



CANADIAN FOREST SERVICE

SPOTLIGHT

NOVEMBER 2012



Expanding Market Opportunities for Canadian Wood Products in Emerging Asian Economies

Economic Action Plan 2012 will intensify Canada's pursuit of new and deeper trading relationships, particularly with large, dynamic and fast-growing economies.

—Budget 2012, "Budget in Brief"

Between 2001 and 2011, the Government of Canada invested \$85 million in helping Canada's wood products sector diversify into new markets. This funding supported the activities of the Canada Wood Export Program, which expanded export opportunities for Canadian wood product manufacturers in traditional markets, such as Europe and Japan, and emerging offshore markets, such as China and South Korea. The program's activities were conducted in partnership with wood product associations and provinces.

Budget 2012 provided an additional investment, over two years, to support the Canadian forest sector's innovation and market diversification efforts. Activities previously delivered under the Canada Wood Export Program, which no longer exists as a stand-alone program, are now delivered under an offshore component of the new Expanding Market Opportunities program. Market opportunities for Canadian wood products in India and the Middle East are also being explored through the offshore component of the program.

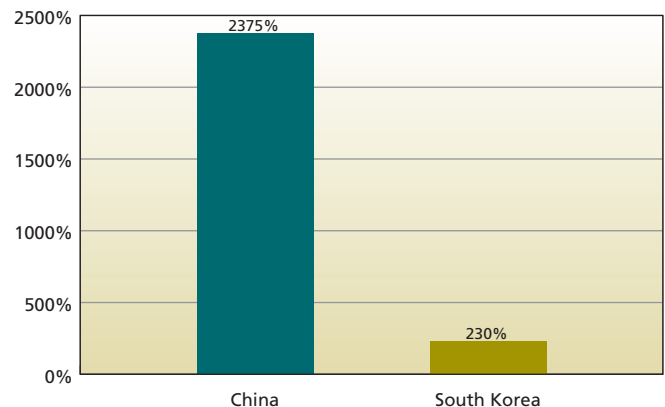
The world's fastest growing populations and economies

Asia is the fastest growing region in the world. Its dramatic economic growth over the past decade, particularly in rapidly industrializing nations like China and India, has fuelled an almost insatiable demand for natural resources. Canada, with its bounty of natural resources, has been successful in meeting some of this demand.

Canada's forest sector, like other resource-based sectors, has directly benefited from Asia's demand for raw materials. This

has been particularly advantageous for Canada's wood products sector, where demand for timber has grown exponentially. For example, between 2002 and 2011, the value of Canadian wood product exports to China increased almost 25-fold to \$1.45 billion. In South Korea, they grew by 230% to \$202 million during the same period.¹

Percentage Increase in Canadian Exports of Wood Products (2002–2011)



Offsetting the drop in U.S. demand

Between 2005 and 2011, Canadian softwood lumber exports to the United States fell by 67%, dropping from \$8.4 billion to

¹ World Trade Atlas (WTA), a subscription-based online trade database for commodities for more than 70 countries. The Canadian lumber statistics included in the WTA are provided by Statistics Canada.

\$2.8 billion² as a result of the collapse in the housing market. The sharp drop in demand from what was traditionally Canada's main export market for wood products hit Canada's forest sector hard, resulting in widespread mill closures, production curtailments and significant job losses across the country.

The growth in demand for Canadian lumber products in emerging Asian markets did not fully offset the drop in U.S. demand. However, it did show that the strategy of selling Canada's wood products to a broader range of countries was the right one to pursue.

² *World Trade Atlas.*

First, a diversity of end markets can help cushion the sector from cyclical factors. But more importantly, it can help shield the sector in the future from severe dislocations experienced in any one market.

While the U.S. housing market appears to be exhibiting signs of a slow but positive turn-around, fast-growing emerging Asian economies provide significant market opportunities for Canada's forest sector, including its lumber industry. By continuing to be a consistent source of revenue and jobs for Canada's forest sector, these emerging offshore markets have also helped improve the sector's overall competitiveness while it waits for the rebound in the U.S. housing market to become more firmly entrenched.