

Colombia Poultry Export Quota Inc.

2019 Annual Report



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MISSION STATEMENT

The Colombia Poultry Export Quota, Inc. (COLOM-PEQ) is a not-for-profit corporation established by the Federacion Nacional de Avicultores de Colombia (FENAVI) and the USA Poultry & Egg Export Council (USAPEEC) 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 by videoconference, July 2020

1. Chairman's Letter

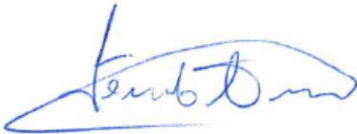
In 2019, COLOM-PEQ held four open-tender auctions for the export of chicken leg quarters (CLQs) from the United States to Colombia under a duty-free tariff rate quota (TRQ). The TRQ of 35,583 metric tons (MT), established in the United States - Colombia Trade Promotion Agreement (CTPA) for COLOM-PEQ's ninth year of operations, was auctioned off in three tranches of 8,896 MT each and one tranche of 8,895 MT. Auction receipts reached \$1,857,589, an increase of 24% from 2018, with almost 93% of the TRQ being awarded.

COLOM-PEQ distributed proceeds totaling \$853,500 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 \$838,500 to continue the promotion of chicken consumption in Colombia that included a market research study, the development of a five-year strategic vision, and a consumer campaign through a series of advertisements shown on television during popular sports events, and on radio and social media. USAPEEC, the USA Poultry and Egg Council, requested \$15,000 for a public relations program to inform key stakeholders of the US commitment to support small-scale poultry farmers in South Africa.

Pursuant to its bylaws, COLOM-PEQ's chairmanship rotates among its members, FENAVI and USAPEEC, on an annual basis. During COLOM-PEQ's annual and board meetings in June 2019, the Board appointed Mr. Gonzalo Moreno from FENAVI as Chairman, and Mr. Fernando Amorim from USAPEEC 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 2019- 2020.

As COLOM-PEQ's Chairman for the current period 2020-2021, a year with many challenges for the poultry industry worldwide, I look forward to continuing the efforts of my predecessors, and strengthening the good working relationship between the member associations.

Sincerely,



Fernando Amorim
COLOM-PEQ Chairman 2020-2021

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 2019



Gonzalo Moreno
2019 Chairman
FENAVI – Colombia



Fernando Amorim
2019 Vice-Chairman
USAPEEC – United States



Fernando Avila
Director
FENAVI - Colombia



Luis Rodolfo Alvarez
Director
FENAVI - Colombia



James H. Sumner
Director
USAPEEC – United States



Eduardo Gonzales
Director
USAPEEC – United States

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Officers for 2019

In addition to Mr. Moreno who served as Chairman and Mr. Amorim who served as Vice-Chairman, Mateo Paz-Soldan, currently from MPStrategies LLC, and Violeta Gutierrez from DTB Associates LLP, from COLOM-PEQ's Administration, served as Secretary and Treasurer, respectively.



Mateo Paz-Soldan
Secretary
MPStrategies LLC



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.

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The TRQ for CLQs agreed to by both governments for 2019 was 35,583 MT.² Four open tenders were held for shipment of CLQs TRQ to Colombia in 2019 generating a total of \$1,857,589.81 in auction receipts. The TRQ awarded to winning bidders reached 92.6%, or 32,950.88 MT, of the full TRQ. The highest average successful bid was \$60.53/MT and the lowest successful bid \$44.08/MT. See Table 1.

Table 1
COLOM-PEQ Open Tender Results for 2019

Category	First Tranche Dec 6, 2018	Second Tranche Mar 7, 2019	Third Tranche June 6, 2019	Fourth Tranche Sept 12, 2019	Total
Available TRQ for Auction (MT)	8,896.00	8,896.00	8,896.00	8,895.00	35,583.00
TRQ Awarded (MT)	8,896.00	8,896.00	8,896.00	6,262.88	32,950.88
Average Successful Bid (\$/MT)	\$52.25	\$59.19	\$60.53	\$52.33	\$56.37
Lowest Successful Bid (\$/MT)	\$44.60	\$50.00	\$51.30	\$44.08	\$44.08
Auction Receipts (\$)	\$464,837.45	\$526,527.51	\$538,481.13	\$327,743.72	\$1,857,589.81

*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 2019 are published on the COLOM-PEQ website. These winners were:

- AJC International Inc. – Atlanta, GA
- Bassett & Walker Inc. – Wilmington, DE
- Canam Meats Inc. – Atlanta, GA
- Gerber Agri International, LLC – Atlanta, GA
- Globex International – New York, NY
- Grove Services Inc – Atlanta, GA
- Interra International LLC – Seattle, WA
- Intervision Foods – Atlanta, GA
- Kalypac International Inc. – Miami, FL
- Merinter Inc. – Miami, FL
- Quirch Foods – Coral Gables, FL
- South Florida Foods Int'l Inc. – Doral, FL
- Sure Good Foods USA Inc. – Atlanta, GA
- Tomex Foods Aps – Lombard, IL

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 includes 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.

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 2019, FENAVI obtained approval from the COLOM-PEQ board as well as the Ministry of Agriculture and Rural Development of Colombia for the disbursement of \$838,500 to fund the following project: "2019 Investment in Consumer Promotion and Strategic Positioning." This project aimed to continue the promotion of chicken consumption in Colombia and expand market accessibility through insights gained on consumer behavior, the identification of market growth opportunities, and through the brand's five-year strategic vision.

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

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The following is a summary of the components funded under this project:

Market Development

- 1. Market study of consumption data and demographics for chicken consumption in food service**, in six major cities where nearly 60% of food service sales are concentrated. This study complements the household consumption information that has been measured during the last 8 years, and aimed to help identify trends such as change in consumer behavior toward restaurants, purchasing power, and other external variables subject to analysis.
- 2. Development of the brand's strategic vision for 5 years**, aimed to continue the sustainable growth of the poultry farmers' association by providing a structured vision to add value to consumers, overcome price limitations, and prepare a sustainable business model in the long term.
- 3. Advertisements on national television, radio and social media**, with commercials of 10-20 seconds each ran during showings of soccer games and cycling tournaments on television, as well as other advertisements in radio and social media, to continue stimulating chicken consumption as the country's most preferred protein and best value in the market. See Figure A.

Figure A
Advertisements on television and social media

Chicken Festival



My Friend "The Chicken": "Under My Wings" videoclip



Source: acomerpollo.com

USAPEEC

In 2019, COLOM-PEQ approved \$15,000 for USAPEEC's project: "Sub-Saharan Africa Poultry Development Program." The program aimed to undertake poultry market development activities in South Africa with an emphasis on development of trade opportunities for U.S. poultry exports while also assisting the South African poultry industry in their growth efforts. The following is a summary of the components funded under this project:

Market Development

1. **Funds were used to carry out a public relations program** to inform key stakeholders of the US commitment to support small-scale poultry farmers in South Africa. The campaign served to strengthen relationships with South African government stakeholders and industry influencers. In addition, the campaign partnered with the local importers and exporters association to establish positive working relationships and goodwill.

6. Audited Financial Statements

Statements of Financial Position December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 6,468,745	\$ 5,319,730
Prepaid expenses	<u>3,792</u>	<u>4,575</u>
Total Current Assets	<u>6,472,537</u>	<u>5,324,305</u>
TOTAL ASSETS	<u>\$ 6,472,537</u>	<u>\$ 5,324,305</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,405	\$ 3,445
Deferred auction revenue	<u>667,568</u>	<u>464,837</u>
Total Current Liabilities	<u>669,973</u>	<u>468,282</u>
Net Assets Without Restrictions	<u>5,802,564</u>	<u>4,856,023</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,472,537</u>	<u>\$ 5,324,305</u>

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

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Statement of Activities and Changes in Net Assets
(Including Operating Expenses)
Years ended December 31, 2019

	Net Assets Without Restrictions			
	General Operating Fund	Board Designated Funds		Total
		Colombia	United States	
Revenues				
Auction revenues	\$ 1,857,590	\$ -	\$ -	\$ 1,857,590
Membership fees	-	701	8,587	9,288
Interest income	-	22,340	57,123	79,463
Total Revenues	<u>1,857,590</u>	<u>23,041</u>	<u>65,710</u>	<u>1,946,341</u>
Expenses				
Accounting and auditing	11,350	-	-	11,350
Auction advertising	5,900	-	-	5,900
Bank fees	2,031	-	-	2,031
Consulting and management fees	82,750	-	-	82,750
Insurance	5,285	-	-	5,285
Licenses and filing fees	255	-	-	255
Office expense	1,984	-	-	1,984
Project costs	-	838,500	15,000	853,500
Postage and delivery	20,512	-	-	20,512
Telephone	48	-	-	48
Travel	10,569	-	-	10,569
Website expenses	5,616	-	-	5,616
Total Expenses	<u>146,300</u>	<u>838,500</u>	<u>15,000</u>	<u>999,800</u>
Change in Net Assets Without Restrictions	1,711,290	(815,459)	50,710	946,541
Transfer from general fund to board designated funds	(1,711,290)	855,645	855,645	-
Net Change After Transfer	-	40,186	906,355	946,541
Net Assets Without Restrictions, Beginning of Year	-	2,033,309	2,822,714	4,856,023
Net Assets Without Restrictions, End of Year	<u>\$ -</u>	<u>\$ 2,073,495</u>	<u>\$ 3,729,069</u>	<u>\$ 5,802,564</u>

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**Statement of Activities and Changes in Net Assets
(Including Operating Expenses)
Years ended December 31, 2018**

	Net Assets Without Restrictions			
	Board Designated Funds			
	General Operating Fund	Colombia	United States	Total
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	1,501,441	19,608	19,608	1,540,657
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
Postage and delivery	16,828	-	-	16,828
Project costs	-	366,000	-	366,000
Travel	17,942	-	-	17,942
Website expenses	6,034	-	-	6,034
Total Expenses	147,097	366,000	-	513,097
Change in Net Assets Without Restrictions	1,354,344	(346,392)	19,608	1,027,560
Transfer from general fund to board designated funds	(1,354,344)	677,172	677,172	-
Net Change After Transfer	-	330,780	696,780	1,027,560
Net Assets Without Restrictions, Beginning of Year	-	1,702,529	2,125,934	3,828,463
Net Assets Without Restrictions, End of Year	\$ -	\$ 2,033,309	\$ 2,822,714	\$ 4,856,023

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Statements of Cash Flows
Years ended December 31, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities:		
Change in net assets	\$ 946,541	\$ 1,027,560
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Accounts receivable	-	7,809
Prepaid expenses	783	(711)
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,040)	(19,095)
Deferred auction revenue	202,731	(43,720)
	1,149,015	971,843
Net Cash Provided (Used) by Operating Activities	1,149,015	971,843
Cash and Cash Equivalents at Beginning of Year	5,319,730	4,347,887
Cash and Cash Equivalents at End of Year	\$ 6,468,745	\$ 5,319,730

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