

**Canadian Regional  
Development**  
A Critical Review of Theory,  
Practice, and Potentials



**Développement régionale  
canadienne**  
Un examen critique du théorie, de  
pratique et des potentiels

## **INNOVATION CASE STUDY**

### **Holson Forest Products Ltd.: Innovative Adaptations in the Forestry**

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Prepared by Kyle White and Heather Hall  
Department of Geography  
Memorial University of Newfoundland



Holson Forest Products Ltd. is located in Roddickton-Bide Arm, a small community of approximately 1,000 people on the northeastern tip of the Northern Peninsula. The company was founded in 2004 by Ted Lewis who has decades of experience in the provincial forest industry through his parent company – Lewis Logging Ltd., which dealt primarily with supplying the pulp and paper industry. However, the pulp and paper

industry has suffered from a number of challenges including decreasing demand. For example, in 2008 the Corner Brook Pulp and Paper Mill refused to purchase any timber produced on the Northern Peninsula due to decreased production.<sup>1</sup> Recognizing these challenges, forestry workers in the region have sought alternative markets and new

**Figure 2: Holson Operations**



methods of production.<sup>2</sup> Since 2004, Holson created a more integrated production system through the establishment of a sawmill and a pellet plant. Timber from the logging operations are processed into lumber in the sawmill while sawdust waste is processed into pellets in the pellet plant. In total, Holson operations directly employ 80-100 seasonal workers and another 150 through contracts.

A number of people involved in a study of innovation in the Northern Peninsula cited the Holson pellet plant as an example of product and process innovation in the region. Globally, the production/consumption of pellets began in the 1990s in response to the rising costs of fossil fuels and has experienced dramatic growth over the last decade. In fact, in 2010 the global production of wood pellets exceeded 14.3 million tons while the market for pellets is largely based in Sweden and Denmark. However, the market in North America is growing with the United States consuming over 1.5 million tons and leading the world in pellet production in 2010.<sup>3</sup> While producing pellets is not new to the world, it is unique to the Northern Peninsula and the province. The pellets produced at Holson also provide a more sustainable energy source for the province. More importantly, the pellet plant exemplifies Lewis' sustainability philosophy to "Never produce more than our market demands".

Another example of innovative practices at Holson is their ability to adapt to market challenges. For example, the sawmill has experienced three significant technology changes since opening in 2004. This includes upgrading the saws and other capital investments. These changes were made to maintain a competitive edge in the industry and adapt to changing markets in the United States. More importantly, these changes

**Figure 1: Holson Logo**



<sup>1</sup> Randell, A. (2012). Pellets, Timber and a Wharf. *Northern Pen* 1 October.

<sup>2</sup> Graney, J. (2011). Northern Peninsula timber industry floats new plan to survive tough times. *Northern Pen* 18 July

<sup>3</sup> Cocchi, M. et al. (2011). Global Wood Pellet Industry Market and Trade Study. IEA Bioenergy, Task 40: Sustainable International Bioenergy Trade.

illustrate a market awareness and entrepreneurial attitude that has contributed to Holson's success.<sup>4</sup>

An important contributor to innovation is external support. In addition to bank loans, Holson has received financial support from provincial government agencies like the Department of Natural Resources, the Department of Energy (for the pellet operation), Newfoundland and Labrador Hydro, and the Department of Innovation, Business and Rural Development (IBRD).

This financial support was instrumental in helping Holson purchase required capital to diversify their operations. For example, the Department of Natural Resources provided a substantial grant that assisted with the establishment of the pellet plant as a means of diversifying the industry. For research and development, Lewis has turned to other operators for their experiences and advice along with FP Innovations and the Newfoundland Forestry Organization who provide more professional information and assistance. The Regional Economic Development Board (REDB), Nordic, also provided research and business support to Holson. For example, Nordic offered classes

on business management, research, training, and networking and assisted Holson with acquiring financial support from other agencies. Finally, the Northern Peninsula Business Network (see case study), has also offered valuable marketing and collaborative resources. Ted Lewis is a former president of the Network, which strives to improve member firm's profitability.

**Figure 3: Holson Pellets**



**Figure 4: Holson's Specialty Cuts**



Lewis gets his ideas from general conversations with co-workers, consultants, other operators in the region, trade magazines, and other industry literature. More importantly, he emphasizes that not all of his plans have worked out as intended. However, his ability to remain knowledgeable from internal and external sources as well as his willingness to take risks all contributes to Holson's innovative capacity.

The company is also faced with a number of challenges. This includes poor infrastructure (i.e. poor pavement), which presents challenges for some employees commuting from other communities to work in Roddickton and transporting products to and from the area. The absence of a wharf in the community has also created significant barriers for shipping products overseas. Another challenge is a lack of skilled workers in the region. A common issue in many rural communities across NL is that many workers only desire to work the minimum requirement of 14 weeks to receive Employment Insurance. More specific to Holson, no program exists to properly train and educate workers with the skills needed in the industry. Finally, like many companies in rural NL, Holson is often in

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<sup>4</sup> Randell, A. (2012). Pellets, Timber and a Wharf. *Northern Pen* 1 October.

survival mode while trying to adapt and keep the industry active in the Northern Peninsula.

Overall, Holson provides a good example of an innovative company that has adopted more sustainable and innovative business practices. The company is also a vital source of employment in rural Newfoundland providing over 250 jobs. As a result, the forest industry on the Northern Peninsula remains a valuable contributor to the regional economy and ‘made-in-Newfoundland’ wood products continue to serve local, provincial and international markets.

### References

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Figure 1, 3 and 4 retrieved from: <http://www.holson.ca/>

Figure 2: HMHALL