

# 2010 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.

## 1. SECRETARY'S LETTER

The Central America Poultry Export Quota, Inc. (CA-PEQ) continued to grow and provide benefits to its member associations in 2010. CA-PEQ generated \$1.8 million in revenues from the auctions that were held. Projects funded amounted to more than \$850,000, and were used for the following activities (see Figure A for distribution of funds):

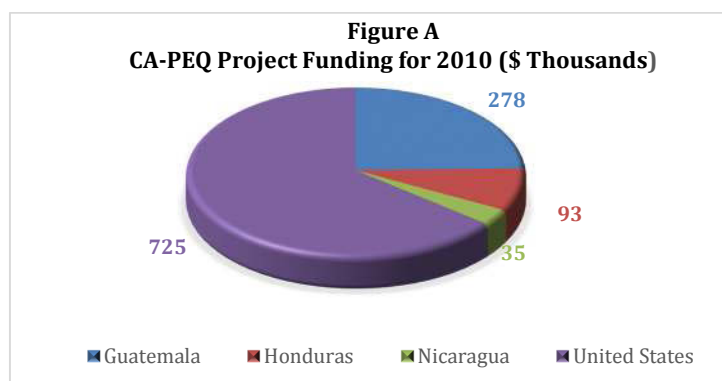
- ❖ Technical and financial support for Sanitary and Phytosanitary national programs (Guatemala, Nicaragua, Honduras);
- ❖ Participation in international poultry for a (Nicaragua)
- ❖ Advertising campaign on poultry consumption (Guatemala); and
- ❖ Support for technical services, marketing, research and economic analysis programs (United States).

I look forward to CA-PEQ's continued success in the coming years and wanted to take this opportunity to thank the Board members and governments of the participating countries for their support.

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 2010:

- Luis Rivera, Chairman  
(*FEDAVIH – Honduras*)
- Nancy Haas, Vice-Chairman  
(*USAPEEC – United States*)
- Agustin Martinez (*AVES – El Salvador*)
- Alfredo Velez (*ANAPA – Nicaragua*)
- Francisco Arriaza (*ANAVI - Guatemala*)
- Butch Johnson (*USAPEEC – United States*)
- James Hoben (*USAPEEC – United States*)
- James Sumner (*USAPEEC – United States*)

### OFFICERS FOR 2010:

In addition to Mr. Rivera who served as Chairman, and Ms. Haas who served as Vice-Chairman, Kevin Brosch from DTB Associates, LLP, CA-PEQ's Administrator, served as Secretary and Kyd Brenner, also from DTB Associates, LLP, was appointed Treasurer.

### 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 2010, total open tender receipts for the right to import CLQs duty free into El Salvador, Guatemala, Honduras and Nicaragua totaled \$1.8 million. Total open tender revenues more than doubled from 2009. A combined quota of 21,629 metric tons (MT) was offered for auction, of which 82% was awarded. On a country by country basis, awarded certificates corresponded to: Guatemala (78%); El Salvador (8%); Honduras (9%); and Nicaragua (5%), while their respective open tender revenues amounted to 55%, 11%, 22%, and 12% of the total. The highest average successful bid was \$244.73/MT and the lowest successful bid \$25.00/MT. See Table 1 on page 6 and Table 2 on page 7 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 2010**

Country/Categories	First Tranche	Second Tranche	Third Tranche	Fourth Tranche	Total
Guatemala	Nov 30 - Dec 12	Mar 1 - 12	May 17 - 28	Aug 23 - Sept 3	
Available Quota for Auction (MT)	4,421.00	4,421.00	4,421.00	4,420.00	17,683.00
Certificates Awarded (MT)	4,421.00	4,421.00	4,421.00	551.74	13,814.74
Average Successful Bid (\$/MT)	\$47.60	\$73.52	\$97.98	\$55.57	\$72.33
Lowest Successful Bid (\$/MT)	\$45.00	\$60.87	\$79.00	\$25.00	\$25.00
Auction Receipts	\$210,415.02	\$325,011.00	\$433,156.90	\$30,660.17	\$999,243.09
Honduras	Jan 25 - Feb 5	April 12 - 23			
Available Quota for Auction (MT)	802.00	801.00			1,603.00
Certificates Awarded (MT)	802.00	801.00			1,603.00
Average Successful Bid (\$/MT)	\$226.00	\$262.34			\$244.73
Lowest Successful Bid (\$/MT)	\$227.14	\$242.51			\$227.14
Auction Receipts	\$182,168.00	\$210,133.91			\$392,301.91
El Salvador	Mar 15 - 26	May 17 - 28	Aug 9 - 20		
Available Quota for Auction (MT)	460.00	460.00	471.00		1,391.00
Certificates Awarded (MT)	460.00	460.00	471.00		1,391.00
Average Successful Bid (\$/MT)	\$301.00	\$83.66	\$50.27		\$144.22
Lowest Successful Bid (\$/MT)	\$301.00	\$54.34	\$25.00		\$25.00
Auction Receipts	\$138,460.00	\$38,481.49	\$23,675.00		\$200,616.49
Nicaragua	Nov 20 - Dec 4	Jan 15 - 29			
Available Quota for Auction (MT)	487.00	465.00			952.00
Certificates Awarded (MT)	487.00	465.00			952.00
Average Successful Bid (\$/MT)	\$212.63	\$226.00			\$225.29
Lowest Successful Bid (\$/MT)	\$202.93	\$238.54			\$202.93
Auction Receipts	\$103,549.81	\$110,922.05			\$214,471.86
TOTAL RECEIPTS					\$1,806,633.35
YEAR-TO-DATE TONS AWARDED					17,760.74

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



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

**Table 2**  
**CA-PEQ Open-Tender Auction Receipts and Certificates Awarded for 2010 (%)**

Country	Certificates Awarded		Auction Receipts	
Guatemala	13,814.74 MT	77.78%	\$999,243.09	55.31%
El Salvador	1,391.00 MT	7.83%	\$200,616.49	11.10%
Honduras	1,603.00 MT	9.03%	\$392,301.91	21.71%
Nicaragua	952.00 MT	5.36%	\$214,471.86	11.87%
Total	17,760.74 MT	100.00%	\$1,806,633.35	100.00%

The list of winners in the open tenders held for 2010 are published on the CA-PEQ website. These winners were:

- Alexander Nieble - Miami, FL
- Bassett & Walker, Inc. - Wilmington, DE
- Cargill Food Distribution, Wichita, KS
- Interra International, Inc. - Atlanta, GA
- Intervision Foods – Atlanta, GA
- Merinter, Inc., Miami, FL
- Micro Steps, Inc. – Coral Gables, FL
- Northwestern Meat, Inc. - Miami, FL
- South Florida Foods International, Inc. – Miami, FL

## 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. The following is a country by country overview of how these proceeds were used in 2010.

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

Country	CA-PEQ Funded Activities by Category
Guatemala	<p><u>Project 1</u>: “Technical and financial cooperation for the poultry health program (PROSA) and consumer advertising campaign”  <u>CA-PEQ funds</u>: \$278,086.00</p> <p style="text-align: center;"><b><u>Total CA-PEQ funds for 2010: \$278,086.00</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. Support to a consumer advertising campaign that included displays on billboards, buses, LCD screens, mobile trucks and points of purchase. Using the slogan “Coma Sano, Coma Pollo” (<i>Eat Healthy, Eat Chicken</i>), this campaign achieved increased exposure of poultry products to consumers.</li> </ol> <p><i>Educational, Scientific and Technical</i></p> <ol style="list-style-type: none"> <li>2. The PROSA Program is conducted in partnership between ANAVI and the sanitary authorities of the Ministry of Agriculture, Cattle Breeding and Feeding (MAGA). Activities supported in 2010 included: provision of logistical support to technical staff to mobilize to monitored areas nationwide; and of technical support by supplying laboratory diagnostic tests, financing the implementation of two monitoring campaigns to comply with national and international regulations required by the World Organization of Animal Health (OIE).</li> </ol>
Honduras	<p><u>Project 1</u>: “Keeping Honduras free of Newcastle and Avian Influenza Diseases”  <u>CA-PEQ funds</u>: \$92,541.45</p> <p style="text-align: center;"><b><u>Total CA-PEQ funds for 2010: \$ 92,541.45</u></b></p> <p><u>Activities funded by category</u>:</p> <ol style="list-style-type: none"> <li>1. FEDAVIH signed an agreement with SENASA, the Ministry of Agriculture’s sanitary and phytosanitary agency, to keep Honduras free from Newcastle’s, Avian Influenza and other avian diseases in order to facilitate the export of poultry products to the U.S. and Central America. For 2010, funds were used to support technical personnel; buy diagnostic tests and laboratory equipment; conduct laboratory analysis; purchase vaccines and pathogen free fertile eggs; and support the national poultry geographic reference program.</li> </ol>
Nicaragua	<p><u>Project 1</u>: “Formal Declaration of Nicaragua as a Free Country of Newcastle Disease”  <u>CA-PEQ funds</u>: \$29,500.00</p> <p><u>Project 2</u>: “Participation of Association Representative in the International Poultry Council (IPC)”  <u>CA-PEQ funds</u>: \$5,250.00</p>

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

Country	CA-PEQ Funded Activities by Category
Nicaragua (Cont.)	<p align="center"><b><u>Total CA-PEQ funds for 2010: \$34,750.00</u></b></p> <p><u>Activities funded by category:</u></p> <p><i>Educational, Scientific and Technical</i></p> <ol style="list-style-type: none"> <li>1. CA-PEQ funds helped finance the National Poultry Surveillance Program, a joint program between ANAPA and the Ministry of Agriculture and Forestry (MAG-FOR), which aims to keep Nicaragua free of Avian Flu, Newcastle, Avian Infectious Laryngotracheitis, Fowl Typhoid and Pullorum diseases. For 2010, funds were used to pay for 8,000 field samples and conduct laboratory analysis to protect the national poultry status on animal health and to facilitate poultry product exports.</li> <li>2. Funding was used to pay for the annual membership and travel expenses for technical representation at the IPC.</li> </ol>
United States	<p><u>Project 1: "USAPEEC Programs Assistance"</u> <u>CA-PEQ funds: \$725,000</u></p> <p align="center"><b><u>Total CA-PEQ funds for 2010: \$725,000</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. Continued support for USAPEEC's Marketing Programs by helping fund the oversight of marketing programs in over 70 countries worldwide. Project includes funding for five personnel.</li> <li>2. A trade policy expert was partially funded by CA-PEQ to support USAPEEC on the resolution of trade policy issues affecting U.S. poultry and egg exports and to help open new poultry markets.</li> </ol> <p><i>Educational, Scientific and Technical</i></p> <ol style="list-style-type: none"> <li>3. Sustained funding for USAPEEC's Technical Services Program, a program that is key to resolve food safety related technical barriers to trade, and includes two staff positions.</li> <li>4. USAPEEC's Research and Economic Analysis program was partially funded by CA-PEQ. Use of funds included hiring a full-time expert for economic analysis in target markets worldwide.</li> </ol>

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

## 5. AUDITED FINANCIAL STATEMENTS

### A. Statements of Financial Position / December 31, 2010 and 2009

	2010	2009
<b>Assets</b>		
Current Assets		
Cash in bank	\$ 2,423,095	\$ 1,767,187
Accounts receivable	26,200	25,479
Prepaid project costs	1,036	1,036
Total Current Assets	<u>\$ 2,450,331</u>	<u>\$ 1,793,702</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Deferred auction revenue	\$ 461,728	\$ 313,965
Due to auction participant	3,000	-
Total Current Liabilities	<u>464,728</u>	<u>313,965</u>
Net Assets		
Temporarily Restricted Funds		
Project Funds-Central America		
El Salvador	146,040	53,127
Guatemala	701,272	554,965
Honduras	164,398	69,595
Nicaragua	93,877	26,369
Project Funds-United States	<u>880,016</u>	<u>775,680</u>
Total Net Assets	<u>1,985,603</u>	<u>1,479,737</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 2,450,331</u>	<u>\$ 1,793,702</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, 2010 and 2009, Including Operating Expenses

### 2010

	General Operating Fund	Temporarily Restricted Funds					
		El Salvador	Guatemala	Honduras	Nicaragua	United States	Total
<b>Revenues</b>							
Auction revenues							
El Salvador	\$ 200,616	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,616
Guatemala	999,243	-	-	-	-	-	999,243
Honduras	392,292	-	-	-	-	-	392,292
Nicaragua	214,472	-	-	-	-	-	214,472
Total Auction Revenues	1,806,623	-	-	-	-	-	1,806,623
Membership fees	25,000	-	-	-	-	-	25,000
Investment income	-	594	4,460	439	207	4,608	10,308
Total Revenues Collected	1,831,623	594	4,460	439	207	4,608	1,841,931
<b>Expenses Paid</b>							
Accounting and auditing	9,945	-	-	-	-	-	9,945
Advertising	17,150	-	-	-	-	-	17,150
Bank fees	3,316	-	-	-	-	-	3,316
Consulting and management fees	152,122	-	-	-	-	-	152,122
Licenses and filing fees	368	-	-	-	-	-	368
Meetings	4,931	-	-	-	-	-	4,931
Office supplies	-	-	-	-	-	-	-
Postage and delivery	4,685	-	-	-	-	-	4,685
Printing and reproduction	476	-	-	-	-	-	476
Project costs	-	-	278,086	92,541	34,750	725,000	1,130,377
Telephone	344	-	-	-	-	-	344
Travel and entertainment	2,227	-	-	-	-	-	2,227
Website expenses	10,123	-	-	-	-	-	10,123
Total Expenses Paid	205,687	-	278,086	92,541	34,750	725,000	1,336,064
Change in Net Assets	1,625,936	594	(273,626)	(92,102)	(34,543)	(720,392)	505,867
Transfer from general to temporarily restricted funds	(1,625,936)	92,319	419,933	186,905	102,051	824,728	-
Net Assets, Beginning of Year	-	53,127	554,965	69,595	26,369	775,680	1,479,736
Net Assets, End of Year	\$ -	\$ 146,040	\$ 701,272	\$ 164,398	\$ 93,877	\$ 880,016	\$ 1,985,603

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

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

**2009**

	General Operating Fund	Temporarily Restricted Funds					
		El Salvador	Guatemala	Honduras	Nicaragua	United States	Total
<b>Revenues</b>							
Auction revenues							
El Salvador	\$ 63,287	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,287
Guatemala	522,578	-	-	-	-	-	522,578
Honduras	197,623	-	-	-	-	-	197,623
Nicaragua	78,828	-	-	-	-	-	78,828
Total Auction Revenues	862,315	-	-	-	-	-	862,316
Membership fees	25,000	-	-	-	-	-	25,000
Investment income	-	32	4,165	106	63	6,431	10,797
Total Revenues Collected	887,315	32	4,165	106	63	6,431	898,113
<b>Expenses Paid</b>							
Accounting and auditing	7,738	-	-	-	-	-	7,738
Advertising	18,316	-	-	-	-	-	18,316
Bank fees	4,053	-	-	-	-	-	4,053
Consulting and management fees	152,595	-	-	-	-	-	152,595
Licenses and filing fees	371	-	-	-	-	-	371
Meetings	2,907	-	-	-	-	-	2,907
Office supplies	53	-	-	-	-	-	53
Postage and delivery	1,977	-	-	-	-	-	1,977
Printing and reproduction	465	-	-	-	-	-	465
Project costs	-	-	252,238	56,625	27,519	440,000	776,382
Telephone	373	-	-	-	-	-	373
Travel and entertainment	2,491	-	-	-	-	-	2,491
Website expenses	5,456	-	-	-	-	-	5,456
Total Expenses Paid	196,795	-	252,238	56,625	27,519	440,000	973,177
Change in Net Assets	690,521	32	(248,072)	(56,519)	(27,457)	(433,569)	(75,065)
Transfer from general to temporarily restricted funds	(690,521)	23,564	210,448	80,122	31,127	345,260	-
Net Assets, Beginning of Year	-	29,532	592,590	45,993	22,698	863,989	1,554,802
Net Assets, End of Year	\$ -	\$ 53,127	\$ 554,965	\$ 69,595	\$ 26,369	\$ 775,680	\$ 1,479,737

\*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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>Cash Flows From Operating Activities:</b>		
Net change in net assets	\$ 505,866	\$ (75,065)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Accounts receivable	(721)	(52)
Prepaid Projects	-	(1,036)
Increase (decrease) in:		
Deferred auction income	<u>150,763</u>	<u>200,012</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	655,909	123,859
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>1,767,187</u>	<u>1,643,328</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 2,423,095</u>	<u>\$ 1,767,187</u>

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

