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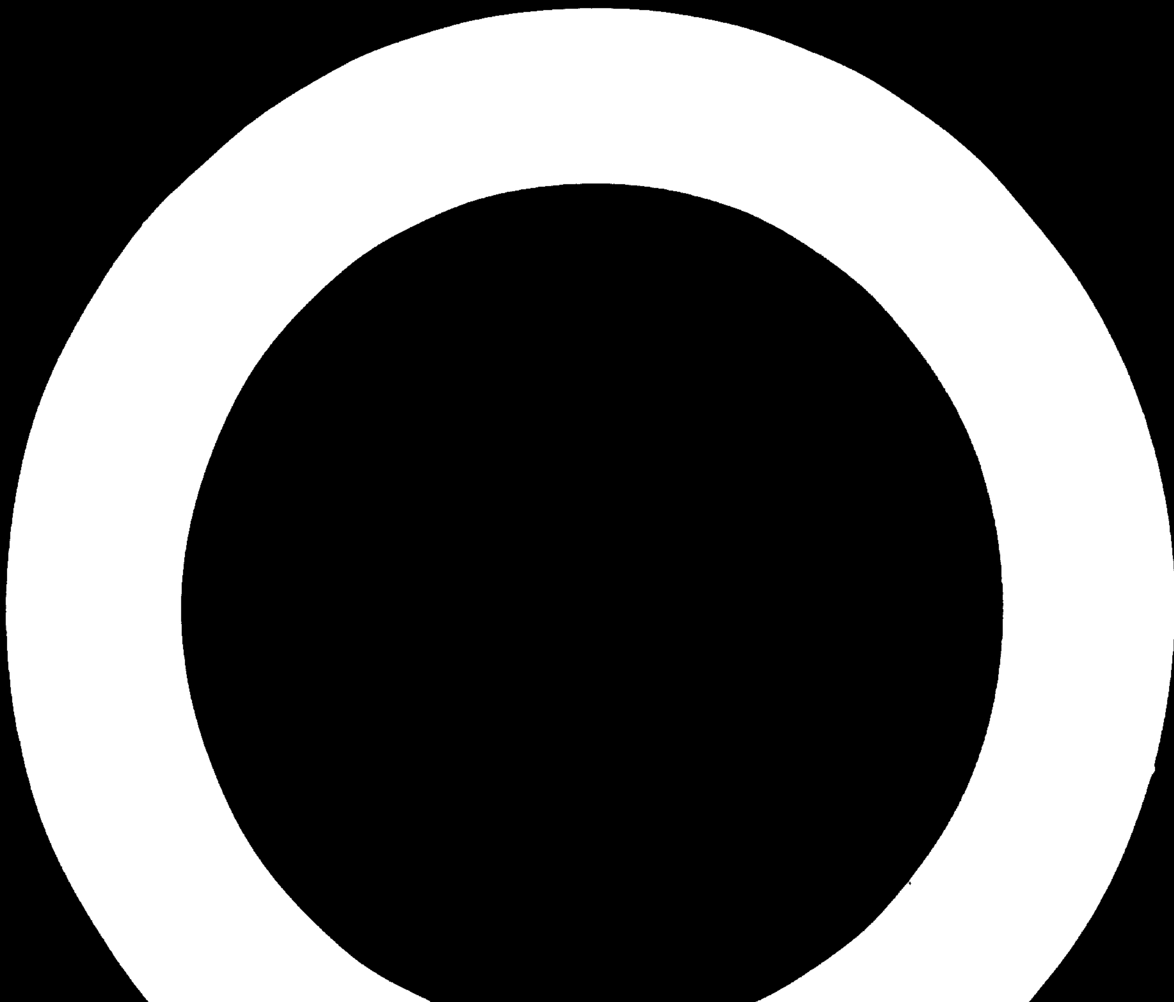

INTRODUCTION

Furniture manufacturing is an industry which is indigenous to our country. It is a source of livelihood pursued by Filipino craftsmen as early as the pre-hispanic period.

The industry has been influenced by the different cultures that have reached the country. Through the various spheres of influences - from the early Chinese traders who introduced the intricate and delicate Oriental design, to the Spaniards who brought not only the continental styles but the Moorish as well, which bolstered the latter influence introduced by the Muslim wave which reached the Philippines in the 13th century, to the American and other cultures which brought the truly cosmopolitan style - have emerged an exquisite blending of the traditional and modern designs.

Despite its early beginning and the cross current of influences which had made Philippine furniture truly aesthetic and functional, the furniture and joinery industries in the Philippines have remained virtually stagnant up to the early seventies. It is an infant compared to other industries which started much later.

Industry output which reached a peak of P116,936,000.00 in 1967 declined during the succeeding years. In 1971 the output had a deflated value or a little more than P 61 million using 1955 values as the index (please refer to Table I) representing a decrease of almost [illegible]%.

For years, the furniture and joinery industry was beset by problems like raw materials, a limited market, inadequate capital and production facilities, insufficient management and technological knowhow, and lack of government incentives.

RAW MATERIALS

The Philippines is blessed with vast forest resources. It has a log output averaging 10.5 million cubic meters[1] for the past 5 years. The superior quality of Philippine wood has been proven by the ever-increasing amount of wood and wood products that the country exports. The Philippines is the second largest exporter of broad-leafed logs [2] with an average annual export of 8,315,000 cubic meters[3]. For years, wood and wood products have been the top export earners of the country. In 1973, logs and lumber were at the top of the 10 major Philippine exports with a value of $330,060,512 and plywood was sixth with a value of $ 54.5 million[4]. Table II shows the exports of wood and wood products for the period 1970-1974.

Rattan is another raw material which is abundant in the country. The Philippines is one of the major exporter of rattan poles to countries like the United States, Italy, Hongkong and even Indonesia. Philippine export of rattan poles and furniture is shown in Table III and IV.

The abundance of superior quality wood which has been a strength of the primary wood industries has proven to be a weakness to secondary industries like furniture and joinery. These industries have been plagued by the lack of better-grade lumber which are often reserved for the export market.

It is indeed an irony that for all the country's vast forest resources, the furniture and joinery industries has to contend with the lack of raw materials as one of its biggest problems.

All these have changed, however, with the phase-out of log exports and the total ban which will become effective as of January 1, 1976. A partial ban on the export of rattan poles was implemented early last year and the National Economic Development Authority is conducting hearings on the proposal by rattan furniture manufacturers, spearheaded by the Chamber of Furniture Industries of the Philippines to totally ban the export of rattan poles. Another policy implemented by the government is to limit the amount of sawn lumber for export to 30 % of the actual production of sawmills. All these moves will benefit the secondary wood industries assuring them of continuous supply of high-quality raw materials.

THE MARKET AND DISTRIBUTION SYSTEM

The Philippines is composed of 7,100 islands and its major cities and population centers are scattered throughout the country. This, plus the bulkiness of furniture and joinery products and the resultant high cost of transportation has confined the distribution of products within the manufacturers locality.

Local Market - The growth in the local demand for furniture has been minimal except during the construction boom in 1962 - 1966. It declined after that period.

Recent developments, however, point to another boom in the furniture and joinery industries. The country has successfully developed tourism thus creating a big demand for more hotel rooms. At present total capacity of hotels in the country is only 4,500 rooms. Many hotels are under construction now and by 1977 total number of rooms shall have increased to more than 17,000[5] or 4 times the present capacity. This has created such a demand which some quarters feel cannot be filled by the local manufacturers.

Another important development that augurs well for the industry was the creation of a national housing board to implement the government's all-out support for housing construction. Other agencies which has supported low cost housing loans like the Government Service Insurance System and the Social Security System has increased the amounts earmarked for housing. The national housing board will integrate the planning and implementation to fill up the housing shortage. Some 2.5 million housing units are expected to be constructed during the next ten years.

Export Market - Export of furniture and joinery products have been insignificant up to recent years.

Rattan furniture has increased tremendously from 1969 to 1974. Total exports which amounted only $624,071.00 in 1969 increased by 409% to $2,432,178.00 in 1974 (please refer to Table IV).

The exports of furniture and joinery products had been confined to a few countries especially the United States and Japan. Development of other markets like Europe and Australia has tremendously boosted the export potential for the [illegible] during the last two years.

Department of Trade Secretary Troadio Quiazon Jr. reported recently[6] that the Philippines now ranks as the second largest exporter of furniture to Australia among developing countries not enjoying preferential preferences with that country. Its exports are even bigger than Malaysia and New Guinea which are enjoying preferential treatment in the Australian market.

The upsurge of export furniture products have been attained partly to the efforts of the Department of Trade through trade fairs in different countries. The Department of Trade also joined hands with the CFIP to produce a brochure on Philippine furnitures which show some of the products and list of the members of the CFIP. These brochures will be distributed throughout the world through the different Philippine consulates.

The Chamber ofFurniture Industries of the Philippines will also hold its first national convention and trade fair early next year, during which prospective buyers from different countries will be invited to further promote Philippine furnitures and increase potential markets.

MANUFACTURING PROCESSES, TECHNOLOGY AND MANPOWER DEVELOPMENT

A proliferation of small cottage-industry type furniture and joinery factories resulted from the confined market for furniture. Of the [illegible] 5,600 firms with a total employment of 45,430 (please refer to Table VII) existing last year, 5152 have 10 employees or less. Approximately 2,300 are not registered and operates on a family basis involving 3 to 7 people.

Although manufacturing continue to be done manually in most of the small factories, mechanization which used to be a luxury enjoyed by a few large companies, is now becoming common place. The new plants which are being put up, either as independent furniture and joinery manufacturers or as part of the integration program of the primary wood processors (please refer to Table VI) will employ mass production techniques.

As this development take place it is expected that the need for technical know how and trained managers and personnel will be more acute.

The government has intensified its support for manpower development through the trade school and other agencies like the National Manpower Youth Council. The trade schools which were poorly equipped up to last year were supplied with modern tools and woodworking machineries. The National Manpower Youth Council expanded its training program. It entered into an agreement with the CFIP for the continuous training of personnel at the trade school in Davao City, one of the wood processing centers in the country. A similar agreement is about to be started in

Angeles City.

CAPITALIZATION AND FINANCING

The capital of most furniture and joinery manufacturers used the range from ₱25,000-30,000.00. This low capital required resulted from the proliferation of cottage-industry type plants and the limited markets for the manufacturer's goods. Financing was virtually non-existent and collateral oriented. With the rationalization of the wood industry capital requirement for the bigger plants increased tremendously. Even the larger primary wood processors have to look for financing for the integration program.

There has been a marked change in the financing program available to the industry. Loans of much bigger amounts are now granted based on project viability where investors will have to put up only 30% of the capital needs. Lately there has been a move to further increase the amount they can borrow with a debt-equity ratio of 80-20.

DEVELOPMENT STRATEGIES

The Philippine government is exerting an all-out campaign to accelerate the development of the wood processing industries. The development strategies being undertaken by the government are:

A. **Log Export Ban** - With the log export ban to take effect January 1,1976, the wood processing industries shall have the [illegible] of [illegible] materials they need [illegible] the loss that used to go to the export market shall be [illegible].

B. __Limiting Export of Sawn Lumber to [illegible] of Actual Production__ - This will assure secondary wood processors like furniture and joinery manufacturers a continuous supply of raw materials.

C. __Phasing-out of all Circular Mills, Regardless of Size and Bandmills whose capacities are less than [illegible],000 bd.ft. a day__ - The phasing-out of these mills and the expansion of some selected existing economic-sized plants including the establishments of processing centrals and/or complexes will not only maximize wood utilization but will also reduce production cost considering the economies of scale thus making the Philippine wood processing plants competitive in the world market.

D. __Financing Program__ - The government and the financing institutions are [illegible] long term loans to prospective investors in the wood industry because of its bright prospects in Australia and other new countries. Loans are granted based on project viability rather than collaterals.

E. __Rationalization of the Wood Industry__ - Through the Board of Investment (BOI), the government is phasing out uneconomical plants and approves new ones. Those whose projects are approved are granted incentives such as:

(1) Double deduction of promotional expenses - members are allowed to deduct from taxable income twice the amount of the ordinary and necessary expenses incurred for the purpose of promoting the sale of their products abroad.

(2) Double deduction of shipping costs - members are allowed to deduct from taxable income twice the amount of shipping freight incurred in connection with the export of their products. If the shipments are made in vessels of Philippine registry to their regular ports of call and to deduct 1½% of the freight when shipments are made in vessels of foreign registry.

7. <u>Manpower Development</u> - Trade schools are being equipped and other government agencies like the National Manpower Youth Council are training personnel for different industries.

RECOMMENDATIONS

1. To regulate licensing of new furniture and joinery manufacturers. This will be in line with the Government's policy to rationalise the wood industry and weed our uneconomical plants.

- [illegible]
  [illegible]

- [illegible] the display [illegible] creating fellowship, [illegible] and discipline, to benefit primarily the people in the industry and consequently, the buying public.

4. To encourage furniture manufacturers to specialize in a particular design and mass produce the same to achieve a lower cost of production, and consequently, lower selling price for the consuming public. Once this is achieved, it is believed that the buying public will be [illegible]. It is further believed that since the manufacturer will enjoy [illegible] savings, more quality will be put into the product.

SOURCES:

1. THE PHILIPPINE LUMBERMAN, February 19[illegible]
2. [illegible] PRODUCTS, 19[illegible]
3. Philippine Lumberman, February 1974
4. DEPARTMENT OF TRADE AND TOURISM
5. THE [illegible] JOURNAL, July [illegible], 197[illegible]
6. BULLETIN TODAY, July 1[illegible], 197[illegible]

TABLE I

TOTAL ACTUAL AND DEFLATED VALUE OF GROSS OUTPUT (IN THOUSANDS) OF THE FURNITURES INDUSTRY IN THE PHILIPPINES

YEAR	ACTUAL VALUE	PRICE INDEX OF MANUFACTURED GOODS (1955=100)	DEFLATED VALUE
1967	₱ 116,936.00	147.0	₱ 79,548.00
1968	100,640.00	147.6	68,184.00
1969	94,570.00	150.5	62,837.00
1970	99,299.00	162.0	61,296.00
1971	104,264.00	168.6	61,467.00

Sources: Central Bank and Bureau of Census and Statistics

TABLE [illegible]

PHILIPPINE PRODUCTION AND EXPORTS OF WOOD PRO[illegible]
F.O.B. VALUE U.S. DOLLARS

ITEM	1970 QUANTITY	1970 VALUE	1971 QUANTITY	1971 VALUE	1972 QUANTITY	1972 VALUE	1973 [illegible]	1973 VALUE	1974 QUANTITY	1974 VALUE
LOGS (000 cu.m.)										
Production	[illegible]		9,830		7,955		9,555		[illegible]	
Export	9,600	244,482,925.	[illegible],602	136,042,647.	6,857	157,35[illegible]	[illegible],754	309,563,600.	[illegible]	2,575,000.
LUMBER (000 bd.ft.)										
Production	324,166		501,471		563,222		[illegible]		547,600 000	
Export	78,545	11,148,362.	72,206	10,549,626.	97,9[illegible]	14,78[illegible]	1[illegible],576	35,000,524.	162,420,000	33,900,[illegible]
PLYWOOD (000 sq.ft.)										
Production	1,070,107		1,080,405		1,162,395		1,221,060		770,116,000	
Export	606,559	25,424,322.	528,113	2[illegible],114,[illegible]	737,930	34,140,[illegible]		58,057,5[illegible]	214,933,000	2[illegible],100,000.
VENEER (Sheets)										
Production	795,787		816,461		802,515		606,400		[illegible]2,069,000	
Export —Sheet	284,827	2,544,516.	271,204	2,402,563.	367,218	4,715,534.	279,975	4,519,024.	474,644,000	7,800,000.
—Corestock	765,560	5,555,318.	341,303	6,604,632.	611,204	13,572,085.	409,407	14,151,385.		
FURNITURE										
Export		1,265,000.		N.A.		1,278,000.		2,513,000.		N.A.
TOTAL FOB. VALUE		290,426,443.		159,714,159.		225,400,219.		417,[illegible]		

SOURCES: Exports - National Census and Statistics Office
Production - Central Bank of the Philippines and [illegible]

TABLE III

PHILIPPINE EXPORTS OF RATTAN POLES

	QUANTITY	FOB VALUE (IN DOLLARS)
1969	1,786,135	$ 530,857.00
1970	2,008,334	607,464.00
1971	1,930,304	560,050.00
1972	2,073,726	835,353.00
1973	2,251,231	753,794.00
1974 (Jan. - Oct.)	1,405,117	844,725.00

TABLE IV

PHILIPPINE EXPORTS OF RATTAN FURNITURE

	QUANTITY	FOB VALUE (IN DOLLARS)
1969	59,346	$ 604,071.00
1970	81,595	857,272.00
1971	87,425	940,159.00
1972	140,944	1,063,162.00
1973	241,501	1,787,558.00
1974	192,043	2,432,118.00

Source: National Census and Statistics Office

TABLE V

NUMBER OF FURNITURE FACTORIES, SIZE,
DISTRIBUTION AND EMPLOYMENT CAPACITIES

	NUMBER	PLANT SIZE	% PARTICIPATION	AVERAGE NO. OF EMPLOYEES	TOTAL EMPLOYMENT
	14	200 workers	1/4	250	3,500
	28	below 200	1/2	150	4,200
	56	below 100	1	75	4,200
	126	below 50	2 1/4	35	4,410
	224	below 20	4	15	3,360
	5,152	below 10	92	5	25,760
Total	5,600		100		45,430

Source of Data: Export Possibilities in the Philippine Wooden Furniture Industries, a paper prepared by Aquino, A. Jr., et al, for the Seminar on Furniture and Joinery Industries in Lahti, Finland - 29 July to 17 August 1974.

TABLE VI

LIST OF FURNITURE AND JOINERY MANUFACTURERS REGISTERED WITH THE BOARD OF INVESTMENT (BOI)

	COMPANY	PRODUCT	ANNUAL CAPACITY	YEAR REGISTERED
1.	[illegible], INC.	Rattan furnitures	[illegible] (export)	1973
2.	[illegible] INDUSTRIAL COOPERATIVE, INC.	Bamboo furniture		1973
3.	[illegible] FURNITURE CO., INC.	Rattan furniture	30,000 units	1971
		Buri furniture	6,000 units	
4.	[illegible]-GLADI (PHIL.) INC.	Wooden doors and related wooden furnitures		1974
5.	[illegible] INTERNATIONAL	Wooden furnitures, tables and chairs	142,000 pcs.	1974
6.	[illegible] FILIPINAS EXPORT CORPORATION	Knock-down furniture		1974
		- rattan mat	840,000 [illegible]	
		- rattan chairs	72,000 pcs.	
		- rattan table legs	72,000 pcs.	
		- rattan wicker	2,6000 sets	
		- rattan pedestal base	18,000 pcs.	
		- modern chairs	600,000 pcs.	
		- early American chairs	384,000 sets	
		- various furniture parts	1,620,000	
7.	[illegible] INC.	lumber products	5054 MBF	1974
		- KD lumber	1573 MBF	
		- mouldings	1946 MBF	
		- jambs	2535 MBF	
8.	[illegible] GENERAL LOGGING CO., INC.	lumber products	4080 MBF	1973
		lumber core	2440 MBF	
		Jambs	1200 MBF	
		Mouldings	1200 MBF	
9.	DAVAO [illegible] LUMBER CO., INC.	lumber products	7,008 MBF	1974
		- KD lumber	1,105 MBF	
		- Air dried lumber	1,575 MBF	
		- Door jambs	2,304 MBF	
		- Door stops	[illegible] MBF	
		- Rafters and studdings	660 MBF	
		- Mouldings	300 MBF	
		- Door stiles	300 MBF	
		- Door rails	648 MBF	
10.	DAVAO [illegible] CORP.	lumber products	10,863 MBF	1973
		- KD lumber	6,555 MBF	
		- Jambs	1,010 MBF	
		- Mouldings	[illegible] MBF	
		- Blockboard core	2,[illegible] MBF	

[illegible]	Lumber products	6,660 MBF	1974
	- Mouldings	1,190 MBF	
	- Door jambs	1,190 MBF	
	- Window frames	2,520 MBF	
	- Drawer sides	1,760 MBF	
[illegible] SARMIENTO & CO., INC.	Lumber products including door jambs and [illegible]	14,699 MBF	19[illegible]
[illegible] LA LUN PULP & PAPER CO., INC.	Lumber products	8,446 MBF	1[illegible]
	- [illegible] rough lumber	1,140 MBF	
	- Jambs	3,653 MBF	
	- Mouldings	3,53 MBF	
[illegible] MANUEL NIETO CORP.	Lumber products	5221 MBF	1973
	- KD lumber	1,190 MBF	
	- Door jambs	[illegible] MBF	
	- Mouldings	575 MBF	
	- Drawer sides	644 MBF	
[illegible] MINDANAO LUMBER DEVELOPMENT CORPORATION	Lumber products	12,675 MBF	19[illegible]
	- KD lumber	3,650 MBF	
	- Jambs	3,125 MBF	
	- Mouldings	3,160 MBF	
	- Rafters	1,440 MBF	
	- Door stiles	1,440 MBF	
17. NASIPIT LUMBER CO., INC.	Lumber products	12,277 MBF	197[illegible]
	- dressed KD lumber	2,0[illegible] MBF	
	- rough KD lumber	2,3[illegible] MBF	
	- Jambs	1,13[illegible] MBF	
	- Stiles	1,210 MBF	
	- Door components	914 MBF	
	- Cleats	2,461 MBF	
	- Mouldings	2,175 MBF	
18. NEW PACIFIC [illegible] & SUPPLY CO., INC.	Lumber products	6,[illegible] MBF	197[illegible]
	- KD lumber (exp.)	[illegible] MBF	
	- KD lumber (local)	[illegible] MBF	
	- Jambs	4,313 MBF	
	- Rafters	[illegible] MBF	
	- Stiles	[illegible] MBF	
19. PHIL. ALTA MANUFACTURING CO., INC.	Louver doors	240,000 pcs. or 2700 MBF	1974
20. ROYAL INDUSTRIES (PHILS.) INC.	Doors	71,000 units	1969
	Windows	[illegible],000 units	
	Cabinets	63,000 units	
	Mouldings	1,430 MBF	
21. SARMIENTO INDUSTRIES INC.	Doors & door blanks	[illegible] MBF	
	Kitchen cabinets	2471 MBF	
	Mouldings	[illegible] MBF	
	Window frames	[illegible] MBF	
	Drawer sides	[illegible] MBF	
	Door slides	[illegible] MBF	

22.	STA. CLARA LUMBER CO., INC.	Lumber products	2,771 MBF	1972
		- Drawer sides	992 MBF	
		- Door stiles	201 MBF	
		- Door jambs	152 MBF	
		- Door stops	269 MBF	
		- Mouldings	130 MBF	
[illegible]	STA. [illegible] PLYWOOD CORP.	KD rough lumber	1990 MBF	
		Mouldings	3310 MBF	
		Jambs	4630 MBF	

TABLE [illegible]

EXISTING WOOD PROCESSING PLANTS/CAPACITIES*

TYPE OF PLANT	NO. OF MILLS	% RECOVERY USED	ANNUAL LOG REQUIREMENT (cu.m.)	EXPECTED PRODUCTION (Finished Product)
Plywood (4 mm x 4' x 8')	29	45 %	2,244,619	84,985,490 panels
Veneer (1/10 x 4' x 8')	23	45 %	899,918	53,657,610 pcs.
Bandmill (bd.ft.)	[illegible]24	50 %	5,994,317	1,270,795 MBF
Lumber products (bd.ft.)	13	40 %	749,[illegible]	127,167 MBF
Total	209		9,8[illegible],661	

* After phase-out of all circular mills regardless of size and bandmills below 10,000 bd.ft. capacity a day.

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