THE ONTARIO Agri-Food Exporter

Fall 2003

SEPTEMBER *Street Smart brings Safeway to Ontario*

SAFEWAY

Top U.S. retailer Safeway will be the focus of OMAF's next Street Smart session, with buyers, logistics and marketing representatives from the company in attendance for the September 23 session.

OMAF is expecting an enthusiastic assembly of buyers interested in sourcing packaged private label products. "Street Smart has proven to be incredibly successful in matching Ontario exporters with US buyers," says Murray Howatson, Export Marketing Unit geographic specialist for the US market. "We're confident this session will be one of the most successful yet. With a full Safeway team in attendance, Ontario exporters will be able to get a complete picture of Safeway logistical and marketing issues, so that they can iron out all of those details and ultimately speed up the exporting process."

Safeway is one of the largest food and drug retailers in North America. The company operates almost 1,700 stores in the western, southwestern, Rocky Mountain and mid-Atlantic regions of the US and in western Canada, and owns a 49 per cent share in Casa Ley, S.A. de C.V., which operates over 100 food and general merchandise stores in western Mexico. The company has an extensive network of distribution, manufacturing and food processing facilities. Safeway's

— Continued on page 2

PROFIT Plus: You can't afford to miss it!

Whether you're gearing up for your first shipment to the US or are a seasoned exporter, you can't afford to miss OMAF's PROFIT Plus seminar on changing US regulations.

"Even the experienced Ontario exporter is facing new challenges at the US border," says Alan Crawley, acting manager of OMAF's Export Marketing Unit. "Changes to border regulations, including the FDA-administered Bioterrorism Act, the USDA's Country of Origin Labeling regulations and US Customs C-TPAT, all affect Ontario food exporters. In these cases, what you don't know could seriously compromise your exporting efforts."

This one-day session, held in conjunction with OMAF's Policy Unit, will bring you up to speed on changing US border regulations and programs so that your company can ensure that border challenges don't get in the way of your export growth. You'll meet officials and experts who can assist you in dealing with those regulations and programs.

"This session is essential for any Ontario company currently exporting or planning to export to the US," says Crawley. "It's also an ideal complement to the Street Smart session, since it will help ensure that nothing gets in the way of fulfilling your US sales."

PROFIT Plus: Addressing Changing US Regulations will be held on November 10 in Toronto. For more details, see the listing in OMAF trade events, page 2. To register for the session, contact your client account officer (see page 7 for contact information).

OMAF *trade events*

Increase your export sales by participating in an OMAF Export Marketing Unit trade-related event. Our seminars, incoming and outgoing missions and trade show participation are all geared to developing and maximizing export opportunities for Ontario companies. Through them, we can help you generate export sales, get in-market exposure, meet buyers face-to-face and gather first-hand information about export markets. If any of these events fit your strategies, contact your client account officer for further details on how your company may participate (see the contact list on page 7).

PROFIT, September 9-10, 2003. Toronto and Buffalo. PROFIT (Program to Raise Ontario Foods International Trade) is a hands-on two-day orientation on exporting to the United States, covering the basic requirements for food exporters. The program features 15 speakers, covering topics such as export financing, product labeling, trademarks, US tax laws, US food brokerage, US food distribution, US Food & Drug Administration regulations, US Customs and US customs brokerage. This unique and affordable course focuses exclusively on food and beverage exports. It is ideal for skills upgrade and development for new marketing staff, inside and outside sales staff, shipping and logistics staff, and marketing/sales support staff. **Next session is scheduled for February 2004.**

Street Smart, September 23, 2003. Toronto. This one-day session will focus on US retailer Safeway. Buyers for many of the company's major divisions will be in attendance, along with logistics and marketing staff. The session will begin with short presentations from Safeway representatives, with the bulk of the day spent in tabletop presentations. This session is geared to export-ready Ontario food companies. Contact your client account officer for participation information, or call the Street Smart hotline at 1-877-406-4754. (See "September Street Smart brings Safeway to Ontario," page 1, for more details.)

PROFIT Plus: Addressing Changing US Regulations, November 10, 2003. Toronto. This special PROFIT Plus session is a follow-up to the session held last October on US regulations affecting agri-food trade, and will focus on changes to US regulations and programs, including the FDA-administered Bioterrorism Act, the USDA's Country of Origin Labeling regulations and US Custom's C-TPAT. Speakers from each of these US authorities will be featured. This session is held in conjunction with the Canadian Food Exporters Association and OMAF's Policy Unit. If your company is exporting to the US market, the information shared at this session is critical to your continued success. Sales and logistics staff are encouraged to attend.

Japan Beverage and Processed Food Promotion, including Hoteres and Foodex Kansai, November 14-24, 2003. Osaka and Hiroshima. This trade event includes participation in the Canadian Pavilion at Hoteres & Foodex in Kansai (November 14 -24) and a Canadian processed food promotion in Hiroshima on November 24. In 2001, over 44,000 buyers and food industry representatives visited Hoteres & Foodex Kansai. There is an optional visit to Hiroshima for targeted one-on-one meetings with regional importers. A reception with product display will be held to showcase Canadian processed food products to the major retail and restaurant chains within the region. For more information on this event, contact your client account officer, or Amos Tin, geographic specialist for Asia, at 1-888-466-2372, ext. 63489 or via e-mail at amos.tin@omaf.gov.on.ca.

September Street Smart brings Safeway to Ontario

— Continued from page 1

retail strategy is to provide one-stop shopping for today's busy shoppers, with an emphasis on quality produce and meat and specialty departments including in-store bakery, deli, floral and pharmacy.

The Street Smart session will begin with short presentations from Safeway representatives, followed by a tabletop show where Ontario exporters will have the opportunity to meet with Safeway buyers one-on-one. The Export Marketing Unit's sector specialists will accompany their counterpart Safeway buyers throughout the show.

"We think this is a terrific opportunity for export-ready Ontario companies," says Howatson. "We know from past experience that buying decisions are made at Street Smart, and we fully expect this session to be as successful as past ones, with Ontario companies wrapping up the day with new contacts and potential sales."

For more information on Street Smart, contact your client account officer (see page 7 for contact information), or call the Street Smart hotline at 1-877-406-4754.

Profile

AMOS *Tin* OMAF geographic specialist for Asia/Pacific

The Asian market can't be an afterthought, says Amos Tin, geographic specialist for the Asia/Pacific region. If you're interested in tapping into this market's huge potential, you need to think long-term and devote real resources to making it happen. "In Asia, credibility and confidence in your company are very important," says Tin. "It can take time to establish that credibility and confidence, to make that relationship with the buyer. But once you do, they then have a stake in your success, and will work with you to ensure that you're both successful."

"When you're selling in Asia, what you're really selling isn't a specific product," says Tin. "It's your production capabilities. A specific product can give you the chance to enter the door, but ultimately the buyers will buy based on their confidence in your efficient production, high-quality workmanship and high-hygiene production."

And if you're looking for short-term gain? Don't bother, says Tin. It's the kind of pragmatic straight talk Tin prides himself on, an approach honed during his years on the producer side of the table. Tin's career began in Hong Kong, where he worked for Bayer, a German chemical company, before taking a position with East Asiatic Co. Ltd., selling food processing equipment in China. During his time with EAC, he lived in Beijing, China. His next assignment took him to Nestlé, where he became senior product manager for Nescafe in the China market. In 1989, he moved to Canada, completed his MBA at the University of Western Ontario, and then joined OMAF in 1991. He took a two-year leave of absence from the Ministry to work for Kraft General Foods in China and Campbell Soup Co. for the Asia/Pacific regional market, and returned to the Ministry in 1996.

Tin prides himself on the assistance that OMAF can offer Ontario exporters interested in the Asian market. "When Japanese buyers are looking for new products, for instance, they will come to OMAF because we've established a reputation there," says Tin. "We can then turn to our clients in Ontario, and help make that connection between buyer and seller. We work closely with our Ontario clients, giving them insight into how the Asian markets work, what works in what region, how to respond to Asian buyers." As well, Tin points out, the Export Marketing Unit has also published a range of regional market reports that can provide background data on exporting to Asia. "We have an in-house consulting capability that offers real advantages to Ontario exporters," says Tin.

LIOTTA *returns to EMU; Wolfson takes on new role;*

OMAF is pleased to announce Kathryn Liotta's return to her post as the client account officer responsible for specialty/gourmet, health food, dairy products, pet food and deli. Liotta will continue to work closely with ontario clients in her sectors. Among her first assignments, she will be attending the Natural Products Expo East 2003 in early September, accompanying Export Marketing Unit natural/organic clients who are participating at the show.

Michael Wolfson, who was filling in for Liotta, has taken on an innovative new role with the city of Toronto. Wolfson is working as a sector development officer with the Toronto Economic Development Corporation. In this position, he will continue to work with Ontario food exporters, and will be working closely with his former colleagues at OMAF. His new position involves attracting new food processors to Toronto, keeping current food processors in the city, and assisting new food start-ups in understanding the industry and regulations. This includes briefing Metro Councillors on food-related issues; working with field offices to assist food processors with building permits, variances and other municipal issues; assisting food companies seeking to expand their businesses in Toronto in finding food grade facilities and more. "In a nutshell, anything and everything that is related to the economic health of the food processing industry in Toronto falls under my umbrella," says Wolfson.

GETTING IT RIGHT IN JAPAN:
Key strategies for success

"When you're selling in Asia, what you're selling isn't a specific product, it's your production capabilities," says Amos Tin, OMAF geographic officer for Asia. "A specific product can give you the the chance to enter the door, but ultimately buyers will buy based on their confidence in your efficient production and high-quality workmanship."

"I liked the challenge of exporting to Japan," says Allan Kliger. "It's supposed to be one of the toughest markets in the world to break into, and I liked the idea of meeting that challenge."

Kliger is the president of Victory's Kitchen, an Ontario company specializing in spoonable foods: soups, sauces, salsa, chili, pizza sauces, dressings, dips and marinades. The company, which was established in 1985, has grown from a small manufacturer of retail, deli-style fresh soups to North America's foremost manufacturer of private label spoonable foods. Today, Victory's Kitchen sells to restaurant chains, retailers and other manufacturers around the globe.

"I'd read about the size and potential of the market in various government newsletters, and was intrigued by the opportunities in Japan," says Kliger. "The other reasons? Exporting is rewarding. It's great doing business in a foreign country. And the experience and ideas you get from exporting and being exposed to those markets helps you innovate and fuels your domestic business as well."

How OMAF helped

Kliger turned to Amos Tin, OMAF's geographic specialist for Asia, for advice and assistance on the Japanese market. As well, he attended OMAF seminars on the region. "I was trying to meet as many people as possible who has succeeded—as well as those who hadn't, to learn from their mistakes," he says. Kliger soon realized that finding the right partner would be key to his success. "You need a relationship with somebody who is well respected in the community, who speaks the language, who has a reputation for integrity, and who has helped other Canadian products into the market," he says. Kliger made contacts with brokers through OMAF seminars, and met with a number of companies. "It took some time to find the right fit—someone who could help us but who we could help as well by providing a product that provided them with opportunities for growth too," says Kliger.

Persistence pays off

It wasn't a quick process: Kliger says it took five to six years of false starts to finally find a broker who delivered success. "It didn't affect my commitment to the market," says Kliger. "You have to be a long-term thinker and long-term planner to succeed in Japan. You have to plant the seeds today to reap the benefits down the road."

That long-term thinking eventually paid off, when prospective Japanese buyers expressed interest in the company's frozen soups. "What was important to the customer was our responsiveness," says Kliger. Victory's Kitchen asked them for samples of similar Japanese products the customer liked and didn't like in order to better appreciate the customer's needs. Kliger's company then sent samples to Japan, solicited feedback and made whatever revisions were necessary to make the customer happy. The customer was so impressed with Victory's commitment to their needs that it wasn't long before the buyers flew to Toronto to tour and audit the company's production facilities. "By the time they came over, we were way down the road," says Kliger. Within 24 hours of arriving in Toronto, Victory's Kitchen and the Japanese buyers had finalized the products they wanted from a concept point of view.

"Japanese buyers are very demanding," says Kliger. "Quality and attention to detail are important to them, and they need to see that these things are equally important to you, in your plant and in everything you do. You need to be obsessed with what you do, because they're obsessed with what they do."

But finalizing the product concepts wasn't the end of the journey. "It took at least six months just to finalize labelling and packaging."

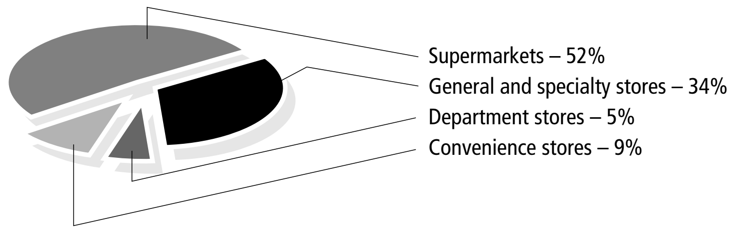
Was it all worth it? Kliger's answer is an emphatic yes. "We expect that we will have closed one of the largest soup deals ever done in Japan," says Kliger. "And that deal is just the beginning of our relationship with this customer. The most difficult thing for a Japanese customer is choosing who to do business with, but once they've chosen you to be part of their family and once they see that you're prepared to be part of theirs, they're committed to you and to your success."

The Japanese market at a glance

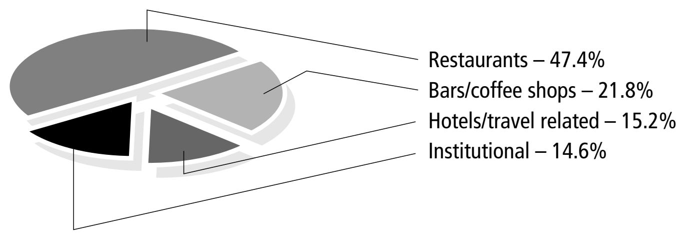
Food sales to consumers (1999)

	Trillion yen	Billion dollars (US)	Share of total consumer food sales
Retail	38.5	338	54%
Home meal replacement	5.2	46	7%
Food service	28.1	247	39%
Total	**71.8**	**631**	**100%**

Retail food sales: Share of retail food sales



Food service sector: Share of food service sector



Top 10 Supermarkets (2000)

Company name	Food Sales (US$ Billion)	# of outlets	Location
Coop	19.9	2,445	Nationwide
Aeon (formerly Jusco)	7.1	372	Nationwide
Daiei	6.5	314	Nationwide
Ito-Yokado	6.2	182	Nationwide
Uny	4.7	160	Chubu, Kanto
Seiyu	3.7	204	Nationwide
Life Corporation	2.6	190	Kinki, Kanto
Maruetsu	2.5	190	Kanto
Izumiya	1.7	79	Kinki
Tokyu Store Chain	1.5	93	Kanto, Chubu

Top 10 Retail Food Wholesalers (2000)

Company name	Food Sales (US$ Billion)	# of sales offices
Kokubu	9.5	64
Snow Brand Access	6.5	70
Ryoshoku	5.6	29
Itochu Food	4.5	120
Meidi-ya	4.5	18
Kato Sangyo	3.6	32
Nihon Shurui Hanbai	3.6	46
Asahi Shokuhin	2.9	47
Yamae Hisano	2.1	16
Nishino Shoji	2.0	13

Source: All data from the USDA's Foreign Agricultural Service GAIN Report of March 29, 2002, with the exception of Food Services Sector pie chart, data from the Japan Food Service Association 2001.

One broker's secrets to success

Albert Ng knows the challenges Ontario producers face in breaking into the Japanese and Asian markets. With over 20 years of combined experience in the food industry, Ng's company, PARK TAK International Ltd., has worked with producers since 1995, and exports products for more than 20 Canadian companies into the region. PARK TAK handles purchasing, consolidation, inspection, warehousing, documentation and shipping of products, and even has the facilities to relabel and package products to the specific standards of the target markets. Today, PARK TAK is one of the largest value-added food exporters in the Far East region.

"Ontario exporters are competing with the best in the world when it comes to the Asian market," says Ng. "It's a very tough market." Ng's advice to manufacturers?

Here are his top four tips:

1. **Know the market—or find a partner who does.** "You can't export to Japan via e-mail. Face-to-face meetings are essential."
2. **Price competitively.** "It doesn't matter what price you'd like to get for your product. It matters what the market price for that product is."
3. **Make a core investment.** "If you're building a brand in Canada, you invest in marketing and distribution and other costs. If you want to succeed in the Japanese market, you need to think of it the same way, and make an investment in getting into the market for the long term. You can't just focus on making the sale. You need to focus on how to develop and maintain the relationship."
4. **Tap into OMAF and Canadian Food Exporters Association (CFEA) programs.** "I've attended OMAF seminars, taken part in incoming and outgoing missions and trade shows, and contacted the CFEA and the market development team at OMAF directly. Both OMAF and CFEA are doing a very good job in organizing and providing market information related to the region."

IN *Good Company: Nor-Cliff Farms creates new market for Baby FiddleGreens*

This Fonthill company is carving out a growing market for a niche crop.

The company: Nor-Cliff Farms, the largest grower, packer and distributor of Fiddlehead Greens in North America, specializing in fresh, frozen and marinated product.

The challenge: Develop a market for fiddleheads in the western US

How OMAF helped: Participating in PROFIT, working one-on-one with client account officer Di Campbell and utilizing the EMU Resource Centre all helped this family-owned corporation rebrand their product and crack new markets

Words to grow by: "Preparation, perserverence and resilience were the keys to our success, as was the assistance we received from OMAF."

You may know them as fiddleheads, but to Nor-Cliff Farms, they're Baby FiddleGreens. The Fonthill, Ontario company has been harvesting and marketing fiddleheads since 1974, with a broad base of distribution catering to large retail supermarkets, specialty grocers, wholesalers and natural food distributors across Canada and the eastern seaboard of the United States. In fact, the company was so successful in these markets that company president Nick Secord was known as the Fiddlehead King.

But when the company decided to tackle the western US market, they faced formidable challenges. Many retailers didn't know what fiddleheads were, and those who were familiar with the product had had negative experiences with a locally-grown but bitter similar product. "The wood fern on the west coast looks pretty much the same as the ostrich fern," says Natasha Secord, "but it doesn't have a very nice taste. Unfortunately, consumers on the west coast couldn't tell the difference between the two."

That's when Natasha and Nick embarked on the research that would help them develop a market entry strategy for Nor-Cliff on the west coast. They had heard about OMAF's Export Marketing Unit from colleagues, and contacted sector officer Di Campbell. Campbell met with the two in their Fonthill office. Nor-Cliff's goal was ambitious: to launch packaged fiddleheads into the US within six months, when the 2003 wild field crop would be ready, and in the long term, to build on this market with farmed fiddleheads from the Ontario plantation, which would be ready for commercial harvesting in three to four years.

Why target the western US market? "The California market has high disposable income and they're more health conscious than a lot of places," says Natasha. The company thought that with a wild, organic product, they had the opportunity for success.

"It was very apparent from our first meeting that the launch objective was achievable," says Di Campbell, OMAF sector officer. "Natasha was a very quick study, and had the marketing experience and persistence required to move the project ahead. Nick had a great depth of business experience, including US export." The immediate problem faced by Nor-Cliff was a lack of financial marketing resources. Campbell suggested that the company apply for the federal CanAdapt program, and outlined consultancy contacts who could assist with the preparation of the application. Nick and Natasha chose consultants Herb and Diane Williamson at T.P. Woodhouse, and worked with them to successfully apply for the funding to launch their marketing efforts.

In early 2003, Natasha attended an OMAF/University of Guelph Organics Conference and Trade Show, as well as taking part in the PROFIT seminar. "PROFIT was invaluable," says Natasha. "What I learned in two days would have taken months to learn on my own."

— Continued on page 7

In Good Company: Nor-Cliff Farms...

— Continued from page 6

She continued her research by making extensive use of the Export Marketing Unit's resource library, where with the assistance of EMU co-op students, she gathered broker and buyer information.

It soon became apparent to Nor-Cliff that a rebranding of their product was essential to their potential success. "People would hear 'heads' and they'd think it was fish heads," says Natasha. "We decided to go with Baby FiddleGreens because it maintains fiddle, which describes the shape, but emphasizes the fresh, tender greens aspect of the product." New packaging was in order as well. Whereas most past retail sales had been bulk sales, for the west coast, Nor-Cliff developed a 12-ounce package.

Natasha was working to revamp the company's website, preparing sell sheet and corporate brochures, developing labeling, point of sale and packaging material and following up with California buyer leads. "Selling to the west coast was essentially a new business for us. We had no contacts, no sales, so we were starting from the ground up."

Again, OMAF played a key role. Campbell put the company in touch with OMAF's west coast US trade advisor Gary Cooke. Cooke provided Natasha with additional broker contacts, and presented the product concept to his specialty retailer contacts such as Trader Joe's.

Nor-Cliff's first big success came with a sale to Trader Joe's. "The first time I called, I got a flat 'No, we're not interested,'" says Natasha. "But I persevered, asking if I could send product information, following up and utilizing the contacts that Gary Cooke had with the company. I worked on that account for close to three months, and in the end, they were very happy with our product." Now, as Nor-Cliff looks ahead to next season, they expect to double or triple sales to Trader Joe's, and have also added Wild Oats to their customer list.

"Preparation, perserverence and resilience were the keys to our success, as was the assistance we received from OMAF," says Natasha Secord.

Export Marketing

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BSE AND ONTARIO *exporters: Latest developments and where to find out more*

On August 8, US Department of Agriculture (USDA) Secretary Ann Veneman announced a partial lifting of the BSE-related import ban on Canadian ruminant and ruminant product. The following outlines Secretary Veneman's comments on this process.

USDA will no longer prohibit the importation of hunted wild game intended for personal use, and will now accept applications for import permits for the following products from Canada:

- boneless sheep or goat meat from animals under 12 months of age;
- boneless bovine meat from cattle under 30 months of age;
- boneless veal from calves that were 36 weeks of age or younger at slaughter;
- fresh or frozen bovine liver;
- meat from farm-raised cervids (deer and elk);
- vaccines for veterinary medicine for non-ruminant use; and
- pet products and feed ingredients that contain processed animal protein and tallow of non-ruminant sources when produced in facilities with dedicated manufacturing lines.

Products may be imported with a "United States Veterinary Permit for Importation and Transportation of Controlled Material", which is available on-line at www.aphis.usda.gov/vs/import_export.htm or can be downloaded from www.aphis.usda.gov/vs/ncie, or can be obtained by calling the US Animal and Plant Health Inspection Service (APHIS) Centre for Import and Export at (301) 734-3277. Applications must be tendered by a US-resident or US-based firm. Applications will be reviewed and processed by the US Animal and Plant Health Inspection Service (APHIS). It is anticipated that actual movement of the identified red meat cuts may not take place until September.

Initially, product entry will only be permitted at 19 specifically designated US ports of entry; a complete list of locations is available at www.aphis.usda.gov.

The import ban on live ruminants remains intact, as is the ban on processed food exports containing Canadian beef. The USDA has indicated that rules for the importation of live cattle are currently in development.

On August 11, following the lead of the US, Mexico announced an identical relaxation of the BSE-related import protocols implemented on May 20, 2003.

Secretary Veneman also called for international dialogue to develop more practical, consistent BSE-related import protocols. The US, along with Mexico and Canada, has requested that the Office International des Epizooties (OIE) include such a dialogue in an upcoming meeting in September.

Over 30 other countries, including the US, Japan, South Korea and Mexico, have imposed import restrictions on Canadian ruminants and ruminant product since May 20, 2003. These protocols are based on OIE guidelines. The US announcement marks the first occasion in which a BSE-free country has lifted import sanctions against another jurisdiction known to have had an incidence of BSE.

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