



Colombia Poultry Export Quota Inc.

2018 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.

TABLE OF CONTENTS

1.	Chairman's Letter.....	3
2.	Directors and Officers.....	4
3.	Open-Tender Processes and Results.....	5
4.	Reporting and Outreach.....	7
5.	Disposition of Proceeds.....	7
6.	Audited Financial Statements.....	10



**COLOM-PEQ Annual & Board Meeting, June 2019
Cali, Colombia**

1. Chairman's Letter


In 2018, COLOM-PEQ held four open-tender auctions for the export of chicken leg quarters (CLQs) from the United States to Colombia under a duty-free tariff rate quota (TRQ). The TRQ of 34,214 metric tons (MT), established in the United States - Colombia Trade Promotion Agreement (CTPA) for COLOM-PEQ's seventh year of operations, was auctioned off in two tranches of 8,554 MT and two other tranches of 8,553 MT. Auction receipts reached \$1,493,972, a decrease of 4.3% from 2017, with almost 80% of the TRQ being awarded.

COLOM-PEQ distributed proceeds totaling \$366,000 for projects under the terms of the Export Trade Certificate of Review (ETCR) granted by the U.S. Department of Commerce. FENAVI, the Colombian Poultry Association, requested this amount to continue its "Chicken Program," which falls under the ETCR category of market development. This program included a market research study, as well as a consumer campaign to promote poultry consumption through a series of advertisements shown on television nationwide during the World Cup, which is a major sports event for Colombians.

Pursuant to its bylaws, COLOM-PEQ's chairmanship rotates among members on an annual basis. During COLOM-PEQ's annual and board meetings in June 2018, the Board appointed Mr. Saher Rizk from USAPEEC as Chairman, and Mr. Luis Alvarez from FENAVI as Vice-Chairman. Mr. Mateo Paz-Soldan and Ms. Violeta Gutierrez from DTB Associates, the firm acting as Administrator, were confirmed as Secretary and Treasurer, respectively. As further stipulated in the bylaws, the member associations appointed six directors, three for each association, for the period 2018-2019.

Under my term as Chairman for the period 2019-2020, I look forward to keep up the good work with the board and officers, as well as to further the collaboration and synergies between the poultry member associations, in order to achieve another successful year for COLOM-PEQ.

Sincerely,



Gonzalo Moreno
COLOM-PEQ Chairman 2019

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 2018



Saher Rizk
2018 Chairman
USAPEEC – United States



Luis Rodolfo Alvarez
2018 Vice-Chairman
FENAVI – United States



Gonzalo Moreno
Director
FENAVI - Colombia



Fernando Avila
Director
FENAVI - Colombia



James H. Sumner
Director
USAPEEC – United States



Fernando Amorim
Director
USAPEEC – United States

Officers for 2018

In addition to Mr. Rizk who served as Chairwoman and Mr. Alvarez 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 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 are also published on COLOM-PEQ's 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 projects must also be approved by the Ministry of Agriculture and Rural Development of Colombia.

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.

COLOM-PEQ Colombia Poultry Export Quota, Inc.

The TRQ for CLQs agreed to by both governments for 2018 was 34,214 MT.² Four open tenders were held for shipment of CLQs TRQ to Colombia in 2018 generating a total of \$1,493,972.17 in auction receipts. The TRQ awarded to winning bidders reached almost 80%, or 27,203.23 MT, of the full TRQ. The highest average successful bid was \$59.45/MT and the lowest successful bid \$44.08/MT. See Table 1.

Table 1
COLOM-PEQ Open Tender Results for 2018

Category	First Tranche Dec 7, 2017	Second Tranche Mar 8, 2018	Third Tranche June 7, 2018	Fourth Tranche Sept 13 2018	Total
Available TRQ for Auction (MT)	8,554.00	8,554.00	8,553.00	8,553.00	34, 214.00
TRQ Awarded (MT)	8,554.00	8,554.00	8,553.00	8,553.00	27,203.23
Average Successful Bid (\$/MT)	\$59.45	\$53.09	\$53.68	\$46.77	\$54.92
Lowest Successful Bid (\$/MT)	\$48.00	\$44.50	\$44.08	\$44.08	\$44.08
Auction Receipts (\$)	\$508,557.21	\$454,150.01	\$459,132.30	\$72,132.65	1,493,972.17

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

The list of winners in the open tenders held for 2018 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
- Billmore Trading (USA) Inc. – Fort Lauderdale, FL
- Canam Meats Inc. – Atlanta, GA
- Gerber Agri International, LLC – Atlanta, GA
- Globex International Inc. – New York, NY
- Grove Services – Atlanta, GA
- Kalypac International, Inc. – Miami, FL
- Interra International, LLC – Seattle, WA
- Intervision Foods – Atlanta, GA
- MaiteSandro Business Group, Inc. – Miami Shores, FL
- Merinter, Inc. – Miami, FL
- Mountaire Farms, Inc. – Millsboro, DE
- Nowaco – Spring, TX
- Quirch Foods – Coral Gables, FL

² 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.

In July 2018, the Administrator met with Colombian Embassy staff in the U.S. and provided it with an update on COLOM-PEQ's operations and funding activities.

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.³ 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 2018, FENAVI obtained approval from the COLOM-PEQ board as well as the Ministry of Agriculture and Rural Development of Colombia for the disbursement of \$366,000 to fund the following project: "Chicken Program (continuation)." This project aimed to explore market trends in purchases and consumption behavior

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

COLOM-PEQ Colombia Poultry Export Quota, Inc.

of customers of meats. COLOM-PEQ funding also supported a nationwide promotion campaign to increase chicken 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 during two weeks in August 2018, covering a sample of 4,000 households in nine major Colombian cities. The research analyzed market penetration, public perception, consumer behavior, and purchase rates. Data was broken down by socioeconomic levels, number of children in household, and age of housewives (target audience). The results of this study were disseminated to poultry producers nationwide through the Journal of Poultry Farmers, the Agricultural Newsletter, and shared on the FENAVI website and in presentations at various poultry forums. Some highlights of the report include: 1) purchases of chicken meat slowed down in 2018 after showing a strong growth in 2017. This market behavior is associated with both lower penetration and lower average purchases made by mainly medium socioeconomic classes from Bogota and Cali; and 2) On the other hand, the study found opportunity of growth for chicken meat consumption in Cali, Barranquilla and Ibague, due to growing levels of penetration. See Figure A.

Figure A
Market Research Study on Meat Consumption



Source: FENAVI website at <https://fenavi.org/documentos/investigacion-carnes-frescas-frias-2018/>

COLOM-PEQ Colombia Poultry Export Quota, Inc.

2. A consumer campaign to position chicken meat as the food with the best protein and value in the market. FENAVI prepared a set of advertisements for mass media around the concept that food brings family and friends together. The advertisements aired on television nationwide during the 2018 World Cup, a major sports event for Colombians. See Figure B.

Figure B
Consumer Campaign during 2018 World Cup

“The Office”



“The Soccer Fans”



“The School”



“The Beltran Family”



Source: YouTube channel for FENAVI at <https://www.youtube.com/user/FENAVIFONAV/videos>

6. Audited Financial Statements

A. Statements of Financial Position / December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 5,319,730	\$ 4,347,887
Accounts receivable	-	7,808
Prepaid expenses	<u>4,575</u>	<u>3,864</u>
Total Current Assets	<u>5,324,305</u>	<u>4,359,559</u>
TOTAL ASSETS	<u>\$ 5,324,305</u>	<u>\$ 4,359,559</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 3,445	\$ 22,540
Deferred auction revenue	<u>464,837</u>	<u>508,557</u>
Total Current Liabilities	<u>468,282</u>	<u>531,097</u>
Net Assets Without Restrictions	<u>4,856,023</u>	<u>3,828,462</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,324,305</u>	<u>\$ 4,359,559</u>

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

COLOM-PEQ Colombia Poultry Export Quota, Inc.

B. Statement of Activities and Changes in Net Assets / Years ended December 31, 2018 and 2017, Including Operating Expenses

2018

	Net Assets Without Retrictions			
	General Operating Fund	Board Designated Funds		Total
		Colombia	United States	
Revenues				
Auction revenues	\$ 1,493,972	\$ -	\$ -	\$ 1,493,972
Membership fees	7,469	-	-	7,469
Interest income	-	19,608	19,608	39,216
Total Revenues	<u>1,501,441</u>	<u>19,608</u>	<u>19,608</u>	<u>1,540,657</u>
Expenses				
Accounting and auditing	11,458	-	-	11,458
Auction advertising	5,875	-	-	5,875
Bank fees	1,072	-	-	1,072
Consulting and management fees	81,500	-	-	81,500
Insurance	5,435	-	-	5,435
Licenses and filing fees	180	-	-	180
Office expense	773	-	-	773
Project costs	-	366,000	-	366,000
Postage and delivery	16,828	-	-	16,828
Travel	17,942	-	-	17,942
Website expenses	6,034	-	-	6,034
Total Expenses	<u>147,097</u>	<u>366,000</u>	<u>-</u>	<u>513,097</u>
Change in Net Assets Without Retrictions	<u>1,354,344</u>	<u>(346,392)</u>	<u>19,608</u>	<u>1,027,560</u>
Transfer from general fund to board designated funds	(1,354,344)	677,172	677,172	-
Net Change After Transfer	<u>-</u>	<u>330,780</u>	<u>696,780</u>	<u>1,027,560</u>
Net Assets Without Retrictions, Beginning of Year	<u>-</u>	<u>1,702,529</u>	<u>2,125,934</u>	<u>3,828,463</u>
Net Assets Without Retrictions, End of Year	<u>\$ -</u>	<u>\$ 2,033,309</u>	<u>\$ 2,822,714</u>	<u>\$ 4,856,023</u>

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COLOM-PEQ Colombia Poultry Export Quota, Inc.

2017

	Net Assets Without Retrictions			
	Board Designated Funds			
	General Operating Fund	Colombia	United States	Total
Revenues				
Auction revenues	\$ 1,561,714	\$ -	\$ -	\$ 1,561,714
Membership fees	7,808	-	-	7,808
Interest income	17,679	-	-	17,679
Total Revenues	<u>1,587,201</u>	<u>-</u>	<u>-</u>	<u>1,587,201</u>
Expenses				
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
Postage and delivery	7,972	-	-	7,972
Project costs	-	255,667	30,000	285,667
Telephone	906	-	-	906
Travel	24,081	-	-	24,081
Website expenses	8,560	-	-	8,560
Total Expenses	<u>146,236</u>	<u>255,667</u>	<u>30,000</u>	<u>431,903</u>
Change in Net Assets Without Retrictions	<u>1,440,965</u>	<u>(255,667)</u>	<u>(30,000)</u>	<u>1,155,298</u>
Transfer from general fund to board designated funds	<u>(1,440,965)</u>	<u>720,483</u>	<u>720,483</u>	<u>-</u>
Net Change After Transfer	<u>-</u>	<u>464,816</u>	<u>690,483</u>	<u>1,155,298</u>
Net Assets Without Retrictions, Beginning of Year	<u>-</u>	<u>1,237,713</u>	<u>1,435,451</u>	<u>2,673,164</u>
Net Assets Without Retrictions, End of Year	<u>\$ -</u>	<u>\$ 1,702,529</u>	<u>\$ 2,125,934</u>	<u>\$ 3,828,462</u>

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

COLOM-PEQ Colombia Poultry Export Quota, Inc.

C. Statements of Cash Flows / Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,027,560	\$ 1,155,298
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Accounts receivable	7,809	(6,470)
Prepaid expenses	(711)	(3,349)
Increase (decrease) in:		
Accounts payable and accrued expenses	(19,095)	8,064
Deferred auction revenue	<u>(43,720)</u>	<u>(71,223)</u>
Net Cash Provided (Used) by Operating Activities	971,843	1,082,320
Cash and Cash Equivalents at Beginning of Year	<u>4,347,887</u>	<u>3,265,567</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,319,730</u>	<u>\$ 4,347,887</u>

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