

# THE ONTARIO Agri-Food Exporter

Spring 2004

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## NEXT STREET SMART targets lucrative US foodservice market

Position your company to tap into the lucrative US foodservice market by planning to attend OMAF's next Street Smart session in September. "We expect this

session to be very popular, since it's the first to focus exclusively on foodservice," says Murray Howatson, Export Marketing Unit geographic officer for the US market. "Street Smart has proven extremely effective in matching US buyers and Ontario producers, resulting directly in sales and increased exports. We're certain that this session will continue that trend."

The US foodservice market is valued at over \$400 billion in sales, with more than 825,000 foodservice outlets in operation.

The September Street Smart will be spread over two days, with a late-afternoon seminar featuring introductions of all of the US attendees, with an overview of their business requirements. This will be followed by a networking reception.

The following day will be devoted to tabletops, to ensure that all buyers and Ontario manufacturers have adequate time to meet.

"We'll be inviting leading US foodservice distributors," says Howatson. "Additionally, we'll be inviting each distributor to bring representatives of their top end-user clients. In all, we expect 20 to 30 US buyers to attend." The list of attendees is expected to be confirmed by early summer.

In order to participate in the session, Ontario foodservice suppliers must be export ready. Participation is limited. Contact your client account officer for more information (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 Plus - US Foodservice, June 15, 2004, Toronto.** This industry seminar is aimed at Ontario processors interested in expanding into the US foodservice market in both branded and private label products. It is intended to better acquaint Ontario

manufacturers with the US foodservice industry and is the ideal preparation for September's Street Smart session focusing on foodservice (see below for details). Topics will include an overview of the US foodservice market plus more specific regional information and the players involved. Foodservice industry trends, the size of the market, foodservice growth versus retail and the fastest growing foodservice sectors will be highlighted. Speakers from US foodservice companies will discuss their individual companies, including:

- geographical coverage,
- key distributors,
- growth areas,
- opportunities,
- pricing structure—what producers should take into consideration when doing their pricing,
- distribution centers and how to work with them,

- product groups (frozen, produce, bakery, beverages, shelf stable etc.),
- how to approach them and develop new product ideas,
- challenges in working with suppliers—getting past roadblocks and what manufacturers should do to ease these problems.

**Hong Kong Food Exposition, Aug 12-16, 2004, Hong Kong.** OMAF is coordinating this event for Ontario processors that wish to introduce their products to the Hong Kong market. Under a pilot program, sales agent Park Tak International will be organizing participation in the Canadian Pavilion. The company will consolidate shelf-stable product samples from Toronto for display at the booth and sell to show visitors. Park Tak's experience in the Hong Kong market allows them to identify and pursue appropriate trade opportunities for your products. This is a cost-effective method of introducing your products to both the food industry and consumers in the Hong Kong market, and beyond. For further information on this program or booking your own booth, contact Amos Tin, Exporting Marketing Unit geographic specialist for Asia at 519-826-3489 or via email at amos.tin@omaf.gov.on.ca.

**PROFIT, Sept 14-15, 2004, Toronto and Buffalo.** With hundreds of graduates and now in its 20th year! PROFIT (Program to Raise Ontario Food 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. Participation is limited to 20 industry representatives to ensure that each company's questions and challenges are addressed.

**Street Smart - US Foodservice, Sept. 27-28, 2004, Toronto.** OMAF's popular Street Smart series returns with a dedicated session on foodservice. OMAF will host 25 US foodservice buyers, in a program organized for 80 Ontario suppliers. The session will begin with a welcome reception for buyers and registered manufacturers starting at 4:00 p.m. on Monday September 27th. Powerpoint presentations from the buyers will be followed by appetizers and networking during the evening. The focus of the program—the tabletop show—will take place for one full day, Tuesday September 28th, from 8 a.m. until 5:00 p.m. For more details, see story on page 1. Space is limited and registered attendees must be export ready to take part.

## US foodservice spotlighted at June PROFIT Plus seminar

"If you're interested in building your US foodservice exports, you can't afford to miss this PROFIT Plus," says Murray Howatson, the Export Marketing Unit's geographic officer for the US market.

What will the session cover? Attendees will get:

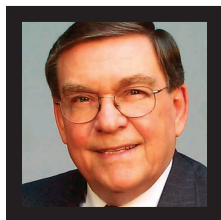
- The latest on foodservice trends and market conditions.
- A frontline view of the industry from the perspective of distributors and brokers.

"Our distributor and broker speakers will be giving attendees specific information on pricing structures in foodservice and how to build those costs into your price, the ins and outs of distribution, how to approach distributors to develop new products and more," says Howatson.

The session is the ideal lead-in to September's Street Smart session on the US foodservice industry, which will feature buyers from across

the US (see story this page). "This PROFIT Plus lays the groundwork for anyone considering the US foodservice market," says Howatson. "It will provide the background Ontario manufacturers need to make the most of the opportunities at our fall Street Smart session."

PROFIT Plus will be held on June 15 at Toronto Airport Hilton. For more information, contact your client account officer (see page 7 for contact information).



As OMAF's new trade advisor in the Eastern US, Joseph Senft's main goal is helping export-ready Ontario food manufacturers make inroads into the US foodservice market, which is primarily food eaten away from home, at restaurants, hotels, universities and hospitals. "Over time, I've developed relationships with these types of accounts in the US and my goal is to introduce Ontario companies to distributors and operators on that side of the business so they can sell them their products."

Senft brings years of experience in sales and marketing to his new role. He spent 18 years at Sunshine Biscuits, Inc. where as director of marketing for the foodservices division he helped build the business from \$3 million in annual sales to \$120 million. After Keebler bought Sunshine, Senft joined H.B. Hunter Company in

Norfolk, Va. as sales manager for foodservice. For two years, he sold dessert toppings and specialty items to the foodservice trade in New England and the mid-Atlantic market. Most recently, Senft was director of marketing and sales for Greyston Bakery in Yonkers, NY where he was primarily responsible for expanding sales of upscale dessert items to hotels, restaurants and other food service customers.

"I have a strong background in foodservice and a number of manufacturers in Ontario are interested in expanding their sales into the foodservice marketplace," says Senft. "Relationships are important in the foodservice market because you tend to talk directly to the people who are using your products. For example, if you're trying to sell your product to a hospital, the dietitian in the hospital will want to see food samples and find out how good it is firsthand. It's different from retail, where you never deal with the

consumer and special promotions and deals usually influence a purchase. I know these foodservice customers and I can help Ontario companies establish relationships with them."

Since starting as US trade advisor in April 2004, Senft is busy learning about Ontario manufacturers and the types of products they sell. He is currently assisting in organizing the PROFIT Plus foodservice seminar for June and a foodservice Street Smart for September where potential US customers will get a chance to meet with Ontario manufacturers to learn about what products are available and to make sales. "I'm very optimistic that we're going to be able to do some positive things for the manufacturers in Ontario," Senft says. "I met with some of them in Toronto in March at a Street Smart event for retail customers and I had the opportunity to see some of the products they're offering. I saw some very strong opportunities for foodservice."

## AS US SUPERMARKETS *respond to increasing competition, will it affect your business?*

*Industry management, faced with stiff competition for retail food sales dollars, are re-evaluating their business strategies, and that could shape your relationship with your key US supermarket accounts*



US supermarkets are facing a challenging retail environment, and they need to take a hard look at how they do business in order to maintain their markets. That was a key message at the May 2004 Food Marketing Institute trade show and conference in Chicago, as the US supermarket industry leaders evaluated their own performance in this ever-more competitive business landscape. David Clarke, director of OMAF's Market Development Branch, attended the session. "US supermarkets are not only facing competition from other supermarket outlets but increasingly from other channels such as superstores, warehouse clubs and convenience stores. Overall, their growth in the last two years has barely kept pace with inflation," reports Clarke. "Within the industry, though, it's interesting to note that some retailers did much better than average."

The key to survival and growth, in this climate, is to find a successful opportunity. "How they are able to develop their opportunities could have a significant impact on what they expect from their suppliers, and in turn, how much product they eventually buy" says Clarke. "In order

to thrive, supermarket chains are taking a hard look at how they focus their business, how they use technology and what they can learn about consumer motivation and buying habits from the data they are collecting. All of these things could affect their supplier relationships."

How? As a chain refocuses its business, it may drop out of some segments. On the technology front, they may demand more just-in-time deliveries or changes in coding and tracking technologies for products. They may demand more from suppliers in terms of meeting the specific needs of consumer market segments they deem to be more valuable.

"As suppliers, the key issue is how do you work with a supermarket chain to help them successfully develop opportunities which allow them to remain competitive in a challenging market," says Clarke.

Watch upcoming issues for more market information, such as that from the FMI conference. "Also note that if you're attending a trade show, many feature educational sessions that can provide specific and current market data from market leaders," says Clarke.

# IN GOOD COMPANY: Combining resources is key to Mexico success for Ontario apple shippers

Three Ontario exporters have joined forces to take advantage of exporting opportunities to Mexico. With OMAF's help, they've been able to take advantage of market conditions that have shifted in Ontario's favour.

**T**ake your time to build relationships in a potential export market and then act fast when opportunity knocks: that's how Leighton Martin, president of Martin's Family Fruit Farm Ltd. in Waterloo, Ont. describes his company's success in gaining a foothold in the Mexico apple market in 2004. For seven years, Martin's company has been developing export sales of Red Delicious apples, the favoured variety in Mexico, by attending trade shows and developing buyer contacts in Mexico. And they put in that time to build strong relationships with potential accounts. "Washington State had captured the position that they supply the best Red Delicious apples in the world so we had to overcome that and show the

## The companies:

*Martin's Family Fruit Farm Ltd.*, a grower/shipper/packer in Waterloo, Ont.

*Bay Growers Cooperative*, a grower/shipper/packer with 22 members, including 15 large apple growers, in Clarksburg, Ont.

*Norfolk Fruit Growers Association*, a 32-member cooperative of fruit growers and shipper/packer in Simcoe, Ont.

## The challenge:

To expand the market for Ontario apples in Mexico

**How OMAF helped:** Participation in an OMAF-organized trade mission helped the companies solidify relationships with Mexican wholesalers; OMAF worked with the Canadian Food Inspection Agency (CFIA) to create a work plan to help the companies overcome Mexico's strict importing requirements

**Words to grow by:** "Mexico is a market you can't just barge into," says Leighton Martin, president of Martin's Family Fruit Farm Ltd. "You've got to take time to sit down with the people and establish relationships. Treat them with respect and they'll do the same to you."

Mexicans that we also have a good product here in the eastern seaboard. We needed years to work at it. And over time, we've proven that we can give Mexico a good product."

Yet despite solid relationships

with some Mexican wholesalers, Martin's efforts to export to Mexico were fraught with challenges. In 2001, the best year, only 60 loads of apples were shipped from Ontario and exporters, who also included Norfolk Fruit Grower's Association, faced problems with payments and hold-ups at the border. That all changed in 2003, when several factors aligned to create a golden opportunity for Ontario apple exporters: Mexico's import duty on apples was phased out after five years, according to NAFTA agreements, so there was no duty at all; Washington State shipments of Red Delicious have been slapped with an anti-dumping duty for two years; and the B.C. crop was poor because of smoke damage. All of this meant that Mexico was short of supply





of their favourite apples.

But that's not all that changed. One critical problem was that until last year, the Mexico Ministry of Agriculture's (SAGARPA) work plan, which governs the strict storage requirements of imported fruit, had been constantly changing. "In 2003, OMAF and the CFIA put together a two-year work plan and was able to negotiate that SAGARPA would accept anything CFIA would do with regards to phytosanitary certifications and inspections of the fruit," explains Jim Dolmer, general manager of Bay Growers Cooperative in Clarksburg. Once the new work plan was in place, Diana Campbell, Export Marketing Unit fruit export specialist, polled all larger Ontario apple growers to see if they wanted to get involved in exporting to Mexico. Martin's, Norfolk and Bay Growers, who had never exported to Mexico before but wanted to expand its markets, all stepped up to the plate.

Why did the three Ontario shippers decide to join forces? When they met in the summer of 2003 together with the OMAF export team to discuss strategy for Mexico, the shippers agreed to take a joint approach to marketing and supply since the Mexico market is so large and potential orders are so big. "We have good relationships with the other packers," says Martin. "Joining forces helped us because

Mexico needed as many apples as possible—immediately. We had other commitments so we couldn't direct our whole output to Mexico but with two other packers we could drum up a better supply quicker."

Once they'd decided to pool their resources, OMAF worked with the Embassy and Consulates in Mexico to organize a trade mission to Mexico City, Guadalajara and Monterrey in January 2004 to meet as many wholesale and retail buyers as possible in six days. Many of the buyers already had established relationships with Martin's and were familiar with the company's product. "It was a whirlwind week," recalls Dolmer. "We met with 15 buyers over six days and we didn't have one bad meeting." They decided to go with a network of wholesalers, each with solid payment histories, significant geographic coverage and a varied customer base. "We chose three buyers but we could have sold to all 20 of them if we had the product and the packing time," Dolmer says. "The Mexico market is so big."

By the end of the week-long trade mission in Mexico, the shippers were already handling orders from their new buyers and they shipped them 12 loads of apples almost immediately. And with the help of OMAF, who got the Canadian Embassy and Luis Perez, the Canadian border clearance representative, involved to solve delays to food shipments at the border, it was all smooth sailing. By April 2004, the volume was up to 100 loads and still growing.

The future looks bright for the trio of Ontario apple shippers. "Next year we'll be in an even

better position," says Dolmer. "We were shipping in February and March this year but now that we understand the Mexican market better, we know Christmas is a big time of year and we'll start shipping in December. That's a good time of year for us because it's slow in the domestic market." And Martin predicts that by pooling their exporting resources, the shippers will be better equipped to weather some of the challenges inherent in the business of fruit growing. "One season, the supply may be low in one area of Ontario because of weather conditions and another area's supply may be good. So by joining together we can work towards a more consistent supply year after year."

And what if Mexico lifts the anti-dumping duty on Washington State? "The Mexico market may be slightly less appealing if that happens," admits Dolmer, "but now we have established a relationship with these buyers and they know we're shipping them a good quality product."

The bottom line? If you want to establish relationships in the Mexico market, lay the groundwork for your success by taking advantage of trade shows which provide an ideal introduction to future buyers, advises Martin. "We give credit to OMAF for introducing us to the trade shows in Mexico. We started going to them six years ago and it definitely established us in the Mexico market. I'm surprised more fruit shippers don't take advantage of them. There's a cost involved to set up a booth but you have to be willing to invest in your future success."

# REGULATORY UPDATE: BSE and Avian Flu put food safety issues front and centre

*The detection of a BSE-infected animal in Canada last year continues to pose challenges to Ontario beef exporters, while BC's avian flu outbreak has producers nationwide on alert.*

**F**ollowing the detection in May 2003 of a BSE-infected animal in Canada, OMAF's Export Marketing Unit together with the Ontario Cattlemen's Association (OCA) and the Canadian Beef Export Federation (CBEF) have been pursuing an aggressive campaign to inform Ontario's export trade partners about the quality and value of Ontario beef and beef products. "In a normal year, OMAF, OCA and CBEF coordinate a number of VIP beef buyer missions to liaise with our major trade partners," says Paul Chessman, the Export Marketing Unit's sector specialist whose responsibilities include beef. "Clearly this isn't a normal year, and so we've stepped up the number of missions aggressively to meet face-to-face with buyers from around the world and address their concerns head-on." So far in 2004, incoming buyer missions have included buyers from Taiwan, China/Hong Kong, Japan and Korea. Five more events are planned from June to September, involving two groups of buyers from Mexico as well as missions from Korea, Japan and China. Together with the OCA, OMAF hosts a dinner with incoming buyers as part of the mission.

"We're also working with Ontario exporters of further processed beef products to update them on the changing border access situation," further explains Chessman. "There are other sectors important to the industry that have

been severely impacted by the BSE situation: Canadian live cattle and genetics, the Canadian sheep and bison sectors. These companies have been almost totally restricted from exporting to the US and other markets. We're fielding lots of calls and directing companies to other appropriate government agencies at the provincial and federal level in order to assist them in understanding how the situation affects them."

For the latest information on BSE, Chessman recommends the Canadian Food Inspection Agency's website at [www.inspection.gc.ca](http://www.inspection.gc.ca) (click on 'BSE update' on the home page). For assistance in determining

whether your company's products are affected by trade restrictions or require export certificates, contact your Export Marketing Unit client account officer (see contact information on page 7).

## Avian flu outbreak puts producers on watch

The avian flu outbreak continues to be devastating for BC producers and Ontario producers are keeping a close watch on their flocks and markets. For the latest information on avian flu, consult the Canadian Food Inspection Agency's website at [www.inspection.gc.ca](http://www.inspection.gc.ca) (click on 'Avian flu' on the home page).

## March Street Smart plants seeds for future sales

Twenty-four buyers and 55 Ontario food and beverage companies met face-to-face in what attendees said was one of the most successful Street Smart sessions yet in March. The buyers and their sales broker representative, Marketing Management Inc., spent three days in Ontario touring retail stores, doing on-site visits to key Ontario processing locations and participating in the Street Smart seminar and tabletop selling show. The retailers included representatives from US companies accounting for a sales total of \$36.2 billion US, or approximately 5% of total US retail industry sales.

As well, Mexican retailer Soriana also attended.

"We know from past Street Smart sessions that sales result directly from these meetings," says Murray Howatson, OMAF's Export Marketing Unit's geographic officer for the US. "We've tracked the sales from a session held three years ago, and the new listings generated directly as a result of that event have led to more than \$20 million in export sales over a two year period." Typically, it takes seven to eight months for sales to result from the show, due to the time required

for product development, negotiations, packaging and other details.

"The fact that these buyers took three days from their busy schedules to meet with Ontario processors is a testament to their desire and their understanding of the significant product-sourcing potential offered by Ontario," says Howatson.

For details on the next Street Smart seminar, see the calendar on page 2.



# PROFIT CELEBRATES 20 YEARS! *Hundreds of graduates since program started in 1984*

PROFIT  
CELEBRATES 20 YEARS!

Ontario exporters are experiencing unprecedented success in selling their products into the US market. Make sure your company is positioned for success with OMAF's PROFIT seminar, a unique and affordable hands-on two-day orientation on exporting to the United States, covering the basic requirements for food exporters. PROFIT focuses exclusively on food and beverage exports, and 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.

## Why should you participate?

- **Save time.** You'll make contact with key export representatives from OMAF, Export Development Canada, US Customs and Border Protection, US Food & Drug Administration, brokerages, transportation companies and more. Those contacts will save you time—and possibly money—in the future.
- **Build your network.** You'll meet other new exporters, as well as new staff of established exporters.

- **Keep up-to-date.** You'll hear the latest on key exporting issues, and being better informed will help you reduce the risk of export headaches. You'll hear from 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.

Take part in OMAF's highly-regarded PROFIT program, taking place in Toronto and Buffalo September 14-15, 2004. Contact your client account officer for details (see contact information on p. 7).

## Export Marketing

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# PROFIT UPDATES: *The latest on exporting to the US*

OMAF's PROFIT seminars give you the background you need to export successfully to the US. Now, in a new feature of *The Ontario Agri-food Exporter*, we'll be providing you with on-going education about changes in regulations, markets and more that could affect your US exporting success.

## Shipping samples across the border

If you're planning to ship or carry food product samples to potential customers or trade shows in the US, you may be wondering if the new border regulations apply to your samples. The answer is yes. Imposed under last year's Bioterrorism Act, the regulations give the Food and Drug Administration (FDA) new authority to protect the US food supply from deliberate and accidental contaminations. And they require foreign food manufacturers, processors and packers to appoint a US agent, register their facility and provide advance notice of imports. "There is no difference between sending food samples or a whole shipment of food across the border," explains Jim Trubits, a licensed customs broker in corporate sales at PBB Global Logistics, a third-party logistics provider in Buffalo, N.Y. "If you want to send samples, you must follow these same steps, including submitting prior notification of each sample by food type or country of origin before it reaches the border." And the rules are the same whether you're sending one small food sample or 1,000. "There's no exemption in the rules for food samples," says Trubits.

## How do I ensure my food samples will make it across the border?

- **Designate a US agent**—Your US agent who will be a liaison between your company and the FDA — must have a permanent residence in the US and/or operate a business in the US. You can appoint a firm, company, association or an individual, such as your customs broker. "There are benefits to designating your customs broker as your agent," says Trubits, "Brokers have knowledge of the shipment and we're better able to communicate with the FDA if there's a problem than your Uncle Louis might be if you've appointed him as your agent and the FDA calls him." OMAF has compiled a list of individuals/companies offering US agency services, including PBB. The cost for the services can range substantially. Please contact your client account officer for more information.
- **Register your facility**—A one-time requirement, registration can be completed by fax, regular mail or electronically at [www.fda.gov/furls](http://www.fda.gov/furls). It takes about one hour to register online and you'll receive a unique registration number. If you experience problems, contact the Online Registration Help Desk at 301-575-0456 or by emailing [furls@fda.gov](mailto:furls@fda.gov).

- **Send prior notification**—You're required to send advance notice for each food sample that you ship or carry into the US. For example, if you export one shipment of tuna samples from three different countries of origin, you must provide prior notice for each country of origin. Or if you're sending one shipment of samples of a variety of goods, such as cookies, candies and gum, you must submit prior notice for each product by food and package type.

You must submit prior notice on a sample no more than five days before the goods arrive at the border and no fewer than:

- two hours before arrival by truck or car
- four hours before arrival by air or rail
- eight hours before arrival by vessel

Send prior notification for food samples electronically using Customs' Automated Broker Interface of the Automated Commercial System (ABI/ACS System) or the FDA Prior Notice System Interface (PNSI). "Many companies fax prior notice to their brokers who enter the information into the system for a small fee," says Trubits. However you choose to submit prior notice, you'll receive an authorization number to show at port or attach to your package or shipment of food samples.

## Prior Notice: compliance and coordinating time frames

The Food and Drug Administration (FDA) has extended its deadline for comment on the prior notice interim final rule by 60 days to July 13, 2004 in response to a request by the Government of Canada. The goal is to ensure that those who comment have had time to experience the systems, timeframes and data elements of the prior notice system.

Since December 12, 2003, when prior notice became a requirement for all human and animal food shipments imported into the US, the FDA has been tracking the level of compliance with their new regulations. In *Compliance Summary Information: Prior Notice*, the FDA reported that it received 140,000 prior notice

submissions a week during February and the number of submissions is slowly increasing. Slightly more than half of all submissions to Automated Commercial System (ACS) had some, but not all, of the required prior notification information, and only very few lacked any of the specific prior notice information. When the FDA compared prior notice submissions based on mode of transportation, it found that compliance for imports via land (mainly trucks) generally fell behind that for other transportation modes.

Besides tracking compliance of prior notice, the FDA is working with the Bureau of Customs and Border Protection (CBP) toward the common goal of achieving a uniform integrated system and coordinating the minimum time frames required for prior notice. Currently, the FDA requires two hours prior notice of food

products by truck while the CBP requires only one hour advanced notice on imported cargo. Starting August 12, 2004, the FDA and CBP will implement a plan to assess their current procedures and the staffing needed to receive, review and respond to prior notices within reduced timeframes, such as 1 hour before arrival by road, or 2 hours by rail. Ultimately, the evaluation of whether or not to reduce the time frames for prior notice will be determined by the level of compliance achieved within the industry. Based on their findings, by March 2005, the FDA and CBP will issue a prior notification final notice, which will respond to the comments they have received on the regulations.

For information on how to comment on the prior notice interim final rule, go to [www.fda.gov/dockets/ecomments](http://www.fda.gov/dockets/ecomments).