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THE COLOMBIAN FURNITURE INDUSTRY AND ITS EXPORT POTENTIAL 1/

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1/ The views and opinions expressed in this paper are those of the author and do not necessarily reflect the views of the Secretariat of UNIDO.

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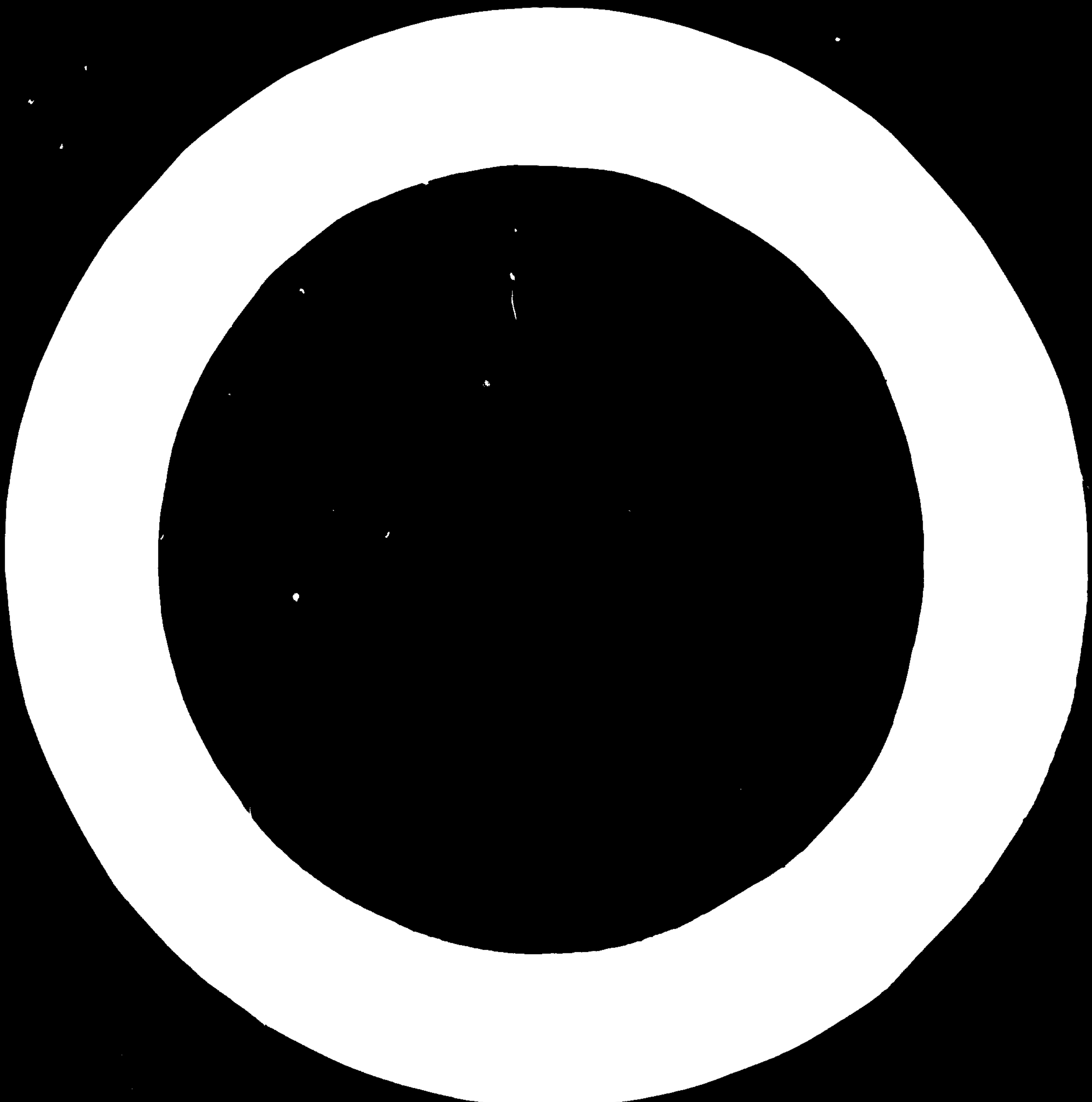

Present Situation

Production

Furniture manufacturing has not generally been regarded as a very attractive investment area, principally because, of all the industries in Colombia, this branch exhibits the lowest rate of productivity per worker. On the basis of the latest figures of the National Bureau of Statistics (DANE), for the year 1969, taking the total production of the country's industries and dividing it by the number of employees, one finds that the average annual production per worker throughout the country stood at close to US$8,831. For furniture manufacturing, on the other hand, average production per worker was only US$2,630, relegating this branch to last place in the productivity ranking of all domestic industries. Of those branches which enjoy State subsidies, the mining and food industries, for example, showed average annual production figures of US$4,521 and US$16,131 per worker, respectively.

The furniture industry's annual production figure per employee ranks immediately behind that of the woodworking industry with US$3,489. This latter industry also happens to be the principal source of supply for the manufacture of furniture. Moving upward in the ranking, we find the garment industry, where, at US$3,776 per worker, productivity, while still relatively low, is in any event almost 50 per cent higher than in the furniture industry.

The foregoing facts and figures suggest the following conclusion: "The promotion of furniture production is a simple means of creating jobs."

Causes of the low production in the furniture industry

A. Mini-enterprises

Just as in agriculture we use the term "mini-fundios" to refer to land holdings which are so small that their operation is usually not economically justified, we might also speak in the furniture manufacturing area of "mini-enterprises". Whereas in such branches as the garment and textile industries the average number of employees per enterprise is 43, and in the food industry 48, this index falls to scarcely 14 workers per enterprise in the furniture industry.

B. Inadequate mechanization

Analysis of the installed horsepower available to different industrial branches reveals that in this respect, too, furniture manufacturing is near the bottom of the league with one of the lowest horsepower-to-worker ratios. Whereas, for example, tanneries operate with 5.36 HP per worker and woodworking enterprises with 4.88 HP, the corresponding figure for the furniture manufacturers barely reaches 1.49 HP.

C. Problems in the import of equipment and machinery

Colombia produces only light basic woodworking equipment. Nevertheless, the two or three producing firms have succeeded in having higher duty charges placed on all imported woodworking machinery, thereby inhibiting the expansion of existing furniture factories and the establishment of new plants because of the associated price increases for this machinery.

Similarly disadvantageous is the situation with respect to the import of accessories and certain raw materials such as metal fittings, polishing materials, stains and lacquers and other like products, since it is extremely difficult to follow a policy of import substitution in this case in view of the fact that the corresponding domestically produced items are not of the best quality, while import duties range from 50 to 200 per cent.

An over-all comparison of the duties paid by the various industries included in the four-year export plan reveals that the furniture industry is among those for which the import of necessary production inputs attracts the heaviest tariff charges.

D. Absence of professional associations

It is noteworthy that while industries of far less importance within the national manufacturing sector as a whole have well-organized professional associations which ensure that they receive a more attentive hearing from the authorities, the various furniture-manufacturing enterprises continue to press for improved conditions on an individual basis.

Exports

It is a very significant fact that, despite these negative factors, Colombia has been able to increase its furniture exports from US$433,000 in 1968 to US$1,015,000 in 1971. This success is undoubtedly due to the following causes:

- the Government's policy of promoting exports;
- the outstanding work of the Fondo de Promoción de las Exportaciones (PROEXPO) in trade promotion abroad;
- the efforts of the Centro de Investigación, Diseño y Desarrollo del Mueble Colombiano (CIDEM) to enhance the quality, design and prestige of Colombian furniture,
- the faith of certain individuals and enterprises in the future of the industry;
- the quality of our raw materials: in general, the raw materials used by the Colombian furniture industry are more economic than those used by its counterparts abroad. Many developed countries are obliged to import a high proportion of their raw materials and to bear the high costs of transport customs dues and wastage. As a result, furniture produced from raw materials which these countries must import have the best competitive chance.

The wood industry and the export plan

The wood industry ranks third among Colombia's manufacturing industries in terms of the export goals set by the aforementioned four-year plan (1971-1974).

Let us consider a few relevant figures:

Manufacturing Industry Statistics

Article	Export goal for 1974 (US$)	Average number of employees per enterprise	Average production per worker (US$)	Percentage of raw material imported
Textiles and ready-to-wear clothing (excluding shoes)	49,173,000	43	7,900	15.0
Tanned skins and footwear	28,500,000	21	5,500	3.2
Furniture, wood and wooden articles	26,800,000	15	3,000	0.7
Metalworking industry (excluding machinery)	24,100,000	30	5,200	38.8
Canned foods	10,800,000	48	8,200	18.0

Source: Plan Cuatrienal de Exportaciones, DANE, 1968; ABC der deutschen Wirtschaft.

Incentives for the export industry

Productivity

The Government must accept the fact that the furniture industry requires mechanization, recognizing in all fairness that it is not in Colombia's interest to continue to produce furniture at a level of productivity so low as to make a myth of the "cheap labour" argument. The same volume of furniture production that requires only 100 workers in Germany requires 672 in Colombia:

- annual production per worker in Germany: US$17,691 (1968);
- annual production per worker in Colombia: US$2,630 (1968).

This means a productivity ratio of 1 to 6172 between Colombia and Germany, in favour of the German worker. The salary ratio, on the other hand, stands as follows:

- hourly wage in Germany (including social security benefits): US$2.33 (1968);
- average hourly wage in Colombia (including social security benefits): US$0.38.

This gives a ratio of 1 to 6.17.

Comparing the results, we see that the difference in salaries between the two countries is less than the difference in productivity per worker. From this it follows that whereas 100 workers, earning a total of US$233 an hour, are required in Germany to produce a given quantity of furniture, the 72 workers needed in Colombia to produce the same amount receive US$255. This comparison not only points up the reason for the dissatisfaction of the Colombian worker with his low wage, but also the fact that unless its level of productivity is sharply accelerated, Colombian industry will be unable to afford any significant wage increases. It must be made clear, however, that the present low level of productivity is in no way due to any lack of energy on the part of the Colombian worker - who is as a rule extremely industrious - but solely to the lack of mechanization, organization and output in Colombian industry.

Raw material

Realizing that lower manpower costs are an optical illusion and that there are also certain other labour problems to be taken into consideration, the industries of the highly developed countries generally prefer to purchase the raw material abroad, offsetting the higher costs through mechanization and greater productivity.

At this point we must recognize the danger that Colombia, in its efforts to secure hard currency and increase exports, may be pushing the export of its best raw materials to the degree that these are becoming steadily scarcer, poorer in quality and more expensive on the domestic market.

In the furniture manufacturing area one can observe that as the finest woods and leathers are earmarked for export, their cost on the internal market is increasing. If this tendency continues, raw material prices will very soon reach such a high level that it will become more economic for furniture made from our own raw materials to be manufactured abroad.

Final considerations

It is up to all the furniture producers of Colombia to band together into a unified group for the purpose of making the national Government aware of the importance of supporting an industry which, if given the opportunity to expand, could easily meet the targets of the four-year export plan, thereby creating a large number of jobs and strengthening the economy of the country. Should the present policy with regard to the import of machinery, the export of raw material and the granting of export incentives be continued, there is no doubt that a few firms - namely those which, thanks to generous investments in equipment (made, to be sure, in better times) or to some unique form of internal organization or original design, have achieved a high degree of productivity - will be able to carry on manufacturing and even exporting. However, as time goes by, even the most efficient furniture producers will be exposed to the risk of losing their foreign customers and of having to relinquish their markets to countries in which the furniture industry has greater unity and is supported by the State.

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