

# Panama Poultry Export Quota Inc.

## 2019 Annual Report



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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. 13

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**PAN-PEQ Annual & Board Meeting, March 2019  
Savannah, Georgia**

## 1. Chairman's Letter

In 2019, 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 2018 and May 2019. The TRQ of 1,286 metric tons (MT), established in the United States - Panama Trade Promotion Agreement (TPA) for PAN-PEQ's eighth year of operations, was auctioned off in two tranches of 643 MT per tranche, with 89% of the TRQ being allocated. Auction receipts reached \$495,429, showing a decrease of 23% compared to 2018.

PAN-PEQ distributed proceeds totaling \$252,700 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 \$222,700, and USAPEEC, the United States Poultry Association, \$30,000, to fund market development, educational, scientific, and technical projects. Project activities included:

- ❖ Increasing technical capacity in Panama through the delivery of seminars, workshops and courses, including the 2019 National Poultry Summit, and three agricultural and food safety courses that included certification for participants;
- ❖ Continued support for Panama's National Egg Commission (CONAHU);
- ❖ ANAVIP's participation in international poultry organizations; and
- ❖ Sponsorship of International Poultry Council (IPC) Meetings in New Orleans for USAPEEC.

Pursuant to its bylaws, PAN-PEQ's chairmanship rotates among members on an annual basis. As further stipulated in the bylaws, the member associations appointed six directors, three for each association, for the period 2019-2020. During PAN-PEQ's annual and board meetings in March 2019, the board appointed Mr. Augusto Valderrama 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. In June 2019, Mr. Valderrama who was appointed Panama's Minister of Agriculture, could no longer serve at the board, and Mr. Luis Carlos Castroverde from ANAVIP was appointed Chairman.

As PAN-PEQ's Chairman during 2020, a year with many challenges for the poultry industry worldwide, I look forward to continuing the good work of my predecessors, in collaboration with PAN-PEQ's board members and both member associations.

Sincerely,



Martin Piffaretti  
PAN-PEQ Chairman 2020

## 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 2019



Luis Carlos Castroverde  
2019 Chairman  
ANAVIP - Panama



Martin Piffaretti  
2019 Vice Chairman  
USAPEEC – United States



Victor Epifanio  
Director  
ANAVIP - Panama



Robert Toledano  
Director  
ANAVIP - Panama



James H. Sumner  
Director  
USAPEEC – United States



Juan Gabriel Garfias  
Director  
USAPEEC – United States

## Officers for 2019

In addition to Mr. Castroverde who served as Chairman and Mr. Piffaretti who served as Vice Chairman, Mateo Paz-Soldan, currently from MPStrategies LLC, and Violeta Gutierrez from DTB Associates LLP, from PAN-PEQ's Administration, 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 2019 was 1,286 metric tons (MT).<sup>2</sup> The Board agreed on September 20, 2018 to hold two open tenders that would be split into two tranches, each for 643 MT. Total open tender revenues decreased by 23% from 2018, and 89% of the full tonnage established under the TRQ for 2019 was awarded. The average successful bid was \$434.59 MT and the lowest successful bid was \$308.65 MT. Auction receipts reached \$495,428.91.

**Table 1**  
**PAN-PEQ Open Tender Results for 2019**

Category	First Tranche Dec 3-7, 2018	Second Tranche May 6-10, 2019	Total
Available Quota for Auction (MT)	643.00	643.00	1,286.00
Certificates Awarded (MT)	580.00	560.00	1,140.00
Average Successful Bid (\$/MT)	\$506.32	\$360.30	\$434.59
Lowest Successful Bid (\$/MT)	\$529.10	\$308.65	\$308.65
Auction Receipts (\$)	\$293,663.56	\$201,765.35	\$495,428.91

\*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 includes 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.

<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 2019, ANAVIP, the Panamanian member, obtained board approval for disbursement of \$222,700 to fund two projects titled: 1) "Support for Educational Events; Enhancement of Regional Capabilities; Web Page; and Participation in Poultry Organizations" (continuation); and 2) "Publication of egg nutrition advertisement for World Egg Day in 'La Prensa' Newspaper." 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 2019, the following activities were supported (see Figure A):
  - The continued hiring of a nutritionist to lead the national egg commission program;
  - Advertisement in a national newspaper for World Egg Day;
  - The organization of public events such as seminars for seniors and a cooking contest for college students of culinary arts; and
  - 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 provide sound advice to ANAVIP's members on issues related to trade and international agreements, in order to improve ANAVIP's negotiating capacity.

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

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

**Advertisement for World Egg Day**



**Cooking College Contest**



**Seminars for Seniors**



**Outreach at Elementary Schools**



Source: ANAVIP

## Educational and Training

- 3. The organization of Panama's 30th National Poultry Summit**, which provided training for more than 1,200 poultry industry members from Panama and the greater Western Hemisphere. The Summit brought 29 international speakers to present on key subjects for the poultry industry community (see Figure B).

**Figure B**  
**The Organization of the 30th 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 2019, funds supported the following technical activities (see Figure C):

- Necropsy workshop;
- Mycotoxins in poultry farming;
- Farm biosecurity, diagnostic tests to assess biosecurity;
- Three seminars on tariffs for poultry products aimed to customs and food safety technicians;
- Animal welfare seminar for veterinary students at University of Panama; and
- PCR (Polymerase chain reaction) test as a new tool for poultry diagnostics.

5. **In addition, three Food Safety Courses with participant’s certification** were held in the city of Panama and three other cities. The training included food safety techniques such as GMP (Good Manufacturing Practices), SSOP (Sanitation Standard Operating Procedures), and HACCP (Hazard Analysis and Critical Control points).

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

**Regional Technical Committee for Poultry Health (CTRSA) meeting in El Salvador**



**Training on Good Poultry Practices**



**Seminars for BPM, SSOP, and HACCP in Panama City and Santiago**



Source: ANAVIP

- 6. Participation in international poultry organizations**, which provide highly valued informational sessions and training workshops regarding markets, trade, and technical issues. ANAVIP requested funds to cover 2019 country membership dues and participation expenses for the International Poultry Council (IPC) and the Poultry Federation for Central America and the Caribbean (FEDAVICAC), among other associations.

## UNITED STATES

In 2019, USAPEEC, the United States member, obtained board approval for disbursement of \$30,000 to fund the project titled: “Sponsorship of International Poultry Council (IPC) Meeting in New Orleans.” The IPC is important because it brings together poultry industry leaders from around the world to address issues of trade, science, and improve relations between nations. The IPC currently has 57 associate members and 27-member countries. The following activities were funded under this project:

### Market Development

1. The IPC Meetings held in New Orleans from April 13-18, 2019 were partially funded by PAN-PEQ. The meetings covered a range of topics from poultry disease issues, economics of the industry, anti-microbial resistance, and industry sustainability. Representatives from 20 different poultry producing countries were in attendance. See Figure D.

Figure D

### Sponsorship of International Poultry Council (IPC) Meeting in New Orleans

Presentation at IPC Meetings



Recognition to Jim Sumner (PAN-PEQ’s Board Member) for his service as President of IPC



Source: USAPEEC

## 6. Audited Financial Statements

### Statement of Financial Position December 31, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,513,778	\$ 2,455,239
Credit card refund receivable	298	-
<b>TOTAL ASSETS</b>	<b>\$ 2,514,076</b>	<b>\$ 2,455,239</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Deferred auction revenue	\$ 161,800	\$ 293,664
Accounts payable and accrued expenses	912	2,039
<b>Total Current Liabilities</b>	<b>162,712</b>	<b>295,703</b>
<b>Net Assets Without Restrictions</b>	<b>2,351,365</b>	<b>2,159,536</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,514,076</b>	<b>\$ 2,455,239</b>

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

## Statement of Activities and Changes in Net Assets (Including Operating Expenses) Year ended December 31, 2019

	Net Assets Without Restrictions			Total
	General Operating Fund	Board Designated Funds		
		United States	Panama	
<b>Revenues</b>				
Auction revenues	\$ 495,429	\$ -	\$ -	\$ 495,429
Membership fees	9,908	-	-	9,908
Investment income	-	30,896	6,029	36,925
<b>Total Revenues</b>	<u>505,337</u>	<u>30,896</u>	<u>6,029</u>	<u>542,262</u>
<b>Expenses</b>				
Accounting and auditing	7,656	-	-	7,656
Bank fees	1,223	-	-	1,223
Consulting and management fees	55,250	-	-	55,250
Insurance	5,814	-	-	5,814
Legal fees	232	-	-	232
Licenses and filing fees	225	-	-	225
Meetings	8,071	-	-	8,071
Postage and delivery	948	-	-	948
Project costs	-	30,000	222,700	252,700
Publications	3,556	-	-	3,556
Travel and entertainment	12,087	-	-	12,087
Website expenses	1,973	-	-	1,973
<b>Total Expenses</b>	<u>97,733</u>	<u>30,000</u>	<u>222,700</u>	<u>350,433</u>
Change in Net Assets	407,604	896	(216,671)	191,829
Transfer from general fund to board designated funds	(407,604)	203,802	203,802	-
Net Change After Transfer	-	204,698	(12,869)	191,829
Net Assets Without Restrictions, Beginning of Year	-	1,562,024	597,512	2,159,536
<b>Net Assets Without Restrictions, End of Year</b>	<u>\$ -</u>	<u>\$ 1,766,722</u>	<u>\$ 584,643</u>	<u>\$ 2,351,365</u>

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

## Statement of Activities and Changes in Net Assets (Including Operating Expenses) Year ended December 31, 2018

	Net Assets Without Restrictions			
	General Operating Fund	Board Designated Funds		
		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
Telephone	0	-	-	-
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>
<b>Change in Net Assets</b>	555,258	11,917	(229,375)	337,800
Transfer from general fund to board designated funds	(555,258)	277,629	277,629	-
<b>Net Change After Transfer</b>	-	289,546	48,254	337,800
<b>Net Assets Without Restrictions, Beginning of Year</b>	-	1,272,478	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.



## Statements of Cash Flows

### Years ended December 31, 2019 and 2018

	2019	2018
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 191,829	\$ 337,800
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Credit card refund receivable	(298)	-
Increase (decrease) in:		
Deferred auction income	(131,864)	(35,158)
Accounts payable and accrued expenses	(1,127)	380
<b>Net Cash Provided by Operating Activities</b>	58,539	303,021
<b>Cash and Cash Equivalents at Beginning of Year</b>	2,455,239	2,152,218
<b>Cash and Cash Equivalents at End of Year</b>	\$ 2,513,778	\$ 2,455,239

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# PAN-PEQ

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