

2011 ANNUAL REPORT

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.

TABLE OF CONTENTS

Mission Statement

- 1 Secretary's Letter
- 2 Directors and Officers
- 3 Open-Tender Process and Results
- 4 Disposition of Proceeds
- 5 Audited Financial Statements

1. SECRETARY'S LETTER

In 2011, CA-PEQ generated \$2.6 million in revenues from the auctions that were held. Revenues increased 43% from 2010 and projects funded by CA-PEQ amounted to more than \$1.6 million (see Figure A for distribution of funds) which were used to finance various activities, including:

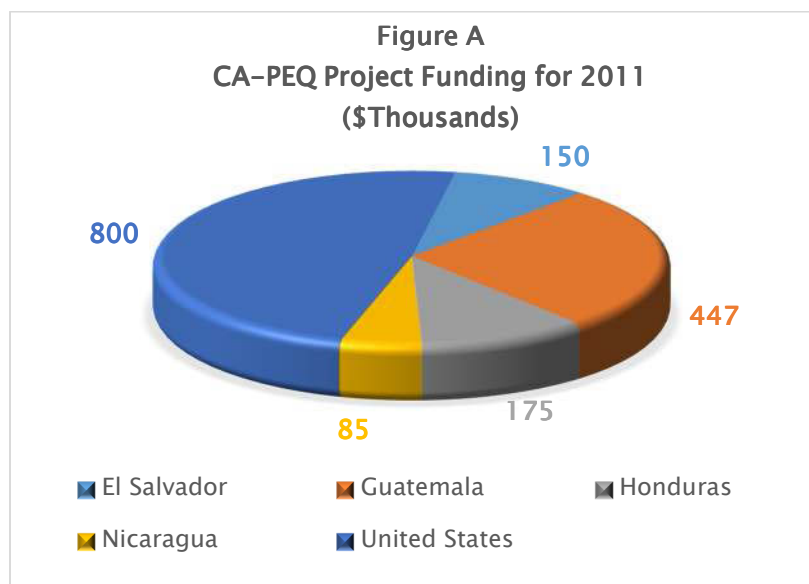
- ❖ Technical and financial support for Sanitary and Phytosanitary national programs (Central America);
- ❖ Technical training and certification for government officials and the poultry industry (El Salvador, Guatemala)
- ❖ Participation in local and international poultry fora (Honduras);
- ❖ Advertising campaigns (El Salvador, Guatemala); and
- ❖ Support for technical services, marketing and economic analysis programs (United States).

I would like to thank the Administrators at DTB Associates for a job well done, and the Board members for their support in making this a good year.

Sincerely,



Kevin Brosch, Secretary



2. DIRECTORS AND OFFICERS

Pursuant to CA-PEQ's bylaws and the 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 2011:

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

OFFICERS FOR 2011:

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

* During the 2011 Annual Meeting held on January 10, 2011 Mr. Rivera was designated for service on the Board by FEDAVIH for the 2012 term. In September of 2011 he was replaced by Mr. Discua as the new Chair of the Honduran Poultry Federation (FEDAVIH). Mr. Rivera remained alternate representative.

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 2011 total open tender receipts for the right to import CLQs duty free into El Salvador, Guatemala, Honduras and Nicaragua reached \$2.58 million. Total open tender revenues increased 43% from 2010. A combined quota of 21,810 metric tons (MT) was offered for auction, of which 82.8% was awarded. On a country by country basis, awarded certificates corresponded to Guatemala (71%), El Salvador (10%), Honduras (12%) and Nicaragua (7%), while their respective open tender revenues reached 25%, 21%, 36% and 18%. The highest average successful bid was \$438.98/MT and the lowest successful bid \$22.04/MT. See Table 1 on page 5 and Table 2 on page 6 for more information.

^[1] 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 2011

Country/Category	First Tranche	Second Tranche	Third Tranche	Fourth Tranche	Total
Guatemala	Nov 29 - Dec 10	Feb 18 - Mar 4	May 13 - May 27	Aug 22 - Sept 2	
Available Quota for Auction (MT)	4,137.00	4,137.00	4,137.00	4,137.00	16,548.00
Certificates Awarded (MT)	4,137.00	4,137.00	3,317.54	1,197.77	12,789.31
Average Successful Bid (\$/MT)	\$62.62	\$51.81	\$31.65	\$23.60	\$49.46
Lowest Successful Bid (\$/MT)	\$55.11	\$44.37	\$25.00	\$22.04	\$22.04
Auction Receipts	\$259,069.44	\$214,338.81	\$130,943.39	\$28,264.55	\$632,616.19
Honduras	Jan 24 - Feb 4	Mar 21 - April 1	May 27 - June 10		
Available Quota for Auction (MT)	713.00	713.00	712.00		2,138.00
Certificates Awarded (MT)	713.00	713.00	712.00		2,138.00
Average Successful Bid (\$/MT)	\$385.91	\$460.40	\$470.68		\$438.98
Lowest Successful Bid (\$/MT)	\$374.78	\$450.00	\$452.00		\$374.78
Auction Receipts	\$275,150.68	\$328,262.74	\$335,124.00		\$938,537.42
El Salvador	Mar 14 - 25	May 2 - 13	August 8 - 19		
Available Quota for Auction (MT)	619.00	618.00	618.00		1,855.00
Certificates Awarded (MT)	619.00	618.00	618.00		1,855.00
Average Successful Bid (\$/MT)	\$275.60	\$305.29	\$305.17		\$295.35
Lowest Successful Bid (\$/MT)	\$221.00	\$241.00	\$261.00		\$221.00
Auction Receipts	\$170,599.00	\$188,671.94	\$188,598.00		\$547,868.94
Nicaragua	Nov 19 - Dec 3	Jan 14 - 28			
Available Quota for Auction (MT)	635.00	634.00			1,269.00
Certificates Awarded (MT)	635.00	634.00			1,269.00
Average Successful Bid (\$/MT)	\$319.15	\$408.99			\$364.03
Lowest Successful Bid (\$/MT)	\$281.00	\$385.79			\$281.00
Auction Receipts	\$202,658.88	\$259,300.21			\$461,959.09
TOTAL RECEIPTS					\$2,580,981.64
YEAR-TO-DATE TONS AWARDED					18,051.31

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

CA-PEQ Central America Poultry Export Quota, Inc.

Table 2
CA-PEQ Open-Tender Auction Receipts and Certificates Awarded for 2011 (%)

Country	Certificates Awarded		Auction Receipts	
Guatemala	12,789.31 MT	70.85%	\$632,616.19	24.51%
El Salvador	1,855.00 MT	10.28%	\$547,868.94	21.23%
Honduras	2,138.00 MT	11.84%	\$938,537.42	36.36%
Nicaragua	1,269.00 MT	7.03%	\$461,959.09	17.90%
Total	18,051.31 MT	100.00%	\$2,580,981.64	100.00%

The list of winners in the open tenders held for 2011 are published on the CA-PEQ website. These winners were:

- Bassett & Walker, Inc. - Wilmington, DE
- Cargill Food Distribution - Wichita, KS
- Interra International, Inc. - Atlanta, GA
- Intervision Foods, LLC - Atlanta, GA
- Merinter, Inc. - Miami, FL
- Micro Steps, Inc. - Coral Gables, FL
- Northwestern Meat, Inc. - Miami, FL
- Seasun International, Inc. - Miramar, FL
- Unlimited Freight Consultants - 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 the proceeds were used in 2011.

CA-PEQ Central America Poultry Export Quota, Inc.

Country	CA-PEQ Funded Activities by Category
El Salvador	<p><u>Project 1</u>: “Prevention, control and eradication of Newcastle and highly pathogenic Avian Influenza Disease, aimed to officially declare El Salvador as a country free of both diseases and formally initiate the process to open new markets.” <u>CA-PEQ funds</u>: \$150,000</p> <p style="text-align: center;"><u>Total CA-PEQ funds for 2011: \$150,000</u></p> <p><u>Activities funded by category</u>:</p> <p><i>Educational, Scientific and Technical</i></p> <ol style="list-style-type: none"> 1. Support to the national poultry health program, a nationwide system of prevention, control and eradication of poultry diseases, a partnership between AVES and the Animal Health Department of the Ministry of Agriculture (MAG). Technical activities included: <ol style="list-style-type: none"> 1) signing of the official agreement between AVES and MAG; 2) review of sanitary plant regulation on avian diseases; 3) provision of diagnostic tests, laboratory analysis, vaccines and fertile eggs for field and research; and 4) provision of technical training targeting the private and public poultry sector.
Guatemala	<p><u>Project 1</u>: “Information, update and training for Avian Salmonella” <u>CA-PEQ funds</u>: \$45,000.00</p> <p><u>Project 2</u>: “Technical and financial cooperation for the poultry health program (PROSA) and consumer advertising campaign” <u>CA-PEQ funds</u>: \$401,765.05</p> <p style="text-align: center;"><u>Total CA-PEQ funds for 2011: \$446,765.05</u></p> <p><u>Activities funded by category</u>:</p> <p><i>Market Development</i></p> <ol style="list-style-type: none"> 1. A mass communication campaign nationwide that on a yearly basis promotes nutritional benefits and targets increased consumption of chicken meat. The campaign used television and radio advertising to reach the target audience. <p><i>Educational, Scientific and Technical</i></p> <ol style="list-style-type: none"> 2. Support for participation of public and private poultry representatives in international seminar on avian salmonellosis.

CA-PEQ Central America Poultry Export Quota, Inc.

Country	Funded Activities by Category
Guatemala (Cont.)	<p>3. 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. The project provided logistical and financial support to:</p> <ol style="list-style-type: none"> 1) purchase diagnostic tests; 2) maintain a nationwide monitoring system; and 3) mobilize technicians to monitoring areas.
Honduras	<p><u>Project</u>: “Keeping Honduras free from Newcastle and Avian Influenza disease” <u>CA-PEQ funds</u>: \$175,000.00</p> <p style="text-align: center;"><u>Total CA-PEQ funds for 2011: \$175,000.00</u></p> <p><u>Activities funded by category</u>:</p> <p><i>Educational, Scientific and Technical</i></p> <ol style="list-style-type: none"> 1. FEDAVIH has partnered with the Honduran National Animal Health Authority, SENASA, to help fund the National Poultry Health Program and the National Poultry Geographic reference program, among others. These programs aim to keep Honduras free from Newcastle, Avian Influenza and other diseases to facilitate the export of poultry products to the U.S. and Central America. For 2011 funds were provided to: <ol style="list-style-type: none"> 1) support Sanitary and Phytosanitary (SPS) legislation aimed to keep Honduras free of Newcastle and Avian Influenza disease and gain market access to the U.S. through DR-CAFTA; 2) purchase diagnostic tests, laboratory analyses, vaccines and pathogen free fertile eggs and monitoring geographic references; 3) participate in Central America’s SPS meetings and international workshops; and 4) fund technical field experts to oversee the overall poultry health strategy.
Nicaragua	<p><u>Project</u>: “Support to the Nicaraguan Annual Program on Avian Health and contract for specialized services” <u>CA-PEQ funds</u>: \$85,000</p> <p style="text-align: center;"><u>Total CA-PEQ funds for 2011: \$85,000.00</u></p>

CA-PEQ Central America Poultry Export Quota, Inc.

Country	Funded Activities by Category
Nicaragua	<p><u>Activities funded by category:</u></p> <p><i>Educational, Scientific and Technical</i></p> <ol style="list-style-type: none"> 1. ANAPA has signed several collaboration agreements with the Ministry of Agriculture and Forestry (MAG-FOR) to partially support the National Annual Program on Avian Health. This program helps preserve the sanitary status of Nicaragua as a country free of poultry diseases restrictive to trade, such as Newcastle disease, Avian Influenza, and Avian Infectious Laryngotracheitis. 2011 funds were used to: <ol style="list-style-type: none"> 1) finance the collection nationwide of blood samples; buy diagnostic tests; and perform laboratory analysis; and 2) help fund a technical coordinator to follow up on issues related to MAG-FOR's program.
United States	<p><u>Project 1:</u> "USAPEEC Marketing and Technical Programs Assistance." <u>CA-PEQ funds:</u> \$794,372.32</p> <p><u>Project 2:</u> "Infectious Bursal Disease (IBD) Study." <u>CA-PEQ funds:</u> \$6,000</p> <p style="text-align: center;"><u>Total CA-PEQ funds for 2011: \$800,372.32</u></p> <p><u>Activities funded by category:</u></p> <p><i>Market Development</i></p> <ol style="list-style-type: none"> 1. Continued support for USAPEEC's Marketing Programs by helping fund up the oversight of marketing programs in over 70 countries worldwide. Project included funding for five personnel. <p><i>Scientific and Technical</i></p> <ol style="list-style-type: none"> 2. Sustained funding for USAPEEC's Technical Services Program, a program that is key to resolve scientific or technical barriers to trade, and included one full-time staff position. 3. USAPEEC's Research and Economic Analysis program was partially funded by CA-PEQ. Use of funds included a full-time expert for economic analysis in target markets worldwide. 4. Funding for USAPEEC's Trade Policy Program, to better address the rising number of trade policy issues facing the U.S. poultry industry worldwide. Funds were used to hire one technical expert. 5. Additional funding for USAPEEC's Moscow Office to continue operations. 6. Supplementary funds provided to phase I of a research study on IBD aimed to lift specific markets restrictions.

CA-PEQ Central America Poultry Export Quota, Inc.

2. AUDITED FINANCIAL STATEMENTS

A. Statements of Financial Position / December 31, 2011 and 2010

	2011	2010
Assets		
Current Assets		
Cash in bank	\$ 3,690,618	\$ 2,423,095
Accounts receivable	50,551	26,200
Prepaid project costs	1,036	1,036
Total Current Assets	<u>\$ 3,742,205</u>	<u>\$ 2,450,331</u>
Liabilities and Net Assets		
Current Liabilities		
Deferred auction revenue	\$ 1,009,087	\$ 461,728
Due to auction participant	-	3,000
Total Current Liabilities	<u>1,009,087</u>	<u>464,728</u>
Net Assets		
Temporarily Restricted Funds		
Project Funds-Central America		
El Salvador	257,581	146,040
Guatemala	506,933	701,272
Honduras	443,807	164,398
Nicaragua	231,888	93,877
Project Funds-United States	<u>1,292,909</u>	<u>880,016</u>
Total Net Assets	<u>2,733,118</u>	<u>1,985,603</u>
Total Liabilities and Net Assets	<u>\$ 3,742,205</u>	<u>\$ 2,450,331</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, 2011 and 2010, Including Operating Expenses

2011

	General Operating Fund	Temporarily Restricted Funds					Total
		El Salvador	Guatemala	Honduras	Nicaragua	United States	
Revenues							
Auction revenues							
El Salvador	\$ 547,869	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 547,869
Guatemala	632,616	-	-	-	-	-	632,616
Honduras	938,537	-	-	-	-	-	938,537
Nicaragua	461,959	-	-	-	-	-	461,959
Total Auction Revenues	2,580,982	-	-	-	-	-	2,580,982
Membership fees	25,000	-	-	-	-	-	25,000
Investment income	-	855	6,517	741	763	7,235	16,111
Total Revenues Collected	2,605,982	855	6,517	741	763	7,235	2,622,092
Expenses Paid							
Accounting and auditing	8,277	-	-	-	-	-	8,277
Advertising	28,599	-	-	-	-	-	28,599
Bank fees	3,687	-	-	-	-	-	3,687
Consulting and management fees	151,961	-	-	-	-	-	151,961
Licenses and filing fees	419	-	-	-	-	-	419
Meetings	3,253	-	-	-	-	-	3,253
Postage and delivery	5,565	-	-	-	-	-	5,565
Printing and reproduction	3	-	-	-	-	-	3
Project costs	-	150,000	446,765	175,000	85,000	800,372	1,657,137
Telephone	242	-	-	-	-	-	242
Travel and entertainment	6,219	-	-	-	-	-	6,219
Website expenses	9,216	-	-	-	-	-	9,216
Total Expenses Paid	217,440	150,000	446,765	175,000	85,000	800,372	1,874,577
Change in Net Assets	2,388,542	(149,145)	(440,248)	(174,259)	(84,237)	(793,138)	747,515
Transfer from general to temporarily restricted funds	(2,388,542)	260,686	245,909	453,668	222,248	1,206,031	-
Net Change After Transfer	-	111,541	(194,339)	279,409	138,011	412,893	747,515
Net Assets, Beginning of Year	-	146,040	701,272	164,398	93,877	880,016	1,985,603
Net Assets, End of Year	\$ -	\$ 257,581	\$ 506,933	\$ 443,807	\$ 231,888	\$ 1,292,909	\$ 2,733,118

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

CA-PEQ Central America Poultry Export Quota, Inc.

2010

	General Operating Fund	Temporarily Restricted Funds					
		El Salvador	Guatemala	Honduras	Nicaragua	United States	Total
Revenues							
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
Expenses Paid							
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 Change After Transfer	-	92,913	146,307	94,803	67,508	104,336	505,867
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.

C. Statements of Cash Flows / Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities:		
Net change in net assets	\$ 747,515	\$ 505,866
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Accounts receivable	(24,351)	(721)
Increase (decrease) in:		
Deferred auction income	547,358	150,763
Due to auction participant	<u>(3,000)</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	1,267,523	655,908
Cash and Cash Equivalents at Beginning of Year	<u>2,423,095</u>	<u>1,767,187</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,690,618</u>	<u>\$ 2,423,095</u>

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

