



TOGETHER
for a sustainable future

OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.



TOGETHER
for a sustainable future

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org

We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche



08117



Distr.
LIMITED
ID/WG.256/17
24 November 1977
ENGLISH

United Nations Industrial Development Organization

Seminar on Furniture and Joinery Industries,
Lahti, Finland, 1 - 20 August 1977

THE FURNITURE INDUSTRY IN THE PHILIPPINES*

by

Z.D. Arce**

and

S.A. Bellesa ***

* 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. This document has been reproduced without formal editing.

** General Manager, UNIK Furniture Manufacturing Corporation, Quezon City, Philippines.

*** Manager, Cebu Furniture, Cebu City, Philippines.

The furniture industry of the Philippines is a young industry. Its contribution to the economy is minimal; it employs limited government concern, and is of minor importance in society. However, it has been experiencing a rapid rate of growth lately, and trends indicate a vigorous expansion within the decade along with the overall economic development of the country.

I. OVERVIEW

A. Characteristics of the industry

One characteristic of the furniture industry in the Philippines is the disparity in the size of the individual companies. Ninety per cent of the furniture companies are individually owned and operated small cottage-industry shops employing 5 to 20 workers who make use of hand tools and improvised machines. 9.9 per cent are composed of medium sized factories which are equipped with a number of new or second hand machines and employ around 30 or more workers. Finally, there are few large factories which are fully mechanized but not automated and employ technological and managerial experts.

Corollary to this disparity in size is the wide and distinct dissimilarity in the capitalization of the manufacturers: capital investment ranging from as low as P3,000* for the small shops, to as much as P15,000,000 for the big corporations.

Labor cost is relatively low, therefore, the small and medium-sized factories utilize a maximum of manual labour and a minimum of machines.

B. Types of products

The types of furniture produced classified by raw material are wood, rattan, plastic and metal. By quality, the classification is according to the socio-economic differences in the country, i.e. low, middle and high income groups. By function, the products may be classified into residential, office and institutional furniture.

C. Raw material requirements

Wood, palasan poles, metal and fibre glass are the basic materials used in the manufacture of wood, rattan, metal and plastic furniture, respectively. During the last few years, there has been a critical

* 1977 current exchange rate of the peso 157.40 = US\$1.

shortage in narra lumber (the most highly-prized wood specie for the local market similar to Brazilian Rosewood in grain and texture) and plywood, and in palawan poles. Because of the scarcity of narra trees and palawan vines in our forests, and the uncontrolled exportation and smuggling of narra logs and plywood, and palawan poles out of the country. (In March 1977, the Philippine government upon petition of the Chamber of Furniture Industries of the Philippines, restricted the exportation of palawan poles). However, several hundred species of wood suitable for furniture are available throughout the country and efforts are being exerted to utilize them for commercial production.

D. Production practices

There is still very little mass-production in the local furniture industry. Besides the absence of technological modernization, this situation arises from the fact that furniture shops make money by catering to buyers who request made-to-order furniture. They comprise a majority of the market. The reason why customers buy made-to-order furniture is that standard-line furniture designs are so alike in style and narrow in variety that there is not enough choice to satisfy the wide ranging tastes of the consumers. Knock-down furniture production is being introduced simultaneously with the introduction of knock-down fittings.

E. Distinction system

Generally, furniture manufacturers market their own products. Because of the bulk of the product and the high cost of transport, distribution is confined to the locality where the manufacturer has his shop. Sales of city-based manufacturers take place directly through the manufacturer's salesman or through interior decorators with whom the manufacturers have contracts or a tie-up. On the whole, personal selling, product design and quality, company reputation, price and service are considered major marketing factors. Because of this kind of distribution system, there is minimal advertising activity among furniture companies.

F. Organizational set-up

Professional management is a rarity in the furniture industry since it is composed predominantly of family enterprises. Professional managers being expensive, the usual practice is to put on managerial tasks people selected from the work force, who eventually find themselves either unfit or underpaid, and quit to find another job or set up their own furniture shops.

G. Government support

It was only recently that the government started noticing the furniture industry and listening to its problems with the earnest intention of extending assistance. Government attention has been drawn through the efforts of the Chamber of Furniture Industries of the Philippines which is exerting its utmost in moving the industry towards full development.

II. PROBLEMS OF THE INDUSTRY

The Philippines is world famous as an exporter of wood and wood products. It is, therefore, doubly surprising that one of the most acute problems of one of its wood-using industries is lack of raw materials. Persons knowledgeable about the industry contend that there is an absence of a continued supply of better grade raw materials. The higher quality raw materials are often earmarked for export and similar grades are priced beyond the reach of local wood users.

Another problem of the industry is technical in nature and one that is inherent in the raw material itself. Wood has an affinity to moisture but when exposed under conditions where the relative humidity is low and its moisture content is higher than the atmosphere, it gives off moisture resulting in the shrinkage of the materials. Swelling occurs if its moisture content is lower. This dimensional instability of wood is considered a great handicap in the development of the export market of the industry. Potential export market for Philippine furniture are in the temperate zones and the equilibrium moisture content (EMC) prevailing in these countries (especially in homes during winter months) are much lower than that prevailing in the Philippines, resulting in the checking and splitting of the furniture. The biggest tragedy in the situation is the general lack of understanding by local producers and exporters of the consequences of working on wood of improper moisture content. Establishments who specify that the lumber be kiln dried seldom indicate the desired moisture content and those that do rarely have the

facilities for checking the moisture content of the lumber as it is delivered. Large companies have installed their own imported kiln dryers. Poor and improper storage facilities and practices often aggravate the situation. Kiln-dried wood often re-absorbs moisture far beyond the limits accepted for furniture manufactured for exports.

The use of antiquated equipment and improvised machineries characterizes the majority of establishments producing furniture and fixtures in the country, especially in smaller firms. This condition causes some of the difficulties that beset the furniture such as inefficiency in terms of machine downtime and percentage recover from raw materials. The quality of the products processed from machines in poor condition are lower than those produced from well maintained machines. This lack of modern facilities is a hindrance to the production of sizeable quantities of acceptable quality for the export market.

Although it is labour intensive, there is a dearth of technical man-power and know-how in the industry. This is pervasive in the industry and in some firms, from the lowest worker to the manager's level. The workers generally do not have any technical training and seldom understand the characteristics and properties of the material they are working with. This knowledge is necessary in order to bring out the best of the material and to avoid the occurrence of defects such as those appearing when wood is improperly dried. Workers should be provided with apprenticeship programmes through which they can be trained and can acquire the basic skills needed in their work. Vocational schools should provide some emphasis in wood working and graduates of these schools can be a good source of technical manpower. Colleges of forestry must also provide programmes geared at training workers in good working procedure, especially in the technical aspects of wood machinery. There is also a lack of managerial skills especially in smaller firms. Since most of these establishments are family owned, they are also run by members of the family who often lack the necessary training in the management of a business.

Except in the production of radio, TV, stereo and household sewing machine cabinets, furniture manufacture, even in some large firms, is usually on a contract basis. This, of course, is promoted by the taste and predilections of customers who rarely buy household furniture from the display room. This situation is complicated by the lack of adequate

facilities of manufacturers for mass production. If the country has to get a fair share in the export market the industry must re-orient itself in terms of the structure by discouraging the proliferation of small fly-by-night shops and encourage the establishment of modern factories equipped with trained personnel and new machines capable of mass-producing a high volume of furniture. This would mean producing pieces of furniture that fit production line techniques where various parts are produced en masse and later fitted at an assembly point. This should suit the export market better where the product is usually shipped in completely knocked-down condition.

III. EXPORT POTENTIALS

The prospects of furniture in our export trade derive largely from the shift that has taken place in the main directions of Philippine external trade in recent years. Exports of agro-industrial products like copra, coconut oil and sugar, which have traditionally provided the bulk of the foreign exchange earnings of the country, are expected to grow slowly annually at a rate of four per cent in real terms. Thus, the required increase in export earnings will come from wood products, minerals and non-traditional manufacturers, of which furniture is one of the strong components.

The furniture industry is favoured with potentials for growth which other industries cannot lay claim to. These include an abundant supply of raw materials; a long tradition of Filipino skilled craftsmanship and relatively cheap labour. The latitude for growth is therefore generous, and there is no reason why, given the necessary structural support, the furniture industry cannot achieve substantial increases in exports in the next decade.

Since the start of the 70's, exports of furniture and fixtures have increased steadily. From modest earnings of \$1.26 million in 1970, exports amounted to \$6.13 million in 1974, representing an increase of 385 per cent. However, exports declined to \$5.17 million in 1975 as compared to 1974, or a decrease of 15.66 per cent. For the first nine months of 1976, we exported furniture and fixtures worth (F.O.B.) US\$6.7 million as compared to US\$3.6 million for the same period in 1975 or a growth of 84.7 per cent.

It must be noted, however, that although Philippine export earnings have increased progressively, the percentage share of furniture exports has remained minimal. In 1975, exports of furniture and fixtures accounted for a measly 0.25 per cent of total exports.

The same picture holds true in the world furniture situation wherein in 1974, the Philippines shared 0.15 per cent only of the \$1.778 million furniture imports of developed countries. The bulk of Philippine exports go to only a few countries, principally the United States, Australia, Japan, and Sweden. In 1975, the United States, our major importer, accounted for 35.36 per cent of total furniture exports, while Japan, Sweden, and Australia absorbed 24.75 per cent, 1.27 per cent and 0.50 per cent respectively. While we must continue to strengthen our positions in these few traditional outlets, we also must develop new markets that have been tapped in the past few years. These include Indonesia, Belgium, Hongkong, the Netherlands, the British Pacific Islands, Malaysia, the French Pacific Islands, the Trust Territories, New Zealand, Denmark and Puerto Rico. Future export drives should accommodate the wider prospects of the European Economic Community and the Socialist and Middle East countries.

Taking into consideration the size and problems of the furniture industry, remarkable increase in exports is generally not anticipated within the next couple of years.

However, we should not be deterred by such meager furniture export statistics by not venturing further into the furniture industry. Our outlook should be anchored on global furniture perspective; on the import requirement of the developed countries.



C-674



78. 11. 10