



**Canadian
Manufacturers &
Exporters**

British Columbia Division

BC Opportunities Profile Small & Medium Sized Exporters



EXPO

A PROFILE OF SMALL AND MEDIUM-SIZED EXPORTERS (SMXs) IN BRITISH COLUMBIA

2002 Edition

Produced by BC Stats

with funding from

Western Economic Diversification Canada

Canadian Manufacturers and Exporters Association

British Columbia Ministry of Competition, Science and Enterprise

Highlights

SMXs (Small and medium-sized exporters shipping less than \$5 million worth of goods annually)

- ◆ The average SMX exported \$608,142 worth of goods in 2000.
- ◆ There were approximately 4,548 SMXs in British Columbia in 2000 representing 1.3% of all businesses in the province.
- ◆ SMXs in British Columbia comprised 89% of all exporters and shipped approximately \$2.8 billion dollars worth of goods in 2000, about 8% of the province's total exports.
- ◆ Between 1996 and 2000, British Columbia ranked second among the provinces in both average annual compound growth of number of SMXs (+0.4%) and value of SMX exports (+6.8%).
- ◆ SMXs in British Columbia have a higher concentration in service industries (45%) compared to larger exporters (32%).
- ◆ The fastest growing industry sector for SMXs between 1996 and 2000 was utilities, construction, transportation and warehousing.
- ◆ The wholesale and retail trade sector shipped the largest portion (27%) of SMX exports of all industry groups

in British Columbia with \$750 million worth of exports in 2000.

- ◆ Shipments of wood products (\$540 million) and machinery and equipment (\$448 million) comprised over 35% of all British Columbia SMX exports in 2000.
- ◆ Wood products experienced the largest absolute growth in SMX shipments (\$133 million in additional exports) from 1996 to 2000.
- ◆ Over 85% of all SMXs in the province export to the United States. The next largest market is Asia, which imports goods from about 18% of all British Columbia SMXs.
- ◆ Approximately 80% of British Columbia SMX exports were shipped to the United States in 2000.

Small businesses that export commodities (businesses with fewer than 50 employees)

- ◆ Small businesses comprised 77% of all exporters in the province in 2000, but shipped only 34% of all British Columbia exports.
- ◆ These businesses constituted just over 1% of all small businesses in British Columbia, while large businesses that exported made up 16% of all large businesses.

Introduction

This paper is an update to *A Profile of Small and Medium-Sized Exporters (SMXs): British Columbia* published in 1998.¹ It provides a statistical profile of small and medium-sized exporters in British Columbia based on data for the years 1996 to 2000.

Exports are an integral part of the economy of British Columbia and the importance of small business to the provincial economy has also been demonstrated. As such, the question often arises as to what small business' role is with regard to exports. This study attempts to answer this question by describing the number and growth of small and medium-sized exporters in the province in terms of the value of their exports, how they compare with other regions in the country, to which countries they are shipping, in which industries they are concentrated and what types of commodities they tend to export.

Export data provided in this report are for commodity exports only. Data on exports of services on the basis of exporter size are not available. For the provincial economy as a whole, commodity shipments represent the bulk of exports with services comprising only 21% of total international exports.² So although services are a significant component of international exports, shipments of goods dominate the export picture in British Columbia. However, services have been growing slightly faster than commodity exports (an average annual compound rate of 8.3% from 1996 to 2000, compared to 6.8% for goods) and have increased their share of total exports from 20% in 1996. As the global economy becomes more service-oriented, it is likely that exports of services will gain in significance, but for the foreseeable future, it is probable that commodity exports will continue to be dominant.

Statistical information contained in this report was purchased from the International Trade Division of Statistics Canada and is extracted from the *Exporter Registry*.

A Profile of Small and Medium-Sized Exporters (SMXs) in British Columbia: 2002 Edition is a collaborative effort between the federal and provincial governments and the private sector. The report was prepared by BC Stats with funding from Western Economic Diversification Canada, the Canadian Manufacturers and Exporters Association and the British Columbia Ministry of Competition, Science and Enterprise.

¹ See technical note #10.

² Note that this data is on a balance of payments basis, whereas the data in the remainder of this report is on a customs basis.

Overview

For the purposes of this report, an *exporter* is defined as a business enterprise that ships merchandise to an international destination. Exports of products to other provinces within Canada are not included in this analysis and exports of services are also excluded. Exporters are subdivided into three size groupings of small, medium and large.³ A small exporter is defined as a company that ships under \$1 million of goods to international destinations annually. Medium exporters are those that ship between \$1 million and \$5 million worth of commodities, and a large exporter is a company that exports over \$5 million in a year. Small and medium-sized exports are grouped together and are called *SMXs*; therefore, **SMXs are exporters that ship under \$5 million worth of goods annually to international destinations.**

In 2000, the average SMX in British Columbia

- ◆ shipped \$608,142 worth of merchandise
- ◆ exported mainly to the United States (80%)
- ◆ was concentrated in wholesale and retail industries as well as “other” manufacturing (i.e., excluding food and beverage, primary products and computer and electronic product manufacturing)
- ◆ shipped mainly machinery and equipment and base metals

By comparison, the average large exporter

- ◆ shipped \$54.4 million worth of merchandise
- ◆ exported mainly to the United States (63%) and Asia (24%)
- ◆ was concentrated in wholesale and retail, “other” manufacturing, and wood and paper manufacturing industries
- ◆ shipped mainly wood products and machinery and equipment

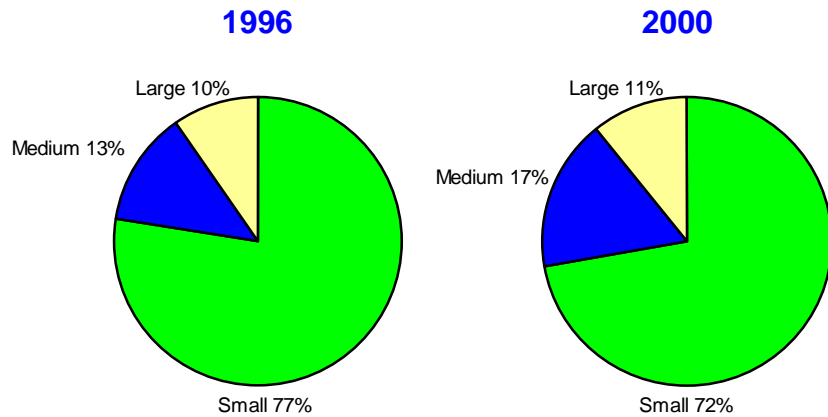
There were a total of 4,548 small and medium-sized exporters in British Columbia in 2000, which is 1.3% of all businesses in the province. Of these, 3,690 (81%) were small exporters shipping less than \$1 million worth of goods. SMXs comprised 89% of all exporting establishments in the province. Since 1996, the share of exporters represented by SMXs has declined by over one percentage point as the number of large exporters has grown faster than that of SMXs.

³ See technical note #8.

Number of Exporters in BC by Size

Figure 1

In British Columbia, the composition of SMXs has shifted toward a greater proportion of medium-sized firms from 1996 to 2000



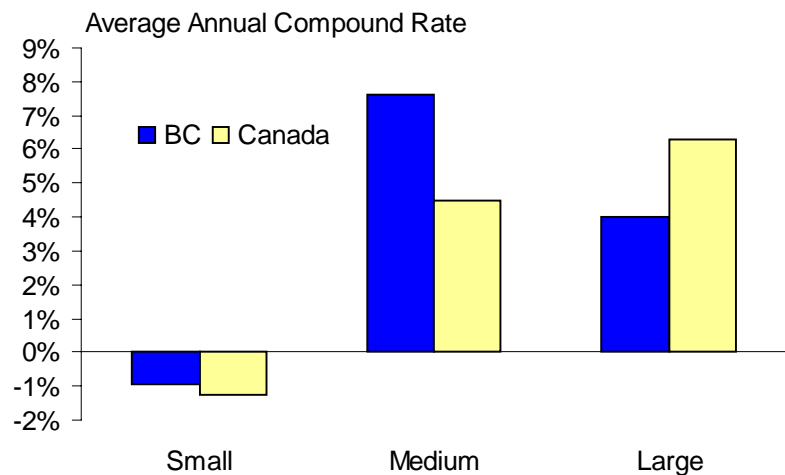
Source: Statistics Canada

In British Columbia, growth in the number of medium-sized exporters outpaced both large and small-sized exporting establishments from 1996 to 2000 and, as a result, the proportion of medium-sized exporters increased from 13% in 1996 to 17% in 2000. For Canada as a whole, the number of large exporters increased faster than that of the small and medium variety. In both cases, the number of small-sized exporters declined over the period (possibly expanding to become medium-sized exporters). All growth in the number of SMXs in British Columbia (+0.4%) was due to the increase in medium-sized exporters. For Canada, the decline in small-sized establishments outweighed the increase in medium-sized exporters and SMXs consequently declined in number over the period, falling 0.2%.

Growth in Number of Exporters by Exporter Size, BC and Canada, 1996-2000

Figure 2

The number of medium-sized exporters in British Columbia grew at an average annual rate of 7.6% between 1996 and 2000

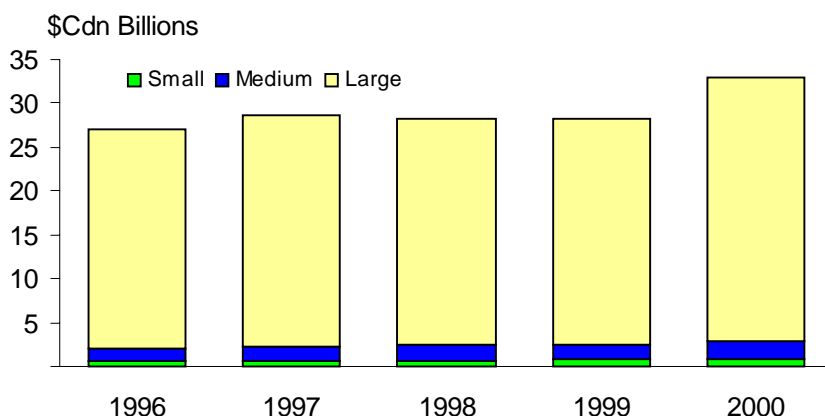


Source: Statistics Canada

There are several possible reasons why medium-sized exporters in British Columbia grew faster in number over the 1996 to 2000 period. Increasing globalisation of world trade may favour larger exporters and encourage consolidation of smaller companies into larger companies. British Columbia has few large companies to begin with, so it is the medium-sized exporters that benefit the most. Another possibility is due to a limitation of the definition of small, medium and large exporters. Inflation could push an exporter into a different size category even if volumes shipped remain unchanged. If price changes affect commodities shipped more often by one category of exporters than another, this could alter the composition of exporters by size even further.

Large exporters ship by far the majority of merchandise exported from British Columbia. In 2000, almost 92% of all exports from the province were from establishments that shipped in excess of \$5 million annually. Medium-sized exporters were responsible for 6% of goods exported and small-sized exporters shipped the remaining 2%. SMXs shipped almost \$2.8 billion worth of commodities in 2000, compared to \$30.2 billion for large exporting establishments.

Value of British Columbia Exports by Exporter Size, 1996-2000



Source: Statistics Canada

The value of goods exported by SMXs in British Columbia grew by over \$640 million dollars between 1996 and 2000, an average annual compound growth of 6.8%. This growth exceeded that of total exports, which expanded at an average annual rate of 5.2%. Medium-sized firms (+8.3%) were responsible for most of the growth in value of exports of SMXs, but small-sized firms, despite

Figure 3

SMXs shipped only 8% of all exports from British Columbia in 2000, or \$2.8 billion out of a total \$32.9 billion worth of goods shipped

shrinking in number, also experienced an increase in value of shipments (+3.3%).

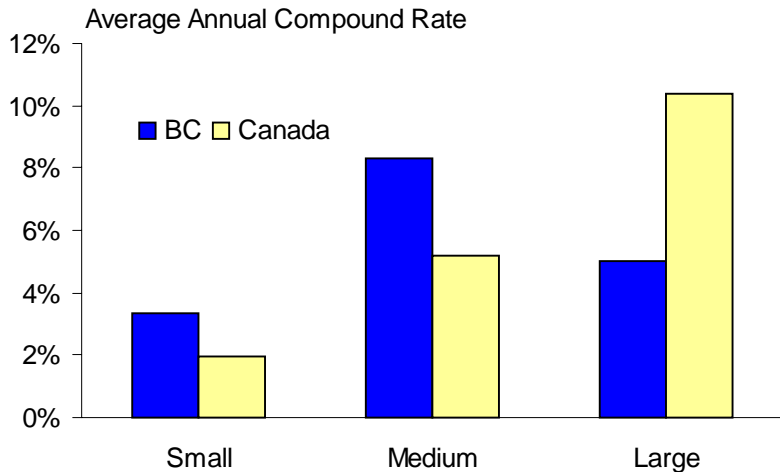
By contrast, for Canada as a whole, the rate of growth of shipments for SMXs was slower than that for total exports. While SMX exports grew at an average annual rate of 4.3%, the value of total shipments surged ahead at a rate of 10.0%. As was the case in British Columbia, small-sized exporters increased the value of shipments (+2.0%) despite declining in number. This could be due to efficiency improvements, but is also probably, at least partially, the result of inflation (i.e., such that the value of shipments went up due to price changes, rather than increased volumes).

The reason SMX exports in British Columbia grew faster than large exporter's shipments while the reverse was true for Canada may have to do with the commodity mix of goods exported. In British Columbia, exports in the forest sector grew much slower than overall exports. The forest sector is far more significant for British Columbia than it is for Canada as a whole, so companies in British Columbia are more likely to be affected by the slower growth. Additionally, larger exporters are far more likely than SMXs to be shipping wood and paper products (see page 13 for commodity details). Consequently, it makes sense that, in British Columbia, SMX exports are growing faster than shipments by large exporters.

Growth in Value of Exports by Exporter Size, BC and Canada, 1996-2000

Figure 4

The value of exports from medium-sized exporters in British Columbia grew fastest from 1996 to 2000, while for Canada as a whole, large exporters expanded shipments the most



Source: Statistics Canada

Interprovincial Comparisons

British Columbia's 4,548 SMXs comprise approximately 15% of all SMXs in Canada, ranking the province third in the country.⁴ Not surprisingly, the provinces are ranked roughly according to population size in terms of the proportion of SMXs located there. However, for British Columbia and particularly Ontario (including the three Territories), the percentage of SMXs is larger than the percentage of population, while for most other provinces the reverse is true. Ontario plus the Territories contains just over 38% of the country's population, but have 45% of SMXs, while British Columbia has around 13% of the population with 15% of SMXs.

Distribution of SMXs by Province, 2000

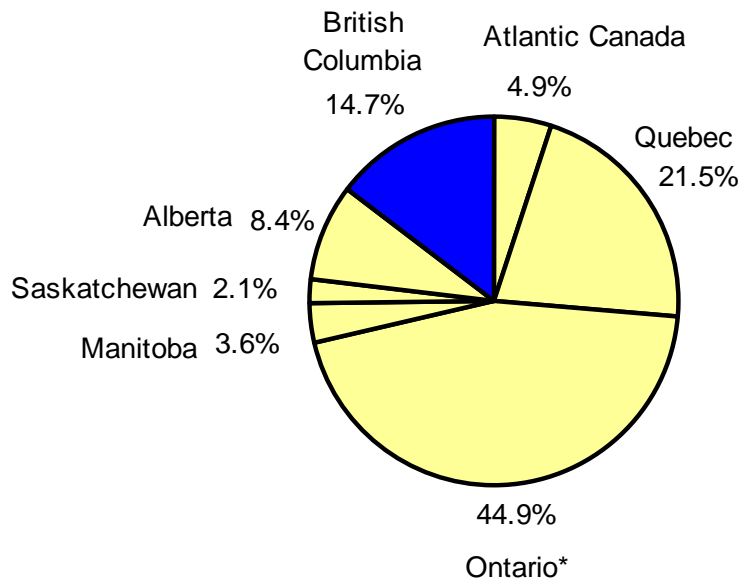


Figure 5

British Columbia ranks third in Canada with 15% of the country's small and medium-sized exporters

*Ontario includes data for the Territories

Source: Statistics Canada

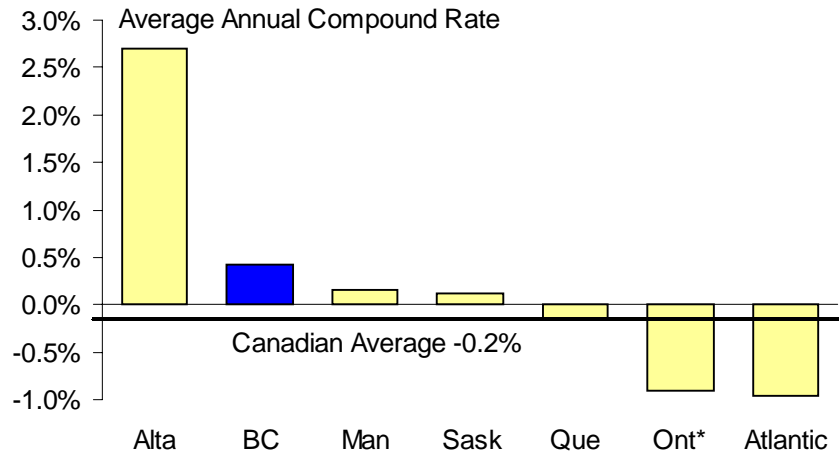
Over the 1996 to 2000 period, British Columbia recorded the second strongest growth in number of SMXs in the country. Even so, the average annual compound rate of growth was only 0.4%. Alberta posted the strongest rate of growth at 2.7%, while Ontario (including the Territories), at -0.9%, and Atlantic Canada, at -1.0%, experienced the greatest percent drops in number of SMXs.

⁴ See technical note #3.

Growth in Number of SMXs by Province, 1996-2000

Figure 6

British Columbia experienced the second strongest average annual compound growth in the number of SMXs in the country from 1996 to 2000



*Ontario includes data for the Territories

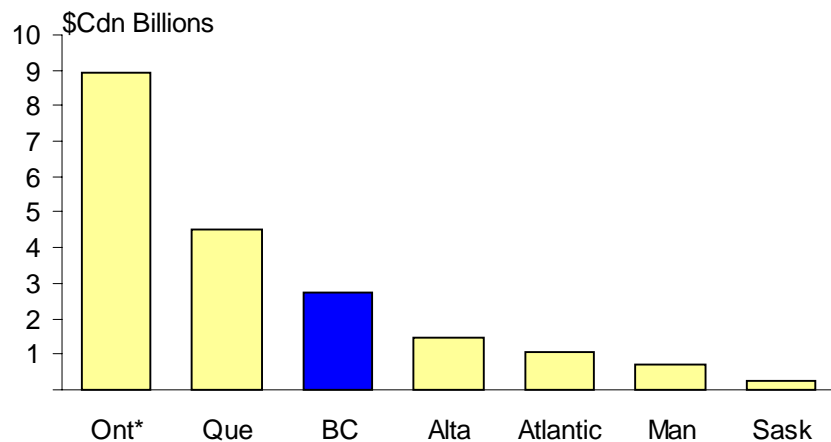
Source: Statistics Canada

The distribution of SMX exports across the country in 2000 was similar to the provincial distribution of SMXs. British Columbia ranked third in terms of value of goods exported by SMXs with about 14% of the national total. SMXs in Ontario (including the Territories) exported almost \$9 billion worth of goods, representing 45% of Canada's SMX shipments. This was almost twice Quebec's portion of \$4.5 billion and over three times as much as British Columbia's \$2.8 billion.

SMX Export Dollar Value by Province, 2000

Figure 7

SMXs in British Columbia shipped about 14% of Canada's SMX exports, ranking it third among the provinces



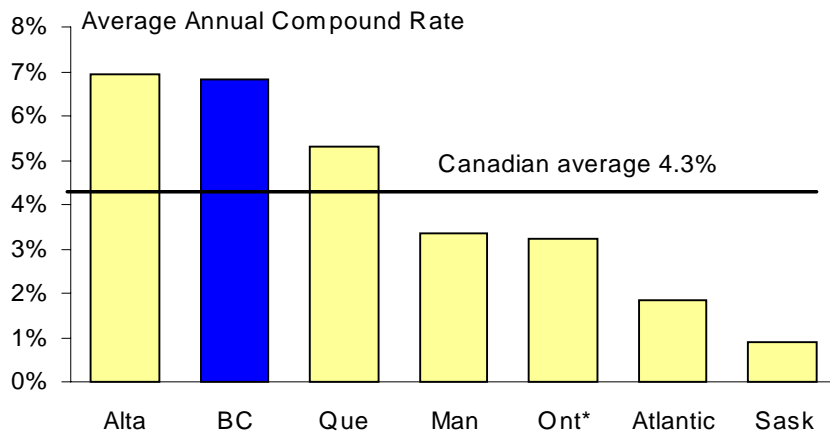
*Ontario includes data for the Territories

Source: Statistics Canada

Although some provinces experienced declines in the number of SMXs from 1996 to 2000, all provinces other than Newfoundland

(-3.5%) recorded growth in the value of exports shipped by SMXs over that period. SMX exports from Alberta (+6.9%) and British Columbia (+6.8%) grew at virtually the same rate over the interval. Although Atlantic Canada as a whole experienced only modest growth of 1.8%, Prince Edward Island led all provinces with a 10.8% average annual compound rate of growth in SMX exports between 1996 and 2000.

Growth in Value of SMX Exports by Province, 1996-2000



*Ontario includes data for the Territories

Source: Statistics Canada

Figure 8

British Columbia's average annual growth in SMX exports exceeded the national average over the 1996 to 2000 period

In 2000, SMXs in British Columbia had export sales close to the national level, averaging \$608,142 compared to \$638,654 for Canadian SMXs overall. Prince Edward Island had by far the largest average exports per SMX, at \$942,962, while in Saskatchewan, SMXs lagged behind with average shipments valued at \$420,205. However, for large exporters, Prince Edward Island ranked last and Alberta was the top ranking province with regard to average value of exports per large exporter. Large exporters in British Columbia shipped less than the national average (\$69.1 million) with only \$54.4 million in exports per large exporter.

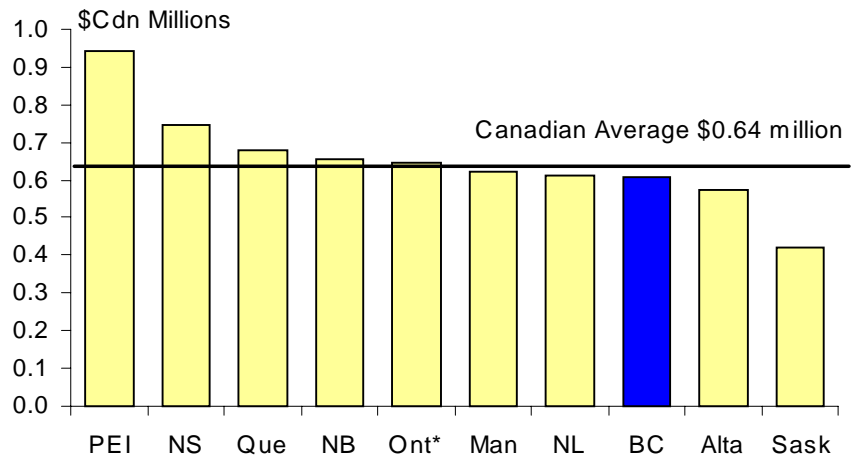
Some of the disparity between the provinces can be explained by the difference in types of commodities produced and exported. For instance, Alberta and Newfoundland and Labrador are at the top of the scale for large exporters primarily because of significant oil exports. Ontario's manufacturing sector, particularly automobile manufacturing, is likely the reason that province ranks third in exports per large exporter. For SMXs, Prince Edward Island has a number of small farming operations that export

significant values of potatoes, which is why they rank first. In British Columbia, part of the reason exporters are shipping less, on average, could be due to lower commodity prices for goods produced within the province. On the other hand, although British Columbia SMXs have smaller export sales, there are more SMXs per capita compared to most provinces. In essence, British Columbia has its exports distributed among a larger number of firms compared to other provinces.

Figure 9

On average, in 2000, SMXs in British Columbia shipped just over \$608 thousand worth of goods, which was close to the national average

Average Exports per SMX by Province, 2000



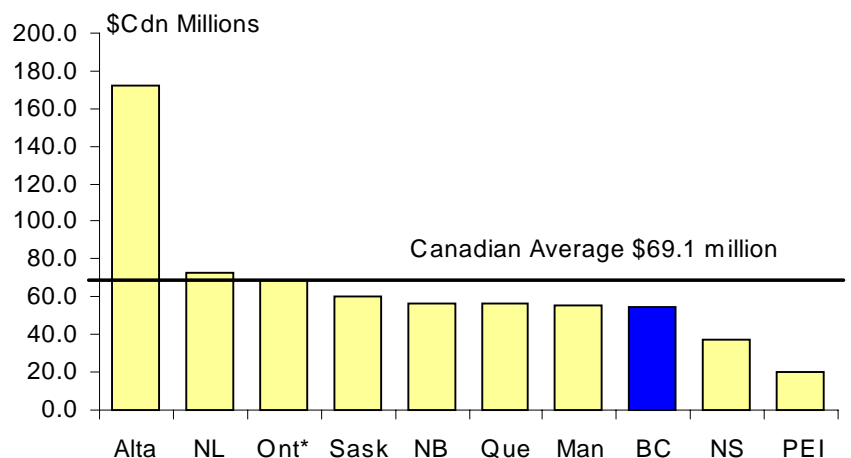
*Ontario includes data for the Territories

Source: Statistics Canada

Figure 10

British Columbia average exports per large exporter in 2000 were \$54.4 million, significantly less than the Canadian average

Average Exports per Large Exporter by Province, 2000



*Ontario includes data for the Territories

Source: Statistics Canada

Industries

Small and medium-sized exporters in British Columbia tend to be more concentrated in service-producing industries compared to larger exporters.⁵ Approximately 45% of SMXs are in the services sector, particularly wholesale and retail trade (31%). There are significant numbers of large exporters in services as well (32%), but a bigger proportion of larger firms is in the manufacturing sector (60%).

Distribution of BC Exporters by Industry, 2000

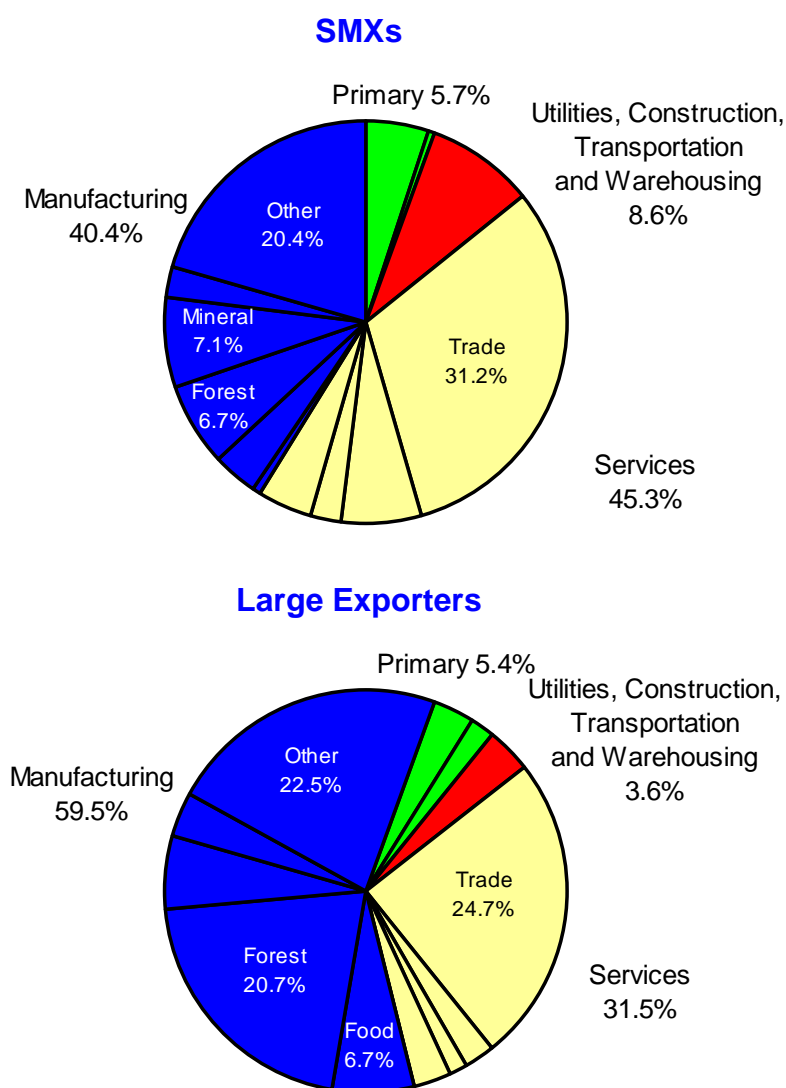


Figure 11

British Columbia SMXs are more concentrated in service-producing industries compared to larger firms

Large exporters have a much larger concentration in forest sector manufacturing industries (wood and paper) than do SMXs

Source: Statistics Canada

⁵ See technical notes #4 and #5.

There is a significantly greater percentage of large exporters in forest sector manufacturing compared to SMXs with over a fifth of large exporting firms involved in wood or paper manufacturing. In contrast, less than 7% of SMXs are in wood or paper manufacturing industries. Most of the exporters in manufacturing industries are classified in the “other” category, which includes textiles, clothing, printed material, chemicals, plastics, machinery and equipment, furniture and other miscellaneous manufacturing.⁶ For SMXs, the next largest manufacturing industry presence is in petroleum and mineral products, while for large exporters it is the forest sector, followed by food and beverage manufacturing.

Distribution of BC Exporters by Industry, 2000

INDUSTRY	SMX	Large
<i>Primary Industries</i>	5.7%	5.4%
Agriculture, Forestry, Fishing and Hunting	5.1%	3.4%
Mining, Oil and Gas	0.6%	2.0%
<i>Utilities, Construction, Transportation & Warehousing</i>	8.6%	3.6%
<i>Service-Producing Industries</i>	45.3%	31.5%
Wholesale and Retail Trade	31.2%	24.7%
Communication and Business	6.6%	2.5%
Finance, Insurance, Real Estate	2.5%	1.3%
Public Services	0.7%	0.0%
Other Services	4.3%	3.1%
<i>Manufacturing Industries</i>	40.4%	59.5%
Food and Beverage	3.6%	6.7%
Wood and Paper	6.7%	20.7%
Petroleum and Mineral Products	7.1%	5.9%
Computer and Electronic	2.6%	3.6%
Other Manufacturing	20.4%	22.5%
TOTAL	100.0%	100.0%

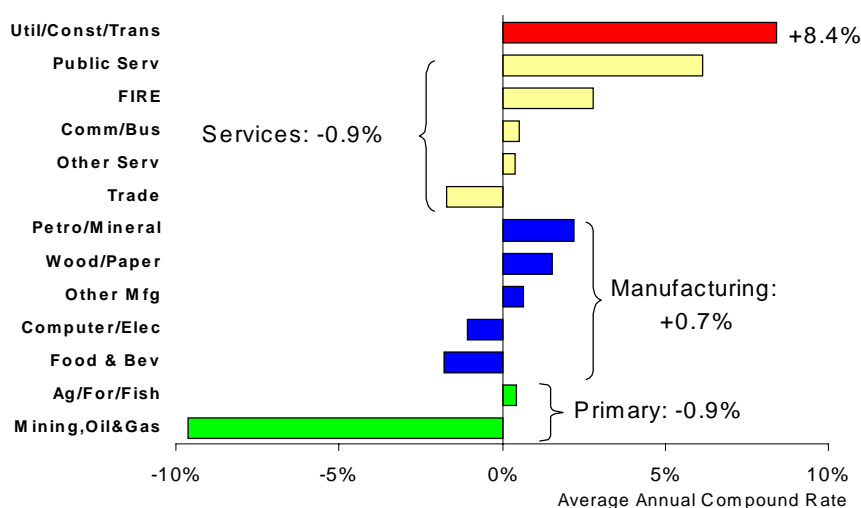
Source: Statistics Canada

The fastest growth in number of SMXs over the 1996 to 2000 period occurred in the utilities, construction, transportation and warehousing industry group, expanding at an average annual

⁶ For a more complete list of industries in the “Other” category, see technical note #5.

compound rate of 8.4%. This sector also had the largest increase in number of new SMXs with 108 additions from 1996 to 2000. SMXs in the mining, oil and gas sector, already a small number to begin with, fell at an average annual rate of 9.6%, the most rapid decline of all industry sectors. In terms of absolute declines, SMXs in the retail and wholesale trade sector experienced the greatest drop in number, falling by 101 establishments. The shrinking number of SMXs in trade industries was the reason for a 0.9% decline for service industries overall. The other major service industry groupings all experienced an increase in their number of SMXs.

Growth in Number of BC SMXs by Industry, 1996-2000



Source: Statistics Canada

Figure 12

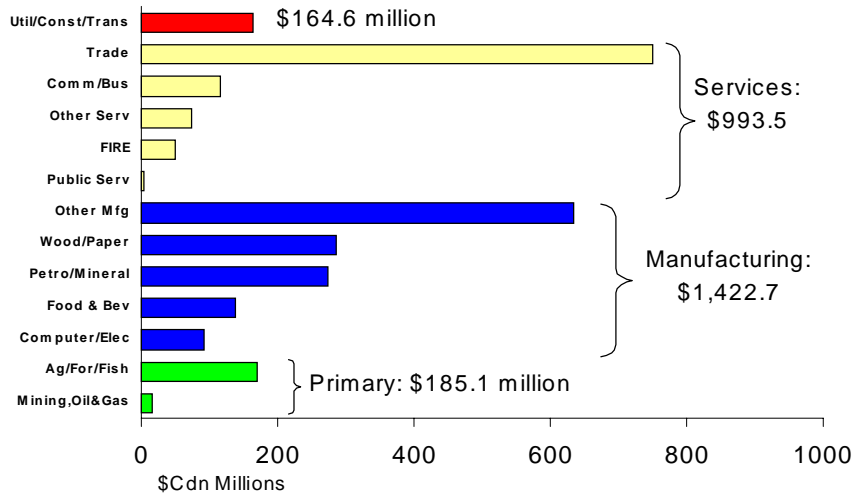
The fastest growing industry sector for SMXs in British Columbia over the 1996 to 2000 period was utilities, construction, transportation and warehousing

British Columbia SMXs in manufacturing industries shipped \$1.4 billion worth of goods in 2000, while those in the services sector exported just under a billion dollars of commodities. Within the manufacturing sector, “other” manufacturing (i.e., excluding food and beverage, primary products and computer and electronic manufacturing) shipped 23% of the province’s SMX exports, or \$634 million. After that, there was a large drop to wood and paper manufacturing industries, which shipped \$286 million or just over 10% of exports. In the services sector, retail and trade industries led the way with \$750 million in exports, which amounted to 27% of all SMX exports in the province.

BC SMX Export Dollar Value by Industry, 2000

Figure 13

Wholesale and retail trade industries were responsible for 27% of the value of SMX shipments in 2000



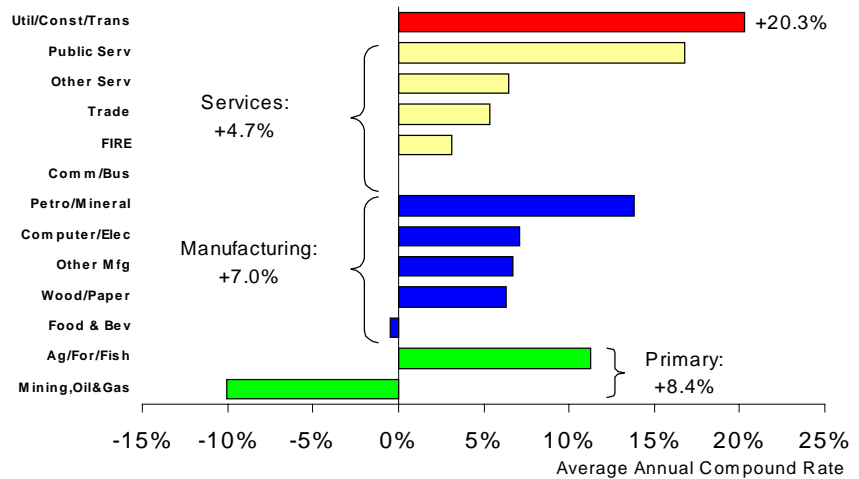
Source: Statistics Canada

The utilities, construction, transportation and warehousing sector experienced the fastest growth in value of SMX exports over the 1996 to 2000 period with an average annual compound growth of 20.3%. The “other” manufacturing industry group had the largest absolute growth, with an additional \$146 million of exports in 2000 compared to 1996, an average annual growth rate of 6.8%. The trade sector (+5.4%) was close behind with \$141 million in added shipments. The mining, oil and gas (-10.1%) and food and beverage manufacturing (-0.4%) sectors were the only industry groups to see a reduction in value of exports over the period.

Growth in Value of SMX Exports by Industry, 1996-2000

Figure 14

Utilities, construction, transportation and warehousing experienced the strongest growth in value of SMX exports over the 1996 to 2000 period



Source: Statistics Canada

Commodities

In British Columbia, SMXs appear to be far more specialised in terms of the commodities they ship compared to large exporters. For example, 78% of large exporters shipped wood products in 2000, and 73% exported machinery and equipment implying that at least some of those companies shipped both.⁷ There was also a majority of large exporters moving pulp and paper (52%) to international destinations. By comparison, machinery and equipment was the commodity group shipped by the largest proportion of SMXs in the province, with 39% of SMXs exporting those goods.

Percentage of BC Exporters Shipping Specified Commodities, 2000

COMMODITY GROUP ⁸	SMX	Large
Live Animals	7.2%	22.7%
Vegetables	8.3%	31.2%
Food and Beverage	8.0%	21.3%
Mineral Products	2.4%	15.7%
Chemical Products	9.3%	12.4%
Plastics and Rubber	21.2%	47.0%
Wood Products	20.2%	78.2%
Pulp and Paper	10.8%	52.4%
Textiles	13.3%	30.5%
Stone, Ceramics, etc.	4.3%	9.5%
Pearls, Precious Stones & Metals, etc.	1.9%	2.2%
Base Metals	24.6%	49.7%
Machinery and Equipment	38.8%	72.6%
Transportation Equipment	12.8%	20.7%
Optical, Photographic, etc.	7.7%	20.7%
Miscellaneous Manufacturing ⁹	24.5%	37.8%
Art, Antiques, etc.	8.5%	17.7%

Source: Statistics Canada

⁷ See technical notes #6 and #9.

⁸ For full commodity group descriptions, see technical note #6.

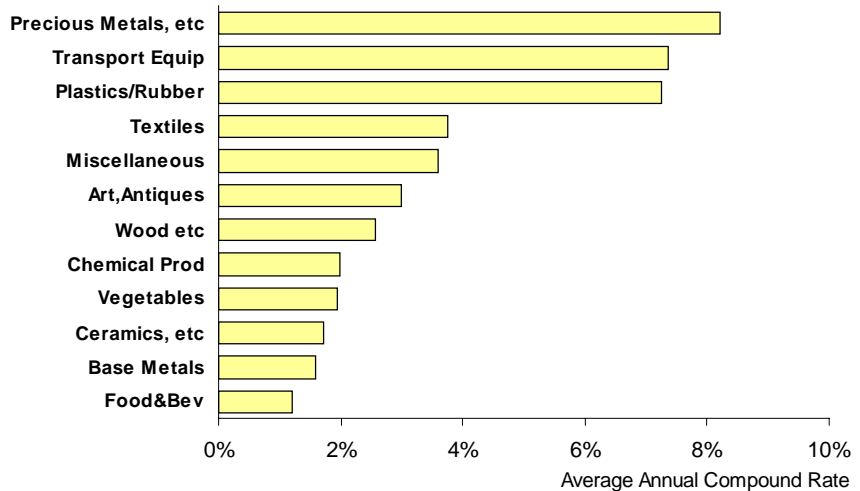
⁹ Miscellaneous manufacturing includes other commodity groups that could not be kept separate due to confidentiality concerns (see technical note #6).

From 1996 to 2000, British Columbia SMXs that exported plastics and rubber products experienced the largest expansion in number, growing by 236 (+7.3%) over the period. Those SMXs that shipped miscellaneous manufactured goods increased by 147 (+3.6%), while those exporting transportation equipment grew by 144 (+7.4%). The fastest percentage growth was for SMXs that shipped pearls, precious and semi-precious stones and metals, with an average annual growth rate of 8.2%, but the total number of such firms was small and growth fluctuated from year to year. SMXs that exported pulp and paper products experienced the most rapid decline in number, falling at an average rate of 2.4% per year over the period.

Growth in Number of BC SMXs by Commodity Exported, 1996-2000

Figure 15

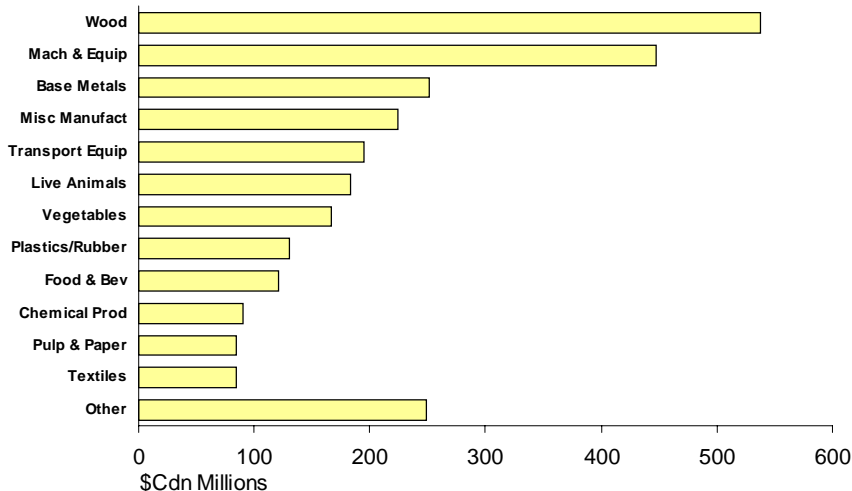
In British Columbia, from 1996 to 2000, there was strong growth in SMXs that exported transportation equipment and plastics and rubber, both in absolute number and percentage terms



Source: Statistics Canada

In 2000, wood products were the leading export by British Columbia SMXs with almost \$540 million worth shipped. This represents over 19% of all SMX exports. Approximately 16% of SMXs in the province exported machinery and equipment, totalling \$448 million. The next most significant commodity group exported by SMXs in British Columbia was base metals, with \$252 million or 9% of total SMX shipments.

Top Commodity Group Exports by BC SMXs, 2000



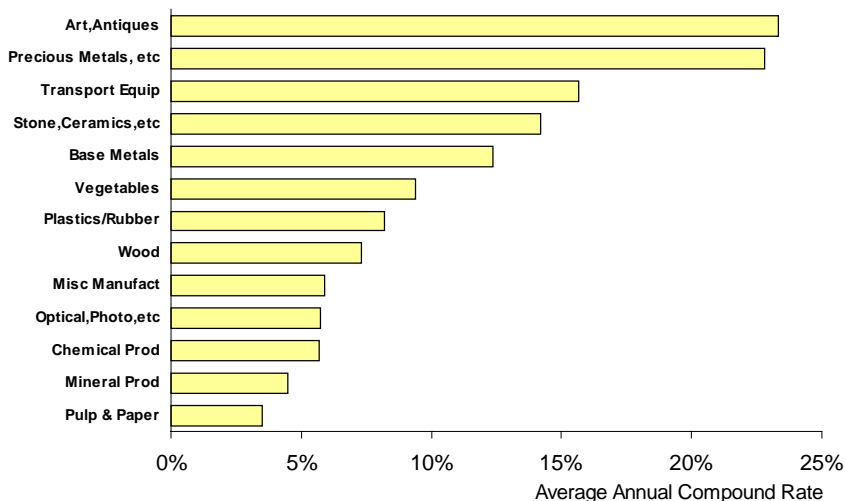
Source: Statistics Canada

Figure 16

Wood and machinery and equipment comprised over 35% of exports by British Columbia SMXs in 2000

Wood products experienced the largest growth in value of SMX shipments over the 1996 to 2000 period with \$133 million in additional exports, which translates to an average annual compound rate of growth of 7.3%. There were several commodity groups that experienced a faster rate of growth, but all were of lesser total dollar value. Luxury goods like art and antiques (+23.3%), and pearls, precious stones and metals, etc. (+22.8%) were the fastest growing SMX exports. All of the major commodity aggregations experienced a positive average annual growth over the period, with total SMX exports averaging 6.8% annual growth.

Fastest Growing BC SMX Commodity Exports, 1996-2000



Source: Statistics Canada

Figure 17

For British Columbia SMXs, over the 1996 to 2000 period all major commodity aggregations experienced growth in value of exports

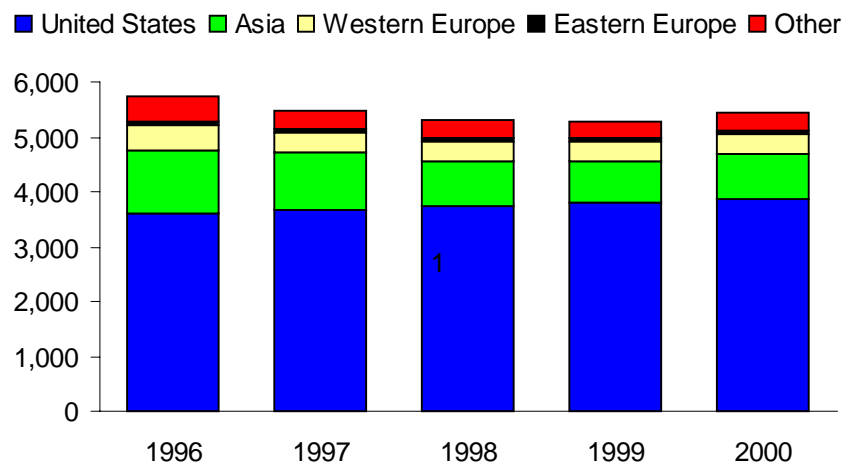
International Markets

The United States is by far the most important market for SMXs in British Columbia, both in terms of the number of SMXs exporting to that country and also as a source of export revenues. Over 85% of SMXs in the province shipped to the United States in 2000, compared to only 18% for all of Asia and 8% for Western Europe.¹⁰ The proportion of SMXs shipping to the United States has increased from 81% in 1996, while there are proportionately fewer SMXs exporting to Asia (25% in 1996). This is likely due to the economic difficulties experienced by many Asian countries over the last few years, particularly Japan, which have reduced demand for imports of products from British Columbia.

Number of BC SMXs by Market, 2000

Figure 18

The bulk of British Columbia SMXs export to the United States and this proportion has increased over the last five years from 81% in 1996 to over 85% in 2000



Source: Statistics Canada

For large exporters the United States was also the most significant destination country (88%), but Asia (46%), Western Europe (31%) and other non-European countries (31%) were also important. Similar to SMXs, companies exporting to Asia declined 10 percentage points from 56% in 1996.

The number of SMXs exporting to the United States increased at an average annual compound rate of 1.7% over the 1996 to 2000 period, growing from 3,619 in 1996 to 3,878 in 2000. Over 300 fewer SMXs shipped to Asia in 2000 compared to 1996, an average annual decline of 7.8%. SMXs shipping to Eastern Europe, already a small number to begin with, declined by an average of 12.7% annually from 1996 to 2000.

Growth in SMXs in BC by Destination of Exports, 1996-2000

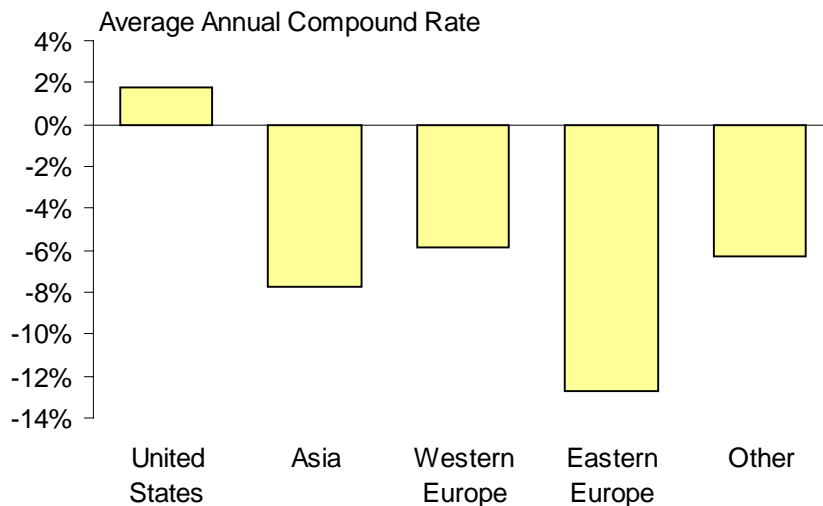


Figure 19

The number of SMXs exporting to the United States has grown over the 1996-2000 period, while there are fewer SMXs shipping to other destinations

Source: Statistics Canada

The bulk of SMX exports from British Columbia are shipped to the United States. Just over \$2.2 billion, or 80% of SMX shipments were destined for the United States in 2000. This is up from 72% in 1996. Asian countries were the destination for \$377 million worth of goods (14%) in 2000, which is a significant decline from 1996 when almost 19% of SMX exports were shipped to Asia.

British Columbia SMX Export Dollar Value by Destination, 2000

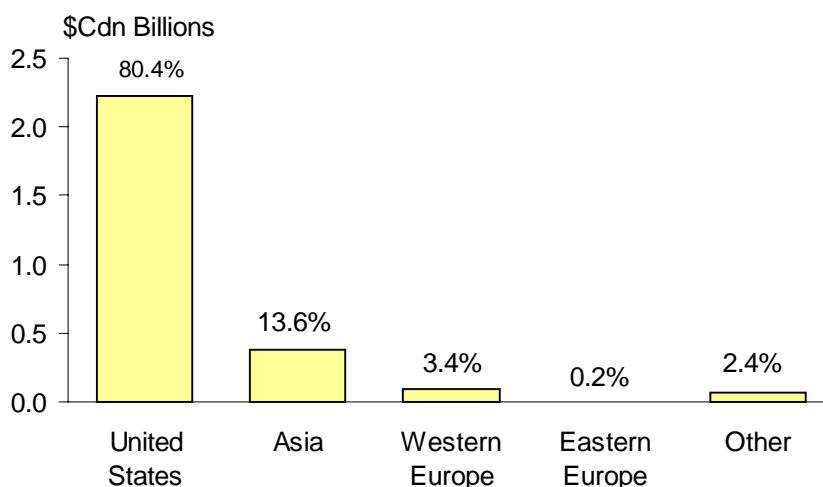


Figure 20

By far the majority of SMX exports are shipped to the United States

Source: Statistics Canada

¹⁰ See technical notes #7 and #9.

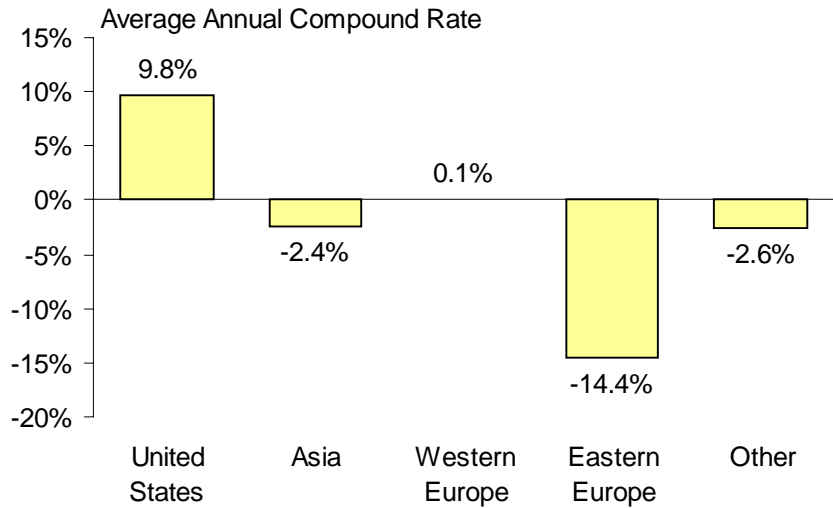
For large exporters, the United States also receives the majority of goods shipped (63%) with over \$19 billion in merchandise sold to the Americans, but Asian countries were the destination of almost a quarter of large exporters' shipments with approximately \$7.3 billion in goods shipped to Asia.

SMX exports to the United States experienced strong growth over the 1996 to 2000 period, increasing at an average annual compound rate of almost 10%. Exports to Asia declined at an average annual rate of 2.4%, while shipments to Western Europe oscillated up and down over the period, ending up with almost the same value in 2000 as in 1996.

Growth in Value of BC SMX Exports by Destination, 1996-2000

Figure 21

The value of SMX exports to the United States has increased significantly from 1996 to 2000, while the value of exports to Asian destinations has slipped



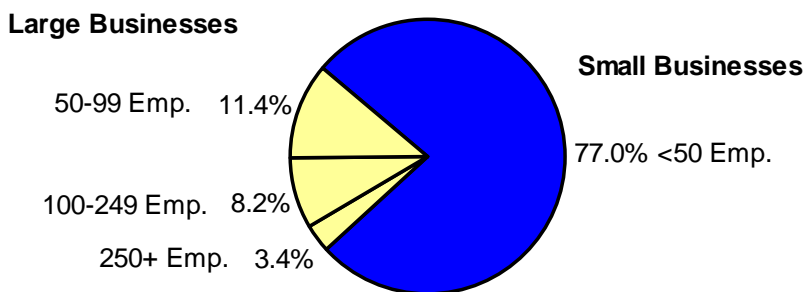
Source: Statistics Canada

Small Business Exporters

Starting in 2000, there is data available on breakdowns of exporting establishments by number of employees. This data makes it possible to examine exporters not only by size of exports as has been done in the previous sections of this report, but also by employee size.

One commonly used definition of a small business is an enterprise that employs less than 50 people. In British Columbia, in 2000, there were 3,928 small businesses that exported goods. These businesses represented 77% of all exporters in the province and comprised just over 1% of all small businesses in British Columbia. The reason such a small percentage of all small businesses represents such a large proportion of exporters is that small businesses make up almost 98% of all businesses in the province. Consequently, since the great majority of businesses in British Columbia employ less than 50 people, it follows that most companies that export will also be in this category.

Number of Exporters by Employee Size, British Columbia, 2000



Source: Statistics Canada

Figure 22

British Columbia small businesses (with less than 50 employees) comprise 77% of all exporters

However, the chances of a business being an exporter are greater the more people it employs. The remaining 1,175 exporters (i.e., those having 50 or more employees) encompassed 16% of all large businesses in the province. Of those establishments employing over 100 employees, almost 20% were exporters.

Small business exporters shipped approximately \$11.3 billion worth of goods in 2000. This represented only 34% of all British Columbia exports, despite the fact that small businesses made up 77% of all exporters. Businesses with 250 or more employees comprised just over 3% of all exporters, but shipped 33% of goods

exported. The other third of exports were shipped by businesses with between 50 and 249 employees, which make up fewer than 20% of all exporters.

Value of Exports from British Columbia by Employee Size of Business, 2000

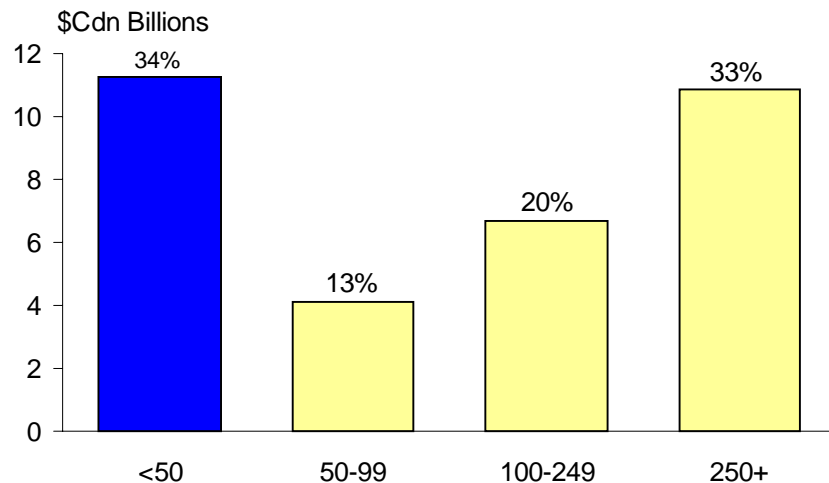


Figure 23

Small businesses (with less than 50 employees) shipped approximately 34% of all British Columbia exports in 2000

Source: Statistics Canada

One reason for this export bias toward larger companies is that there are certain barriers to shipping to international destinations, the most significant of which is probably the cost. In addition to transportation expenses, there is also the cost of marketing. Larger companies are more likely to have the resources to take on these expenses. Also, smaller businesses are more likely to serve niche markets and have a less diversified product mix; therefore, they are apt to ship smaller volumes of goods since their client base is smaller. Finally, as exports increase, profits tend to follow and eventually businesses that export more tend to grow in terms of employees as well. In other words, small businesses that export are more likely to become large businesses.

As access to the Internet expands and E-business proliferates, some of the disadvantages experienced by smaller businesses may diminish and the incidence of small businesses that export may increase. Marketing on the Internet can be far cheaper than traditional forms of advertising and businesses offering a unique product will have a much larger customer base from which to draw making production of niche commodities more viable.

Appendix

Table 1: Small and Medium-Sized Exporters by Province, 1996-2000

Province	1996	1997	1998	1999	2000
Newfoundland	176	168	143	148	154
Prince Edward Island	108	104	117	123	112
Nova Scotia	693	693	629	666	676
New Brunswick	593	616	621	585	569
Quebec	6,689	6,767	6,500	6,511	6,648
Ontario & Territories*	14,389	14,479	14,036	13,880	13,879
Manitoba	1,096	1,095	1,090	1,065	1,103
Saskatchewan	634	623	600	606	637
Alberta	2,332	2,442	2,411	2,482	2,593
<i>British Columbia</i>	<i>4,471</i>	<i>4,494</i>	<i>4,411</i>	<i>4,430</i>	<i>4,548</i>
Canada	31,181	31,481	30,558	30,496	30,919

* Data for Yukon, Northwest Territories and Nunavut have been combined with Ontario in order to meet the confidentiality requirements of the Statistics Act.

Table 2: Value of exports (millions C\$) of all SMXs by Province, 1996-2000

Province	1996	1997	1998	1999	2000
Newfoundland	109.0	102.6	83.2	107.9	94.5
Prince Edward Island	70.1	70.1	98.2	99.9	105.6
Nova Scotia	467.4	489.4	475.4	483.7	504.9
New Brunswick	355.3	361.7	405.5	405.5	372.5
Quebec	3,679.3	3,983.3	4,161.2	4,437.3	4,527.3
Ontario & Territories*	7,870.7	8,335.4	8,769.6	8,973.3	8,936.2
Manitoba	604.0	600.8	641.5	678.9	688.5
Saskatchewan	258.5	293.1	271.3	292.9	267.7
Alberta	1,134.8	1,166.6	1,352.6	1,357.6	1,483.7
<i>British Columbia</i>	<i>2,125.4</i>	<i>2,316.1</i>	<i>2,408.5</i>	<i>2,518.8</i>	<i>2,765.8</i>
Canada	16,674.5	17,719.1	18,666.9	19,355.7	19,746.5

* Data for Yukon, Northwest Territories and Nunavut have been combined with Ontario in order to meet the confidentiality requirements of the Statistics Act.

Table 3: Small and Medium-Sized Exporters by Industry, British Columbia, 1996-2000

Industry*	1996	1997	1998	1999	2000
<i>Primary Industries</i>	268	250	264	238	258
Agriculture, Forestry, Fishing & Hunting	226	215	230	207	230
Mining, Oil and Gas	42	35	34	31	28
<i>Utilities, Construction, Transportation & Warehousing</i>	284	323	292	334	392
<i>Service-Producing Industries</i>	1,941	1,928	1,871	1,836	1,865
Wholesale and Retail Trade	1,520	1,488	1,431	1,420	1,419
Communication and Business	292	309	309	294	298
Finance, Insurance, Real Estate	103	105	108	97	115
Public Services	26	26	23	25	33
Other Services	191	202	184	182	194
<i>Manufacturing Industries</i>	1,787	1,791	1,800	1,840	1,839
Food and Beverage	174	172	174	167	162
Wood and Paper	288	301	292	299	306
Petroleum and Mineral Products	298	300	303	312	325
Computer and Electronic	121	117	121	118	116
Other Manufacturing	906	901	910	944	930
Grand Total	4,471	4,494	4,411	4,430	4,548

* See technical note #5.

Table 4: Value of exports (millions C\$) of all SMXs by Industry, British Columbia, 1996-2000

Industry*	1996	1997	1998	1999	2000
<i>Primary Industries</i>	133.9	114.1	161.2	149.5	185.1
Agriculture, Forestry, Fishing & Hunting	110.9	96.1	137.0	134.3	170.0
Mining, Oil and Gas	23.0	18.0	24.3	15.2	15.0
<i>Utilities, Construction, Transportation & Warehousing</i>	78.6	107.4	106.3	131.4	164.6
<i>Service-Producing Industries</i>	770.5	836.1	827.1	809.1	919.4
Wholesale and Retail Trade	608.9	683.1	667.3	664.5	750.1
Communication and Business	115.3	99.2	113.6	96.3	115.4
Finance, Insurance, Real Estate	44.1	50.3	41.2	43.2	49.8
Public Services	2.2	3.6	5.0	5.1	4.0
Other Services	57.7	54.7	66.3	76.2	74.1
<i>Manufacturing Industries</i>	1,084.7	1,203.9	1,247.6	1,352.5	1,422.7
Food and Beverage	139.9	145.3	146.9	152.8	137.4
Wood and Paper	224.0	239.4	228.7	266.8	286.3
Petroleum and Mineral Products	162.6	210.5	231.7	252.6	273.2
Computer and Electronic	70.0	70.3	93.5	89.9	92.0
Other Manufacturing	488.1	538.3	546.9	590.4	633.8
Grand Total	2,125.4	2,316.1	2,408.5	2,518.8	2,765.8

* See technical note #5.

Table 5: Small and Medium-Sized Exporters by Commodity Exported, British Columbia, 1996-2000

Commodity*	1996	1997	1998	1999	2000
Live Animals	327	315	313	301	326
Vegetables	349	344	388	359	377
Food and Beverage	347	387	362	350	364
Mineral Products	107	125	123	119	110
Chemical Products	389	499	414	382	421
Plastics and Rubber	730	818	882	991	966
Wood Products	831	833	826	845	920
Pulp and Paper	540	569	507	496	490
Textiles	524	553	543	595	607
Stone, Ceramics, etc.	184	133	173	186	197
Pearls, Precious Stones & Metals, etc.	62	80	72	68	85
Base Metals	1,050	1,116	1,050	1,081	1,118
Machinery & Equipment	1,722	1,840	1,800	1,760	1,763
Transportation Equipment	438	477	521	493	582
Optical, Photographic, etc.	365	392	387	356	351
Miscellaneous Manufacturing**	969	1,105	1,075	1,045	1,116
Art, Antiques, etc.	344	371	355	359	387

* See technical notes #6 and #9.

** Miscellaneous manufacturing includes other commodity groups that could not be kept separate due to confidentiality concerns (see technical note #6).

Table 6: Value of exports (millions C\$) of all SMXs by Commodity Group, British Columbia, 1996-2000

Commodity*	1996	1997	1998	1999	2000
Live Animals	178.8	179.5	178.7	168.9	183.4
Vegetables	116.8	104.2	137.1	146.3	167.2
Food and Beverage	106.6	113.7	113.6	114.1	120.5
Mineral Products	31.7	44.6	37.1	45.1	37.8
Chemical Products	72.2	86.3	91.5	82.0	90.0
Plastics and Rubber	95.2	105.0	119.1	119.6	130.4
Wood Products	405.2	444.7	440.8	499.7	537.7
Pulp and Paper	74.2	82.4	80.6	75.0	85.1
Textiles	77.7	89.1	78.5	88.2	84.2
Stone, Ceramics, etc.	34.0	41.1	51.2	52.2	57.9
Pearls, Precious Stones & Metals, etc.	10.8	9.0	11.0	16.3	24.6
Base Metals	157.9	180.2	215.9	206.5	251.6
Machinery & Equipment	393.9	381.6	403.5	418.5	447.5
Transportation Equipment	108.6	124.8	138.9	162.6	194.5
Optical, Photographic, etc.	59.8	73.6	91.6	83.7	74.8
Miscellaneous Manufacturing**	178.6	224.1	189.7	198.3	224.6
Art, Antiques, etc.	23.5	32.4	29.8	41.9	54.3
Grand Total	2,125.4	2,316.1	2,408.5	2,518.8	2,765.8

* See technical notes #6 and #9.

** Miscellaneous manufacturing includes other commodity groups that could not be kept separate due to confidentiality concerns (see technical note #6).

Table 7: Small and Medium-Sized Exporters by Destination of Exports, British Columbia, 1996-2000

Destination*	1996	1997	1998	1999	2000
United States	3,619	3,681	3,738	3,793	3,878
Other	437	347	325	301	337
Asia	1,133	1,030	821	775	820
Eastern Europe	69	52	51	48	40
Western Europe	465	372	363	359	365

* See technical notes #7 and #9.

Table 8: Value of exports (millions C\$) of all SMXs by Destination of Exports, British Columbia, 1996-2000

Destination*	1996	1997	1998	1999	2000
All Others	73.2	73.3	68.2	59.8	66.0
Asia	416.2	453.4	325.7	327.7	377.0
Eastern Europe	10.0	11.7	6.8	8.0	5.4
United States	1,531.2	1,689.0	1,903.7	2,036.7	2,222.5
Western Europe	94.8	88.8	103.8	86.4	95.0
Grand Total	2,125.4	2,316.1	2,408.5	2,518.8	2,765.8

* See technical notes #7 and #9.

Table 9: Number of Establishments and Value of Exports by Employee Size, British Columbia, 2000

Employee Size	British Columbia		Canada	
	Number of Establishments	Value of Exports (\$millions)	Number of Establishments	Value of Exports (\$millions)
Less than 50	3,928	11,272	27,677	90,763
50 to 99	584	4,112	5,150	38,949
100 to 249	418	6,703	3,476	47,019
250 and over	173	10,863	2,561	201,673
Total	5,103	32,949	38,864	378,403

Technical Notes

1. Data source and scope: The statistics contained in this report are derived from Statistics Canada's Exporter Registry, which is based on administrative files from Canada Customs and Revenue Agency (CCRA) and United States Customs.¹¹ The Exporter Registry includes only exports of commodities produced domestically. Commodities that have been imported into Canada and subsequently exported without being materially transformed (i.e., re-exports) are excluded. Also excluded are exports to non-US destinations valued at less than \$2,000, since there is no requirement to report such transactions to CCRA and therefore this information is not included in Statistics Canada's export statistics. Special trade transactions from Chapter 99 of the Harmonized Commodity Description and Coding System are also excluded. These transactions include things like groceries, duty-free purchases and goods of US origin returning to the US without undergoing any transformation (re-exports to the US). Finally, to be included in the Exporter Registry, an establishment must have exported goods valued at \$30,000 or more in at least one year from 1993 to 2000. If in each year in that period the establishment exported less than \$30,000 worth of commodities, it will be excluded from the Exporter Registry. Statistics Canada estimates that the Exporter Registry covers 95% of domestically produced exports.¹²

¹¹ Since import data is generally more accurate than export data, the United States and Canada came to a Memorandum of Understanding in 1990 to exchange import data. Data on Canadian exports to the United States are based on US imports from Canada.

¹² Statistics Canada, *A Profile of Canadian Exporters 1993-2000*, catalogue no. 65-506-XIE.

2. Valuation: All dollar values are in Canadian currency and are Free On Board (F.O.B.) port of exit. This means that domestic transportation costs are included in the value of the goods, but international freight costs are excluded. Values are taken from export declarations that reflect the actual selling price or the transfer price used for accounting purposes.

3. Province: Whereas Statistics Canada's International Trade Division reports merchandise trade statistics by province of origin (i.e., the province in which the goods were extracted or manufactured), data from the Exporter Registry is classified by province of residence of the exporter. Often the same establishment that produces a commodity will also export it, but this is not always the case. An enterprise that has establishments in more than one province may have an establishment that produces the goods in, say Alberta, and another establishment in, say British Columbia, that handles all the exporting. In this case, the province of origin would be Alberta and the province of residence of the exporter would be British Columbia.

Statistics Canada has included data for the Territories with Ontario due to confidentiality concerns. Data for the Atlantic Provinces is available separately, but in this report they have been grouped, for the most part, for ease of presentation.

4. Service-producing industries: Although the Exporter Registry does not include trade in services, service-producing establishments that have exported goods are included. For example, a restaurant that is classified in the accommodation and food sector (a service industry) can export food products to another country and thus be considered an exporter.

5. Industry classification: Industries are classified based on the North American Industry Classification System (NAICS). This system was developed in co-operation between the partners in the North American Free Trade Agreement (NAFTA)—Canada, Mexico and the United States—in order to provide a common statistical framework within which analysis of the economies of the member countries could be performed. The industry groupings used in this report are as follows:

1. Agriculture, forestry, fishing and hunting
 - 11 Agriculture, forestry, fishing and hunting
2. Mining, oil and gas
 - 21 Mining, oil and gas extraction
3. Utilities, construction, transportation and warehousing
 - 22 Utilities
 - 23 Construction
 - 48, 49 Transportation and warehousing
4. Wholesale and retail trade
 - 41 Wholesale trade
 - 44, 45 Retail trade
5. Communication and business
 - 51 Information and cultural industries
 - 54 Professional, scientific and technical services
6. Finance, insurance, real estate
 - 52 Finance and insurance
 - 53 Real estate and rental and leasing
7. Other services
 - 55 Management of companies and enterprises
 - 56 Administrative and support, waste management and remediation services
 - 71 Arts, entertainment and recreation
 - 72 Accommodation and food services
 - 81 Other services (except public administration)
8. Public services
 - 61 Educational services
 - 62 Health care and social assistance
 - 91 Public administration
9. Food and beverage manufacturing
 - 311 Food manufacturing
 - 312 Beverage and tobacco product manufacturing
10. Wood and paper manufacturing
 - 321 Wood product manufacturing
 - 322 Paper manufacturing
11. Petroleum and mineral products manufacturing
 - 324 Petroleum and coal products manufacturing
 - 327 Non-metallic mineral product manufacturing
 - 331 Primary metal manufacturing
 - 332 Fabricated metal product manufacturing
12. Computer and electronic manufacturing
 - 334 Computer and electronic product manufacturing
13. Other manufacturing
 - 313 Textile mills
 - 314 Textile product mills
 - 315 Clothing manufacturing
 - 316 Leather and allied product manufacturing
 - 323 Printing and related support activities
 - 325 Chemical manufacturing
 - 326 Plastics and rubber products manufacturing
 - 333 Machinery manufacturing
 - 335 Electrical equipment, appliance and component manufacturing
 - 336 Transportation equipment manufacturing
 - 337 Furniture and related product manufacturing
 - 339 Miscellaneous manufacturing

These aggregations were chosen to conform to Statistics Canada's confidentiality requirements.

6. Commodity classification: Commodities are classified based on the Harmonized Commodity Description and Coding System (HS). The HS is an international classification system with a common six-digit root. Individual countries can further break down the commodity classification by adding extra digits to the code. The Canadian export classification codes contain 8 digits. This classification system aggregates commodities into 21 sections, the full descriptions of which are as follows:

- I** Live animals; animal products
- II** Vegetable products
- III** Animal or vegetable fats and oils and the cleavage products; prepared edible fats; animal or vegetable waxes
- IV** Prepared foodstuffs; beverages, spirits and vinegar, tobacco and manufactured tobacco substitutes
- V** Mineral Products
- VI** Products of the chemical or allied industries
- VII** Plastics and articles thereof; rubber and articles thereof
- VIII** Raw hides and skins, leather, furskins and articles thereof; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut)
- IX** Wood and articles of wood; wood charcoal; cork and articles of cork; manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork
- X** Pulp of wood or other fibrous cellulosic material; waste and scrap of paper or paperboard; paper and paperboard and articles thereof
- XI** Textiles and textile articles
- XII** Footwear, headgear, umbrellas, sun umbrellas, walkingsticks, seatsticks, whips, riding crops and parts thereof; prepared feathers and articles made therewith; artificial flowers; articles of human hair
- XIII** Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware

XIV Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin

XV Base metals and articles of base metal

XVI Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles

XVII Vehicles, aircraft, vessels and associated transport equipment

XVIII Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; clocks and watches; musical instruments; parts and accessories thereof

XIX Arms and ammunition; parts and accessories thereof

XX Miscellaneous manufactured articles

XXI Works of art, collectors' pieces and antiques

These are the commodity groupings that are used in this report, with the exception of four groups (III, VIII, XII and XIX) that were grouped with XX (Miscellaneous manufactured articles) due to confidentiality concerns.

7. Country group definitions: The following country group definitions were used for this report:

- ◆ *Asia:* Afghanistan, Bangladesh, Bhutan, Brunei Darussalam, People's Republic of China, East Timor, Hong Kong, India, Indonesia, Japan, Kampuchea, North and South Korea, Laos, Macau, Malaysia, Maldives, Mongolia, Myanmar, Pakistan, Philippines, Nepal, Singapore, Sri Lanka, Taiwan, Thailand, Vietnam.
- ◆ *Western Europe:* Andorra, Austria, Belgium, Denmark, Faeroe Islands, Finland, France, Germany, Gibraltar, Greece, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Malta, Monaco, Netherlands, Norway, Portugal, San Marino, Spain, Svalbard

Island, Sweden, Switzerland, United Kingdom, Vatican City.

- ◆ *Eastern Europe:* Albania, Armenia, Azerbaijan, Belarus, Bosnia'herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Macedonia, Moldova, Poland, Romania, Russia, Slovakia, Slovenia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan, Yugoslavia.

8. Size of exporter: Data prior to 2000 only has information on size by value of exports so, for the most part, data by exporter size refers to the value of the establishment's exports. As such, it is possible to have a small establishment in terms of employees that is classified as a large exporter and vice versa. Starting in 2000, the number of exporting establishments and their value of exports has also been grouped by employment size.

9. Non-additive destination and commodity data: Since a single exporter can ship goods to more than one country and can ship more than one type of merchandise, cross-tabulations by destination and commodity will not be additive (i.e., their sum will exceed the total).

10. Data problems in 1998 edition of British Columbia SMX profile: A comparison of the results of the profile of SMXs in British Columbia covering the 1990 to 1995 period with those in this 2002 edition may give one the impression that there was a precipitous decline in both the number of SMXs and their exports between 1995 and 1996. The reason for the decline is actually due to a methodological problem with the earlier data that resulted in double counting of some of the exporters and their exports. Statistics Canada has since remedied this problem and the data expressed in this report should be considered the most accurate available. Note that the previous edition defined small

exporters as those that exported less than \$500,000 annually, which differs from the current definition of less than \$1 million in annual exports. This is due to the fact that \$1 million is now the smallest value threshold at which Statistics Canada releases the data.

More information on small and medium-sized businesses and government programs and services for small businesses can be obtained by contacting:

BC Stats
Data Services
553 Superior St.
Box 9410 Stn Prov Govt
Victoria, BC V8V 9V1
Telephone: (250) 387-0327
Internet: www.bcstats.gov.bc.ca

Canada/British Columbia Business
Services Society
601 West Cordova St.
Vancouver, BC V6B 1G1
Telephone: (604) 775-5525
Toll Free: 1-800-667-2272
Internet: www.smallbusinessbc.ca

Ministry of Competition, Science and
Enterprise
Small Business Branch
Box 9805 Stn Prov Govt
Victoria, BC V8W 9W1
Telephone: 1-800-988-8299
Internet: www.gov.bc.ca/cse

Western Economic Diversification Canada
Suite 700 – 601 West Hastings St.
Vancouver, BC V6B 5G9
Telephone: (604) 666-6256
Toll Free: 1-888-338-9378
Internet: www.wd.gc.ca