



2006 & 2007 COMBINED ANNUAL REPORTS

Central America Poultry
Export Quota, Inc.

CA-PEQ Central America Poultry Export Quota, Inc.

MISSION STATEMENT

The Central America Poultry Export Quota, Inc. is a not-for-profit corporation established to manage on an open tender basis the tariff-rate quotas (TRQs) for chicken leg quarters granted by El Salvador, Guatemala, Honduras, and Nicaragua to the United States under the terms of the United States-Dominican Republic-Central America Free Trade Agreement (DR-CAFTA). CA – PEQ is also tasked with distributing the proceeds received from the aforementioned tender process for the benefit of the poultry industries of El Salvador, Guatemala, Honduras, Nicaragua, and the United States.

* CA-PEQ's mission was established under the terms of an Export Trade Certificate of Review, issued by the U.S. Department of Commerce on January 20, 2006, and published in the Federal Register on February 9, 2006/ Vol. 71, No. 27.

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1. SECRETARY'S LETTER

The Central America Poultry Export Quota, Inc. (CA-PEQ) was established in 2005 jointly by the poultry industries of El Salvador, Guatemala, Honduras, Nicaragua and the United States to administer the tariff-rate quotas (TRQs) for chicken leg quarters (CLQs) granted by the abovementioned Central American (C.A.) countries to the United States under the Dominican Republic – Central America Free Trade Agreement (DR-CAFTA).

CA-PEQ received an Export Trade Certificate of Review (ETCR) on January 30, 2006, from the U.S. Department of Commerce to manage the TRQs, as an Export Trading Company (ETC), through open-tenders or auctions. Pursuant to the ETCR, the net income generated by these auctions is to be distributed on a country-by-country basis to fund market development, educational, scientific, and technical projects that are critical to strengthening the participating poultry industries. The objective of this unique ETCR approach is to foster a collaborative environment and promote integration between CA-PEQ's member poultry industry associations.

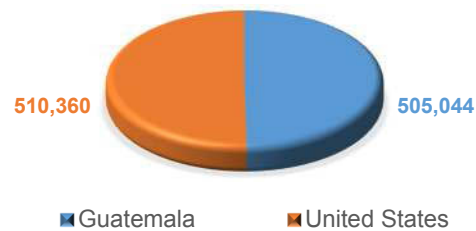
In its first two years of operations, CA-PEQ will only hold auctions for Guatemala's TRQ, which is substantially larger than the TRQs of the other 3 participating C.A. countries. Beginning in 2008, El Salvador, Honduras and Nicaragua will also provide TRQs for CLQs to the United States. Over the evolution of the DR-CAFTA, TRQs provided by these three countries will gradually increase and the TRQ granted by Guatemala will gradually decrease by an equivalent amount, with the total for all four countries remaining constant at 21,810 MT per year.

In 2006, CA-PEQ generated \$1.2 million in revenues from the auctions held for the Guatemalan TRQ. In 2007, revenues increased 25% to \$1.5 million. For 2007, CA-PEQ's first year of project fund distribution, more than \$1 million was used to finance various activities

(see Figure A), including:

- ❖ Technical and financial assistance to the National Poultry Health Program (Guatemala);
- ❖ Educational mass media campaign on Avian Influenza risks and prevention (Guatemala);
- ❖ Advertising campaign on poultry consumption (Guatemala);
- ❖ Contribution to build a health clinic in a poultry producing area of Peru in response to Peru's 2007 earthquake (United States); and
- ❖ Support for technical services, export markets and research analysis programs (United States).

Figure A
CA-PEQ Project Funding for 2007 (\$)



Overall, CA-PEQ had very successful operations during 2006 and 2007. The auction process worked well and as intended. These positive results are significant given that CA-PEQ is a unique organization and a pioneer in industry-led capacity building efforts in the context of multilateral free trade agreements.

I would like to thank the governments of the participating countries as well as the member industry associations for their support in making this concept a reality.

Sincerely,

Kevin Brosch, Secretary

2. DIRECTORS AND OFFICERS

Pursuant to CA-PEQ's bylaws and the amended Export Trade Certificate of Review (ETCR) approved by the U.S. Department of Commerce, the members of CA-PEQ are the national trade associations representing the poultry industries of El Salvador, Guatemala, Honduras, Nicaragua, and the United States. An eight-member Board of Directors appointed by these associations governs CA-PEQ.

DIRECTORS FOR 2006:

- Domingo Moreira, Chairman
(ANAVI - Guatemala)
- Dow Kirkpatrick, Vice-Chairman
(USAPEEC – United States)
- Agustin Martinez (AVES – El Salvador)
- Alfredo Velez (ANAPA – Nicaragua)
- Benjamin Bogran (FEDAVIH – Honduras)*
- James Sumner (USAPEEC – United States)
- James Hoben (USAPEEC – United States)
- Nancy Haas (USAPEEC – United States)

DIRECTORS FOR 2007:

- Dow Kirkpatrick, Chairman
(USAPEEC – United States)
- Alfredo Velez, Vice-Chairman
(ANAPA – Nicaragua)
- Fernando Rojas (ANAVI - Guatemala)
- Agustin Martinez (AVES – El Salvador)
- Benjamin Bogran (FEDAVIH – Honduras)
- James Sumner (USAPEEC – United States)
- James Hoben (USAPEEC – United States)
- Nancy Haas (USAPEEC – United States)

OFFICERS FOR 2006:

- Domingo Moreira, Chairman
(ANAVI - Guatemala)
- Dow Kirkpatrick, Vice-Chairman
(USAPEEC – United States)
- Kevin Brosch, Secretary/Treasurer
(DTB Associates, LLP, CA-PEQ's
Administrator)

OFFICERS FOR 2007:

- Dow Kirkpatrick, Chairman
(USAPEEC – United States)
- Alfredo Velez, Vice-Chairman
(ANAPA – Nicaragua)
- Kevin Brosch, Secretary/Treasurer
(DTB Associates, LLP, CA-PEQ's
Administrator)

* The Honduran Poultry Federation (FEDAVIH) was added to the ETCR as a member association effective April 12, 2006 as stated by the **Federal Register** / Vol. 71, No. 135 / Friday, July 14, 2006 / Notices.

3. OPEN-TENDER PROCESS AND RESULTS

Under the terms of the ETCR, CA-PEQ is tasked with managing the TRQs for the CLQs established for each participating country on a yearly basis, as stipulated in the DR-CAFTA.[1] CA-PEQ administers these TRQs through an open tender process, or auction, with certificates for duty-free shipments of CLQs awarded to the highest bidders, pursuant to ETCR requirements. Notice of each open tender process is published in advance both in the U.S. and in the Central American country whose TRQ tranche is being auctioned. Bid specifications and contents are included in the notice and also published on the CA-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 CA-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 CA-PEQ Board (see Section 4).

In 2006, two auctions were held for shipment of CLQs to Guatemala. Open tender receipts totaled \$1.2 million. A combined quota of 21,810 metric tons (MT) was offered for auction, of which 77.47% was awarded. The total volume of bids awarded in the tender was 16,896.45 MT. The highest average successful bid was \$69.95/MT and the lowest successful bid \$25/MT. See Table 1.

Table 1
CA-PEQ Open-Tender Results for 2006 (Guatemala)

Category	Total
Available Quota for Auction (MT)	21,810.00
Certificates Awarded (MT)	16,896.45
Average Successful Bid (\$/MT)	\$69.95
Lowest Successful Bid (\$/MT)	\$25.00
Auction Receipts	\$1,209,887.17

*Data compiled from audited financial statements and published information at www.ca-peq.org

[1] General Notes and Appendix 1 - Tariff Rate Quotas, Annex 3.3 of the text of the DR-CAFTA

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In 2007, four auctions were held for shipment of CLQs to Guatemala totaling \$1.5 million in receipts. These results represented a 25% increase in open tender revenues from 2006. From the combined quota of 21,810 metric tons (MT) offered for auction, 89.5% was awarded, equivalent to 19,532 MT. The highest average successful bid was \$77.13/MT and the lowest successful bid \$22.05/MT. See Table 2.

Table 2
CA-PEQ Open-Tender Results for 2007 (Guatemala)

Category	Total
Available Quota for Auction (MT)	21,810.00
Certificates Awarded (MT)	19,532.00
Average Successful Bid (\$/MT)	\$77.13
Lowest Successful Bid (\$/MT)	\$22.05
Auction Receipts	\$1,506,620.24

*Data compiled from audited financial statements and published information at www.ca-peq.org

4. DISPOSITION OF PROCEEDS

One of the main purposes of CA-PEQ under the ETCR is to distribute net proceeds generated by the open tenders to fund projects in export market development, educational, scientific, and technical categories for the benefit of the poultry industries of El Salvador, Guatemala, Honduras, Nicaragua and the United States. 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.

As established in the ETCR, proceeds are distributed between USAPEEC (50%) and the poultry industries of El Salvador, Guatemala, Honduras and Nicaragua (50%), based on the TRQ allocated to each Central American country. Since only the TRQ granted by Guatemala is being auctioned in 2006 and 2007, proceeds will only be distributed to ANAVI and USAPEEC. The following is an overview of how the proceeds from 2006 open tenders were used in 2007.

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Country	CA-PEQ Funded Activities by Category
Guatemala	<p><u>Project 1:</u> “Technical Assistance in Diagnosis and Avian Influenza Immunization” CA-PEQ funds: \$79,816.51</p> <p><u>Project 2:</u> “Education and Mass Information Campaign about Avian Influenza” CA-PEQ funds: \$30,000</p> <p><u>Project 3:</u> “Publicity campaign Regarding Consumption of Poultry in Guatemala” CA-PEQ funds: \$395,227.11</p> <p style="text-align: center;"><u>Total CA-PEQ funds for 2007: \$505,043.62</u></p> <p><u>Activities funded by category:</u></p> <p><i>Market Development</i></p> <ol style="list-style-type: none"> 1. A publicity campaign intended to inform the public and poultry consumers of the importance of poultry consumption as an important source of protein and overall nutrition. <p><i>Educational, Scientific and Technical</i></p> <ol style="list-style-type: none"> 2. The poultry health program is a joint program between the Ministry of Agriculture, Cattle and Animal Feed (MAGA) and ANAVI to control, eradicate and certify free zones of low pathogenic avian influenza, Newcastle disease and Salmonella. 2007 technical activities included: <ol style="list-style-type: none"> 1) Funding for diagnostic tests and immunization for a variety of poultry diseases with a target of 6 million immunizations. 2) Funding for eight seminars to educate poultry producers on immunization and best poultry health practices. 3. Educational campaigns through the mass media for the public and consumers of poultry intended to show the risks of Avian Influenza and the efforts of the Guatemalan poultry industry to reduce that risk.
United States	<p><u>Project 1:</u> “USAPEEC Russian Program” CA-PEQ funds: \$12,000</p> <p><u>Project 2:</u> “Evaluation of the Importance of China to the U.S. chicken Industry” CA-PEQ funds: \$4,500</p> <p><u>Project 3:</u> “USAPEEC Marketing/Research Programs Assistance” CA-PEQ funds: \$375,000</p> <p><u>Project 4:</u> “Peru Market Development: Assistance to Earthquake Victims” CA-PEQ funds: \$25,000</p>

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<p>United States (Cont.)</p>	<p><u>Project 5: “European Union Poultry Validation Testing”</u> CA-PEQ funds: \$65,860</p> <p><u>Project 6: “USAPEEC Technical Services Program”</u> CA-PEQ funds: \$28,000</p> <p style="text-align: center;"><u>Total CA-PEQ funds for 2007: \$510,360.00</u></p> <p><u>Activities funded by category:</u></p> <p><i>Export Market Development</i></p> <ol style="list-style-type: none"> 1. Support for the USAPEEC’s Russian Program, critical to the health of the U.S. poultry and egg industries, including maintaining key services provided by the USAPEEC Moscow office. 2. Help fund the oversight of marketing programs in over 70 countries worldwide. Project included partial financial support for five personnel. 3. Contribution for building a health clinic in response to the 2007 earthquake in Peru, jointly with the Peruvian Poultry Association (APA), and shortly before the ratification of the US-Peru Trade Promotion Agreement. USAPEEC anticipates Peru will be a growing export market. <p><i>Educational, Scientific and Technical</i></p> <ol style="list-style-type: none"> 4. Support for hiring an agricultural economist to conduct a short-term study on the importance of China as an export market for the U.S. poultry industry. Study results were used in the preparation of industry positions at agricultural executive levels. 5. Funding for USAPEEC’s Technical Services Program, a program that is key to resolving scientific or technical barriers to trade. Support included representation for USAPEEC on the Inter-American Committee at the International Organization for Epizootics and efforts to resolve poultry market access issues in various markets. 6. Provision of funds for USAPEEC’s Research and Economic Analysis program, including hiring a full-time expert for economic analysis in target markets worldwide. 7. A validation study on U.S. poultry products to facilitate market access to the European Union by providing scientific proof regarding the acceptance of antimicrobial treatments used in poultry processing.
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5. AUDITED FINANCIAL STATEMENTS**A. Statements of Financial Position / December 31, 2007**

Assets	
Cash	\$ 1,351,121
Accounts receivable	25,127
Federal tax receivable	<u>355</u>
Total assets	<u>\$ 1,376,603</u>
Liabilities and net assets	
Liabilities	
	-
Net assets	
Unrestricted net assets	\$ 347,049
Project funds: Central America	514,777
Project funds: United States	<u>514,777</u>
Total liabilities and net assets	<u>\$ 1,376,603</u>

*Information in this annual report is compiled from audited financial statements. The 2007 audit includes the review of 2006 financial statements.

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B. Statement of Activities and Changes in Net Assets / Year ended December 31, 2007, Including Operating Expenses

Change in unrestricted net assets

Revenue

Auction Income	\$ 1,506,620
Membership Income	25,000
Investment Income	43,563
Investment Income - United States	12,648
Investment Income - Guatemala	3,015
Total revenue	<u>1,590,846</u>

Expenses

Advertising, Auction	9,260
Consulting Expense	188,499
Legal	18,590
Postage and Delivery: Guatemala	1,964
Travel and Entertainment	1,844
Project Costs: Central American Projects	505,044
Project Costs: US Projects	510,360
Accounting & Auditing	3,438
Bank Fees	588
Website	1,621
Licenses & Filing Fees	438
Meetings	1,203
Office Supplies	141
Printing & Reproduction	472
Telephone	335
Total expenses	<u>1,243,797</u>
Change in unrestricted net assets from operations	<u>347,049</u>
Net assets, end of year	<u>\$ 347,049</u>

*Information in this annual report is compiled from audited financial statements. The 2007 audit includes the review of 2006 financial statements.

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C. Statements of Cash Flows / Years ended December 31, 2007

Cash flow from operating activities

Net change in net assets	\$ 347,049
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	<u>(127)</u>
Net cash provided by operating activities	<u>346,922</u>
Net change in cash and cash equivalents	346,922
Cash and cash equivalents, beginning of year	<u>1,004,199</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,351,121</u></u>

*Information in this annual report is compiled from audited financial statements. The 2007 audit includes the review of 2006 financial statements.

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