

2021 Annual Report



Colombia Poultry Export Quota, Inc.

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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August 2022 COLOM-PEQ Annual Board Meeting in Cartagena, Colombia
(Visit to the Port of Cartagena)

I. Chairman's Letter

In COLOM-PEQ's tenth year of operations (2021), 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) established in the United States - Colombia Trade Promotion Agreement (CTPA). The TRQ of 38,486 metric tons (MT) was auctioned off in a first and a second tranche of 9,622 MT each tranche, and a third and fourth tranche of 9,621 MT per tranche. Auction receipts reached \$4,057,025.78, which is a significant increase of 123% from 2020. The TRQ allocated increased by 10.49%, compared to that same year, and the full annual 2021 quota was assigned.

Under the terms of the Export Trade Certificate of Review (ETCR) granted by the United States Department of Commerce, COLOM-PEQ distributes proceeds from the tender process to fund market development, educational, scientific, and technical projects, as well as capacity building and competitiveness projects, for the benefit of its poultry association members in Colombia (FENAVI) and the United States (USAPEEC). Disbursements for projects in 2021 amounted to \$2,992,700. USAPEEC requested \$1,500,000 to support its scientific research, communications, and marketing programs worldwide. FENAVI requested \$1,492,700 to support mass media and marketing campaigns, market studies, and international trade advice.

Pursuant to its bylaws, COLOM-PEQ's chairmanship rotates among members on an annual basis. During COLOM-PEQ's annual and board meetings in August 2021, the Board appointed Mr. Fernando Avila from FENAVI as Chairman, and Mr. Eduardo Gonzales from USAPEEC as Vice Chairman. Mr. Mateo Paz-Soldan and Ms. Violeta Gutierrez from the COLOM-PEQ Administration 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 2021-2022.

Under my term as Chairman for the current period 2022 - 2023, I look forward to working in collaboration with my fellow board members for the benefit of both poultry industry members, FENAVI and USAPEEC.

Sincerely,



Eduardo Gonzales
COLOM-PEQ Chairman 2022 - 2023

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 2021

Fernando Avila



2021 Chairman
FENAVI - Colombia

Eduardo Gonzales



Vice-Chairman
USAPEEC - United States

Gonzalo Moreno



Director
FENAVI - Colombia

Luis Alvarez



Director
FENAVI - Colombia

James Sumner



Director
USAPEEC - United States

Fernando Amorim



Director
USAPEEC - United States

Officers for 2021

In addition to Mr. Avila, who served as Chairman, and Mr. Gonzales, who served as Vice-Chairman, Mateo Paz-Soldan and Violeta Gutierrez from the COLOM-PEQ's Administration, served as Secretary and Treasurer, respectively.

Mateo Paz-Soldan



Secretary

Violeta Gutierrez



Treasurer

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.

The TRQ for CLQs agreed to by both governments for 2021 was 38,486 MT.² The Board agreed in October 2020 to hold four open tenders for shipment of CLQs TRQ to Colombia in 2021 generating a total of \$4,057,025.78 in auction receipts. The full TRQ amount was awarded. The highest average successful bid was \$105.42/MT and the lowest successful bid \$57.41/MT. See Table 1.

Table 1
COLOM-PEQ Open Tender Results for 2021

Category	First Tranche Dec 10, 2020	Second Tranche Mar 11, 2021	Third Tranche June 10, 2021	Fourth Tranche Sept 9, 2021	Total
Available TRQ for Auction (MT)	9,622.00	9,622.00	9,621.00	9,621.00	38,486.00
TRQ Awarded (MT)	9,622.00	9,622.00	9,621.00	9,621.00	38,486.00
Average Successful Bid (\$/MT)	\$61.71	\$83.73	\$133.68	142.55	\$105.42
Lowest Successful Bid (\$/MT)	\$57.41	\$74.20	\$110.00	120.08	\$57.41
Auction Receipts (\$)	\$593,797.53	\$805,647.28	\$1,286,136.66	1,371,444.31	\$4,057,025.78

* 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 2021 are published on the COLOM-PEQ website. These winners were:

- Andes Global International – Miami, FL
- AJC International Inc. – Atlanta, GA
- Bassett & Walker Inc. – Wilmington, DE
- Boston Agrex, LLC – Norwell, MA
- Canam Meats Inc – Atlanta, GA
- Cargill Protein Group – Wichita, KS
- Gerber Agri International LLC – Atlanta, GA
- MG Trading International Inc. – Miami, FL
- Intervision Foods – Atlanta, GA
- Kalypac International Inc – Miami, FL
- Salpeca Corp – Doral, FL
- Sure Good Foods USA Inc – Atlanta, GA
- Toennies USA Inc – Oakbrook Terrace, 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.

Earlier in 2021, the Administrator held a teleconference with the DIAN office responsible for the handling of CLQ TRQ certificates in Colombia to discuss operations during 2020, including the need of training of both port offices and customs agents with the Administrator's participation, at the proper time given pandemic considerations.

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 The Administrator distributes these proceeds to fund projects in the aforementioned categories, after paying operating expenses at the end of each year. These distributions are made after funding requests by member associations are evaluated and approved by the Board based on compliance with ETCR requirements.

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

FENAVI

Under the project “2021 Investment Project of FENAVI’s Poultry Program,” COLOM-PEQ funds in the amount of \$1,492,700 supported several marketing campaigns, the continuation of a market study on foodservice, a quantitative study related to the “Pollo Colombiano” (Colombian Chicken) brand, and international trade advice.

The following is a summary of the main components funded under the 2021 project:

Market Development

1. **Advertisements on national television for the “Pollo Colombiano” brand campaign**, of 10-30 seconds each, targeted the consumer segment between 25 - 35 years old (household managers) to continue to stimulate chicken consumption as the country's most preferred protein. FENAVI won an honorable mention at the World Independent Advertising Award (WINA) for this campaign.
2. **The Colombian Chicken Festival**, aimed to increase chicken meat sales in food service. Funds provided prizes to contest winners that submitted a short video showcasing a chicken recipe. FENAVI organized this contest, partnering with “Master Chef” television program at RCN channel.
3. **“Pollo Shares” posts share during the Latin American Day for Chicken Meat**, which is a social media campaign to support FENAVI’s “Pollo Shares” initiative. This activity provides chicken-based meals at least three times per week to 2,000 vulnerable children per year. The shares encouraged donations of chicken meat while helping positioning the “Pollo Colombiano” brand as socially responsible.
4. **Continuation of Market Study of Chicken Consumption in the Food Service**, in six major cities where nearly 60% of food service sales are concentrated. This study complemented an annual household consumption research and aimed to help identify trends such as change in consumer behavior toward restaurants, purchasing power, and other external variables subject to analysis.
5. **A Quantitative Study to Measure the Top of Mind (TOM) of the “Pollo Colombiano” Brand**, measured the progress of the TOM percentage under the vision of the “Pollo Colombiano” brand to discover opportunities and consolidate brand attributes.

See Figure A for FENAVI’s market development activities held in 2021.

Market Access

- International trade advice, aimed to provide permanent support to FENAVI on the implementation of international trade agreements and market access, including legal support, advocacy on related public policy and trade issues, providing studies and briefs on topics of interest, and mentoring poultry companies that would like to export.

Figure A
Market Development Activities in 2021

WINA Festival Award for Television Advertisements



The Colombian Chicken Festival



Pollo (Chicken) Shares



Chicken Recipe Advertisements



Source: FENAVI

USAPEEC

In 2021, COLOM-PEQ approved \$1,500,000 for USAPEEC's projects: "Expansion of scientific/technical programs; expansion of communications services; and expansion of market development activities.

These activities are grouped into the following ETCR categories:

Market Development

1. **Continued support for the USAPEEC Communications Program**, that focused on the planning, development, and implementation of internal and external communications efforts alike, with an emphasis on web-based programs and social media. This program aimed to educate targeted audiences worldwide on the safety, reliability, and versatility of U.S. poultry and egg products, as well as the need of being proactive with global media to address issues affecting the exports of U.S. poultry and eggs.
2. **Continued funding for USAPEEC Marketing programs**, in order to maintain, expand, and open new markets throughout the world, including trade development and marketing research. The project included partial funding for USAPEEC's local and international offices and consultants.

Scientific and Technical

3. **Sustained funding for the expansion of scientific research**, through USAPEEC's Technical Services Program, designed to identify non-tariff trade barriers and to promote educational outreach from foreign governmental officials regarding the U.S. health and inspection system for poultry and eggs and U.S. production systems.
4. **Continued upgrade of management/accounting/website systems**, through an electronic document management system designed to minimize paperwork and increase efficiencies in the management of multiple programs.

6. Audited Financial Statements

Statements of Financial Position December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 11,014,892	\$ 8,187,562
Prepaid expenses	<u>5,222</u>	<u>4,287</u>
Total Current Assets	<u>11,020,114</u>	<u>8,191,849</u>
TOTAL ASSETS	<u>\$ 11,020,114</u>	<u>\$ 8,191,849</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 4,113	\$ 3,789
Deferred auction revenue	<u>2,454,426</u>	<u>593,798</u>
Total Current Liabilities	<u>2,458,539</u>	<u>597,587</u>
Net Assets Without Restrictions	<u>8,561,575</u>	<u>7,594,262</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,020,114</u>	<u>\$ 8,191,849</u>

*The information on this annual report is compiled from audited financial statements.

Statement of Activities and Changes in Net Assets For the Year ended December 31, 2021

	Net Assets Without Restrictions			
	General Operating Fund	Board Designated Funds		Total
		Colombia	United States	
Revenues				
Auction revenues	\$ 4,057,026	\$ -	\$ -	\$ 4,057,026
Membership fees	-	1,571	18,714	20,285
Interest income	-	17,326	29,113	46,439
Total Revenues	<u>4,057,026</u>	<u>18,897</u>	<u>47,827</u>	<u>4,123,750</u>
Expenses				
Accounting and auditing	10,681	-	-	10,681
Auction advertising	5,900	-	-	5,900
Bank fees	1,569	-	-	1,569
Consulting and management fees	85,714	-	-	85,714
Dues and subscriptions	235	-	-	235
Insurance	5,280	-	-	5,280
Licenses and filing fees	272	-	-	272
Office expense	2,299	-	-	2,299
Project costs	-	1,492,700	1,500,000	2,992,700
Postage and delivery	20,497	-	-	20,497
Travel	24,707	-	-	24,707
Website expenses	6,583	-	-	6,583
Total Expenses	<u>163,737</u>	<u>1,492,700</u>	<u>1,500,000</u>	<u>3,156,437</u>
Change in Net Assets Without Restrictions	3,893,289	(1,473,803)	(1,452,173)	967,313
Transfer from general fund to board designated funds	(3,893,289)	1,946,645	1,946,645	-
Net Change After Transfer	-	472,842	494,472	967,313
Net Assets Without Restrictions, Beginning of Year	-	2,950,296	4,643,967	7,594,262
Net Assets Without Restrictions, End of Year	<u>\$ -</u>	<u>\$ 3,423,137</u>	<u>\$ 5,138,438</u>	<u>\$ 8,561,575</u>

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Statement of Activities and Changes in Net Assets For the Year ended December 31, 2020

	Net Assets Without Restrictions			
	Board Designated Funds			
	General Operating Fund	Colombia	United States	Total
Revenues				
Auction revenues	\$ 1,815,867	\$ -	\$ -	\$ 1,815,867
Membership fees	-	683	8,396	9,079
Interest income	-	37,776	68,160	105,936
Total Revenues	<u>1,815,867</u>	<u>38,459</u>	<u>76,556</u>	<u>1,930,882</u>
Expenses				
Accounting and auditing	10,767	-	-	10,767
Auction advertising	4,425	-	-	4,425
Bank fees	1,911	-	-	1,911
Consulting and management fees	84,000	-	-	84,000
Insurance	4,600	-	-	4,600
Licenses and filing fees	344	-	-	344
Office expense	1,329	-	-	1,329
Postage and delivery	25,338	-	-	25,338
Website expenses	6,176	-	-	6,176
Total Expenses	<u>139,184</u>	<u>-</u>	<u>-</u>	<u>139,184</u>
Change in Net Assets Without Restrictions	1,676,683	38,459	76,556	1,791,698
Transfer from general fund to board designated funds	<u>(1,676,683)</u>	<u>838,342</u>	<u>838,342</u>	<u>-</u>
Net Change After Transfer	-	876,801	914,898	1,791,698
Net Assets Without Restrictions, Beginning of Year	-	2,073,495	3,729,069	5,802,564
Net Assets Without Restrictions, End of Year	<u>\$ -</u>	<u>\$ 2,950,296</u>	<u>\$ 4,643,967</u>	<u>\$ 7,594,262</u>

***The information on this annual report is compiled from audited financial statements.**

Statement of Cash Flows

For the Years ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities:		
Change in net assets	\$ 967,313	\$ 1,791,698
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Prepaid expenses	(935)	(495)
Increase (decrease) in:		
Accounts payable and accrued expenses	324	1,384
Deferred auction revenue	1,860,628	(73,770)
	2,827,330	1,718,817
Net Cash Provided (Used) by Operating Activities	2,827,330	1,718,817
Cash and Cash Equivalents at Beginning of Year	8,187,562	6,468,745
Cash and Cash Equivalents at End of Year	\$ 11,014,892	\$ 8,187,562

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