



COLOMBIA POULTRY EXPORT QUOTA, INC.

2016 ANNUAL REPORT



MISSION STATEMENT

The Colombia Poultry Export Quota, Inc. (COLOM-PEQ) is a not-for-profit corporation established to manage on an open tender basis the tariff-rate quotas (TRQs) for chicken leg quarters (CLQs) granted by the Republic of Colombia to the United States under the terms of the United States-Colombia Trade Promotion Agreement (CTPA). COLOM-PEQ then distributes the proceeds of the tender process to fund: (1) market access, market promotion, educational, scientific and technical projects to benefit the United States poultry industry, and (2) market access, market promotion, educational, capacity building, competitiveness, scientific and technical projects to benefit the poultry industry of Colombia.

* COLOM-PEQ's mission was established under the terms of an Export Trade Certificate of Review, issued by the U.S. Department of Commerce on August 14, 2012 and published in the Federal Register on September 4, 2012/ Vol. 77, No. 171/Notices, pp 53865-53867.

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1. Chairman's Letter

In 2016, COLOM-PEQ held four open tenders for export of chicken leg quarters (CLQs) to Colombia for a total duty-free tariff rate quota (TRQ) of 31,633 metric tons (MT) as established in the United States-Colombia Trade Promotion Agreement (CTPA). Total auction receipts of \$1.9 million were four times higher than in 2015, and were driven by favorable market conditions and increased product demand.

COLOM-PEQ funded market promotion projects in Colombia for a total of \$197,738 in 2016. Project activities included:

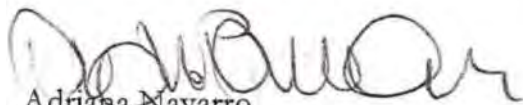
- ❖ Market study on chicken consumption by region;
- ❖ Production of science-based book “Chicken meat and health, best friends;” and
- ❖ “Chicken Festival” market promotion

COLOM-PEQ's bylaws state that the chairmanship and vice-chairmanship are to be rotated on a yearly basis among its member associations. During COLOM-PEQ's board meeting of November 3, 2015 the Board appointed Mr. Lawrence Lieberman from USAPEEC and Ms. Adriana Navarro from FENAVI as Chairman and Vice-Chairwoman, respectively, for the 2016 term. I am delighted to be currently the serving as Chairwoman for the 2017 term.

I wanted to take this opportunity to thank the governments of the United States and Colombia as well as the member associations for their support of COLOM-PEQ's mission throughout 2016.

I look forward to continue working with the board in 2017 to achieve another successful year for this unique organization.

Sincerely,



Adriana Navarro
Chairwoman 2017

2. Directors and Officers

Pursuant to COLOM-PEQ's bylaws and the Export Trade Certificate of Review (ETCR) approved by the U.S. Department of Commerce, the members of COLOM-PEQ are the national trade associations representing the poultry industries of the United States, USA Poultry and Egg Export Council (USAPEEC), and Colombia, Federacion Nacional de Avicultores de Colombia (FENAVI). A six-member Board of Directors appointed by these associations governs COLOM-PEQ.

DIRECTORS FOR 2016:



Lawrence Lieberman
Chairman
USAPEEC – United States



Adriana Navarro
Vice-Chairwoman
FENAVI - Colombia



Andres Valencia
Director
FENAVI - Colombia



Fernando Avila
Director
FENAVI - Colombia



Saher Rizk
Director
USAPEEC – United States



James Sumner
Director
USAPEEC – United States

OFFICERS FOR 2016:

On November 3, 2015 Mr. Lieberman from USAPEEC and Ms. Navarro from FENAVI were elected to serve as Chairman and Vice-Chairwoman, respectively, of the COLOM-PEQ board for the 2016 term. On January 4, 2017 Ms. Navarro and Mr. Saher Rizk from USAPEEC were appointed Chairwoman and Vice-Chairman, respectively, for the 2017 term, and they were ratified in their positions during the Annual and Board Meeting of May 19, 2017, held in Medellin, Colombia. At this same meeting, Mr. Mateo Paz-Soldan and Ms. Violeta Gutierrez from DTB Associates LLP were appointed as Secretary and Treasurer respectively for the 2017 term. DTB Associates LLP is the firm acting as Administrator since February 1, 2017. Administrative duties were previously held by Economic Consulting Services LLC.

3. Open-Tender Process and Results

Under the terms of the ETCR and the CTPA, COLOM-PEQ is tasked with managing the TRQ for CLQs established for Colombia on a yearly basis.¹ COLOM-PEQ, through an independent Administrator, manages this TRQ through an open tender process, or auction, in which certificates for duty-free shipments of CLQs are awarded to the highest bidders, pursuant to ETCR requirements. Notice of each open tender process is published in advance both in the United States and Colombia. Bid specifications and contents are included in the notice and also published on the COLOM-PEQ website. Once the open tender period closes, 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 COLOM-PEQ website. Open tender proceeds are then maintained in an interest-bearing bank account until funding requests by the participating member associations are approved by the COLOM-PEQ Board (see Section 4). In the case of FENAVI, its proposed projects must also be approved by the Ministry of Agriculture and Rural Development of Colombia.

Four open tenders were held for shipment of CLQ TRQs to Colombia in 2016 generating a total of \$1,925,087.09 in auction receipts, an increase of four times compared to 2015. The full TRQ of 31,633 metric tons (MT) assigned for 2016² was awarded to winning bidders. 1,303.45 MT of CLQ TRQ that could not be allocated in the third tranche, was reoffered for auction in addition to the 7,909 MT established for the fourth tranche. The highest average successful bid was \$77.89/MT and the lowest successful bid \$44.08/MT. See Table 1.

¹ See General Notes and Appendix 1 – Chicken Leg Quarters (Bone-in), Annex 2.3-COLOMBIA-Appendix I-4 of the text of the US-Colombia Trade Promotion Agreement.

² See U.S.-Colombia Trade Promotion Agreement, Annex 2.3-COLOMBIA-Appendix I-4, Paragraph 6(a).

Table 1
COLOM-PEQ Open-Tender Results for 2016

Category	First Tranche Dec 10, 2015	Second Tranche Mar 10, 2016	Third Tranche June 9, 2016	Fourth Tranche Sept 15, 2016	Total
Available TRQ for Auction (MT)	7,908.00	7,908.00	7,908.00	9,212.45	32,936.45
Certificates Awarded (MT)	7,908.00	7,908.00	6,604.55	9,212.45	31,633.00
Average Successful Bid (\$/MT)	\$54.58	\$77.89	\$56.58	\$54.69	\$60.86
Lowest Successful Bid (\$/MT)	\$47.00	\$67.00	\$45.00	\$44.08	\$44.08
Auction Receipts (\$)	\$431,618.64	\$615,654.12	\$373,685.55	\$503,828.78	\$1,925,087.09
YEAR-TO-DATE RECEIPTS					\$1,925,087.09
YEAR-TO-DATE TRQ AWARDED (MT)					31,633.00
YEAR-TRQ (MT)					31,633.00

*Data compiled from COLOM-PEQ’s audited financial statements and published information at www.colom-peq.org

The list of winners in the open tenders held for 2016 are published on the COLOM-PEQ website. These winners were:

- AJC International, Inc. – Atlanta, GA
- Alexis Aristizabal – Delray Beach, FL
- Andes Global Trading LLC – Miami, FL
- Bassett & Walker, Inc. – Wilmington, DE
- CGA Trading Inc. – Doral, FL
- Future Beef Partners, Ltd. – Wilmington, DE
- Gerber Agri International, LLC – Atlanta, GA
- Intech Suppliers, LLC – Weston, FL
- Kalypac International, Inc. – Miami, FL
- MaiteSandro Business Group, Inc. – Miami Shores, FL
- Merinter Inc. – Miami, FL
- MGG Group LLC – Miami, FL
- Nowaco USA Inc. – Houston, TX Quirch Foods, Co. – Coral Gables, FL
- South Florida Foods International, Inc. – Doral, FL
- Tomex Foods, Inc. – Glen Ellyn, IL
- USA Food Trading LLC – Champions Gate, FL
- Xmart LLC – Miami, FL
- Walter Morales – Doral, FL

4. Reporting and Outreach

As established in COLOM-PEQ's ETCR, an important part of the corporation's responsibilities include maintaining the governments of the United States and Colombia informed of open-tender results, the dates selected for open tenders, and other key issues impacting the corporation. In addition, COLOM-PEQ must comply with annual reporting requirements before the U.S. Department of Commerce and the U.S. Internal Revenue Service, and with requests for information by government authorities of the United States and Colombia.

5. Disposition of Proceeds

COLOM-PEQ's ETCR requires that the proceeds of the open tender process are to be applied and distributed to the poultry industries of the United States and Colombia on a fifty percent (50%) basis each, to fund (1) market access, market promotion, educational, scientific and technical projects to benefit the United States poultry industry, and (2) market access, market promotion, educational, capacity building, competitiveness, scientific and technical projects to benefit the poultry industry of Colombia.³ After paying operating expenses at the end of each year, the Administrator distributes the remaining proceeds to fund projects in the abovementioned categories. These distributions are made after funding requests by member associations are evaluated and approved by the Board based on compliance with ETCR requirements.

In 2016, FENAVI, the Colombian member, obtained approvals from the COLOM-PEQ board and the Ministry of Agriculture and Rural Development of Colombia for disbursement of \$197,738 to fund the following project: "Chicken Program: Market Research and Market Promotion." This project aimed to explore trends in purchases and consumption behavior of customers of chicken meat. COLOM-PEQ funding also supported a nationwide promotion campaign to increase chicken meat consumption. The following is a description of the activities funded under this project:

Market Promotion and Educational

1. **A market study for poultry products nationwide** that researched marketing parameters such as penetration, purchasing power, buying preferences, brand fidelity, frequency of consumption and position against other meats, among others, from a sample of 4,000 households in nine major cities representing a universe of almost 4 million households. The study found that chicken meat stands for 40% of meat consumption nationwide and that growth was driven by consumption in middle income families nationwide, as well as the population of the cities of Medellin and Cali. Results were shared with members of FENAVI.

³ See: Federal Register of September 4, 2012/ Vol. 77, No. 171, pp. 53866.

2. **Publication of book called “Chicken meat and health, best friends,”** which contains scientific articles from prestigious Colombian academics in the field of nutrition, and is delivered through professional workshops. The publication supported efforts of the Colombian Endocrinology Association with regard to the nutritional value of chicken consumption. The publication also served to counter social beliefs that poultry is raised using hormones, and made the point that chicken meat consumption does not have adverse health and developmental impacts. See Figure A.

Figure A
“Chicken meat and health, best friends”



Source: acomerpollo.com – FENAVI

3. **Nationwide promotion campaign “Chicken Festival,”** under the logo “A comer pollo!” (Let’s eat chicken!), this publicity campaign ran nationwide between August-September 2016 through traditional media (billboards, flyers, banners, etc) in five major retail chains, bus stops, including the “transmilenio” bus system in Bogota, and the “metro” or subway in Medellin. The campaign achieved 79% of brand recall after the campaign. See Figure B.

Figure B
“Chicken Festival” – “Let’s Eat Chicken!” Campaign
 Metro (Subway) in Medellin Armenia Region



Figure B
“Chicken Festival” – “Let’s Eat Chicken!” Campaign (continuation)

Transmilenio Bogota



Megabus Pereira



Source: FENAVI

6. Audited Financial Statements

A. Statements of Financial Position / December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash in bank	\$ 3,265,567	\$ 1,499,146
Accounts receivable	1,337	2,653
Prepaid expenses	<u>515</u>	<u>546</u>
Total Current Assets	<u>3,267,419</u>	<u>1,502,345</u>
TOTAL ASSETS	<u>\$ 3,267,419</u>	<u>\$ 1,502,345</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 14,475	\$ 506
Deferred auction revenue	<u>579,780</u>	<u>431,633</u>
Total Current Liabilities	<u>594,255</u>	<u>432,139</u>
Net Assets		
Temporarily Restricted Funds		
Project Funds - Colombia	1,237,713	535,103
Project Funds - United States	<u>1,435,451</u>	<u>535,103</u>
Total Net Assets	<u>2,673,164</u>	<u>1,070,206</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,267,419</u>	<u>\$ 1,502,345</u>

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

**B. Statement of Activities and Changes in Net Assets / Years ended
December 31, 2016 and 2015, Including Operating Expenses**

2016

	<u>Temporarily Restricted Funds</u>			<u>Total</u>
	<u>General Operating Fund</u>	<u>Colombia</u>	<u>United States</u>	
Revenues				
Auction revenues	\$ 1,925,088	\$ -	\$ -	\$ 1,925,088
Membership fees	1,500	-	-	1,500
Interest income	8,025	-	-	8,025
Total Revenues	<u>1,934,613</u>	<u>-</u>	<u>-</u>	<u>1,934,613</u>
Expenses				
Accounting and auditing	6,206	-	-	6,206
Auction advertising	4,000	-	-	4,000
Bank fees	840	-	-	840
Consulting and management fees	78,636	-	-	78,636
Insurance	1,242	-	-	1,242
Legal fees	12,800	-	-	12,800
Licenses and filing fees	210	-	-	210
Office expense	885	-	-	885
Project costs	-	197,738	-	197,738
Postage and delivery	8,179	-	-	8,179
Telephone	456	-	-	456
Travel	19,781	-	-	19,781
Website expenses	682	-	-	682
Total Expenses	<u>133,917</u>	<u>197,738</u>	<u>-</u>	<u>331,655</u>
Change in Net Assets	1,800,696	(197,738)	-	1,602,958
Transfer from general to temporarily restricted funds	(1,800,696)	900,348	900,348	-
Net Change After Transfer	-	702,610	900,348	1,602,958
Net Assets, Beginning of Year	-	535,103	535,103	1,070,206
Net Assets, End of Year	<u>\$ -</u>	<u>\$ 1,237,713</u>	<u>\$ 1,435,451</u>	<u>\$ 2,673,164</u>

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

2015

	<u>Temporarily Restricted Funds</u>			
	General Operating Fund	Colombia	United States	
Revenues				
Auction revenues	\$ 476,346	\$ -	\$ -	\$ 476,346
Membership fees	1,500	-	-	1,500
Total Revenues	<u>477,846</u>	<u>-</u>	<u>-</u>	<u>477,846</u>
Expenses				
Accounting and auditing	5,035	-	-	5,035
Auction advertising	3,975	-	-	3,975
Bank fees	328	-	-	328
Consulting and management fees	70,482	-	-	70,482
Insurance	1,242	-	-	1,242
Legal fees	12,255	-	-	12,255
Licenses and filing fees	309	-	-	309
Office expense	288	-	-	288
Postage and delivery	5,200	-	-	5,200
Telephone	154	-	-	154
Travel	9,036	-	-	9,036
Website expenses	634	-	-	634
Total Expenses	<u>108,938</u>	<u>-</u>	<u>-</u>	<u>108,938</u>
Change in Net Assets	368,908	-	-	368,908
Transfer from general to temporarily restricted funds	<u>(368,908)</u>	<u>184,454</u>	<u>184,454</u>	<u>-</u>
Net Change After Transfer	-	184,454	184,454	368,908
Net Assets, Beginning of Year	-	350,649	350,649	701,298
Net Assets, End of Year	<u>\$ -</u>	<u>\$ 535,103</u>	<u>\$ 535,103</u>	<u>\$ 1,070,206</u>

*Information in this annual report is compiled from COLOM-PEQ's audited financial statements.

C. Statements of Cash Flows / Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,602,958	\$ 368,908
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Accounts receivable	1,316	(1,153)
Prepaid expenses	31	-
Increase (decrease) in:		
Deferred auction income	148,147	182,104
Accounts payable and accrued expenses	<u>13,969</u>	<u>(7,047)</u>
Net Cash Provided (Used) by Operating Activities	1,766,421	542,812
Cash and Cash Equivalents at Beginning of Year	<u>1,499,146</u>	<u>956,334</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,265,567</u>	<u>\$ 1,499,146</u>

*Information in this annual report is compiled from COLOM-PEQ's audited financial statements.

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