
Trading Houses Play a Major Role in Overseas Markets ...

Their contribution amounts to a substantial share of Canadian exports ...

78% Japan

65% South America

47% Africa

37% Middle East

37% Oceania

34% European Community (EC)

They also play a significant role in some commodity exports ...

32% Food, feed, beverages and tobacco

22% Crude materials, inedible

16% Fabricated materials, inedible

Source: Promoting Canadian Exports: The Trading House Option.

Trading Houses ... How Do They Make a Profit?

Whether they work for a commission or flat fee, or earn a profit on goods sold, the rates charged by trading houses will be a function of the following factors:

- the cost of services provided;
- the risks involved (payment and transportation); and
- the nature of the market.

Since trading houses function as intermediaries between suppliers and buyers, they stand to make larger profits (as do their suppliers) or commissions when demand exceeds supply — depending on the level of competition in the market. Conversely, when the market is tight, trading houses and suppliers must adjust to the situation by shaving their profit margin or commission. Trading house commissions and profit margin will