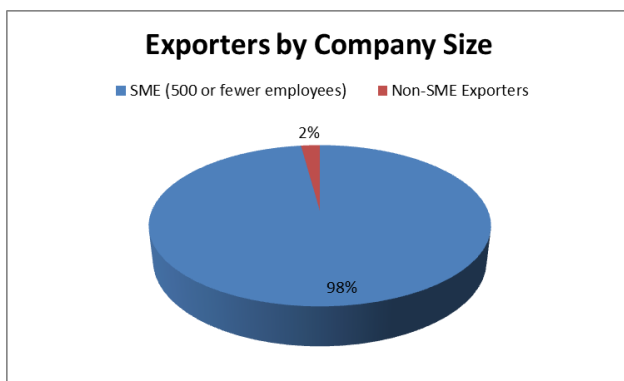


Middle Market Companies and International Trade

Middle Market companies—i.e. companies with revenues between \$10 million and \$1 billion per year—constitute a very important segment of the United States economy and are fast becoming a pillar of the mergers and acquisitions world. There are hundreds of thousands such companies, and their growth over the last few years has [exceeded](#) that of the general economy. However, Middle Market acquisitions can pose international trade risks out of proportion to their (relatively) small size.

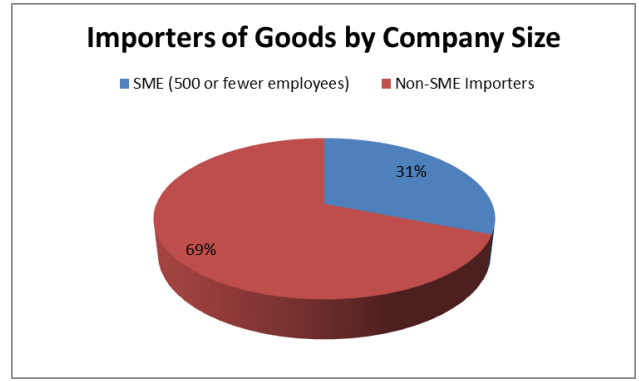
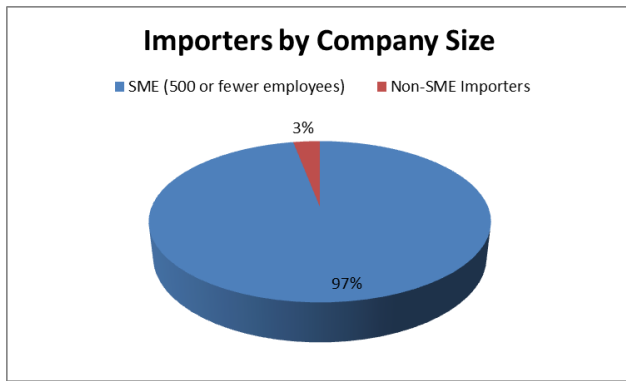
Because Middle Market companies are smaller than international behemoths, and generally have a lower profile, the extent of the international trade carried out by Middle Market companies is too often underestimated. However, [government trade data](#) from 2011 makes clear that smaller companies actually represent the vast majority of both importers into, and exporters from, the United States. These statistics divide companies by the number of employees, rather than annual revenue. However, the Small and Medium Enterprise (SME) designation, limited to companies with 500 or fewer employees is likely a reasonable category to represent the Middle Market.

The charts below make clear how deeply entrenched in both exporting and importing the Middle Market and SMEs are in international trade. With regard to exports we see that the vast majority of exporters are SMEs (98%), and that SMEs export 33% (by value) of all goods exported from the United States.



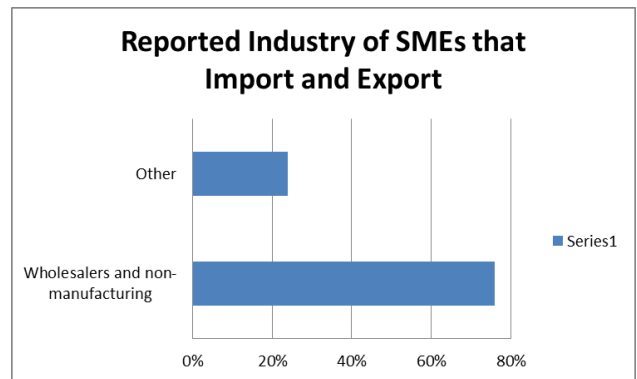
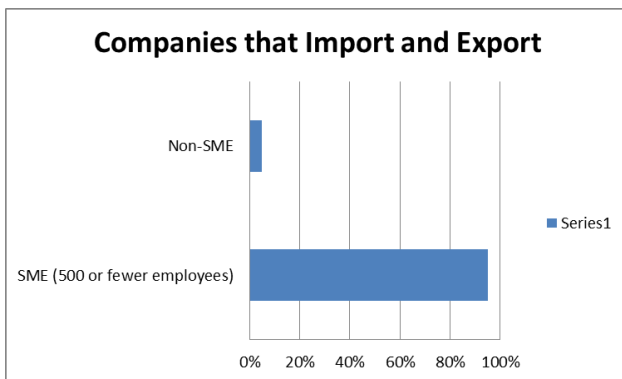
The exporting SMEs are in a variety of industries, but the largest single industry for exporting SMEs is **wholesale trade**, at 34% of exporting companies. **Machinery manufacturing, computer and electronic product manufacturing** and **chemical manufacturing** are also areas with high SME export values.

The import picture is similar to the export picture in many ways. SMEs make up 97% of all companies that import, and import 31% of the value of all imports into the United States.



A review of the Customs [list](#) of the Top 5000 importers into the United States in FY 2012 reflects some very large companies, including Honda, Google, Honeywell, Wal-Mart, and Target, but also a large number of Middle Market companies. Companies like Tivo, Arctic Cat, and Tootsie Roll are Top 5000 importers. However, much less well-known Middle Market companies dominate the list.

Finally, the Department of Commerce reports that 83,050 companies both exported and imported in 2011. 95% of these companies (78,590) are SMEs.



What all of these statistics make clear is that mergers and acquisitions in the Middle Market are likely to involve companies that import, export, or do both. In the next article we'll discuss the risks inherent in importing and/or exporting. In the third article in this series we'll discuss how to assess a company's risk before acquiring it, and how risk can be mitigated.

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