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OFEX tackles US border issues

The upcoming PROFIT Plus session explores the challenges facing Ontario exporters at the US border and strategies for overcoming them.

Since the implementation of the US Bioterrorism Act in 2003, Ontario exporters have been complying with the new border regulations such as registering their facilities with the US Food and Drug Administration (FDA) and meeting prior notice requirements. "Ontario companies have worked through the changes, addressed the US requirements and continue to successfully export products to the US even with a stronger Canadian dollar,"



says Alan Crawley, supervisor of OFEX's research and events. Indeed, in 2004 Ontario food exports to the US totalled over \$7.4 billion.

Yet, on an ongoing basis, some companies still grapple with challenges in clearing products at the US border, according to OFEX's 2005 Export Services Review. To assess what the

key issues are, OFEX has been speaking with Ontario exporters, shippers and brokers. "Most clients are doing very well with their regular shipments however, one of the major issues we've discovered is that many companies are having problems sending shipments of samples, particularly frozen or refrigerated food samples to the US," says Dean Post, OFEX client information officer. It's a familiar story: an Ontario supplier sends samples to a US buyer to help determine if they want to do business. They put the samples in a courier box, ship it to the US and it disappears. Then they get a call that it's been held up by the FDA. Over the next several days, the Ontario supplier tries to determine

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ONTARIO Food Exports (OFEX) trade events

Increase your export potential by participating in an OFEX trade-related event. Our seminars, incoming and outgoing missions and international 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).



Incoming trade missions

Hong Kong Retail (Wellcome) Incoming Buyer Mission, September 25-28

Ms. Wing Lau of Wellcome, under the Dairy Farm Group, will be visiting Ontario. She is responsible for purchasing all meats and frozen products and for the operations of the Wellcome's fresh products re-packing centre in Tseng Kwan O, Hong Kong.

Wellcome is part of the Dairy Farm Group, which also operates 7-Eleven, IKEA, GNC and Maxim in Hong Kong. With its consistent focus on fresh foods, low prices, friendly customer service and conducive store environments, Wellcome turned in a strong performance in 2004. Wellcome's ability to deliver "freshness" as a competitive edge is largely due to the chain's Fresh Food Processing Centre that handles 2,000 different products and has the capacity for two daily deliveries to all 242 stores. For more information about Wellcome stores, please visit www.wellcome.com.hk (for product ranges, store format and pricing range, etc.) or their Group web site at www.dairyfarmgroup.com.

OFEX will be scheduling one-on-one meetings with Ms. Lau. Contact Amos Tin for more information.

Street Smart: Retail – Private Label & Branded Foods, September 26-27, 2005

Some 40+ US retailers, distributors and brokers will visit our annual Street Smart event. These guests are seeking retail products for both private label and branded programs for US retailers/distributors including Certco, Food Lion, Giant Eagle, Gourmet Garage, H-E-B Grocery (Texas & Mexico), Nash Finch, SuperValu, Jetro Cash & Carry, Sav-A-Lot, Wakefern, Topco, and Federated. The two-day event includes buyer

introductions, a networking reception and tabletop. Contact your client account officer for more information.

Wild Oats Natural/Organic Incoming Buyer Mission, October 13-15, 2005

Three representatives from a leading US natural food retailer, Wild Oats, are scheduled to visit Ontario and attend the Canadian Health Food Association trade show in October. Wild Oats is billed as a one-stop supermarket for natural and organic products. They offer a full-service supermarket with a complete selection of the highest quality natural and organic food. With over 100 stores, Wild Oats also offers a gourmet deli filled with many delicious items to grab on the go, as well as full-service meat, seafood, bakery, floral and food service departments. For more information on Wild Oats visit their web-site www.wildoats.com

Ontario Food Exports will be arranging one-on-one meetings with qualified Ontario exporters. Contact Kathryn Liotta for more information.

Japan (Hanamasa) Incoming Buyer Mission, October 2005 Hanamasa is a retail and foodservice company in Japan (www.hanamasa.co.jp). The meat and frozen product buyer is scheduled to visit Ontario in October. Contact Amos Tin for more information.

Vistar/VSA Incoming Buyer Mission, November 7-8, 2005 Vistar/VSA is a full-line food distribution choice specializing in pizza and Italian, vending, office coffee, concessions, fund-raising and commissary markets. They currently have 31 distribution centres and numerous cash and carries located throughout the US (www.vistarvsa.com). OFEX will be arranging one-on-one meetings with qualified Ontario exporters. Contact your client account officer for more information.

Outgoing Missions & International Trade Shows

ANUGA Trade Mission, October 8-12, 2005

OFEX, in co-operation with the federal government and other provinces will participate in a trade show mission to Anuga, one of the premier international food and beverage exhibitions in the world. The mission will involve buyer meetings, market reconnaissance and trade show participation by Ontario food industry clients. Contact Diana Campbell for more information.

Mexico Buyers at PLMA, November 13-16, 2005 OFEX will be hosting private label retail buyers from Mexico in Chicago at PLMA, the premier private label show in North America. Contact Diana Campbell for more information.

FHC 2005 (China), November 15-17, 2005 OFEX is assisting our federal colleagues in holding a Canadian Pavilion at the 14th Annual Food & Hospitality Industry Event, FHC 2005 in Shanghai, China.

Ontario Trade & Investment Mission to China, November 6-15, 2005 Ontario companies are taking part in this multi-sectoral mission, including agriculture and food exporters interested in this growth market. Contact Amos Tin for more information.

Shanghai In-Store Promotion, November 2005 Shanghai City Supermarkets (SCS) is conducting a cooperative promotion of Canadian food products in six Shanghai City Supermarket outlets to coincide with the Food Hotel China Shanghai 2005 trade show. Qualified Ontario exporters may have the opportunity to participate in this unique promotional activity. Contact Amos Tin for more information.

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CANADA'S Agri-Food Trade Team in Hong Kong

When Ontario companies are interested in exploring exporting to Hong Kong, the Canadian Trade Commissioner Service is available to help them make inroads into the market. "Canada's agricultural trade with Hong Kong has continued to grow and diversify over the years with the improvement of the Hong Kong economy," says Pierre Pyun, trade commissioner and team leader at the Canadian Trade Commissioner Service in Hong Kong. The major opportunities for Canada include beef, dairy products, canola oil, fish and seafood, nutraceuticals, functional food products and processed food and beverages, says Pyun. "We're committed to helping Canadian companies do business abroad. Our services are available to Ontario

companies that have previously researched and selected Hong Kong as a target market."

The Hong Kong agri-food team also includes trade commissioner Houston Wong who is responsible for market access issues, intelligence and information for agriculture and agri-food. Trade commissioner Kitty Ko oversees food promotional activities and Liza Lee is the trade commissioner assistant at the Hong Kong post.

The Trade Commissioner Service in Hong Kong and 130 other offices abroad is committed to six core services, including helping Canadian companies assess their potential in their target market. "We provide companies with current information on local businesses, a list of key contacts in Hong Kong and advice for resolving critical business challenges," says Pyun. "We can also provide Ontario businesses with practical advice to help them organize a trip to Hong Kong. And when they do visit, we'll meet with them personally to discuss the most recent developments in the market."

To get in touch with the agri-food team in Hong Kong, contact the Consulate General of Canada, 13/F, Exchange Square, Tower 1, Central, Hong Kong, Phone: 011 (852) 2847-7414 Fax: 011 (852)-2847-7441/ E-mail: canadatrade.hkong@international.gc.ca/ Web site: www.hongkong.gc.ca



Ontario exporters find success in foreign markets

OFEX's incoming buyer missions connect Ontario suppliers with international buyers

April's incoming buyer mission saw buyers from Germany (CMC) and the United Kingdom (Select Foods and Mae & Rayburn) meet face-to-face with Ontario companies. "The mission was a success and as a result, Ontario companies are now shipping their products to CMC for Kafer, a German retail chain," says Diana Campbell, OFEX geographic specialist for the UK and Germany. "Select Foods is now doing business with an Ontario snack company, having secured business for them with a UK multiple. And Mae & Rayburn has indicated high interest in six Ontario companies."

The incoming mission was tailor made for the invited buyers. "The two days they were able to spend with us focused on store visits and familiarizing them with what's available in Ontario grocery stores; meetings with companies based on a pre-determined list of products that they were interested in; and some opportunity for additional follow-up and further identification of suppliers while they were in market," says Campbell.

A number of Ontario companies also recently met with El Cortes Ingles, a Spanish retailer. "Our clients will be providing for that retailer's promotion and we are waiting for the next steps from our Federal colleagues who initiated the mission," says Campbell.

More opportunities to meet with international buyers are in the works for fall 2005. OFEX has organized incoming missions with Japan's Hanamasa, a retail and foodservice company and the Hong Kong retailer Wellcome. "We want to set up a long-term incoming mission and establish a three-year agreement with buyers for three missions in three years," says Amos Tin, OFEX's geographic specialist for Asia. "I'm providing product/supplier info to Asian buyers to review depending on their areas of interest."

Other incoming missions slated for the coming months include Vistar/VSA, a full-line food distributor in the US and Wild Oats, a leading US natural food retailer. For more details, see OFEX trade events on page 2.

Call for nominees for the Ontario Global Traders Awards

Ontario companies recognized for exporting success

Now in its eighth year, the Ontario Global Traders Awards Program (OGTA) celebrates export success in Ontario. "It is the first program to recognize the outstanding exporting achievements of Ontario small and medium-sized enterprises (SMEs) as part of the ongoing priority to foster a stronger 'export culture' in the province," says Susan Harrison, Manager, Marketing at Ontario Exports Inc., the export development agency of the Government of Ontario. "The export achievements of small and medium-sized exporters are an integral contribution to Ontario's total exports, which now account for approximately 44 per cent of the province's GDP and support up to one million jobs for Ontarians."

The Ontario Global Traders Awards recognize the outstanding achievements of the most innovative and successful SMEs, as well as business leaders and students throughout the province. There are six categories of awards: leadership; innovation; market expansion (two awards – product and service categories); partnership; and student achievement. The four regional award winners compete for the provincial Ontario Global Traders Awards, which are hosted each year in Toronto.

"Submitting a nomination to these awards and competing both provincially and regionally is a way to build employee morale, celebrate your company's success and possibly gain local publicity," says Alan Crawley, supervisor of OFEX's research and events. "Regional winners attend the provincial awards ceremony in Toronto, meet with various other regional winners there and really get involved in celebrating the success story that is Ontario exports."

This year Martin's Family Fruit Farm Ltd. in Waterloo, Ont. won a regional OGTA. "We appreciated the recognition," says owner Leighton Martin. "It's nice to be recognized for our success in marketing apples out of the country in recent years."

The nomination guide for the eighth annual OGTA to be held in April and May 2006 is now available. Companies or individuals may nominate themselves or be nominated by a trade association, customer or anyone else who knows of their contribution to Ontario's exporting achievements. The guide is downloadable at www.ontarioglobaltraders.com or by calling 1-877-468-7233 toll free in Ontario.





PRICING PRIMER: Setting a product's price for the US market requires careful consideration

Setting a product's price for the US market requires careful consideration

Before your product lands on the shelf of a US supermarket or specialty store, it's crucial to take the time to carefully determine your sales price. "It's such a complex thing," says Joe Senft, OFEX's trade advisor in the eastern US. "There are so many factors to consider including your internal fixed and variable costs." Ultimately, Ontario exporters must consider if their product can turn a profit once they factor in the costs of exporting. "People don't realize the costs involved," says Rick Tuma, OFEX trade advisor for the mid-western US. "It's a huge opportunity but it's not an overnight give-me. You need to determine if you will be profitable."

Factoring in all costs

To set a price for a food product to sell to the US market, an Ontario supplier must figure out all of their fixed/variable costs, such as ingredients, packaging, overhead for utilities, payroll, marketing costs etc. so they know exactly what the product costs before it goes out the door, explains Senft. Next, look at duties, distribution or transportation costs to deliver to certain parts of the US. Since those costs would vary depending on where you're shipping to, it makes sense to either develop zone pricing or take an average cost. Other costs to factor in include broker's fees. "You must factor in all of the costs involved in getting the product to the customer's door."



Determining a product's profitability

When setting your price, don't overlook hidden costs. "Typically the customer (supermarket) is looking for anywhere between 25-35% margins," says Senft. "You also have to factor in 5-10% for promotional money or stocking allowances, advertising or in-store demo fees, and costs for trade shows and sales personnel. Then decide how much profit you want to make. Profit usually varies between 10-20% before taxes." Once you build these figures into your price, you'll determine the price of the product for your customer. Research what other similar products are selling for in the marketplace to determine if that price is competitive. Then ask yourself if you're going to turn a profit. "When you subtract the retailer's margins and promotional costs, does it leave you with any profit?" says Senft. "If not, then you need to look at costing and see if it's accurate. If you're not showing a potential profit, decide if you can reduce costs—some costs are fixed, like factory overhead, but you can look at manufacturing efficiencies. It's possible you'll decide it's not feasible to sell in a given market."

Finding your place in the market

Before exporting to the US, consider your options in the market, says Tuma. "See if you fit into the mainstream market of a specialty store. If your item could be sold in a specialty store, like Whole Foods, you can set the price higher. Conventional supermarkets sell bestsellers. If you don't fit into a supermarket, determine if your product could fit into a specialty store competitively."



Ontario Food Exports (OFEX) trade events

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OFEX seminars and events

PROFIT Plus: Accessing the US Market – Models for Success, November 29, 2005 In response to continued demand from Ontario suppliers this industry seminar is an educational session devoted to getting products cleared for entry into the US. Topics will include a review of the challenges facing Ontario food exporters and strategies for addressing these challenges. Presentations will include updates on the FDA and US Customs and Border Protection as well as US logistics. Contact your client account officer for more information.

PROFIT February 2006, Windsor and Detroit Our highly regarded, New-to-Exporting Seminar, scheduled for February 2006 is returning to the Windsor/Detroit area. Whether you are new to exporting, or have colleagues who need export training, this program is an outstanding opportunity. This two-day seminar is critical in assisting an organisation in building its export strength. Featuring industry speakers and key contacts that know the export process, this unique and affordable course focuses exclusively on food and beverage exports.

This affordable course, specific to the needs of the food industry, is ideal for:

- New Marketing staff
- Inside & Outside Sales
- Shipping & Logistics staff
- Marketing/Sales Support staff
- Skills upgrade and development
- Anyone involved in the export process!

For more information contact your client account officer

PROFIT UPDATE: *trademark registration provides Ontario businesses unique protection*

Registering your company's trademark helps ward off potentially costly legal disputes

Your product trademark is a valuable asset. According to Eric Swetsky, a Toronto lawyer who practices trademark and advertising law, not only can it signify to the public a certain standard of quality and excellence to your product or service, but registering your trademark can also provide your business with important protection. It's also relatively inexpensive. Swetsky explains everything you need to know about trademarks, the importance of registering yours and what's involved in the process.

search, which reveals if anyone else holds the same trademark or a confusingly similar version. It's cheaper to determine availability in advance before you create product labels and catalogues since if your trademark is not available you can change it before spending money on distribution and later being forced to change the mark by a competitor. Since each country has its own trademark registry, your lawyer will have to do a search in each country you plan to do business in to determine if someone holds your trademark in that particular country.

If no other company has rights to your trademark, the next step is filing a trademark application for the mark in Canada and/or the US. trademark law is territorial so if you want to do business in Canada and the US, your lawyer will file for you separately in Ottawa and Washington. Once your trademark formerly becomes part of a trademark registry, if another company does a trademark availability search for the same trademark in that respective country, their lawyer will learn of your mark and then be able to advise them against using it.

Why is registration important?

Unregistered trademarks are only valid in Canada within the area you're doing business. So someone could have the same unregistered trademark in another province. When your trademark is registered in Canada, it's valid coast to coast. You therefore get a broader range of protection when you're registered (and as mentioned above, when

you register your trademark you become part of the trademark registry so that when others do trademark availability searches they will easily locate your own mark and recognize that you have prior rights). If you don't register and another company does register the same trademark, you could face years of lengthy legal battles trying to assert your own prior rights.

Is it really necessary to register outside of Canada?

It is just as important to register your trademark outside of Canada so as to ensure that your trademark is protected in the foreign country. As well, trademark applications in the US can be based on proposed use and that can be very useful. This means that you haven't used your trademark yet in the foreign country but you want to reserve rights to the mark there. For example, you may be bringing out a product in Canada but you're uncertain if it will sell. If it sells, you may want to expand your market into the United States. The proposed system is a trademark reservation system. So if you eventually decide to expand your market to the US, if you have reserved the right to use your trademark there, you will not have to later change your mark because it's not available.

Is registering expensive?

It's less expensive than fighting off trademark battles down the road. Think of it as a part of the cost of doing business, like incorporating your business.

What is a trademark?

A trademark is one or more words, a design (such as a logo) or a combination of the two that is used to distinguish in the mind of the public, the goods or services that you offer or perform from those of another.

How do you register your company's trademark?

"There are two stages involved in registering a trademark", Swetsky explains. The first is having your lawyer perform a trademark availability

OFEX tackles US border issues

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what went wrong, talk to the FDA, communicate with the courier company and get some dry ice on their product. "In the end, they lose the product and they may lose the potential customer," says Post.

Since these kinds of problems are common for Ontario exporters, OFEX is working to find the best strategies to overcome them. "One of the key issues is communication between the supplier and the courier or freight forwarder," says Crawley. "For regular shipments, companies have been able to maintain the lines of communication with their shipping company, customs broker and the FDA. But when you start sending samples through couriers, exporters report that the communication breaks down more

frequently. Without clear communication, you don't understand what the precise challenges might be in ensuring that your product arrives in a timely fashion and in good condition that's representative of your company's capabilities in supporting a supplier/customer relationship down the line."

Freight forwarders are able to communicate with all the parties involved in exporting samples, from customs brokers to the FDA, according to Ian D. Long, Senior

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IN GOOD COMPANY

Tapping the Asian market

These two Ontario deli-meat producers enjoyed success in Canada and the US. But launching their products in Asia meant tackling unfamiliar cultures and markets

Due to the drastic time differences and language barriers, exporting to Asia would be too difficult without the help of OFEX and a trade broker, says Sam Turone, key account manager at G. Brandt Meats, a manufacturer of European-style deli products in Mississauga, Ont. "But it goes smoothly when you work with people who understand the market on the other end." Several years ago, Brandt Meats started exporting its line of European-style deli meats to the US, Cuba and Asia. "Exports have been relatively new to us," says Turone. "We've been concentrating our efforts on building a strong domestic market."



The company, founded in 1958, produces over 120 salami/sausage/ham products at its Mississauga, Ont. HACCP-approved manufacturing facility. Ninety percent of Brandt's customers are in Canada, primarily in the retail sector, such as major food chains and European style delis. As is sometimes the case, the company's first foray into exporting was difficult. "We tried working with an importer from Korea who wanted to do it all himself," recalls Turone. "Language was a huge issue. There were misunderstandings and it was a nightmare. It took a year of talking before we got him product. Then the Korean government quarantined the shipment as they require by law and by the time it was released, the product had short best before dates. After that one shipment, we didn't do it again and had been hesitant about it."

The companies: Santa Maria Foods Corp., in Toronto; G. Brandt Meat Packers Ltd. in Mississauga, Ont.

The challenge: Introducing deli products to Hong Kong and other Asian markets

How OFEX helped: Working with OFEX Asia geographic specialist Amos Tin and participating in OFEX events, such as incoming buyer missions, helped the companies develop strong relationships with Asian buyers.

Words to grow by: "Asian business practices are all based on relationships," says Edward Zilli, export manager for Santa Maria Foods. "There is a risk for importers. Asian importers need to achieve a certain level of comfort before they feel confident your product will move into the market. Face-to-face communication is key."

What's changed? Amos Tin, OFEX's geographic specialist for Asia, started working closely with Brandt, getting the company involved in the Asian incoming buyers' missions. "Hong Kong retailers became aware of our products through OFEX," says Turone. "OFEX was instrumental in getting Asian buyers to our plant. When people show interest, OFEX is like a filter. Amos Tin understands our business and when he talks to Asian buyers he tries to understand what they're looking for to match us up. He's been instrumental in setting up meetings."

During an incoming buyer mission, OFEX orchestrated a visit from Hong Kong's largest retailer, Park and Shop to visit Brandt's show room and Brandt sent the retailer product for analysis. "The buyer showed interest in a number of lines after touring the Brandt plant and tasting the product, and it's currently being purchased today," says Turone. The company launched in Hong Kong and more recently Singapore with the help of trading houses and continues to work with exporter Tiger Eye Marketing Associates Inc. (www.tigereyemarketing.com) of Orangeville, Ont., which introduces Brandt's products to Asia and gets them listed with overseas supermarket chains. "Working with OFEX and Tiger Eye has been ideal. We don't have the manpower or resources to have

representation in foreign markets. Paul Prochazka of Tiger Eye has expertise in that market and a rapport with key customers."

Recently, Brandt has had a number of inquiries from Japan and is hopeful about exporting to Taiwan. Working with exporter Tiger Eye will now help make conquering other Asian markets possible. "It reduces costs for the Ontario suppliers", says Prochazka. "It's a question of quantity. If suppliers work with a company such as ours that consolidates different manufacturers together, then we can distribute their products in Asia cheaper. If we want to test a new product, it costs us almost nothing to add it on to an air shipment. But if a manufacturer wants to send a sample, it's going to cost him a good \$500." Tiger Eye also helps alleviate the headaches of dealing with the Asian market. "We've been doing business in those markets for 30 years," says Prochazka. "You need the knowledge of the market and the rapport with the customer to help select the right products. That's an important part of the process; we actively seek new sources of supply that are specifically demanded by our customers. We're also on the lookout for products that our customer may not be specifically looking for but which we introduce."

Working with an agent based in the

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In Good Company...

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Asian market or at least with a strong presence there has also been critical for Santa Maria Foods Corp, a producer of Italian deli-style meats in Toronto. "Amos Tin introduced us to a Vancouver broker who has extensive ties in Asia and understands the Asian culture and practices," says Edward Zilli, export manager for Santa Maria. "The agent really helped us find out local requirements."

The company, which was founded in 1968 by two Italian immigrants, now boasts four manufacturing facilities in the Greater Toronto Area. The newest, a 200,000 square-foot prosciutto plant, is the largest of its kind in North America. About 75% of Santa Maria's customer base is retailers, such as Loblaw's, Sobeys, and A&P. Italian-style delis and foodservice clients, including Sysco Foodservice, make up 25%.

The company has a strong presence in the US where they have been exporting for 25 years. Mexico is Santa Maria's second biggest export market. Five years ago, the company started selling to Hong Kong, Japan and French Polynesia after connecting with buyers through international food shows and OFEX incoming missions. "We went to a trade show called FOODEX in Japan in 2003 and established contacts and sent out samples and proposals and then we got our first order and subsequent orders." Tours of Santa Maria's operations have also been pivotal for landing customers. "Relationships are quite important for Asian importers. All their business practices are based on relationships and that extends to suppliers too."

OFEX tackles US border issues

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Export Sales at freight forwarder Milgram International Shipping. Like other service providers, Milgram International Shipping has recently been working on the design and implementation of a system to help Ontario's food exporters send samples successfully. "Often courier



packages go to inland US cities that are not used to dealing with food samples," says Long. "There are three critical links in the successful shipment of samples: first, you want your products going through a northern border crossing, like Buffalo, that is familiar with Ontario food products. Secondly, a good system uses a familiar or current customs

broker to facilitate clearance. Lastly, the system is able to focus on the requirements of food samples, whether they are ambient, frozen or packed in dry ice and is more concerned with the quality of that shipment than the quantity of packages handled." How does using a freight forwarder compare to using a courier in terms of cost? "The expense is higher," says Long, "but it can be a better route and the cost is worth it when you consider that sending samples is a critical part of a sale and could make or break future business." This is an example of an issue that Ontario exporters need to discuss with their shipping companies.

The November PROFIT Plus session will offer a review of the changes that have resulted at the border and explore ways Ontario suppliers can learn from each other and overcome the current challenges in clearing products into the US. "We're working towards securing the right speakers and effective information to deliver to Ontario exporters on November 29th," says Post. (For details on PROFIT Plus: Accessing the US Market – Models for Success and other OFEX trade events, see page 2.)

Ontario Food Exports

MARKET DEVELOPMENT BRANCH

Ministry of Agriculture, Food and Rural Affairs
1 Stone Road West, 5 SE, Guelph, ON, N1G 4Y2, Canada
Telephone: 519-826-4210 Toll free: 1-888-466-2372

(in Ontario only. Ext. # is last five digits of applicable direct dial #)

Fax: 519-826-3460 Website: www.omafra.gov.on.ca

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SECTOR SPECIALISTS

Jim Berry, Client account officer
Beverages, confectionary & snack foods,
processed meats
519-826-3767 jim.berry@omaf.gov.on.ca

Paul Chessman, Client account officer
Meat, fish, poultry, game, primary agriculture
519-826-7765 paul.chessman@omaf.gov.on.ca

Kathryn Liotta, Client account officer
Specialty/gourmet, health food, dairy,
pet food, delicatessen
519-826-4018 kathryn.liotta@omaf.gov.on.ca

Karen Moore, Client account officer
Bakery, cereals, prepared frozen foods
519-826-3686 karen.moore@omaf.gov.on.ca

Debra Oliver, Client account officer
Prepared & dry ingredients, fruit, vegetables,
horticulture
519-826-3945 debra.oliver@omaf.gov.on.ca

GEOGRAPHIC SPECIALISTS

Diana Campbell
Geographic specialist - Mexico, U.K., Germany
519-826-3982 diana.campbell@omaf.gov.on.ca

Murray Howatson
Geographic specialist - United States
519-826-3790 murray.howatson@omaf.gov.on.ca

Amos Tin, Geographic specialist - Asia/Pacific
519-826-3489 amos.tin@omaf.gov.on.ca

EXPORT SERVICES

Dean Post, Client information officer
Communications, events, education
519-826-4477 dean.post@omaf.gov.on.ca

Karen Edwards, Marketing assistant
Market research, library
519-826-3768 karen.edwards@omaf.gov.on.ca

Alan Crawley, Supervisor
Marketing communications, research and events
519-826-3564 alan.crawley@omaf.gov.on.ca

Dermod Mark, Manager, Ontario Food Exports
519-826-3693 dermod.mark@omaf.gov.on.ca

David Clarke, Director
Market Development Branch
519-826-3510 david.clarke@omaf.gov.on.ca

ADMINISTRATIVE SERVICE REPRESENTATIVES:

Tracey Kiley 519-826-3795
Pat Passmore 519-826-3713

REPRESENTATIVES BASED OUTSIDE OF CANADA:

Joseph Senft, Ontario Food Exports: Eastern US
10 Pewter Lane,
New Providence, New Jersey, USA, 07974
Phone: 908-790-0156 Fax: 908-898-1075
E-mail: joesenf@att.net

Rick Tuma, Ontario Food Exports: Central US
1006 Park Hill Circle
Aurora, Illinois, USA 60504
Phone: 630-820-7144 Fax: 630-820-7144
E-mail: tumarick@aol.com

ASIAN MARKETS offer exporting opportunities for Ontario agri-food companies

With an increasing demand for high-quality products, Hong Kong, Japan and other Asian markets show promise for Ontario companies capable of breaking down market barriers

For Ontario suppliers exploring markets outside of the US, the prospect of overcoming language, cultural and time zone barriers to export to Hong Kong or Japan may seem daunting. However, Asian markets hold tremendous opportunity for Ontario food exporters. "Hong Kong, Japan and other Asian markets have to import food products because they simply don't have enough arable land," explains Amos Tin, OFEX geographic specialist for Asia/Pacific. "Hong Kong imports about 95% of food and Japan imports about 60%. They rely on imported foods to support their populations and Westernized products are in demand."

Cashing in on Canada's image

When it comes to attracting Asian consumers, quality is key and they are willing to pay extra for it. "Asians want authentic genuine products from a particular area, such as pasta from Italy," says Tin. "That mentality is very strong. Sometimes Canada is not in the best position to compete because we are only associated with a limited amount of products. But we do have a very clean and natural image with Asian buyers." Canadian exporters have done well exporting products, such as meat, particularly pork and specialty bakery to Hong Kong and Japan. Other products that have succeeded in the Asian market include North Americanized products, like chocolate chip cookies. "We've been able to rely on the North American bandwagon," says Tin. "We compete on the quality and the image of Canada. If Canadian suppliers simply competed on price, they couldn't compete with Indonesian/Thailand/Chinese suppliers."

Ontario exporters who are succeeding in Hong Kong and Japan offer Asian importers products with special attributes. For example, Toronto's Santa Maria Foods Corp., a producer of deli-style meats, supplies prosciutto to Japan. "In the past, the Japanese only wanted Italian prosciutto from Parma," says Tin. "However, when Santa Maria invited Japanese buyers to their plant in Toronto, the buyers heard everyone speaking Italian; saw that Santa Maria uses Italian technology and that the company's

prosciutto makers come from Italy. They have a top-notch facility and they're pursuing an Italian tradition. So the quality reaches the level that the Japanese are looking for."

Overcoming market barriers

Why would a company enjoying success domestically and in the US bother to export to Asian when there are major challenges? "It is difficult when you're dealing with a different language and culture and a market that you've never even visited," says Tin.

Developing costs are higher, however, working through Asian trading houses does reduce the cost, according to Tin. Trading companies work as legal importers of products and offer a range of functions including clearing customs, handling documentation and product testing. Essentially, they're like brokers in the US. "The process of appointing a broker is similar to the process of appointing a trading company," says Tin. "In the US if you want to sell to a supermarket chain, you need a broker. In Asia, you need a trading company to open the doors and get sales for you." The only real difference: while there are thousands of brokers in the US, there are only about 10-15 Canadian trading houses in the Asian market.

Utilizing an agent based in the Asian market or with a strong presence there has been critical for exporting success for Santa Maria Foods. "It is very important to find someone with experience in your type of products, especially when you're dealing in specialty foods like we are," says Edward Zilli, the company's export manager.

Is it the right market for you?

"Exporting to Asia is a challenge but if you find the right trading company and are willing to put in the resources, there's a chance for success," says Tin. Compared to working within Canada or exporting to the US, it can take longer to get your company's products on Asian supermarket shelves. "It typically took about 25 to 45 weeks to launch a new product for President's Choice at Loblaws, depending on the product's complexity and requirements," recalls Denise Mackenzie, a former director for President's Choice at Loblaws

and owner of Networking Plus Business Services, which represents all product lines in all product channels of distribution. "If it's a straightforward product, it usually takes about six months to get it into the US. If there is regulatory copy, it probably takes about eight months."

"By comparison, it generally takes from 12 months to two years to sell to Asia," says Tin. For Santa Maria Foods, it took about the same amount of time to get products on supermarket shelves in Canada and both Hong Kong and Japan. "It was about a year from the time we made contact with Asian buyers at OFEX events and FOODEX to the initial order," he recalls. "The process was quite similar to getting our products on shelves in Canada because we were prepared. We had done extensive research on the market and knew what the requirements were in terms of export documents, labelling, etc. In so doing, we were able to convince buyers that we were serious in selling to their markets and understood what we needed to do to be successful."

For many companies, the efforts to export to Asia are well worth it. "Succeeding in the Asian marketplace offers Ontario suppliers an opportunity to establish their company's reputation," explains Tin. "Hygiene and quality control is high in Japan. Once you're selling there, you're sending your customers everywhere an assurance message about your product's hygiene and quality." That's been the case for Santa Maria. "It has forced us to become better internally because the Japanese consumer is meticulous," says Zilli. "The slightest defect or perceived issue will cause your products to fail. Being successful there forces you to do the best that you can."

For Ontario businesses interested in exporting to Asia, the Canadian Consulate in Hong Kong can be their eyes and ears, helping them understand the need of Asian importers. "The local commercial officers' knowledge of the market can help connect Canadian suppliers to the right customers," says Tin. "They also provide market reports and consult Canadian businesses to prepare Canadian suppliers to deal with Asian companies." Contact Amos Tin for more information.