

# 2008 ANNUAL REPORT

Central America Poultry  
Export Quota, Inc.

**CA-PEQ** Central America Poultry Export Quota, Inc.

## MISSION STATEMENT

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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.

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\* 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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**CA-PEQ** Central America Poultry Export Quota, Inc.

# CA-PEQ Central America Poultry Export Quota, Inc.

## 1. SECRETARY'S LETTER

In 2008, the Central America Poultry Export Quota, Inc. (CA-PEQ) held auctions for the chicken leg quarter (CLQ) tariff rate quotas (TRQs) of the four participating Central American countries: El Salvador, Guatemala, Honduras, and Nicaragua. This is the first time all four countries participate in the auction process, following the schedule established in the US-Central America Free Trade Agreement (CAFTA).

CA-PEQ generated around \$755,000 in revenues from the auctions held for the participating Central American countries' TRQs. Open tender revenues decreased almost by half from 2007 primarily driven by internal market factors.

From an operational perspective, the corporation has built on the experience acquired in its first 2 years of operations. In order to achieve operations of the CA-PEQ system in the four countries, CA-PEQ had to coordinate its activities with governmental and customs officials in each of the participating countries, as well as publish ads in

major newspapers notifying the public of scheduled auctions in accordance with CA-PEQ's Export Trade Certificate of Review (ETCR).

For 2008, projects funded by CA-PEQ amounted to more than \$396,000 (see Figure A for distribution of funds) which were used to finance various activities, including:

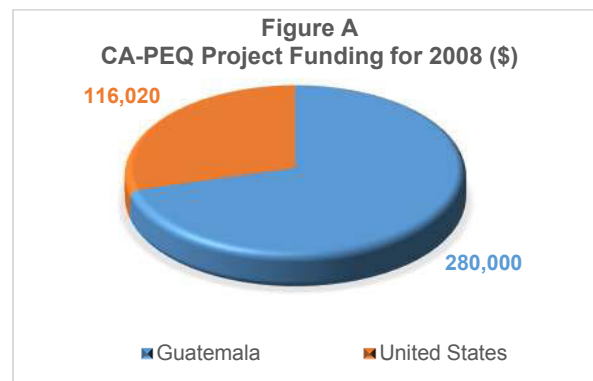
- ❖ Advertising campaign on poultry consumption (Guatemala);
- ❖ Assistance to China's poultry industry after the 2008 Sichuan earthquake (United States); and
- ❖ Poultry validation analysis (United States).

I would like to thank the governments of the participating countries as well as the member industry associations for their support in building this unique endeavor.

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 2008:

- Alfredo Velez, Chairman  
(ANAPA – Nicaragua)
- James Hoben, Vice-Chairman  
(USAPEEC – United States)
- Agustin Martinez (AVES – El Salvador)
- Fernando Rojas (ANAVI - Guatemala)
- Benjamin Bogran / Carlos Rivera (FEDAVIH – Honduras)\*
- Ernesto Baron / Butch Johnson (USAPEEC – United States)\*\*
- James Sumner (USAPEEC – United States)
- Nancy Haas (USAPEEC – United States)

### OFFICERS FOR 2008:

In addition to Mr. Velez who served as Chairman, and Mr. Hoben who served as Vice-Chairman, Kevin Brosch from DTB Associates, LLP, CA-PEQ's Administrator, served as Secretary/Treasurer.

\* During the 2008 Annual Meeting held on January 8, 2008, Mr. Bogran was designated for service on the Board by FEDAVIH for the 2008 term. In October of 2008 Mr. Rivera was designated new CA-PEQ director for FEDAVIH.

\*\* During the Board Meeting of May 2, 2008, Mr. Johnson was designated as a new CA-PEQ director for USAPEEC after the resignation of Mr. Baron.

### 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.<sup>[1]</sup> 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 2008, total open tender receipts for the right to import CLQs duty free into El Salvador, Guatemala, Honduras and Nicaragua totaled \$755,150. Total open tender revenues decreased 49.9% from 2007. A combined quota of 21,809 metric tons (MT) was offered for auction, of which 59% was awarded. On a country by country basis, awarded certificates corresponded to: Guatemala (90%); El Salvador (4%); Honduras (4%); and Nicaragua (2%), while their respective open tender revenues amounted to 64%, 11%, 16%, and 9% of the total. The highest average successful bid was \$232.06/MT and the lowest successful bid \$22.10/MT. See Table 1 on page 7 and Table 2 on page 8 for more information.

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



# CA-PEQ Central America Poultry Export Quota, Inc.

**Table 1**  
**CA-PEQ Open-Tender Results for 2008**

Country/Categories	First Tranche	Second Tranche	Third Tranche	Fourth Tranche	Total
<b>Guatemala</b>	Jan 7 - 18	April 7 - 18	Jul 7 - 18	Oct 6 - 17	
Available Quota for Auction (MT)					20,494.00
Certificates Awarded (MT)					11,644.54
Average Successful Bid (\$/MT)					\$41.59
Lowest Successful Bid (\$/MT)					\$22.10
Auction Receipts					\$484,286.10
<b>Honduras</b>	Sept 8 - 19				
Available Quota for Auction (MT)	534.00				534.00
Certificates Awarded (MT)	534.00				534.00
Average Successful Bid (\$/MT)	\$232.06				\$232.06
Lowest Successful Bid (\$/MT)	\$176.37				\$176.37
Auction Receipts	\$123,921.32				\$123,921.32
<b>El Salvador</b>	Sept 8 - 19	Oct 6 - 17			
Available Quota for Auction (MT)	232.00	232.00			464.00
Certificates Awarded (MT)	232.00	232.00			464.00
Average Successful Bid (\$/MT)	\$176.36	\$176.37			\$176.37
Lowest Successful Bid (\$/MT)	\$176.36	\$176.37			\$176.36
Auction Receipts	\$40,915.52	\$40,917.84			\$81,833.36
<b>Nicaragua</b>	May 5 - 16	Jul 21 - Aug 1			
Available Quota for Auction (MT)	159.00	158.00			317.00
Certificates Awarded (MT)	159.00	158.00			317.00
Average Successful Bid (\$/MT)	\$250.78	\$159.72			\$205.39
Lowest Successful Bid (\$/MT)	\$112.00	\$66.40			\$66.40
Auction Receipts	\$39,874.20	\$25,235.33			\$65,109.53
YEAR-TO-DATE RECEIPTS					\$755,150.31
YEAR-TO-DATE TONS AWARDED					12,959.54

\*Data compiled from audited financial statements and published information at [www.ca-peq.org](http://www.ca-peq.org)

**Table 2**  
**CA-PEQ Open-Tender Auction Receipts and Certificates Awarded for 2008 (%)**

<b>Country</b>	<b>Certificates Awarded</b>		<b>Auction Receipts</b>	
Guatemala	11,644.54 MT	89.85%	\$484,286.10	64.13%
El Salvador	464.00 MT	3.58%	\$81,833.36	10.84%
Honduras	534.00 MT	4.12%	\$123,921.32	16.41%
Nicaragua	317.00 MT	2.45%	\$65,109.53	8.62%
Total	12,959.54 MT	100.0%	\$755,150.31	100.00%

The list of winners in the open tenders held for 2008 are published on the CA-PEQ website. These winners were:

- Bassett & Walker, Inc. - Wilmington, DE
- Interra International, Inc. - Atlanta, GA
- Northwestern Meat, Inc. - Miami, FL
- South Florida Foods International, Inc. – Miami, Florida

#### 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. In 2008, proceeds from 2007 were distributed to ANAVI and USAPEEC since Guatemala was the only country holding open tenders during 2007. The following is an overview of how these proceeds were used.

# CA-PEQ Central America Poultry Export Quota, Inc.

Country	CA-PEQ Funded Activities by Category
Guatemala	<p><u>Project 1</u>: “Publicity Campaign Regarding Consumption of Poultry in Guatemala” CA-PEQ funds: \$280,000</p> <p style="text-align: center;"><b><u>Total CA-PEQ funds for 2008: \$280,000</u></b></p> <p><u>Activities funded by category:</u></p> <p><i>Market Development</i></p> <ol style="list-style-type: none"> <li>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. Building on the success of the 2007 advertising campaign, the continuation of this campaign aimed to maintain this perception.</li> </ol>
United States	<p><u>Project 1</u>: “European Union Poultry Validation Testing” CA-PEQ funds: \$16,020</p> <p><u>Project 2</u>: “China Earthquake Relief Assistance for Poultry Industry” CA-PEQ funds: \$100,000</p> <p style="text-align: center;"><b><u>Total CA-PEQ funds for 2008: \$116,020</u></b></p> <p><u>Activities funded by category:</u></p> <p><i>Export Market Development</i></p> <ol style="list-style-type: none"> <li>1. Matching funds of \$100,000 towards International Red Cross relief efforts for poultry producers after the 2008 Sichuan earthquake in China served not only for humanitarian causes but also to build positive relations with China, one of largest U.S. markets.</li> </ol> <p><i>Educational, Scientific and Technical</i></p> <ol style="list-style-type: none"> <li>2. The second part of 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.</li> </ol>

**5. AUDITED FINANCIAL STATEMENTS****A. Statements of Financial Position / December 31, 2008**

<b>Assets</b>	
Current Assets	
Cash in bank	\$ 1,643,328
Accounts receivable	<u>25,427</u>
Total Current Assets	<u>1,668,755</u>
 <b>Liabilities and Net Assets</b>	
Current Liabilities	
Deferred auction revenue	<u>\$ 113,953</u>
Net Assets	
Temporarily Restricted Funds	
Project Funds-Central America	
El Salvador	29,532
Guatemala	592,590
Honduras	45,993
Nicaragua	22,698
Project Funds-United States	<u>863,989</u>
Total Net Assets	<u>1,554,802</u>
 <b>Total Liabilities and Net Assets</b>	 <u><b>\$ 1,668,755</b></u>

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

# CA-PEQ Central America Poultry Export Quota, Inc.

## B. Statement of Activities and Changes in Net Assets / Year ended December 31, 2008, Including Operating Expenses

	General Operating Fund	Temporarily Restricted Funds					
		El Salvador	Guatemala	Honduras	Nicaragua	United States	Total
<b>Revenues</b>							
Auction revenues							
El Salvador	\$ 81,833	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81,833
Guatemala	484,286	-	-	-	-	-	484,286
Honduras	123,921	-	-	-	-	-	123,921
Nicaragua	65,110	-	-	-	-	-	65,110
Total Auction Revenues	755,150	-	-	-	-	-	755,150
Membership fees	25,000	-	-	-	-	-	25,000
Investment income	2,273	-	7,901	-	-	12,781	22,955
Total Revenues Collected	782,424	-	7,901	-	-	12,781	803,105
<b>Expenses Paid</b>							
Accounting and auditing	6,945	-	-	-	-	-	6,945
Advertising	20,354	-	-	-	-	-	20,354
Bank fees	862	-	-	-	-	-	862
Consulting and management fees	182,701	-	-	-	-	-	182,701
Legal fees	2,816	-	-	-	-	-	2,816
Licenses and filing fees	876	-	-	-	-	-	876
Meetings	3,419	-	-	-	-	-	3,419
Office supplies	63	-	-	-	-	-	63
Postage and delivery	2,139	-	-	-	-	-	2,139
Printing and reproduction	1,653	-	-	-	-	-	1,653
Project costs	-	-	280,000	-	-	116,020	396,020
Telephone	591	-	-	-	-	-	591
Travel and entertainment	1,259	-	-	-	-	-	1,259
Website expenses	5,210	-	-	-	-	-	5,210
Total Expenses Paid	228,886	-	280,000	-	-	116,020	624,906
Change in Net Assets	553,537	-	(272,099)	-	-	(103,239)	178,199
Transfer from general to temporarily restricted funds	(553,537)	29,532	178,545	45,993	22,698	276,769	-
Net Assets, Beginning of Year	-	-	686,143	-	-	690,459	1,376,603
Net Assets, End of Year	\$ -	\$ 29,532	\$ 592,590	\$ 45,993	\$ 22,698	\$ 863,989	\$ 1,554,802

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

# CA-PEQ Central America Poultry Export Quota, Inc.

## C. Statements of Cash Flows / Years ended December 31, 2008

<b>Cash Flows From Operating Activities:</b>	
Net change in net assets	\$ 178,199
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in:	
Accounts receivable	(300)
Federal tax receivable	355
Increase (decrease) in:	
Deferred auction income	<u>113,954</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>292,207</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b><u>1,351,121</u></b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ <u>1,643,328</u></b>

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

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