

III THE TRADING HOUSE SECTOR IN CANADA

This chapter reviews the main conclusions reached as a result of our survey of trading houses in Canada. Methodological considerations such as questionnaire design and analysis of the data are dealt with in detail in Appendix I.

TRADING HOUSE SECTOR POPULATION

We identified 366 firms operating as trading houses in Canada which met the Task Force's definition. We were unable to make contact with some 80 firms which appeared to be in the trading house sector, despite numerous approaches. We assume that perhaps half of them would qualify under the definition of a trading house which the Task Force adopted. This would place the total population of trading houses in Canada at slightly more than 400 companies.

This figure, it must be recalled, does not include companies that may export on someone else's account but for which export trading is not the main activity. This figure also leaves aside hundreds of individuals or companies that are involved in trading on a quasi-"artisanal" basis.

The findings below are based upon the detailed answers to a Task Force questionnaire provided by 201 of these firms. These are supplemented by data obtained from other sources (e.g., the Business Opportunities Sourcing System), which covered a further 99 companies. We believe that the 300 firms which were included in our review represent about three-quarters of the total number in the sector and provide a credible basis for the observations in this chapter.

TRADING HOUSE SECTOR CONTRIBUTIONS TO CANADIAN EXPORTS

The contribution of the sector to Canadian exports was computed on the basis of survey data (201 firms that filled out the questionnaire) and non-survey data (99 firms that did not respond to the questionnaire and for which data were obtained by other means). This contribution is defined as the ratio of the sector's export transactions over total Canadian exports for 1983.

Export transactions refer to the value of goods handled by trading houses in the course of exporting goods produced or manufactured in Canada. It includes goods sold by trading houses on their own behalf (when they act as merchants) or goods sold on behalf of Canadian producers/manufacturers (when they act as agents, procurement agents, etc. . .). Export transactions therefore represent the value of goods handled by trading houses in the course of their exporting activities.

Canadian domestic exports equal total Canadian exports minus re-exports of goods imported into Canada but not processed before re-export. Data originate from Exports by Countries, Statistics Canada — External Trade Division, January-December 1983.

Overall Contribution to Canadian Exports

Total export transactions of the sector (for 298 firms) amount to \$11.675 billion (Table III-4). As a result, it is estimated that the sector contributes up to 13 per cent of all Canadian exports (see Table III-1). It is clearly oriented towards non-U.S. markets where it covers 40 per cent of all Canadian exports as opposed to 3 per cent for the U.S.

Contribution by Destination

Trading houses play a dominant role in Canadian exports to Japan, no doubt as a result of the activities of Japanese trading companies established in Canada. The contribution of the sector to Canadian exports destined to Japan reaches 78 per cent. On non-U.S., non-Japanese markets this sector's contribution to Canadian exports remains substantial (31 per cent). The sector's performance is particularly noteworthy in South America (65 per cent), Africa (47 per cent), Middle East (35 per cent), and E.E.C. (34 per cent). With the exception of non-E.E.C. Western Europe (18 per cent), Eastern Europe (11 per cent), and the U.S. (3 per cent), the sector's contribution always remains equal to or over 25 per cent.

The conclusions about those trading houses, not covered in the survey, but for which data were obtained in other ways, are probably overestimated for Japan and underestimated for the E.E.C. and the U.S. The data do not allow evaluation of the exact extent of the discrepancies. On the basis of several cross-computations it is estimated that the share of the sector for Japan could be in the vicinity of 56 per cent rather than 78 per cent as presented in Table III-1. For the U.S. the share could be 4 per cent rather than 3 per cent and for the E.E.C., 38 per cent rather than 34 per cent.

As a result of these adjustments, the sector's share of non-U.S., non-Japanese destinations would increase from 31 per cent to 34 per cent.

These adjustments would not modify substantially the essence of the results: the contribution of the sector to Canadian trade remains quite important in non-U.S. and non-Japanese destinations, and for particular reasons of special importance in Canadian exports to Japan.

TABLE III-1 — Ratio of Trading House Sector Export Transactions to Canadian Domestic Exports by Destination

Destinations	Survey Trading Houses (n = 199)	Non-Survey Trading Houses (n = 99)	Total (n = 298)
U.S.	.02	.01	.03
E.E.C.	.19	.15	.34
Other Western Europe	.11	.07	.18
Eastern Europe	.06	.05	.11
Middle East	.21	.16	.37
Africa	.25	.22	.47
Japan	.43	.35	.78
Other Asia	.14	.12	.26
Oceania	.19	.18	.37
Mexico, Caribbean, Central America	.15	.10	.25
South America	.35	.30	.65
All Markets	.07	.06	.13
Non-U.S. destinations	.22	.18	.40
Non-U.S., non-Japan, destinations	.17	.14	.31

NOTE: Underlying data are contained in Appendix I, Tables A-2 and A-4.

Contribution by Main Product Categories

The export performance of the sector is strongest in the food, feed, beverage and tobacco category where it