The forestry industry in Canada is growing due to increased trade with, and demands from, China. As a result of recent softwood lumber disputes between Canada and the United States, Canada has developed new market channels, which are increasing the demand for softwood and specialty wood products. The industry has been slow to develop value-added wood products; therefore, the primary product is raw softwood.

Most provinces have a forestry industry and harvest various softwoods. The largest contribution to the softwood industry in Canada is from British Columbia. This province has a large endowment of boreal forest; roughly 126 million acres (51 million hectares), about 12% of the total in Canada. This resource has been carefully managed through an active reforestation policy in place for more than 25 years. The industry is cost-competitive and well-controlled, and maintains significant harvesting opportunities.

Opportunities
Companies that can add value (for example, optimization of raw wood) to wood products and have access to markets in place to sell the end products have good opportunities in this market.

Sourcing opportunities also include technologically advanced mills with well-trained personnel. In addition to its high-quality processing infrastructure and abundant forests, Canada offers a potential for foreign exchange gain.

There are also opportunities to supply equipment to this growth industry, especially equipment that optimizes yields such as specialty milling equipment, robotics and control systems.
Challenges
The forestry industry in Canada and the United States is tightly knit, and softwood lumber issues in this sector are hotly debated today and have been for many years. U.S. firms would be well-advised to work closely with their Canadian partners as they develop their entry strategies into other markets outside of North America. Key consideration must be given to any new agreements between the U.S. and Canada on softwood lumber to determine the best target market.

Additional Considerations
Global market dynamics can change quickly. U.S. companies should be keenly aware of the openness of the U.S. market to softwood from Canada, and new markets pulling the product to other regions/countries such as China and Eastern Europe. Given that these factors can change often and affect the market opportunity, companies should have a risk mitigation plan in place to ensure the success of the market investment.

About Rainmaker Global Business Development
Rainmaker is a recognized leader in global market expansion and strategic business development. Founded in Canada in 2007 to serve the energy industry, Rainmaker GBD’s process has evolved beyond energy, and today we excel at assisting companies in various industries to pursue international expansion opportunities. Our team of professionals works closely with our clients to develop comprehensive market entry strategies, enhanced market exposure and traction, and expanded global reach.

Rainmaker Global Business Development Inc. will not be held responsible for any actions taken by companies based on the information in this document. Although the content is believed to be true, conditions may change and render the information less accurate. We recommend that companies engage in timely consultation when expanding into Canada.

About PNC Bank Canada Branch
Established in Canada in 1998 and a Canadian commercial lending foreign bank branch since 2001, PNC Bank Canada Branch (“PNC Canada”) offers specialized knowledge and experience to help you succeed in this vital cross-border marketplace.

Ready to Help
If you are a U.S. company with actual or projected operations in Canada, or a Canadian company, PNC Canada can assist you with credit, depository, and treasury management products and services. If you are interested in exploring how PNC Canada might be able to assist with your Canadian operations, we encourage you to contact your Relationship Manager or visit pnc.com/canada.