

# Colombia Poultry Export Quota, Inc.

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2017 ANNUAL REPORT



# **COLOM-PEQ** Colombia Poultry Export Quota, Inc.

Colombia Poultry Export Quota, Inc. c/o DTB Associates, LLP  
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# 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. In this manner, COLOM-PEQ fosters the cooperation and integration of the poultry industries of both Colombia and the United States.

\* 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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***COLOM-PEQ Annual & Board Meeting, June 2018  
New Orleans, United States***

## 1. Chairman's Letter

In 2017, COLOM-PEQ held four open tenders for export of chicken leg quarters (CLQs) to Colombia under a total duty-free tariff rate quota (TRQ) of 32,898 metric tons (MT) as established in the United States-Colombia Trade Promotion Agreement (CTPA). The total awarded TRQ, amounting to 23,379 MT, represented 70% of the total TRQ. Total auction receipts amounted to \$1.56 million, an 18 percent decrease from 2016.

Under the terms of its Export Trade Certificate of Review (ETCR), COLOM-PEQ disbursed funds for two projects to its members, Federacion Nacional de Avicultores de Colombia (FENAVI) and USA Poultry and Egg Export Council (USAPEEC). FENAVI requested \$255,667 to continue its Chicken Program, which included a campaign to promote poultry consumption in major Colombian cities and a market research study on meat consumption. USAPEEC requested \$30,000 to contribute aid for the victims of the April 2017 mudslides in the Colombian farming region of Mocoa, and to participate in the International Poultry Council meetings held in Cartagena, Colombia.

More broadly, COLOM-PEQ has also served as a platform for collaboration between the Colombian and U.S. poultry industries. USAPEEC President James Sumner recently stated that through COLOM-PEQ, "USAPEEC's relationship with FENAVI has extended beyond trade and business, and [the] two organizations have begun to develop a bond that is bringing our industries together in a mutually supportive way."

In January, pursuant to COLOM-PEQ's bylaws, the Board appointed and welcomed Ms. Adriana Navarro from FENAVI and Mr. Saher Rizk from USAPEEC as Chairwoman and Vice-Chairman for the 2017 term, respectively. In February, COLOM-PEQ welcomed DTB Associates, LLP as its new Administrator. At COLOM-PEQ's Annual Board Meeting in May in Medellin, Colombia, Mr. Mateo Paz-Soldan and Ms. Violeta Gutierrez from DTB were appointed as Secretary and Treasurer, respectively.

Under Ms. Navarro's guidance, a number of important actions were taken by COLOM-PEQ to improve its management and operations, including the preparation of COLOM-PEQ's corporate annual reports; the adoption of a conflicts of interest policy and website policies; the adoption of new membership dues; and the strengthening of communication and coordination with Colombian customs officials.

I am honored to have been appointed to serve as Chairman for the 2018 term. The governments of the United States and Colombia, as well as the member associations, deserve my most sincere thanks and praise for their support of and dedication to COLOM-PEQ's mission throughout 2017. I look forward to working with the board in 2018 to ensure the organization's continued success.

Sincerely,



Saher Rizk  
COLOM-PEQ Chairman 2018

## 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 the Republic of Colombia, Federacion Nacional de Avicultores de Colombia (FENAVI). A six-member Board of Directors appointed by these associations governs COLOM-PEQ.

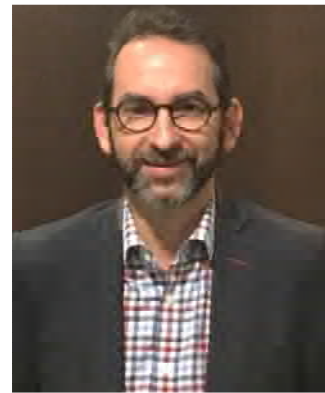
### Directors for 2017



**Adriana Navarro**  
2017 Chairwoman  
FENAVI - Colombia



**Saher Rizk**  
2017 Vice Chairman  
USAPEEC – United States



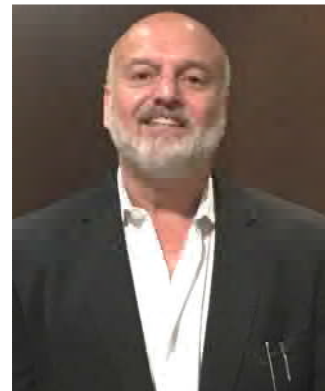
**Andres Valencia**  
Director  
FENAVI - Colombia



**Fernando Avila**  
Director  
FENAVI - Colombia



**James H. Sumner**  
Director  
USAPEEC – United States



**Lawrence Lieberman**  
Director  
USAPEEC – United States

## Officers for 2017

In addition to Ms. Navarro who served as Chairwoman and Mr. Rizk who served as Vice-Chairman, Mateo Paz-Soldan and Violeta Gutierrez from DTB Associates, LLP, COLOM-PEQ's Administration, served as Secretary and Treasurer, respectively.



**Mateo Paz-Soldan**  
Secretary  
*DTB Associates, LLP*



**Violeta Gutierrez**  
Treasurer  
*DTB Associates, LLP*

### 3. Open-Tender Processes 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.<sup>1</sup> 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, 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 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.

<sup>1</sup> 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.

The TRQ for CLQs agreed to by both governments for 2017 was 32,898 metric tons (MT).<sup>2</sup> Four open tenders were held for shipment of CLQs TRQ to Colombia in 2017 generating a total of \$1,561,714.46 in auction receipts. Awarded TRQ to winning bidders reached 71%, or 23,379.40 MT, of the full TRQ. 1,728.60 MT of CLQs TRQ that could not be allocated in the third tranche, was reoffered for auction in addition to the 8,225 MT established for the fourth tranche. The highest average successful bid was \$70.49/MT and the lowest successful bid \$44.08/MT. See Table 1.

**Table 1**  
**COLOM-PEQ Open-Tender Results for 2017**

Category	First Tranche Dec 8, 2016	Second Tranche March 9, 2017	Third Tranche June 8, 2017	Fourth Tranche Sept 14, 2017	Total
Available TRQ for Auction (MT)	8,225.00	8,224.00	8,224.00	9,953.60	34,626.60
TRQ Awarded (MT)	8,225.00	8,224.00	6,495.00	435.00	23,379.40
Average Successful Bid (\$/MT)	\$70.49	\$68.42	\$61.59	\$44.08	\$66.80
Lowest Successful Bid (\$/MT)	\$60.00	\$51.10	\$45.05	\$44.08	\$44.08
Auction Receipts (\$)	\$579,780.25	\$562,686.08	\$400,073.33	\$19,174.80	\$1,561,714.46
YEAR-TO-DATE RECEIPTS					\$1,561,714.46
YEAR-TO-DATE TRQ AWARDED (MT)					23,379.40
YEAR-TRQ (MT)					32,898.00

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

The list of winners in the open tenders held for 2017 are published on the COLOM-PEQ website. These winners were:

- AJC International, Inc. – Atlanta, GA
- Andes Global Trading LLC – Miami, FL
- Bassett & Walker, Inc. – Wilmington, DE
- Gerber Agri International, LLC – Atlanta, GA
- Intech Suppliers, LLC – Weston, FL
- Kalypac International, Inc. – Miami, FL
- Lamex Foods, Inc. – Bloomington, MN
- Merinter Inc. – Miami, FL
- MGG Group LLC – Miami, FL
- Mountaire Farms, Inc. – Millsboro, DE
- Nowaco – Spring, TX
- Quirch Foods, Co. – Coral Gables, FL
- Tomex Foods, Inc. – Glen Ellyn, IL

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



## 4. Reporting and Outreach

An important part of the corporation's responsibilities include informing the governments of the United States and Colombia 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.

On behalf of COLOM-PEQ, Mr. Paz-Soldan and Ms. Gutierrez of the COLOM-PEQ Administration visited the Colombian Customs and Tax Bureau (DIAN) in May 2017 to discuss COLOM-PEQ's operations. The meeting was held subsequent to the Annual Board Meetings in Medellin, Colombia.

In October 2017, the Administration, along with representatives of FENAVI, USAPEEC and the U.S. Embassy, visited the three main ports of entry for CLQs in Colombia: Buenaventura, Cartagena, and Barranquilla. The purpose of these visits was to follow up on issues discussed in May, and included meetings with port authorities and training regarding COLOM-PEQ's operations.

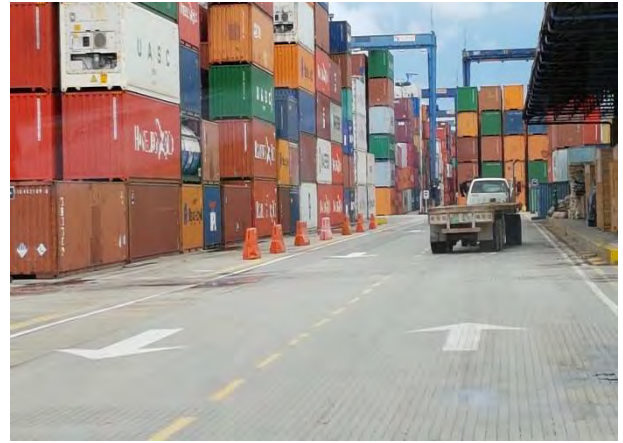
**Figure A**  
**Outreach Activities in the Ports of Buenaventura, Cartagena and Barranquilla**

### Port of Barranquilla – Port and Cold Storage Facilities



Source: COLOM-PEQ

**Port Facilities in Cartagena**



**Port Facilities in Buenaventura**



Source: COLOM-PEQ

## 5. Disposition of Proceeds

COLOM-PEQ's ETCR requires that the proceeds of the open tender process are 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.<sup>3</sup> After paying operating expenses at the end of each year, the Administrator distributes the remaining proceeds to fund projects in the aforementioned categories. These distributions are made after funding requests by member associations are evaluated and approved by the Board based on compliance with ETCR requirements.

### FENAVI

In 2017, FENAVI obtained approval from the COLOM-PEQ board and the Ministry of Agriculture and Rural Development of Colombia for disbursement of \$255,667 to fund the following project: "Chicken Program: Market Research and Market Promotion (continuation)." This project aimed to explore market 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 summary of the two components funded under this project:

#### *Market Development*

1. **A market study of consumption data and demographics for cold and fresh meats** of 4,000 households in 14 Colombian cities, targeting housewives. The research analyzed market penetration, public perception, consumer behavior, and purchase rates. The results of this study were disseminated to poultry producers nationwide through the Journal of Poultry Farmers, *Revista Agricultores*, and were shared on the FENAVI website and in presentations at various poultry forums.

Highlights of the report include the following findings: 1) market preference for chicken meat has grown from 36% in 2015 to 40% in 2017; 2) branding has become a purchasing driver for the consumer; 3) chicken consumption has grown from three to four or five times per week in the average household; and 4) the myth that chicken meat contains hormones has declined from 52% to 39%. The following increases of consumption perceptions were also reported: chicken meat is affordable (39%), and is considered a healthy product (36%), easy to prepare (34%), has good flavor (33%), and contains protein (26%). In addition, the report found the following percentages of chicken parts purchased in Colombia: chicken breast (71%), chicken leg quarters and whole chicken (35%), and drumsticks (29%). See Figure B.

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

**Figure B**  
**Dissemination of Market Report 2017**



Source: FENAVI, Revista Avicultores No. 255 of November 2017

2. **A consumer campaign** to promote and increase poultry consumption nationwide that ran during four weeks between August and September 2017, which is typically a period of lower sales, to the benefit of poultry producers. The Chicken Festival promoted chicken consumption by introducing new recipes and highlighting its benefits in the daily diet. The campaign consisted of below-the-line (BTL) activity at more than 300 points of sale (POS), between retailers and restaurants, as well as advertisements on television, radio, the internet, and along public roads.

The campaign was held in the cities of Bogota, Bucaramanga, Cali, Medellin, Barranquilla, Santa Marta, Cartagena, Pereira, Armenia, Manizales, Neiva, Ibaguè, Pasto, Duitama, and Cucuta. See Figure C.

Figure C  
 “Festival del Pollo” Campaign



Source: FENAVI - [acomerpollo.com](http://acomerpollo.com), and [redmas.com.co](http://redmas.com.co)

## USAPEEC

### Market Development

In 2017, COLOM-PEQ disbursed \$30,000 to fund the project titled “Aid for Colombia & IPC-Colombia Meetings.” This project aimed to assist the victims of the mudslides in the Colombian region of Mocoa and to fund USAPEEC’s participation at the International Poultry Council (IPC) meeting in Cartagena, Colombia, while strengthening business ties between USAPEEC and FENAVI. Funds were requested to support two specific components:

1. **Aid for Mocoa, Colombia:** as a committed participant in the Colombian market, USAPEEC used COLOM-PEQ funds to contribute to the campaign “All with Mocoa” (Todos con Mocoa), an initiative created by Colombia’s Fund for Disasters Risk Management. Funds were donated to the relief effort for victims of a devastating mudslide in the farming area of Mocoa in southern Colombia. USAPEEC President Jim Sumner presented a check to FENAVI’s then-president Andres Valencia during the IPC meeting in Cartagena. Upon presenting the check, Mr. Sumner said that USAPEEC “[made] this humanitarian donation to demonstrate our support for the people of Colombia, and especially the unfortunate victims in Mocoa. He also emphasized that the relationship between FENAVI and USAPEEC “has extended beyond trade and business” thanks to COLOM-PEQ. See Figure D.

### *Educational and Training*

2. **Participation in the IPC meeting:** additional funding was used to help offset meeting expenses for the IPC meetings held on April 26-28 in Cartagena, Colombia.

**Figure D**  
**Aid for Mocoa Region in Colombia**



**Source: USAPEEC**

## 6. Audited Financial Statements

### A. Statements of Financial Position / December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,347,887	\$ 3,265,567
Accounts receivable	7,808	1,337
Prepaid expenses	<u>3,864</u>	<u>515</u>
<b>Total Current Assets</b>	<u>4,359,559</u>	<u>3,267,419</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,359,559</u>	<u>\$ 3,267,419</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 22,540	\$ 14,475
Deferred auction revenue	<u>508,557</u>	<u>579,780</u>
<b>Total Current Liabilities</b>	<u>531,097</u>	<u>594,255</u>
<b>Net Assets</b>		
Unrestricted Board Designated Funds		
Project Funds - Colombia	1,702,529	1,237,713
Project Funds - United States	<u>2,125,934</u>	<u>1,435,451</u>
<b>Total Net Assets</b>	<u>3,828,462</u>	<u>2,673,164</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,359,559</u>	<u>\$ 3,267,419</u>

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

**B. Statement of Activities and Changes in Net Assets / Years ended December 31, 2017 and 2016, Including Operating Expenses**

**2017**

	Unrestricted Funds			Total
	General Operating Fund	Board Designated Funds		
		Colombia	United States	
<b>Revenues</b>				
Auction revenues	\$ 1,561,714	\$ -	\$ -	\$ 1,561,714
Membership fees	7,808	-	-	7,808
Interest income	17,679	-	-	17,679
<b>Total Revenues</b>	<b>1,587,201</b>	<b>-</b>	<b>-</b>	<b>1,587,201</b>
<b>Expenses</b>				
Accounting and auditing	9,020	-	-	9,020
Auction advertising	6,800	-	-	6,800
Bank fees	504	-	-	504
Consulting and management fees	83,150	-	-	83,150
Insurance	2,085	-	-	2,085
Legal fees	693	-	-	693
Licenses and filing fees	661	-	-	661
Office expense	1,804	-	-	1,804
Project costs	-	255,667	30,000	285,667
Postage and delivery	7,972	-	-	7,972
Telephone	906	-	-	906
Travel	24,081	-	-	24,081
Website expenses	8,560	-	-	8,560
<b>Total Expenses</b>	<b>146,236</b>	<b>255,667</b>	<b>30,000</b>	<b>431,903</b>
Change in Net Assets	1,440,965	(255,667)	(30,000)	1,155,298
Transfer from general fund to board designated funds	(1,440,965)	720,483	720,483	-
<b>Net Change After Transfer</b>	<b>-</b>	<b>464,816</b>	<b>690,483</b>	<b>1,155,298</b>
Net Assets, Beginning of Year	-	1,237,713	1,435,451	2,673,164
<b>Net Assets, End of Year</b>	<b>\$ -</b>	<b>\$ 1,702,529</b>	<b>\$ 2,125,934</b>	<b>\$ 3,828,462</b>

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



**2016**

	Unrestricted Funds			
	General Operating Fund	Board Designated Funds		Total
		Colombia	United States	
<b>Revenues</b>				
Auction revenues	\$ 1,925,088	\$ -	\$ -	\$ 1,925,088
Membership fees	1,500	-	-	1,500
Interest income	<u>8,025</u>	-	-	<u>8,025</u>
Total Revenues	<u>1,934,613</u>	-	-	<u>1,934,613</u>
<b>Expenses</b>				
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
Postage and delivery	8,179	-	-	8,179
Project costs	-	197,738	-	197,738
Telephone	456	-	-	456
Travel	19,781	-	-	19,781
Website expenses	<u>682</u>	-	-	<u>682</u>
Total Expenses	<u>133,917</u>	<u>197,738</u>	-	<u>331,655</u>
Change in Net Assets	1,800,696	(197,738)	-	1,602,959
Transfer from general fund to board designated funds	<u>(1,800,696)</u>	<u>900,348</u>	<u>900,348</u>	-
Net Change After Transfer	-	702,611	900,348	1,602,959
Net Assets, Beginning of Year	-	<u>535,103</u>	<u>535,103</u>	<u>1,070,205</u>
<b>Net Assets, End of Year</b>	<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 COLOM-PEQ's audited financial statements.

## C. Statements of Cash Flows / Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 1,155,298	\$ 1,602,959
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Accounts receivable	(6,470)	1,316
Prepaid expenses	(3,349)	31
Increase (decrease) in:		
Accounts payable and accrued expenses	8,064	13,968
Deferred auction revenue	<u>(71,223)</u>	<u>148,147</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	1,082,320	1,766,421
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>3,265,567</u>	<u>1,499,146</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 4,347,887</u>	<u>\$ 3,265,567</u>

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

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