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February 18, 2004

FSIS Docket Clerk, Docket #03-0251F
Room 102, Cotton Annex
300 12th and C Street, SW
Washington, DC 20250-3700.

Dear Sirs,

Regarding specified risk materials (SRM) stated in the Federal Register, we would like to send our comments as follows.

We, S Foods Inc., established in 1967, are a Japanese meat processor listed on the First Section of the Tokyo Stock Exchange, with a number of shareholders including individuals and corporate investors. We are specializing in imported beef and pork, and our annual turnover is approximately US\$ 500 million with more than 60,000 tons (132 million lbs) of meat. We have focused on American beef and variety meat (VM) for many years, and especially our product, "kotetchan," which is made from the boiled beef small intestine with the distal ileum removed, has been widely sold throughout Japan for more than 20 years. The annual turnover of this product is approximately 9,000 tons (19.8 million lbs).

There are about 20,000 "Yakiniku", or Japanese style barbecue, restaurants in Japan. This food service industry has achieved ¥ 1 trillion (\$10 billion) turnover per year. We believe that this success was achieved through large quantities of excellent American beef, which we have developed with our American partners. Our development history goes back to more than 30 years ago, when VM, such as the small and large intestines and the rumen tripe were not utilized as foodstuff and was mainly sent to rendering works. We have developed and commercialized the VM for the "Yakiniku" market in Japan together with committed meat packers in the United States, and have established this unique food industry. We and our American partners have cultivated and grown this market.

We established an affiliate company, Fremont Beef Company (FBC) in Fremont, NE, in 1990 under the joint management with Marubeni Corporation, a Japanese trading company. FBC is a beef product manufacturer for Japanese market, and have created

job opportunity for approximately 300 people during its peak period. The company has exported approximately US\$ 100 million annually. Because FBC is a vital entity for the local community of Fremont, the city and the state of Nebraska have made great efforts for resumption of exporting American beef to Japan since the detection of BSE in the USA.

VM import volume from the United States to Japan is approximately 100,000 tons (220 million lbs) in 2003. The beef tongues, one of the popular “Yakiniku” menus in Japan, imported from the USA account for those of approximately 24 million heads/year. This figure is significantly larger than those slaughtered in Australia (approximately 9 million heads/year) and Japan (1.2 million heads/year).

Regarding the small intestine, our import quantity from the United States is equivalent to 20,000 heads per day, which is also very large. Our cooked product, “kotetchan” has been extensively advertised throughout Japan by TV and radio and won a great number of customers. The American beef small intestine is not only contributing to the American meat industry, but also is playing an indispensable role for Japanese customers. VM is a nutritious animal protein which has been improving Japanese dietary habit.

Japanese-style beef barbecue, Yakiniku, especially with VM is now very popular cuisine at home, restaurants and even outdoors in Japan. “Yakiniku” restaurants are always busy with customers on weekends. These restaurants are offering recreational atmospheres for a variety of groups, including families, couples, and friends, who enjoy dinner and conversation. The restaurants are becoming even more important for families’ gathering occasions. They all enjoy VM at the restaurants.

On January 8, 2004, you provisionally decided on the interim final rule that the entire small intestine shall be removed from January 12 although you had acknowledged that the distal ileum is SRM and it might be possible to remove it from the small intestine effectively. As you know, it is only the distal ileum not the entire small intestine that Office International des Epizooties (OIE) prohibit to trade from a country or zone with a moderate BSE risk.

As shown in the attachment, since BSE-infected cow was found during the early 2001 in Japan, Japan has conducted strict measure, testing of all cattle slaughtered. Because the small intestine is not specified as SRM, it is distributed as foodstuff in the

country after removing a part 80 inches back from the junction between the distal ileum and the cecum under the supervision of Health and Welfare Ministry. Korea has also imported a large volume of the small intestines from the United States since “Yakiniku” is very popular there, too.

American packers, who have been supplying the small intestine to Japan for many years, has also removed the distal ileum since BSE was found in Japan in the same manner that is performed in slaughter houses in Japan, with no difficulties in their processes. These small intestines have passed the Japan’s strict inspection as “the boiled beef small intestine with the distal ileum removed” stated in the USDA official specifications and distributed to Japanese market.

The method to effectively remove the distal ileum from the small intestine is an established and proven technology both in the United States and Japan for over two years. As long as removal is performed using certain processes and procedures, there are no problems at all.

The Secretary’s Foreign Animal and Poultry Disease Advisory Committee’s Subcommittee on the United States’ Response to the Detection of a Case of BSE recommends that intestine – from pylorus to anus – from all cattle shall be excluded from both the human food and animal feed chains, identifying entire intestine which include the non-SRM large intestine and the small intestine with the distal ileum removed as SRM, despite the statement in the same report that “distal ileum was infectious” not other parts of intestines regarding SRM. For reference’s sake, interim final rule decides that only the distal ileum is SRM and may be removed effectively, focusing the issue on the effective removing methods and requesting comments on this point. Since many people including Japanese utilize the large intestine (quantity of large intestine import from the US was 15.4 million lbs in 2003) and the small intestine with distal ileum removed as a valuable protein with the each government’s approval, we definitely cannot accept the subcommittee’s way of thinking that even the safe foodstuffs should be disposed of. We would like you to understand that there are countries and people who have established their food culture to utilize intestines out of limited food resources. If the subcommittee’s recommendation is enforced, this unique food culture will disappear and related industries and entities will collapse.

We also would like to point out that exclusion and destruction of entire intestine requires huge costs. According to our estimation, intestine weight per cattle without distal ileum is 150 lbs (distal ileum itself is 4.4 lbs) and total amount in the US would

be 15 million lbs from estimated 100,000 slaughtered fat cattle/day. The edible parts of them would come to as much as 2.2 million lbs. These parts had produced an immense amount of earning as food products until December 23,2003, but is now wasted at additional cost. Moreover, if SRM has to be excluded from livestock feed following the subcommittee's recommendation, the quantity of the parts to be disposed of, for example, by burning or burying in the ground, rather than sending them to rendering works, will increase to bring a large burden to manufacturers in labor and cost.

Variety meat have been utilized as foodstuff in Mexico and Asian countries including Japan since ancient times, and the small intestine is small by name but is greater than the large intestine in quality and volume. We have contributed to promotion of "Yakiniku" culture in Japan since our establishment based on our management philosophy, "to contribute to the world by supplying sustaining, tasty and healthy food." We were able to achieve this success with extensive support and cooperation of the United States. It is our social mission and responsibility to further promote this food culture, and we again need the continuous support and cooperation of the United States. We believe that immediate resumption of distribution of the small intestine with the distal ileum removed will help us maintaining and promoting this food culture essential to people's life and will contribute to national interests of both the United States and Japan. In closing, we would like to ask you to immediately amend the Interim Final Rules as we propose below.

<Proposed amendment>

In the Federal Register effective January 12, it is stated that "The distal ileum (is specified risk material). To ensure effective removal of the distal ileum, the establishment shall remove the entire small intestine, and shall dispose of it in accordance with §§ 314.1 or 314.3 of this subchapter".

The said statement shall be amended like this, for example:

No.1 "To ensure effective removal of the distal ileum, the establishment shall remove part of the small intestine by cutting 80 inches back from the junction between the distal ileum and the cecum";

OR

No.2 "To ensure effective removal of the distal ileum, the establishment shall remove the entire small intestine, and shall dispose of it in accordance with §§ 314.1 or 314.3 of

this subchapter. However if the establishment can remove the distal ileum effectively by cutting 80 inches back from the junction between the distal ileum and the cecum, the such intestine can be distributed for export only as "small intestine with the distal ileum removed.

Respectfully,



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Enc.