



2012 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

CA-PEQ Central America Poultry Export Quota, Inc.

1. SECRETARY'S LETTER

2012 saw the open tender revenues of the Central American Poultry Export Quota, Inc. (CA-PEQ) grow to \$3.3 million. Projects funded by these revenues were valued at more than \$1.6 million and were used to finance various activities (see Figure A), including:

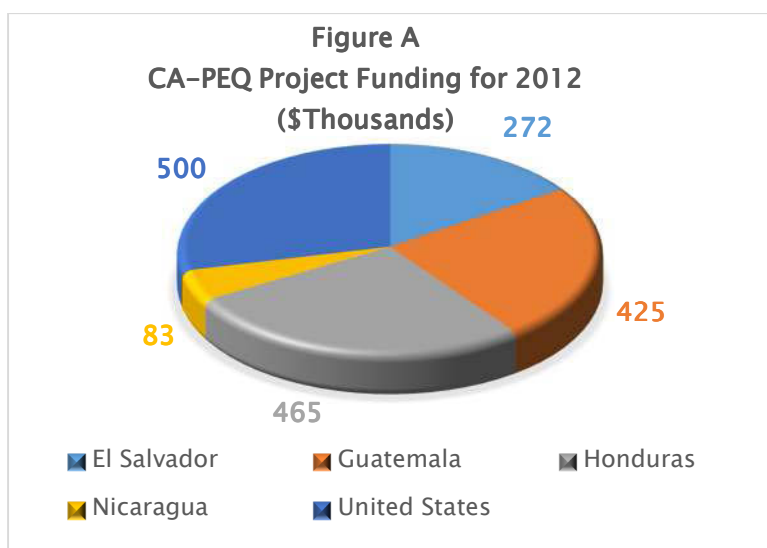
- ❖ Technical and financial support for Sanitary and Phytosanitary national programs (Central America);
- ❖ Technical training and certification for government officials and the poultry industry (Central America.);
- ❖ Provision of laboratory equipment and diagnosis tests (Guatemala, Honduras, Nicaragua);
- ❖ Participation in regional and international poultry fora (Nicaragua, Honduras);
- ❖ Marketing strategies and advertising campaigns (El Salvador, Guatemala); and
- ❖ Support for technical services, marketing and economic analysis programs (United States).

I wanted to thank the CA-PEQ Board for making 2012 the most successful year to date.

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 2012:

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

OFFICERS FOR 2012:

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

* During the 2012 Annual Meeting held on January 9, 2012 Mr. Discua was designated for service on the Board by FEDAVIH for the 2012 term. In April of 2012 he was replaced by Ms. Villela as the new Chair of the Honduran Poultry Federation (FEDAVIH). Mr. Adalberto Discua remained alternate representative.

3. OPEN-TENDER 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 2012, total open tender receipts for the right to import CLQs duty free into El Salvador, Guatemala, Honduras and Nicaragua reached \$3.26 million. Total open tender revenues increased 27% from 2011. A combined quota of 21,810 metric tons (MT) was offered for auction, of which 99% was awarded. On a country by country basis, awarded certificates corresponded to Guatemala (70%), El Salvador (11%), Honduras (12%) and Nicaragua (7%), while their respective open tender revenues reached 27%, 22%, 32% and 19%. The highest average successful bid was \$393.99/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 2012

Country/Category	First Tranche	Second Tranche	Third Tranche	Fourth Tranche	Total
Guatemala	Nov 28 - Dec 9	Feb 27 - Mar 9	May 21 - June 1	Aug 20 - 31	
Available Quota for Auction (MT)	3,808.00	3,808.00	3,808.00	3,808.00	15,232.00
Certificates Awarded (MT)	3,808.00	3,808.00	3,808.00	3,612.44	15,036.44
Average Successful Bid (\$/MT)	\$56.00	\$68.47	\$67.41	\$38.79	\$57.91
Lowest Successful Bid (\$/MT)	\$45.19	\$55.11	\$55.00	\$22.04	\$22.04
Auction Receipts	\$213,230.12	\$260,720.44	\$256,681.29	\$140,112.25	\$870,744.10
Honduras	Dec 5 - 16	March 5 - 16	May 7 - 18		
Available Quota for Auction (MT)	891.00	891.00	890.00		2,672.00
Certificates Awarded (MT)	891.00	891.00	890.00		2,672.00
Average Successful Bid (\$/MT)	\$310.80	\$405.44	\$465.81		\$393.99
Lowest Successful Bid (\$/MT)	\$264.45	\$375.00	\$441.00		\$264.45
Auction Receipts	\$276,923.51	\$361,248.83	\$414,567.00		\$1,052,739.34
El Salvador	Nov 28 - Dec 9	Feb 20 - March 2	May 14 - 24	Aug 13 - 24	
Available Quota for Auction (MT)	579.00	580.00	580.00	580.00	2,319.00
Certificates Awarded (MT)	579.00	580.00	580.00	580.00	2,319.00
Average Successful Bid (\$/MT)	\$293.99	\$246.86	\$313.06	\$401.00	\$313.73
Lowest Successful Bid (\$/MT)	\$50.00	\$50.00	\$287.00	\$401.00	\$50.00
Auction Receipts	\$170,220.00	\$143,180.00	\$181,560.00	\$232,580.00	\$727,540.00
Nicaragua	Dec 5 - 16	Mar 12 - 23			
Available Quota for Auction (MT)	799.00	788.00			1,587.00
Certificates Awarded (MT)	799.00	788.00			1,587.00
Average Successful Bid (\$/MT)	\$436.44	\$338.84			\$387.98
Lowest Successful Bid (\$/MT)	\$351.00	\$259.00			\$259.00
Auction Receipts	\$348,713.05	\$267,008.27			\$615,721.32
YEAR-TO-DATE RECEIPTS					\$3,266,744.76
YEAR-TO-DATE TONS AWARDED					21,614.44

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

Table 2
CA-PEQ Open-Tender Auction Receipts and Certificates Awarded for 2012 (%)

Country	Certificates Awarded		Auction Receipts	
Guatemala	15,036.44 MT	69.6%	\$870,744.10	26.6%
El Salvador	2,319.00 MT	10.7%	\$727,540.00	22.3%
Honduras	2,672.00 MT	12.4%	\$1,052,739.34	32.2%
Nicaragua	1,587.00 MT	7.3%	\$615,721.32	18.9%
	21,614.44 MT	100.00%	\$3,266,744.76	100.00%

The list of winners in the open tenders held for 2012 are published on CA-PEQ website. These winners were:

- Boston Agrex, Inc. - Norwell, MA
- Bassett & Walker - Wilmington, DE
- Cargill Food Distribution - Wichita, KS
- Florida International Trade, Inc. - Miami, FL
- Northwestern Meat, Inc. - Miami, FL
- Hakan USA Inc. - Broadway, VA
- Intertrade Purchasing & Consulting, Inc. - Miami, FL
- Interra International, Inc. - Atlanta, GA
- Intervision Foods, LLC - Atlanta, GA
- Merinter, Inc. - Miami, FL
- Xaris International - Buford, GA

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 2012.

CA-PEQ Central America Poultry Export Quota, Inc.

Country	CA-PEQ Funded Activities by Category
El Salvador	<p><u>Project:</u> “Technical and financial cooperation, poultry and egg health program and consumer and advertising campaign.” <u>CA-PEQ funds:</u> \$272,000</p> <p style="text-align: center;"><u>Total CA-PEQ funds for 2012: \$272,000</u></p> <p><u>Activities funded by category:</u></p> <p><i>Market Development</i></p> <ol style="list-style-type: none"> 1. An integrated media and marketing strategy (radio, internet, pda, and interactive campaigns) was developed to communicate the benefits of poultry products consumption. The campaign aimed to improve product image and achieve higher product expansion and penetration. <p><i>Educational, Scientific and Technical</i></p> <ol style="list-style-type: none"> 2. Support to the national poultry health program, a nationwide system of prevention, control and eradication of poultry diseases, which is a partnership between AVES and the Animal Health Department of the Ministry of Agriculture (MAG). Technical activities for 2012 included: <ol style="list-style-type: none"> 1) a national policy of movement and transportation control established for live poultry, and poultry and egg products; 2) identified areas that are free of the abovementioned pathogens for a certification program; 3) private veterinarians and laboratories certification; and 4) technical training for emergency testing and response, and for biosafety.
Guatemala	<p><u>Project:</u> “Technical and financial cooperation for the poultry health program and consumer advertising campaign.” <u>CA-PEQ funds:</u> \$425,036</p> <p style="text-align: center;"><u>Total CA-PEQ funds for 2012: \$425,036</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 developed nationwide under the slogan “Coma Sano, Coma Pollo” (Eat Healthy, Eat Chicken). On a yearly basis, this campaign promotes nutritional benefits and targets increased consumption of chicken meat, through radio, billboards and point of purchase advertising. <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.

CA-PEQ Central America Poultry Export Quota, Inc.

Country	Funded Activities by Category
Guatemala (Cont.)	<p>The project in 2012 provided logistical and financial support to:</p> <ol style="list-style-type: none"> 1) purchase equipment and diagnostic tests, manage waste services and offer technical training; 2) conclude activities to declare “Peten” a free zone of Low Pathogenic Avian Influenza; 3) implement a monitoring system nationwide to comply with the dispositions of the World Organization of Animal Health (OIE); and 4) strengthen epidemiological monitoring at border controls to prevent the entry of poultry diseases.
Honduras	<p><u>Project:</u> “Keep Honduras free from New Castle and Avian Influenza Diseases; comply with USDA requirements to export poultry meat to the U.S. under CAFTA-DR; and professional development program for the poultry industry.”</p> <p><u>CA-PEQ funds:</u> \$465,000</p> <p style="text-align: center;"><u>Total CA-PEQ funds for 2012: \$465,000</u></p> <p><u>Activities funded by category:</u></p> <p><i>Market Development</i></p> <ol style="list-style-type: none"> 1. The design, development and implementation of the national poultry federation website. <p><i>Educational, Scientific and Technical</i></p> <ol style="list-style-type: none"> 2. 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. 2012 funds were used to: <ol style="list-style-type: none"> 1) purchase diagnostic tests, vaccines and pathogen free fertile eggs; 2) conduct laboratory analyses and field monitoring activities; and 3) fund technical field experts and a consultant to oversee the overall poultry health strategy. 3. Technical training on Avian Influenza and biosafety measures was provided to poultry association members and SENASA. 4. FEDAVIH’s participation in regional meetings related to health poultry issues of the Central America Customs Union, and the free trade agreements with Mexico and DR-CAFTA.

CA-PEQ Central America Poultry Export Quota, Inc.

Country	Funded Activities by Category
Nicaragua	<p><u>Project:</u> “ANAPA’s support for enhancing regional trade capabilities, animal health status recognition, education and participation in international poultry organizations.”</p> <p><u>CA-PEQ funds:</u> \$82,850</p> <p style="text-align: center;"><u>Total CA-PEQ funds for 2012: \$82,850</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. ANAPA has signed several collaboration agreements with the Ministry of Agriculture and Forestry (MAG-FOR) to help 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. 2012 funds served to finance the update of serologic patterns on Newcastle disease and to carry out one of the three field monitoring samples required per year to verify health status. 2. CA-PEQ helped fund a technical coordinator to follow up on issues related to animal health and food safety with respect to the MAG-FOR, and the National Technical Commission on Avian Health for the Regional Organization for Plant and Animal Health (OIRSA). 3. ANAPA’s participation in the International Poultry Council (IPC) including membership dues and meeting attendance.
United States	<p><u>Project:</u> “USAPEEC Marketing and Technical Programs Assistance.”</p> <p><u>CA-PEQ funds:</u> \$500,000</p> <p style="text-align: center;"><u>Total CA-PEQ funds for 2012: \$500,000</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 help fund the oversight of marketing programs in over 70 countries worldwide. Project included funding for four 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, which 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.

5. AUDITED FINANCIAL STATEMENTS

A. Statements of Financial Position / December 31, 2012 and 2011

	2012	2011
Assets		
Current Assets		
Cash in bank	\$ 5,121,142	\$ 3,690,617
Accounts receivable	38,048	63,051
Prepaid project costs	-	1,036
Total Current Assets	<u>\$ 5,159,190</u>	<u>\$ 3,754,704</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 6,714	\$ -
Deferred auction revenue	1,080,324	1,009,087
Total Current Liabilities	<u>1,087,038</u>	<u>1,009,087</u>
Net Assets		
Temporarily Restricted Funds		
Project Funds-Central America		
El Salvador	336,391	257,660
Guatemala	440,536	507,080
Honduras	488,329	443,917
Nicaragua	447,823	231,973
Project Funds-United States	2,359,073	1,304,987
Total Net Assets	<u>4,072,152</u>	<u>2,745,617</u>
Total Liabilities and Net Assets	<u><u>\$ 5,159,190</u></u>	<u><u>\$ 3,754,704</u></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, 2012 and 2011, Including Operating Expenses

2012

	General Operating Fund	Temporarily Restricted Funds					
		El Salvador	Guatemala	Honduras	Nicaragua	United States	Total
Revenues							
Auction revenues							
El Salvador	\$ 727,540	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 727,540
Guatemala	870,744	-	-	-	-	-	870,744
Honduras	1,052,739	-	-	-	-	-	1,052,739
Nicaragua	615,721	-	-	-	-	-	615,721
Total Auction Revenues	3,266,744	-	-	-	-	-	3,266,744
Membership fees	37,500	-	-	-	-	-	37,500
Investment income	-	865	2,516	485	697	6,139	10,702
Total Revenues Collected	3,304,244	865	2,516	485	697	6,139	3,314,946
Expenses Paid							
Accounting and auditing	7,507	-	-	-	-	-	7,507
Advertising	28,047	-	-	-	-	-	28,047
Bank fees	2,672	-	-	-	-	-	2,672
Consulting and management fees	157,516	-	-	-	-	-	157,516
Legal fees	21,178	-	-	-	-	-	21,178
Licenses and filing fees	370	-	-	-	-	-	370
Meetings	5,232	-	-	-	-	-	5,232
Postage and delivery	7,849	-	-	-	-	-	7,849
Printing and reproduction	958	-	-	-	-	-	958
Project costs	-	272,000	425,036	465,000	82,850	500,000	1,744,886
Telephone	338	-	-	-	-	-	338
Travel and entertainment	2,906	-	-	-	-	-	2,906
Website expenses	8,952	-	-	-	-	-	8,952
Total Expenses Paid	243,525	272,000	425,036	465,000	82,850	500,000	1,988,411
Change in Net Assets	3,060,719	(271,135)	(422,520)	(464,515)	(82,153)	(493,861)	1,326,535
Transfer from general to temporarily restricted funds	(3,060,719)	349,866	355,976	508,927	298,003	1,547,947	-
Net Change After Transfer	-	78,731	(66,544)	44,412	215,850	1,054,086	1,326,535
Net Assets, Beginning of Year	-	257,660	507,080	443,917	231,973	1,304,987	2,745,617
Net Assets, End of Year	\$ -	\$ 336,391	\$ 440,536	\$ 488,329	\$ 447,823	\$ 2,359,073	\$ 4,072,152

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

CA-PEQ Central America Poultry Export Quota, Inc.

2011

	General Operating Fund	Temporarily Restricted Funds					
		El Salvador	Guatemala	Honduras	Nicaragua	United States	Total
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	2,580,981	-	-	-	-	-	2,580,981
Membership fees	37,500	-	-	-	-	-	37,500
Investment income	-	855	6,517	741	763	7,235	16,111
Total Revenues Collected	2,618,481	855	6,517	741	763	7,235	2,634,592
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	217,441	150,000	446,765	175,000	85,000	800,372	1,874,578
Change in Net Assets	2,401,040	(149,145)	(440,248)	(174,259)	(84,237)	(793,137)	760,014
Transfer from general to temporarily restricted funds	(2,401,040)	260,765	246,056	453,778	222,333	1,218,108	-
Net Change After Transfer	-	111,620	(194,192)	279,519	138,096	424,971	760,014
Net Assets, Beginning of Year	-	146,040	701,272	164,398	93,877	880,016	1,985,603
Net Assets, End of Year	\$ -	\$ 257,660	\$ 507,080	\$ 443,917	\$ 231,973	\$ 1,304,987	\$ 2,745,617

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CA-PEQ Central America Poultry Export Quota, Inc.

C. Statements of Cash Flows / Years ended December 31, 2012 and 2011

	2012	2011
Cash Flows From Operating Activities:		
Net change in net assets	\$ 1,326,535	\$ 760,014
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Accounts receivable	25,003	(36,851)
Prepaid project costs	1,036	-
Increase (decrease) in:		
Accounts payable	6,714	
Deferred auction income	71,237	547,359
Due to auction participant	-	(3,000)
Net Cash Provided (Used) by Operating Activities	<u>1,430,525</u>	<u>1,267,522</u>
Cash and Cash Equivalents at Beginning of Year	<u>3,690,617</u>	<u>2,423,095</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,121,142</u>	<u>\$ 3,690,617</u>

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