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SUPPLEMENTARY REPORT ON THE FURNITURE INDUSTRY IN THE PHILIPPINES[1]

by

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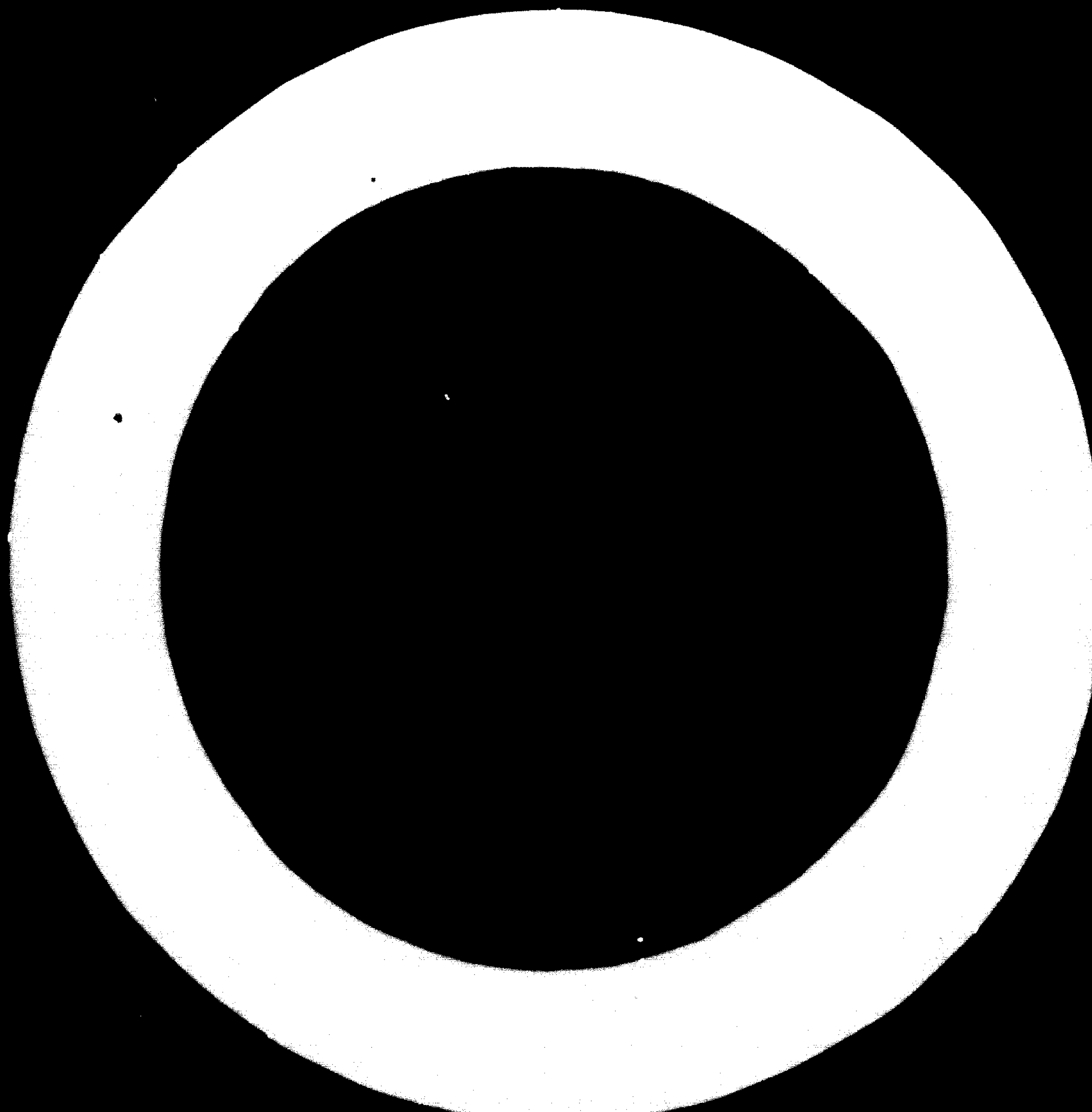

Size of the industry

The furniture industry is largely composed of cottage and small-scale manufacturers. There is a sprinkling of medium-sized firms and even a fewer large-scale ones. This will explain its lack of solidarity and the failure to effectively organize and estimate the size of the industry. The situation is aggravated by the sporadic appearance of unregistered, small-time and usually fly-by-night operators who capitalize on the cyclical nature of the industry.

For establishments employing five or more workers, the Annual Survey of Manufactures of the Bureau of the Census and Statistics notes a vacillating, though upward trend in the number of firms in the industry. (See Appendix 1). Thus, we see an increase of 74 companies from 1956 to 1969. This rise, however, was accompanied by numerous entries and exits to and from the industry.

Employment

Labour-intensiveness is a distinct quality of the Philippine furniture industry. As mentioned in the paper submitted earlier its total employment of 7,713 workers accounts for four per cent of total employment in the light industry sector although its gross output of US$10 million represents only two per cent of the total gross output in that sector. Appendix 1 estimates the total employment in the industry from 1956 to 1959.

However, employment in the furniture industry has not increased significantly as compared to the manufacturing sector in toto. Appendix 2 reveals that the labour force has increased by 32 per cent in the manufacturing sector, but almost negligibly in the furniture industry. Comparison of employment indices with the construction industry provides a bigger contrast. While construction doubled its employees, the furniture industry has lagged very much behind.

Stagnant employment in the industry may be attributed to the heavy use of seasonal labour and contractual workers.

Value and volume of production

In 1956, the gross output of the industry was ₱ 65,516,000 whereas in 1969, gross output was ₱ 65,646,600. Its peak was reached in 1964 when gross output was ₱ 93,316,000. (Refer to Appendix 3). On the other hand, the construction industry to which furniture sales should be very much correlated has nearly doubled its gross production within the same period.

Appendix 4 gives an estimate of the volume of furniture items produced in 1969, according to the Industry Division of the Bureau of the Census and Statistics.

Potential in the world market

For years, wood and wood products represent the country's biggest dollar-earning items, accounting in 1969 for 33.8 per cent and in 1970 for 25.9 per cent of the country's total exports. On the whole, however, the furniture industry's participation remains sadly insignificant. In 1969, furniture exports represented 0.12 per cent and in 1970, 0.11 per cent of the country's total exports. This poor showing on the part of the industry indicates that the various overseas markets remain largely untapped. (Refer to Appendix 5 for a table on Philippine furniture exports by country of destination).

A cursory examination of the world demand and supply situation with regard to furniture indicates that the world market for Philippine furniture is potentially a very lucrative one.

Since 1963, the world import-export market for furniture experienced a geometric growth rate. Total imports of O.E.C.D. countries, for example, which account for more than 90 per cent of foreign trade in furniture, climbed from US$256 million to almost one billion dollars. Exports from the same countries leapt from US$299,834,000 to US$946,203,000. However, the import-export pattern is noticeably reversing. Whereas in 1963, the O.E.C.D. countries used to be a net exporter of furniture, they are now a net importer. Except for the Philippines, developing countries with either abundant raw material supply or advanced-wood-working skills have cashed in on this growth.

The top five furniture importers of the world are the United States, followed by France, the Netherlands, Germany and Belgium-Luxembourg.

The United States emerge as the most logical market for Philippine wooden furniture. First of all demand is expected to increase tremendously due to a construction boom in the '70's. This demand should exceed US$5 million by 1980. Secondly, the American consumer seems to have a distinct preference for wooden-furniture, which is not true of European nations. Thirdly the United States may have to import its wooden furniture from countries plentiful in raw materials due to moves in the country to restrict logging. Fourthly there is the aspect of

Source: A Study on the Wooden Furniture Industry, a thesis proposal submitted by Eduardo A. Morato, Jr. in partial fulfillment of the requirements for the degree of Master in Business Management (MBM) at the Asian Institute of Management, Makati, Philippines.

low labour and materials costs of Philippine furniture. Fifthly the United States has been an old importer of Philippine logs, plywood and furniture. Acceptability of Philippine products does not, therefore, pose a problem. Sixthly special ties with the country gives the Philippines a competitive tariff advantage over neighbouring countries until 1974.

There is a high demand in the United States for knock-down sub-contracted furniture pieces which reduce freight costs.

Europe presents a big potential market. It is, however, limited by high furniture trade within the continent itself. Nevertheless, there are good prospects for items made of tropical hardwood like red lauan. Europeans would be more concerned about design originality and "exoticism". France, the Netherlands and even renowned exporters like Denmark and Germany can be tapped. Due to the distance factor, the European market demands furniture in knocked-down form.

In Asia, Japan seems to be the most logical potential market, although the market is not yet as large as Europe or the United States. However, there have been Japanese overtures regarding furniture importation to members of the Chamber of Furniture Industries of the Philippines.

Problems confronting the industry

Technical problems

1. Absence of a steady supply of high-quality raw materials. The better-grade lumber is often reserved for the export market at the expense of local furniture manufacturers. Also the distribution of lumber is alien-controlled, placing the Filipino at a competitive disadvantage.
2. Improper control of moisture content due to poor kiln-drying and storage facilities, packing and shipping.
3. Inefficient production processes. Improvements can be made in the work process, materials flow and work methods.
4. Obsolete equipment and lack of machinery for mass-production (e.g. spray cabins, gluing equipment, revolving table).
5. Absence of quality control procedures
6. Lack of technical manpower and know-how.
7. Lack of apprenticeship training programmes within the factories.
8. Absence of technical education in the timber industry in school curricula, notably at the College of Forestry.

Marketing problems

1. Poor distribution network, limiting marketing to surrounding areas.
2. Lack of knowledge of export distribution.
3. Disorganization in the industry, resulting in absence of trade information and specialization in product lines.

Financial problems

1. Difficulty in securing financing from government and private sectors, especially long-term credit.
2. Acute need for working capital, especially when engaged in exports.
3. Poor profitability due to instability of market and stiff competition.

Selected Estimates for Furniture Manufacturing Establishments
Employing 5 Persons or More (1956–65)

	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
Number of Establishments	340	323	354	374	340	375	385	373	360	414
Total Employment	6,062	5,660	4,755	6,106	5,412	5,592	7,281	[illegible]	7,375	[illegible]
Payrolls for paid employees*	7,905	8,000	6,836	7,057	7,404	9,546	11,327	[illegible]	15,535	[illegible]
Value of product sold*	25,303	23,240	25,599	27.308	31,284	30,936	53.753	62,339	[illegible]	[illegible]
Value added by:										
Manufacturing*	12,276	12,743	12.494	13,688	14,636	14.320	22,172	27,347	[illegible]	[illegible]
Merchandising*	190	-	383	449	559	752	1,008	561	737	1,095

* In thousand pesos

Source: Annual Survey of Manufacturers,
Bureau of the Census and Statistics

Appendix 2

Employment Index of Reporting Establishments by Industry Division and Groups, 1956-1970
(19[illegible] = 100)

Year	Furniture and Fixtures	All Manufacturing	Construction
1956	86.3	100.5	114.9
1957	104.2	106.2	135.8
1958	102.0	106.5	152.1
1959	95.3	111.6	157.5
1960	71.7	115.3	167.4
1961	89.1	117.0	177.3
1962	90.4	118.8	161.2
1963	96.1	121.3	161.5
1964	96.3	123.3	165.2
1965	94.1	127.0	173.7
1966	99.4	125.6	191.4
1967	100.3	127.2	185.3
1968	96.5	130.6	199.9
1969	98.4	132.5	*
1970	100.7	132.4	*

*No data available

Source: Central Bank Statistical Bulletin, 1971

Appendix 3

Total Value of Gross Output
1955-1969
(In thousands)

Year	Pesos
1955	54,635
1956	65,616
1957	70,260
1958	58,295
1959	58,295
1960	46,603
1961	63,212
1962	65,725
1963	71,954
1964	93,316
1965	84,192
1966	62,338
1967	79,548
1968	68,184
1969	65,647

Sources: (1) Survey of Manufactures, Bureau of the Census & Statistics
(2) Statistical Bulletin, Central Bank of the Philippines

Appendix 4

Assortment of Furniture Produced in 1969

Items	Quantity	Value in 000 Pesos	Total
1. Tables, wooden	11,559 pcs.	2,186	
2. Headboards, wooden	1,806 pcs.	295	
3. Chairs, benches, stools, rockers, settees, lounges, sofas, wooden	[illegible]0,149 pcs.	3,681	
4. Beds, wooden	2,[illegible]55 pcs.	407	
5. Sala, dining, bedroom sets, wooden	4,491 pcs.	1,680	
6. Chests, desks, dressers, aparadors, trunks, cupboards, plateras, wooden	6,992 pcs.	2,026	
7. Showcases & other partition fixtures wooden	8,321 pcs.	1,664	
8. Wooden furniture not specified in detail	- no figures -	4,262	
9. Miscellaneous wooden furniture and fixtures not elsewhere specified	- no figures -	656	
10. Cabinets for radio, phonograph, radio phonograph, television sets, wooden	21,593 pcs.	2,225	
11. Cabinets for household sewing machine wooden	42,965 pcs.	2,224	21,306
12. Tables, rattan	6,904 pcs.	424	
13. Chairs, benches, stools, rockers, settees, lounges, sofas, rattan	32,384 pcs.	1,846	
14. Sala, dining, bedroom, lawn sets, rattan	3,436 pcs.	2,507	
15. Beds and other rattan furniture and fixtures not specified, including rattan furniture parts	- no figures -	2,200	6,977
16. Box beds and mattresses	27,650 units	5,602	5,602
17. Tables, metal	3,225 pcs.	157	
18. Chairs, benches, stools, rockers, settees, lounges, sofas, metal	83,915 pcs.	1,032	
19. Beds, sala sets, dining sets, bedroom sets, lawn sets, desks, chests, trunks dressers, buffets, cupboards, metal	- no figures -	876	
20. Lockers, shelves, counters, showcases and other partitions and fixtures, metal	4,065 pcs.	616	
21. Miscellaneous household metal furnitures & fixtures including metal furniture parts	- no figures -	574	
22. Office filing cabinets, metal	11,157 pcs.	2,107	
23. Office and store lockers, shelves, counters of metal	2,133 pcs.	448	
24. Miscellaneous office, store showcases, restaurant metal furniture & other partition & fixtures plain & padded	- no figures -	241	
25. Cabinets for radio, phonograph, radio phonograph, television sets & other furniture & fixtures n.e.c. of metal	- no figures -	115	6,1[illegible]
Total	325,278 pcs.	40,133	40,133

Source: Industry Division, Bureau of Census and Statistics

Furniture and Fixtures Exports of the Philippines
By Country of Destination

Country Destination	1965 Pesos (₱)	1965 Dollars (US$)	1966 Pesos (₱)	1966 Dollars (US$)	1967 Pesos (₱)	1967 Dollars (US$)	1968 Pesos (₱)	1968 Dollars (US$)	1969 Pesos (₱)	1969 Dollars (US$)	1970 Pesos (₱)	1970 Dollars (US$)
USA (Mainland)	1,830,069	266,740	1,051,703	269,689	1,619,346	415,215	1,629,025	417,697	1,987,242	509,547	2,196,516	394,351
Hawaii	218,275	56,085	265,122	67,931	356,895	91,511	795,309	203,925	951,832	244,059	2,390,704	418,074
Guam	257,430	66,145	276,837	80,834	163,014	41,718	313,486	80,380	247,573	63,480	813,136	142,239
Australia	95,446	24,526	111,354	28,552	139,230	35,693	219,464	56,273	395,799	101,486	823,704	153,507
Thailand	39,823	10,230	248,727	63,775	153,855	39,450	44,460	11,400	2,687	689	310	50
West Germany	26,459	6,801	56,703	14,541	63,461	16,272	145,601	37,333	136,133	34,906	243,572	41,657
Spain	17,844	4,535	242	53	55,447	14,217	34,211	8,772	14,071	3,606	15,270	2,813
Italy	7,323	1,862	13,884	3,560	13,533	3,470	29,877	7,661	32,418	6,312	150,326	25,868
Laos	-	-	83,741	21,472	-	-	-	-	-	-	11,433	1,824
United Kingdom	1,218	313	11,183	2,869	26,302	6,744	23,076	5,917	12,546	3,217	9,188	1,483
Canada	32,757	8,417	7,172	1,939	17,108	4,386	3,231	2,467	6,224	1,596	13,283	2,193
Belgium	-	-	-	-	15,495	4,396	21,111	5,413	21,973	5,634	-	-
Hong Kong	6,456	1,658	6,244	1,601	5,981	1,772	12,409	3,182	3,270	954	3,257	587
Other US Insular Possessions	6,320	1,624	4,430	1,136	3,077	739	-	-	19,691	5,049	271,369	44,018
Japan	2,198	563	1,039	266	429	110	9,255	2,373	11,481	2,944	46,168	7,899
Puerto Rico	-	-	-	-	995	255	17,081	4,585	4,162	1,067	8,703	1,559
Sweden	1,052	270	-	-	-	-	-	-	20,661	5,349	-	-
France	-	-	874	224	-	-	8,502	2,180	10,136	2,599	35,132	6,007
Panama	17,291	4,443	1,070	276	-	-	-	-	-	-	-	-
Singapore	-	-	-	-	3,015	773	5,908	1,513	4,431	1,136	2,406	394
Indonesia	-	-	-	1,829	-	-	3,406	873	-	-	-	-
French Oceania	-	-			-	-	1,014	260	9,021	2,313	7,094	420
Malaysia	2,358	605	454	119	2,207	386	3,296	845	-	-	-	-
Liberia	1,300	345	-	-	3,307	848	-	-	-	-	-	-
Others	3,608	925	5,175	1,387	2,258	579	5,765	1,478	4,353	1,115	106,085	20,205
TOTALS	1,775,247	456,157	2,153,147	562,095	2,645,894	678,427	3,332,201	856,427	3,896,264	999,061	7,142,678	1,265,195

Source: Foreign Trade Division, Bureau of Census and Statistics

15. 7. 74