, Santiago, and La Chorrera. The objective was to provide the skills, tools, and resources necessary to effectively manage and increase team performance. The course consisted of 12-hours of leadership training, followed by additional seminars on communication and feedback, emotional intelligence, and conflict resolution, among other topics. In addition to this course, a special leadership course was organized for 21 students from the National Institute of Agriculture of the Ministry of Agricultural Development (INA-MIDA). See Figure F.

Figure F
Organization of the ANAVIP Leadership Academy

Management Staff Leadership Program



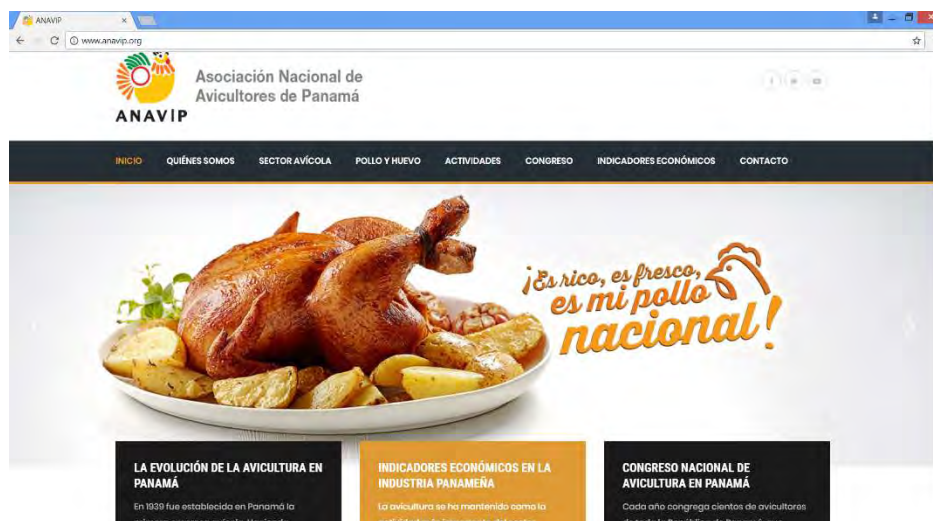
Student Leadership Program



Source: ANAVIP

8. **Redesign and update of ANAVIP website** that included a new logo, sectoral laws, videos, infographics, and other updates for a modern look and increased efficiency. See Figure G.

Figure G
ANAVIP Website Redesign and Update



Source: ANAVIP

USAPEEC

In 2017 PAN-PEQ disbursed \$200,000 to fund the project titled: “Mexico Export Market Development Program”. This project aimed to undertake poultry market development activities in Mexico with the emphasis on development of trade opportunities for U.S. poultry exports while also assisting the Mexican poultry industry in their growth efforts.

Market Development and Educational and Training

Activities carried out included trade educational and technical training seminars, participation at or sponsorship of seminars and meetings hosted by Mexico’s national poultry association and the hiring of trade policy experts.

6. Audited Financial Statements

A. Statements of Financial Position / December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,152,218	\$ 2,156,294
LIABILITIES AND NET ASSETS		
Current Liabilities		
Deferred auction revenue	\$ 328,823	\$ 299,628
Accounts payable and accrued expenses	<u>1,659</u>	<u>2,885</u>
Total Current Liabilities	<u>330,482</u>	<u>302,513</u>
Net Assets		
Unrestricted Board Designated Funds		
Project Funds-United States	1,275,023	1,262,019
Project Funds-Panama	<u>546,712</u>	<u>591,762</u>
Total Net Assets	<u>1,821,736</u>	<u>1,853,781</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,152,218</u>	<u>\$ 2,156,294</u>

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

B. Statement of Activities and Changes in Net Assets / Years ended December 31, 2017 and 2016, Including Operating Expenses

	2017			
	General Operating Fund	Unrestricted Funds		
		Board Designated Funds		Total
	United States	Panama		
Revenues				
Auction revenues	\$ 493,513	\$ -	\$ -	\$ 493,513
Membership fees	9,870	-	-	9,870
Investment income	-	12,174	-	12,174
Total Revenues	<u>503,383</u>	<u>12,174</u>	<u>-</u>	<u>515,557</u>
Expenses				
Accounting and auditing	6,876	-	-	6,876
Bank fees	576	-	-	576
Consulting and management fees	55,250	-	-	55,250
Insurance	5,777	-	-	5,777
Legal fees	446	-	-	446
Licenses and filing fees	225	-	-	225
Meetings	13,912	-	-	13,912
Postage and delivery	625	-	-	625
Project costs	-	200,000	245,880	445,880
Publications	3,776	-	-	3,776
Telephone	34	-	-	34
Travel and entertainment	11,619	-	-	11,619
Website expenses	2,606	-	-	2,606
Total Expenses	<u>101,722</u>	<u>200,000</u>	<u>245,880</u>	<u>547,602</u>
Change in Net Assets	401,661	(187,826)	(245,880)	(32,045)
Transfer from general fund to board designated funds	<u>(401,661)</u>	<u>200,830</u>	<u>200,830</u>	<u>-</u>
Net Change After Transfer	-	13,004	(45,050)	(32,045)
Net Assets, Beginning of Year	-	<u>1,262,019</u>	<u>591,762</u>	<u>1,853,781</u>
Net Assets, End of Year	<u>\$ -</u>	<u>\$ 1,275,023</u>	<u>\$ 546,712</u>	<u>\$ 1,821,736</u>

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

2016

	Unrestricted Funds			
	General Operating Fund	Board Designated Funds		
		United States	Panama	Total
Revenues				
Auction revenues	\$ 974,344	\$ -	\$ -	\$ 974,344
Membership fees	19,487	-	-	19,487
Investment income	-	1,351	236	1,587
Total Revenues	<u>993,831</u>	<u>1,351</u>	<u>236</u>	<u>995,418</u>
Expenses				
Accounting and auditing	6,654	-	-	6,654
Bank fees	840	-	-	840
Consulting and management fees	55,610	-	-	55,610
Legal fees	883	-	-	883
Licenses and filing fees	312	-	-	312
Meetings	8,391	-	-	8,391
Postage and delivery	548	-	-	548
Printing and reproduction	6	-	-	6
Project costs	-	-	193,543	193,543
Publications	6,384	-	-	6,384
Telephone	36	-	-	36
Travel and entertainment	13,090	-	-	13,090
Website expenses	2,651	-	-	2,651
Total Expenses	<u>95,405</u>	<u>-</u>	<u>193,543</u>	<u>288,948</u>
Change in Net Assets	898,426	1,351	(193,307)	706,470
Transfer from general fund to board designated funds	(898,426)	449,213	449,213	-
Net Change After Transfer	-	450,564	255,906	706,470
Net Assets, Beginning of Year	-	811,455	335,856	1,147,311
Net Assets, End of Year	<u>\$ -</u>	<u>\$ 1,262,019</u>	<u>\$ 591,762</u>	<u>\$ 1,853,781</u>

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

C. Statements of Cash Flows / Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (32,045)	\$ 706,470
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Increase (decrease) in:		
Prepaid expenses	-	1,728
Deferred auction income	29,195	(246,491)
Accounts payable and accrued expenses	<u>(1,226)</u>	<u>2,316</u>
Net Cash Provided by Operating Activities	(4,076)	464,023
Cash and Cash Equivalents at Beginning of Year	<u>2,156,294</u>	<u>1,692,271</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,152,218</u>	<u>\$ 2,156,294</u>

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