
Trading Houses ... What Are They?

The trading house concept applies to a wide variety of companies with one thing in common: they serve as commercial intermediaries between Canada-based producers and foreign-based purchasers or consumers of goods and services.

The Trading House Task Force of 1984-85 defines trading houses as:

Companies specialized in the exporting, importing and third-country trading in goods and services produced or provided by other parties, and which provide related services to these activities.

These companies may act as merchants, agents, export managers, export consortia, export co-operatives, buying houses and procurement agents, or as a combination of the above.

Under this definition we find that many companies operate as trading houses but may not be identified or consider themselves as such.

As intermediaries, some act on their own account as merchants, actually buying and selling for profit and therefore taking title to the goods sold. Others act as agents on behalf of a third party, and do not take title to the goods handled but merely receive a commission or flat fee (or both) for services rendered.

For the most part, well-established and experienced companies act on a merchant basis. However, in practice the procedures seldom turn out to be simple, and the line between the two categories often tends to blur. Many of Canada's trading houses function as merchants in some cases and as agents in others, depending on the type of product involved, the requirements of clients, the preference of the trading house itself, and a host of other factors. As noted below, whether a trading house operates on a merchant or commission basis is not as important as its track record, and the experience of individuals within the firm and their market knowledge.

What Categories of Trading Houses Exist in Canada?

Approximately 500 to 600 trading houses exist in Canada. An accurate number is difficult to determine because there is no requirement for registration and they do not advertise their existence. Generally speaking,