

## **Frequently Asked Questions**

### **What is CA-PEQ?**

Central America Poultry Export Quota, Inc. is a not-for-profit corporation formed to administer the chicken leg quarter quota negotiated in the Dominican Republic-Central America-United States Free Trade Agreement (DR-CAFTA) between the United States and four Central American countries in 2005. The company operates as an Export Trading Company (ETC) and has received an Export Trade Certificate of Review from the U.S. Department of Commerce covering its activities in administering the quota. The quota is administered through an open-tender auction.

### **How much is the quota and what are the tariffs?**

The quota volume consists of 15,969 metric tons (MT) for 2022, allocated among three Central American Countries. For 2022 quota amounts are: El Salvador – 5,574 tons; Honduras – 6,284 tons; and Nicaragua – 4,111 tons. Chicken leg quarters within the quota will enter the importing country duty free. Over quota imports will pay a tariff set by the importing country that can be up to 164.4%. The over-quota tariff will gradually be reduced and eliminated by 2023.

### **How does the auction operate?**

The tariff rate quota for chicken leg quarters is allocated through an open and public auction system. Bids are submitted specifying the total amount of quota eligibility the bidder seeks, and the price (minimum \$22.04/metric ton) the bidder is offering. The bidders submitting the highest priced bids — irrespective of the volume they seek — are awarded the amount of quota they seek until the full amount of quota available in the auction has been allocated.

### **What is an Export Trading Company (ETC)?**

An Export Trading Company is "a person, partnership, association or similar organization organized and operating principally for the purpose of (A) exporting goods produced in the United States; or (B) facilitating the exports of goods produced in the United States by providing one or more export trade services." » [15 U.S.C § 4002(a)(4)].

### **Who are the members of CA-PEQ?**

Members of CA-PEQ are national trade associations representing the poultry industries of The United States, El Salvador, Guatemala, Honduras and Nicaragua. An eight-member Board of Directors appointed by these Associations governs the Company.

### **How 'fair' is the system for companies not on the Board?**

The system ensures fairness to all persons and provides no special benefits to companies who have a representative on the CA-PEQ Board. The Certificate of Review issued by the Department of Commerce that entitles CA-PEQ to operate under the Export Trading Company Act specifically stipulates that members of the Board of Directors may not be involved in determining the results of any auction or in issuing export certificates. Only the CA-PEQ Administrator, its independent

auditors and legal counsel can be involved in those determinations. The duties of the Board of Directors are to hire an Administrator, to provide general guidance about trade in poultry that aids the Administrator in developing the auction system, and to ensure that the proceeds of the auction are disbursed in accordance with the terms of the ETC certificate of review. In addition, CA-PEQ is required to provide annual reports about its operations to the Department of Commerce and is subject to oversight by the Department of Commerce.

### **What do companies bid on?**

Interested parties bid on a certificate that gives them the right to import chicken leg quarters duty free into El Salvador, Honduras and Nicaragua. Under the Dominican Republic-Central America-United States Free Trade Agreement (DR-CAFTA) importing countries are authorized to establish an out-of-quota duty of up to 164.4%. Regulations in each of these countries require that a CA-PEQ certificate be provided to obtain duty free entry within the individual country quotas established by the DR-CAFTA.

### **What is the minimal bid amount, increments, and limits?**

Bid can be submitted in units of metric tons, with a minimum bid of one metric ton, and a minimum bid price of \$22.04 US dollars per metric ton. Bids should not be submitted in amounts that include fractions of a cent. A security deposit must accompany bids.

### **How much is the security deposit?**

Bidders in the auction must submit acceptable security in the amount of \$50,000 or the bid amount, whichever is less, within two full business days of submission of their bid.

### **What is an acceptable form of payment for the security deposit?**

Bidders can present their security deposit by wire transfer of funds to CA-PEQ, Inc., verifiable irrevocable Letter of Credit for the benefit of CA-PEQ issued by an FDIC-insured U.S. bank and advised through Capital One, N.A., or Cashier's check payable to "Central America Poultry Export Quota, Inc."

### **What happens if a winning bidder can't use the total amount of the quota that it obtains in the auction?**

Quota certificates or portions thereof, are fully transferable. If a party cannot use the entire amount of the quota that it obtained in the auction, it can sell or transfer that portion to another exporter, and provisions regarding such transfers are included in the Certificate of Review. **Rules** for transfer of the certificates can be reviewed on this website.

### **What are the auction dates for 2022?**

Auctions will be held throughout the year, according to a **calendar** found on CAPEQ's website.

### **When will the awarded quota expire?**

Certificates issued in the auctions will be valid for entry into their respective importing countries through December 31 of the year in which they were issued.

**Does CA-PEQ assist bidders in obtaining and shipping chicken leg-quarters?**

No. CA-PEQ's sole functions are to operate the open-tender auction and to assist the Board of Directors in the allocation of auction proceeds. Successful bidders in CA-PEQ auctions acquire chicken leg-quarters and arrange for the export. CA-PEQ has no role in the acquisition, sale or export of chicken leg-quarters.

**What are the auction proceeds used for?**

Proceeds from the auction are used first to cover the administrative cost of the auction. Of the remaining proceeds, fifty percent are used to fund export market development, educational, scientific and technical projects to benefit the United States poultry industry and fifty percent will be used to fund market development, educational, scientific and technical projects to benefit the poultry industries of El Salvador, Guatemala, Honduras and Nicaragua.

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