

# Panama Poultry Export Quota Inc.

2018

# Annual Report



**ANAVIP**

Asociación Nacional de  
Avicultores de Panamá



*Poultry  
& Egg  
Export  
Council*

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# PAN-PEQ

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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 quota (TRQ) 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 2018  
Panama City, Panama**

# 1. Chairman's Letter

In 2018, PAN-PEQ held two open-tender auctions for the export of chicken leg quarters (CLQs) from the United States to Panama under a duty-free tariff rate quota (TRQ) in December 2017 and May 2018. The TRQ of 1,169 metric tons (MT), established in the United States - Panama Trade Promotion Agreement (TPA) for PAN-PEQ's seventh year of operations, was auctioned off in two tranches of 585 and 584 MT, respectively. Auction receipts reached \$641,494, an increase of 30% from 2017, with the full TRQ being auctioned.

PAN-PEQ distributed proceeds totaling \$233,150 for projects under the terms of the Export Trade Certificate of Review (ETCR) granted by the U.S. Department of Commerce. ANAVIP, the Panamanian Poultry Association, requested this amount to fund market development, educational, scientific, and technical projects. Project activities included:

- ❖ Support for market promotion activities for the Panamanian Egg Commission;
- ❖ Organization of Panama's 29th National Poultry Summit;
- ❖ Continued work of a veterinarian to improve technical capacities in the industry;
- ❖ Organization of technical workshops for the industry; and
- ❖ Participation in international poultry organizations.

Pursuant to its bylaws, PAN-PEQ's chairmanship rotates among members on an annual basis. During PAN-PEQ's annual and board meetings in March 2018, the Board appointed Mr. Juan Garfias from USAPEEC as Chairman, and Mr. Augusto Valderrama from ANAVIP 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. As further stipulated in the bylaws, the member associations appointed six directors, three for each association, for the period 2018-2019.

I look forward to working with the board and officers to further the collaboration and synergies between the poultry member associations, for another successful year for PAN-PEQ,

Sincerely,



Luis Carlos Castroverde  
PAN-PEQ Chairman 2019

## 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 2018



Juan Gabriel Garfias  
2018 Chairman  
ANAVIP - Panama



Augusto Valderrama  
2018 Vice Chairman  
USAPEEC – United States



Robert Toledano  
Director  
ANAVIP - Panama



Victor Epifanio  
Director  
ANAVIP - Panama



Martin Piffaretti  
Director  
USAPEEC – United States



James H. Sumner  
Director  
USAPEEC – United States

## Officers for 2018

In addition to Mr. Garfias who served as Chairman, and Mr. Valderrama who served as Vice Chairman, Mateo Paz-Soldan and Violeta Gutierrez from DTB Associates, LLP, which serves as 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.<sup>1</sup> 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 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 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).

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<sup>1</sup> 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 2018 was 1,169 metric tons (MT).<sup>2</sup> The Board agreed on September 21, 2017 to hold two open tenders that would be split into two tranches of 585 and 584 MT. Total open tender revenues increased by 30% from 2017 and the full tonnage established under the TRQ for 2018 was awarded. The highest average successful bid was \$548.75/MT and the lowest successful bid was \$507.00 MT. Auction receipts reached \$641,493.90.

**Table 1**  
**PAN-PEQ Open Tender Results for 2018**

Category	First Tranche Dec 11-15, 2017	Second Tranche May 7-11, 2018	Total
Available Quota for Auction (MT)	585.00	584.00	1,169.00
Certificates Awarded (MT)	585.00	584.00	1,169.00
Average Successful Bid (\$/MT)	\$562.09	\$535.39	\$548.75
Lowest Successful Bid (\$/MT)	\$529.10	\$507.00	\$507.00
Auction Receipts (\$)	\$328,823.30	\$312,670.60	\$641,493.90

\*Data compiled from PAN-PEQ's audited financial statements and published online at [www.pan-peq.org](http://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 designated for open tenders, and other key issues affecting the corporation. 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 Panama and the United States periodically to provide updates and receive feedback with regard to TRQ management. On behalf of PAN-PEQ, Mr. Paz-Soldan and Ms. Gutierrez of the PAN-PEQ Administration visited the Ministry of Trade and Industry (MICI) in March 2018 to discuss PAN-PEQ's operations. The meeting was held before the Annual Board Meeting in Panama City, Panama.

<sup>2</sup> See US-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 as well as educational, scientific, and technical projects.<sup>3</sup> After paying operating expenses at the end of each year, the Administrator distributes the remaining proceeds to fund capacity building projects in the aforementioned 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 2018, ANAVIP, the Panamanian member, obtained board approval for disbursement of \$233,150 to fund two projects titled: 1) "Support for educational events, enhancement of regional trade capabilities, website and participation in poultry organizations" (continuation), and 2) "Travel to the American Egg Board (AEB) Meeting." These projects aimed to improve the technical capacity of the poultry industry, as well as promote egg consumption nationwide.

The activities funded under these projects are as follows:

#### *Market Development*

1. **Continued funding to the National Egg Commission "CONAHU,"** in order to promote egg consumption across Panama. In 2018, the following activities were supported (see Figure A):
  - The continued hiring of a nutritionist to lead the egg program;
  - Attendance of the AEB annual meeting in Chicago and meetings with AEB representatives with regard to the application of marketing techniques;

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<sup>3</sup> See: Federal Register, Vol. 77, No. 37, July, 2012, p.41971.

- The organization of public events such as an Egg festival for World Egg Day with the attendance of 500 people, and a Walkathon for Autism Day for 200 attendees;
- An exhibit at the biggest baby show in Panama held in February 2018 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.

**Figure A**  
**Market Promotion for the National Egg Commission Program**

*Egg Festival for World Egg Day*



*Walkathon for Autism Day*



*Baby show Exhibit*



*Outreach at Elementary Schools*



Source: ANAVIP

- 2. The continued hiring of a trade expert** to provide sound advice to ANAVIP's members on issues related to trade and international agreements, in order to improve ANAVIP's negotiating capacity.

## *Educational and Training*

- 3. The organization of Panama's 29th National Poultry Summit** which provided training for more than 1,200 poultry industry members from Panama and the greater Western Hemisphere. The Summit brought 28 international speakers to present on key subjects for the poultry industry community. See Figure B.

**Figure B**  
**The Organization of the 29th National Poultry Summit**



Source: ANAVIP

- 4. Improve the technical capacity of Panama's poultry industry (continuation)**, through the continued hiring of a veterinarian to work on animal health, food safety, and trade issues at the national and regional levels such as the Ministry of Agriculture (MIDA) and the Central American Customs Union. This professional also coordinated technical activities with the industry to strengthen poultry health nationwide. In 2018, funds supported the following technical activities (see Figure C):

- Meetings between the private sector technical staff with MIDA and the food safety agency, AUPSA;
- Participation in a CODEX meeting held in Panama;
- Participation in the 2018 Central American Poultry Summit in Honduras; and
- Participation in a meeting of the Technical Regional Commission on Avian Health (CTRSA) in Honduras.

In addition, ANAVIP organized the following technical workshops for the industry (see Figure C):

- VIII Workshop on Updated Poultry Techniques organized for 400 attendees;
- Training on Good Poultry Practices;
- Training on Parasitic Diseases; and
- A simulation of an avian influenza outbreak.

**5. Participation in international poultry organizations**, which provide highly valued informational sessions and training workshops in regards to markets, trade, and technical issues. ANAVIP participated in the International Poultry Council (IPC) Annual Meeting in the Netherlands, among other international events (see Figure D).

**Figure C**  
**Improve the Technical Capacity of the Poultry Industry**

*CODEX Meeting in Panama*



*Meeting with MIDA*



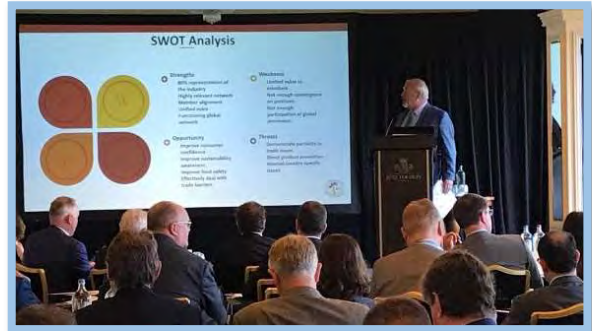
**11** *VIII Workshop on Updated Poultry Techniques*

*Training on Good Poultry Practices*



Source: ANAVIP

**Figure D**  
**Participation in the IPC Annual Meeting in the Netherlands**



Source: ANAVIP

## 6. Audited Financial Statements

### A. Statements of Financial Position / December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,455,239	\$ 2,152,218
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Deferred auction revenue	\$ 293,664	\$ 328,823
Accounts payable and accrued expenses	<u>2,039</u>	<u>1,659</u>
<b>Total Current Liabilities</b>	<u>295,703</u>	<u>330,482</u>
<b>Net Assets Without Restrictions</b>	<u>2,159,536</u>	<u>1,821,736</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,455,239</u>	<u>\$ 2,152,218</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, 2018 and 2017, Including Operating Expenses**

**2018**

	Net Assets Without Restrictions			
	General Operating Fund	Board Designated Funds		Total
		United States	Panama	
<b>Revenues</b>				
Auction revenues	\$ 641,494	\$ -	\$ -	\$ 641,494
Membership fees	12,830	-	-	12,830
Investment income	-	11,917	3,775	15,692
<b>Total Revenues</b>	<u>654,324</u>	<u>11,917</u>	<u>3,775</u>	<u>670,016</u>
<b>Expenses</b>				
Accounting and auditing	8,834	-	-	8,834
Bank fees	447	-	-	447
Consulting and management fees	55,250	-	-	55,250
Insurance	5,634	-	-	5,634
Legal fees	2,477	-	-	2,477
Licenses and filing fees	305	-	-	305
Meetings	13,839	-	-	13,839
Postage and delivery	790	-	-	790
Project costs	-	-	233,150	233,150
Publications	3,531	-	-	3,531
Travel and entertainment	5,113	-	-	5,113
Website expenses	2,307	-	-	2,307
<b>Total Expenses</b>	<u>99,066</u>	<u>-</u>	<u>233,150</u>	<u>332,216</u>
Change in Net Assets	555,258	11,917	(229,375)	337,800
Transfer from general fund to board designated funds	(555,258)	277,629	277,629	-
Net Change After Transfer	-	289,546	48,254	337,800
Net Assets Without Restrictions, Beginning of Year	-	1,272,477	549,258	1,821,736
<b>Net Assets Without Restrictions, End of Year</b>	<u>\$ -</u>	<u>\$ 1,562,024</u>	<u>\$ 597,512</u>	<u>\$ 2,159,536</u>

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



2017

	Unrestricted Funds			
	General Operating Fund	Board Designated Funds		
		United States	Panama	Total
<b>Revenues</b>				
Auction revenues	\$ 493,513	\$ -	\$ -	\$ 493,513
Membership fees	9,870	-	-	9,870
Investment income	-	9,628	2,546	12,174
<b>Total Revenues</b>	<u>503,383</u>	<u>9,628</u>	<u>2,546</u>	<u>515,557</u>
<b>Expenses</b>				
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
<b>Total Expenses</b>	<u>101,722</u>	<u>200,000</u>	<u>245,880</u>	<u>547,602</u>
Change in Net Assets	401,661	(190,372)	(243,334)	(32,045)
Transfer from general fund to board designated funds	(401,661)	200,830	200,830	-
<b>Net Change After Transfer</b>	-	10,458	(42,504)	(32,045)
Net Assets Without Restrictions, Beginning of Year	-	1,262,019	591,762	1,853,781
<b>Net Assets Without Restrictions, End of Year</b>	<u>\$ -</u>	<u>\$ 1,272,477</u>	<u>\$ 549,258</u>	<u>\$ 1,821,736</u>

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

## C. Statements of Cash Flows / Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 337,800	\$ (32,045)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Increase (decrease) in:		
Deferred auction income	(35,158)	29,195
Accounts payable and accrued expenses	<u>380</u>	<u>(1,226)</u>
<b>Net Cash Provided by Operating Activities</b>	303,021	(4,076)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>2,152,218</u>	<u>2,156,294</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 2,455,239</u>	<u>\$ 2,152,218</u>

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