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Motivation To Find Markets

Canadian exporters broaden targets beyond U.S.

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The economic slowdown in the United States has motivated many Canadian small business owners to look to overseas markets for growth, according to Export Development Canada.

"More companies are looking to expand elsewhere," said Justine Hendricks, a regional vice-president for small business with Ottawabased EDC.

"They may already be doing business in the United States, they might not have run into problems yet, but as part of their diversification strategy, or not putting their eggs into one basket, they are now asking many more questions and seeking opportunities in other markets," such as China, India and countries in South America.

"We are getting a lot more inquiries about [these countries] from small businesses than we did before."

EDC supports Canadian exporters by offering insurance for foreign shipments and various financing products. Last year, the crown corporation launched a new loan product, Export Express Credit, that is proving immensely popular with smaller companies looking to move into new markets.

Basically an unsecured line of credit for up to \$50,000 that a small business can tap into, Express Credit can be used for three purposes: to buy materials to fulfill an existing foreign order, to purchase equipment in Canada or abroad, or for market development purposes such as providing loans to attend foreign trade shows or conferences.

Market development "is the most utilized category" of the new loan vehicle, Ms. Hendricks said. "The key to this [loan] facility is that it is unsecured. When they approach their banker, once they [export] internationally, rare are the occasions that the bankers support it on an unsecured basis."

Montreal-based SolHuma, which makes a "safe, ecological survival stove," has used the loan facility to help it in break into U. S. and French markets, said Martin Rheault, the engineer who founded the company in 2006. Entering foreign markets can be more complicated and expensive than people might expect, Mr. Rheault noted. There are costs for mandated testing and certification in most countries and marketing expenses for language translations and supply channels. Most crucially, there is a time lag between manufacturing and shipping the

product and getting paid for it. So far, he has used Express Credit to support foreign shipments, but he intends to use it next to attend a trade show in the United States.

Mr. Rheault, who is working on breaking into the British market, said overseas economies are proving to be more resilient than the U. S. market. "France is the best place we have invested in," he said.

Polymer Processors Inc., a Brantford, Ont.-based six-person company that sells specialized tapes and gaskets for mining and industrial uses, says exports to the United States and India account for about 70% of its sales. It used Express Credit for the first time in May to help fund a common small business challenge: funding the financial gap that occurs between buying the raw materials, manufacturing its products, shipping and finally getting paid by its customers.

"It's a common cash flow squeeze," said Nick Padhye, the president of Polymer Processors, who said he appreciates EDC's support but wishes there was a larger loan facility available to support the purchase of ex-pensive materials.

"When you are making a sale, for example, of \$800,000 or \$900,000 at a time, \$50,000 is [not sufficient] but at least it pays part of it."

Express Credit has had a bigger impact on the export business of Montreal-based industrial chemical maker Liberchem Inc., which targets its products at Nigeria, Algeria, Morroco and Tunisia.

"It's a gold mine for us," Guy Millette, president of Liberchem, said about the facility. By helping finance shipments, EDC loans eases the cash flow situation and allows the company to skip a 60-to 75-day-wait before making another international shipment.

"You don't have wait to get paid before you ship another container," Mr. Millette said.

"Otherwise you have to ship one container and wait two or three months and since we have [used Export Express] we are on our third container this month" he said, referring to June shipments.

Mr. Millette also intends to dip into the EDC loan facility to attend an important chemical trade show in Algeria this October. "It's a big one for them and for us, too."

To illustrate how the world is changing for Canadian small business, one only need look at the education side of Export Development Canada's service offering. Last year, the EDC collaborated with the publishers of the For Dummies series of books to publish Exporting For Dummies, which spells out the dos and don'ts of entering a new market. The crown corporation also has published a Doing Business in the U. S. guide, and recently added business guides for China, India and the United Arab Emirates.

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