



ANNUAL REPORT 2023



PANAMA POULTRY EXPORT QUOTA, INC.

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MISSION STATEMENT

The Panama Poultry Export Quota, Inc. (PAN-PEQ) is a not-for-profit corporation established to manage on an open tender basis the tariff-rate quota (TRQ) for chicken leg quarters (CLQs) granted by the Republic of Panama to the United States under the terms of the United States - Panama Trade Promotion Agreement. PAN-PEQ then distributes the proceeds of the tender process to the poultry industry associations of the Republic of Panama and the United States to fund market development, educational, scientific, and technical projects. In this manner, PAN-PEQ fosters the cooperation and integration of the poultry industries of both Panama and the United States.

*PAN-PEQ's mission was established under the terms of an Export Trade Certificate of Review, issued by the U.S. Department of Commerce on June 25, 2012, and published in the Federal Register on July 17, 2012 / Vol. 77, No. 13.

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April 2023 - PAN-PEQ Annual and Board Meetings in Charleston, SC

1. CHAIRMAN'S LETTER

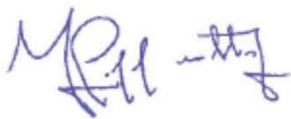
In its twelfth year of operations, PAN-PEQ conducted two open-tender auctions for the export of chicken leg quarters (CLQs) from the United States to Panama under the duty-free tariff rate quota (TRQ) established by the United States - Panama Trade Promotion Agreement (PTPA). A total of 388 metric tons (MT), or 20.61%, out of an annual TRQ of 1,883 MT was auctioned in two tranches: 1,319 MT in the first tranche, and 1,571 MT in the second tranche, with a rollover quota of 1,007 TM. The quota allocated was 312 MT and 76 MT respectively. The auctions generated \$79,198 in receipts marking a threefold decrease from 2022.

Under the terms of the Export Trade Certificate of Review (ETCR) granted by the United States Department of Commerce, PAN-PEQ distributes proceeds from the tender process to fund market development, educational, scientific, and technical projects for the benefit of its poultry association members in Panama (ANAVIP) and the United States (USAPEEC). Disbursements for projects in 2023 amounted to \$378,700. ANAVIP requested \$128,700 to support technical events and the National Egg Commission, enhance regional trade capabilities, and participate in poultry organizations. USAPEEC requested \$250,000 to support its Global Market Development Program, including market development and market access activities in Cuba, South Africa, Panama, and Mexico.

Pursuant to its bylaws, PAN-PEQ's chairmanship rotates among members on an annual basis. At the annual and board meetings held in April 2023, the Board appointed Mr. Robert Toledano from ANAVIP as Chairman, and Mr. Martin Piffaretti from USAPEEC as Vice Chairman. Mr. Mateo Paz-Soldan and Ms. Violeta Gutierrez-McCormick from the PAN-PEQ 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 2023 period.

During my term as Chairman for the 2024 period, I look forward to collaborating with my fellow board members to advance the interests of both poultry industry members, ANAVIP and USAPEEC.

Sincerely,



Martin Piffaretti
PAN-PEQ Chairman 2024

2. DIRECTORS AND OFFICERS

Pursuant to PAN-PEQ's bylaws and the Export Trade Certificate of Review (ETCR) approved by the U.S. Department of Commerce, the members of PAN-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 Panama, Asociacion Nacional de Avicultores de Panama (ANAVIP). A six-member Board of Directors appointed by these associations governs PAN-PEQ.

Directors for 2023

Robert Toledano



2023 Chairman
ANAVIP - Panama

Martin Piffaretti



Vice Chairman
USAPEEC - United States

Luis Carlos Castroverde



Director
ANAVIP - Panama

Victor Epifanio



Director
ANAVIP - Panama

Greg Tyler



Director
USAPEEC - United States

Juan Garfias



Director
USAPEEC - United States

Officers for 2023

In addition to Mr. Toledano, who served as Chairman, and Mr. Piffaretti, who served as Vice Chairman, Mateo Paz-Soldan and Violeta Gutierrez-McCormick from the PAN-PEQ's Administrator, DTB Associates, served as Secretary and Treasurer, respectively.

Mateo Paz-Soldan



Secretary

Violeta Gutierrez-McCormick



Treasurer

3. OPEN TENDER PROCESS AND RESULTS

Under the terms of the ETCR and the PTPA, PAN-PEQ is tasked with managing the TRQ for CLQs established for Panama on a yearly basis.¹ PAN-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 Panama and the United States. Bid specifications and contents are included in the notice and published on the PAN-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 governments, and consolidated results are made available to the member poultry associations and to the public on the PAN-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 PAN-PEQ Board (see Section 5).

The TRQ for CLQs agreed to by both governments for 2023 was 1,883 MT.² The Board agreed in September 2022 to hold two open tenders for shipment of CLQs TRQ to Panama in 2023, which generated a total of \$79,198 in auction receipts. Awarded TRQ amounted to 388 MT, or 20.61% of the full 2022 TRQ volume. The average successful bid was \$204.12/MT and the lowest successful bid \$200.00/MT. See Table 1 for further details.

¹ See General Notes and Appendix 1 - Chicken Leg Quarters (Bone-in), Annex 3.3-PA-Notes-9 and 10 of the text of the US-Panama Trade Promotion Agreement.

² See US-Panama Trade Promotion Agreement, Annex 3.3, Appendix 1, pp.9-10, Paragraph 7(a).

Table 1
PAN-PEQ Open Tender Results for 2023

Category	First Tranche December 5 - 9, 2022	Second Tranche August 7 - 11, 2023*	Total
Available TRQ for Auction (MT)*	1,319	1,571	2890
TRQ Awarded (MT)	312	76	388
Average Successful Bid (\$/MT)	200.01	221	\$204.12
Lowest Successful Bid (\$/MT)	200	221	\$200
Auction Receipts (\$)	\$62,402	\$16,796	\$79,198

* The 2023 quota volume was agreed to in 1,883 MT. The rollover quota of 1,007 MT, from 564 MT, is included in the second tranche.

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

4. REPORTING AND OUTREACH

As established in PAN-PEQ's ETCR, an important part of the corporation's responsibilities includes maintaining the governments of Panama and the United States informed of open tender results, the dates designated for open tenders, and other key issues affecting the corporation. PAN-PEQ must also 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 Panamanian or U.S. government authorities.

5. DISPOSITION OF PROCEEDS

PAN-PEQ's ETCR requires that the proceeds of the open tender process are to be applied and distributed to the poultry industries of Panama and the United States on a fifty percent (50%) basis each to fund market development as well as educational, scientific, and technical projects. The Administrator distributes these proceeds to fund capacity building 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 the ETCR requirements.

ANAVIP

Under the project entitled "Support for educational events, enhancement of regional trade capabilities and participation in poultry organizations (continuation)," PAN-PEQ funds in the amount of \$128,700 supported the continued improvement of technical capacity of the poultry industry and promote egg consumption nationwide.

In 2023, the following activities were funded under this project:

Market Development

1. Funding for the National Egg Commission (CONAHU) to promote egg consumption across Panama. The following activities were supported (see Figure A):
 - Ongoing support for a nutritionist: continued funding for a nutritionist to lead the National Egg Commission Program.
 - Exhibit at the 2023 International Baby Fair: displaying egg nutritional information to families at this key event in Panama.

- Conference of renown nutritionist: a presentation by Sandra Wages, a nutritionist from the Latin American Egg Institute (ILH), at a student summit hosted by the School of Nutrition at the University of Panama.
 - Conference on egg's nutritional benefits: a conference aimed at staff members of private companies.
 - Cuisine workshop at hospital: a specialized workshop for the Nutrition Office at the Mother and Child Hospital José Domingo de Obaldía in Chiriquí.
 - World Egg Day celebration: a fun and educational event, featuring games and prizes, attended by 400 students and teachers from schools on Panama's east coast.
2. Ongoing hiring of a trade advisor: continued funding for a trade advisor to provide guidance to ANAVIP's members on trade-related issues and international agreements, enhancing ANAVIP's negotiating capacity.

Technical Education and Training

3. Ongoing support for a veterinarian: continued funding for a veterinarian to represent ANAVIP's interests within the Central American Customs Union regarding harmonized poultry regulations. This role includes liaising with government officials on animal health, food safety, and trade issues, as well as coordinating activities aimed at improving poultry health in Panama.
4. Participation in workshops with the National Technical Poultry Commission (COTAN): such as Hazard Analysis Critical Control Points - HACCP's Verification and Validation program and HACCP's Inspection and Audit program.
5. Attendance at the Regional Technical Commission of Avian Health (OIRSA) Meeting in El Salvador: ANAVIP staff participated in discussions regarding surveillance plans for preventing and protecting poultry from highly pathogenic avian influenza (HPAI).

Figure A

Market Development Activities in 2023 for ANAVIP

Improving the Technical Capacity of the Poultry Industry



OIRSA Meeting in El Salvador on HPAI.



HACCP workshops from COTAN.



Exhibit at the International Baby Fair in Panama City.



Conference with Nutritionist Sandra Wages of the Egg Latin American Institute.



Workshops on egg nutrition for private companies staff.



Celebration of the Egg World Day.

Source: ANAVIP.

USAPEEC

In 2023, USAPEEC requested funds in the amount of \$250,000 for the following projects: 1) “Global Market Development Program & Trade Issues Resolution (continuation)”; and 2) PAN-PEQ Promotional Program/Cuba Trade Development.” These projects aimed to develop and maintain access to important markets for USAPEEC, such as Mexico, South Africa, Panama and Cuba.

The following activities were funded under these projects:

Market Development

1. USAPEEC trade promotion and education seminar for Panama auctions: USAPEEC hosted an educational program to encourage participation in PAN-PEQ auctions. This activity included a roundtable with potential auction participants.
2. Cuban market development program: exhibit at the annual Havana trade show, and reporting on trade policy issues impacting US poultry export to Cuba.
3. Sponsorship of various trade events and meetings: this includes USAPEEC’s participation at the International Poultry Council and International Egg Commission, as well as other events related to international export development.

See Figure B for further details.

Figure B

Market Development Activities in 2023 for USAPEEC

Sponsorship at IPC



Source: IPC website.



Source: USAPEEC.

6. AUDITED FINANCIAL STATEMENTS

Statement of Financial Position December 31, 2022 and 2023

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,985,539	\$ 2,098,525
Accounts receivable	-	5,137
Prepaid expenses	<u>6,683</u>	<u>9,239</u>
TOTAL ASSETS	<u><u>\$ 1,992,222</u></u>	<u><u>\$ 2,112,901</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Deferred auction revenue	\$ 280,112	\$ 62,402
Accounts payable and accrued expenses	2,162	1,203
Credit card liability	<u>6,728</u>	<u>9,326</u>
Total Current Liabilities	<u>289,002</u>	<u>72,931</u>
Net Assets Without Restrictions	<u>1,703,220</u>	<u>2,039,970</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,992,222</u></u>	<u><u>\$ 2,112,901</u></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, 2023

	General Operating Fund	Net Assets Without Restrictions		
		Board Designated Funds		
		United States	Panama	Total
Revenues				
Auction revenues	\$ 79,198	\$ -	\$ -	\$ 79,198
Membership fees	1,584	-	-	1,584
Investment income	7,401	35,242	7,187	49,830
Total Revenues	88,183	35,242	7,187	130,612
Expenses				
Accounting and auditing	6,710	-	-	6,710
Bank fees	1,618	-	-	1,618
Consulting and management fees	58,710	-	-	58,710
Dues and subscriptions	53	-	-	53
Insurance	9,239	-	-	9,239
Legal fees	401	-	-	401
Licenses and filing fees	225	-	-	225
Postage and delivery	528	-	-	528
Printing and reproduction	620	-	-	620
Project costs	-	250,000	128,700	378,700
Publications	3,701	-	-	3,701
Travel and entertainment	3,251	-	-	3,251
Website expenses	3,607	-	-	3,607
Total Expenses	88,662	250,000	128,700	467,362
Change in Net Assets	(479)	(214,758)	(121,513)	(336,750)
Transfer from general fund to board designated funds	479	(239)	(239)	-
Net Change After Transfer	-	(214,997)	(121,752)	(336,750)
Net Assets Without Restrictions, Beginning of Year	-	1,564,378	475,592	2,039,970
Net Assets Without Restrictions, End of Year	\$ -	\$ 1,349,380	\$ 353,839	\$ 1,703,220

*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, 2022

	Net Assets Without Restrictions			
	General Operating Fund	Board Designated Funds		
		United States	Panama	Total
Revenues				
Auction revenues	\$ 259,488	\$ -	\$ -	\$ 259,488
Membership fees	5,190	-	-	5,190
Investment income	3,155	20,859	4,139	28,153
Total Revenues	<u>267,833</u>	<u>20,859</u>	<u>4,139</u>	<u>292,831</u>
Expenses				
Accounting and auditing	6,167	-	-	6,167
Bank fees	1,657	-	-	1,657
Consulting and management fees	57,684	-	-	57,684
Dues and subscriptions	53	-	-	53
Insurance	8,234	-	-	8,234
Interest expense	5	-	-	5
Licenses and filing fees	305	-	-	305
Meetings	10,847	-	-	10,847
Postage and delivery	890	-	-	890
Printing and reproduction	1,103	-	-	1,103
Project costs	-	410,000	155,000	565,000
Publications	3,720	-	-	3,720
Telephone	6	-	-	6
Travel and entertainment	8,503	-	-	8,503
Website expenses	3,181	-	-	3,181
Total Expenses	<u>102,355</u>	<u>410,000</u>	<u>155,000</u>	<u>667,355</u>
Change in Net Assets	165,478	(389,141)	(150,861)	(374,524)
Transfer from general fund to board designated funds	(165,478)	82,739	82,739	-
Net Change After Transfer	-	(306,402)	(68,122)	(374,524)
Net Assets Without Restrictions, Beginning of Year	-	1,870,780	543,714	2,414,494
Net Assets Without Restrictions, End of Year	<u>\$ -</u>	<u>\$ 1,564,378</u>	<u>\$ 475,592</u>	<u>\$ 2,039,970</u>

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

Statement of Cash Flows

For the Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (336,750)	\$ (374,524)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Accounts receivable	5,137	(5,137)
Prepaid expenses	2,556	(9,239)
Increase (decrease) in:		
Deferred auction income	217,710	(162,788)
Accounts payable and accrued expenses	959	(1,956)
Credit card liability	<u>(2,598)</u>	<u>9,326</u>
Net Cash Provided by Operating Activities	(112,986)	(544,318)
Cash and Cash Equivalents at Beginning of Year	<u>2,098,525</u>	<u>2,642,843</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,985,539</u>	<u>\$ 2,098,525</u>

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

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