



Community Success Stories

Ontario East Wood Centre

www.woodcentre.ca

Spencerville, Ontario

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INTRODUCTION

This community success story case study is part of the Monieson Centre's Knowledge Impact in Society (KIS) Project, a three-year endeavour to connect academic knowledge with economic development needs in Eastern Ontario. This case study highlights best practices from a real business in Eastern Ontario. The KIS Project is funded by the Social Sciences and Humanities Research Council of Canada. For more information, visit www.easternontarioknowledge.ca.

Located in Spencerville, Ontario, The Ontario East Wood Centre (OEW) & Eco-Industrial Park is an “environmentally attuned complex designed for research, development and demonstration and for the manufacture of value-added wood products destined for domestic and international markets.”¹ It draws together Eastern Ontario’s history of producing high-quality wood products, sustainable forestry management practices, and industry clustering to develop and promote the region’s forestry products. This case study offers an analysis of the OEW’s position in the forestry industry, an overview of their key success factors, and strategic recommendations for continued success.

COMPANY OVERVIEW

Forests and forest resources, comprising about half of Canada's landmass of well over 400 million hectares, are an integral part of Canadian life. Canada is the classic example of a country whose development and inhabitants’ well-being have, to a very great extent, been built on the wealth of its forests, owing to the availability of solid forest products industry across the country.

The OEW’s goal is to become a centralized structure that helps facilitate wood businesses throughout the region. By uniting manufacturers, the OEW offers operational cost savings in terms of shared support systems, procurement, and service costs. Through the OEW, participant businesses can develop mutually beneficial processes and shared resources. This includes bilateral exchange of information, products, procurement, materials, energy, water, infrastructure, and natural resources.

¹ Ontario East Wood Centre. www.woodcentre.ca. Accessed October 10, 2009.

INDUSTRY OVERVIEW

Ontario's forestry products sector is comprised of logging, wood products manufacturing, and paper and paper-associated industries. The province has long supplied the world with high-quality forestry products. Due to effective government regulation, Ontario's wood products continually meet the international standards of forest sustainability and environmental protection.² Ontario's wood products sector contributes significantly to the provincial economy. Through better use of wood and value-added manufacturing, the industry continues to diversify and grow.

Ontario's wood industry depends heavily on export to its largest trade partner, the United States. The sale of these products to the U.S. is very important to the province's balance of trade. Because the bulk of Ontario's wood products are exported to the U.S., the collapse of the American housing market has had a significant impact on the Ontario's forestry sector. Demand for Ontario wood has decreased, resulting in considerable excess supply. Primary reliance on a single trade partner has jeopardized Ontario's wood industry.

Because Ontario is rich with resources that are unique to the province, local businesses have the potential to expand beyond the U.S. market and seek relationships with partners around the globe. In particular, Ontario wood producers can find much value in investing time and effort in establishing relationships with partners in Asian countries. Due to the rapidly developing nature of many emerging Asian countries, these markets' disposable incomes are growing. As a result of this, demand for housing and furnishing will increase, thus presenting a partial answer to the problem of diminished U.S. demand.

Ontario's forest industry faces both national and international competition in its search for demand. British Columbia and Quebec already have long-established relationships with Asian countries. Moreover, forest industries in Scandinavian countries and Russia have historically been, and continue to be, a major supplier of hardwood in Asian countries. Because it is not the first foreign player to enter the Asian market, the Ontario forest industry, and in particular, the OEWC, must establish strategic relationships which facilitate effective penetration into the Asian market. To capitalize on its opportunity for export, the OEWC must identify the distinctive features of its products and maximize the value it gains from its competitive advantage of having unique, in-demand wood products.

KEY SUCCESS FACTORS

Strategic Partnerships

In addition to a partnership with the Port of Prescott, the OEWC has developed a supportive partnership base with major players within the Eastern Ontario forest industry, multiple layers of government, and academic institutions including Queen's University. Some notable examples of collaboration in the forest industry include the Eastern Ontario Model Forest (EOMF) and the Ministry of Natural Resources. Its partnership with the Township of Edwardsburgh/Cardinal has helped the OEWC foster a good relationship with the local government and local wood manufacturers. OEWC has also received support from researchers in various academic institutions, including University of Toronto's Faculty of Forestry.

² Ontario's Forest Industry. http://www.mnr.gov.on.ca/en/Business/Forests/2ColumnSubPage/STEL02_167493.html. Accessed Nov.21, 2009.

Such an abundant provision of physical and intellectual resources and support from its partners aids the smooth development of the OEWC.

Environmentally-Sound Operating Principles

One of the major attractions of OEWC's value-added hardwood products stems from its dedication in operating on environmentally-sound business practices. The convenient accessibility to forests certified by the Forest Stewardship Council (FSC) has made Ontario hardwood products more appealing to many European countries. The OEWC's environmental objective and initiatives to assist the troubled forestry industry have also been encouraged by government programs, which have allowed the OEWC to raise funds for expansion and future development.

Developed Infrastructure

The OEWC's geographical location has allowed it to access readily available resources to deliver value-added hardwood products. Its partnership with the Port of Prescott enables the OEWC to obtain sea transportation to deliver its products internationally to the United States and Europe. Its geographic advantage will allow companies joining the OEWC to achieve economies of scale through proximity and easy access to certified forests, water infrastructure, as well as efficient means of transportation.

Dynamic Research and Development Initiatives

The OEWC has established strong partnerships with Canadian hardwood suppliers and higher education and research institutes to help facilitate their research initiatives. This helps the OEWC develop innovative building strategies, quality materials, and energy conservation techniques, which will be adopted by its industrial participants to generate cost efficiencies in the near future.

OPPORTUNITIES FOR CONTINUED SUCCESS

Export to Emerging Foreign Markets

Demand for value-added hardwood products in Asia has expanded rapidly in recent years due to the increase in housing starts as well as increasing income per capita. South Korea is a relatively smaller market in Asia with robust growth in its real estate industry. Its relatively transparent trade regulations provide an ideal test market for the OEWC to export its value-added wood products. Further details regarding operation logistics must be finalized prior to exporting wood products to this market. Upon trading with South Korea for five years, the OEWC should consider expanding its presence to export value-added wood products to rapidly growing top-tier cities, such as Shanghai and New Delhi. It can use its experience building trade with South Korea to capture expected increased demand in other Asian markets for quality forestry products.

CONCLUSION

The OEWC's success of commercializing environmentally friendly techniques is founded upon its developed infrastructure, strategic partnerships, and intellectual resources from such partnerships. This provides a benchmark for companies interested in advocating innovative research ideas and expanding into new markets. Given decreased demand from Canada's largest trading partner, ongoing success will depend on accessing a diversified group of international markets.