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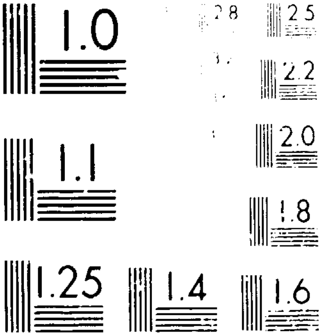
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THE PHILIPPINE FURNITURE INDUSTRY *

by

Thelma Villapando Alhambra **

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General Introduction

The Philippines lies between latitude 4° at 23'N and 21° at 25'N and between longitude 116° E and 127° E. The approximate land area of the Philippines is 115,600 square miles or 299,404 square kilometres.

The Philippines has 69 provinces and has almost every variety of topographical feature from low swamps a foot or two above high water at the head of Manila Bay to the high mountain masses culminating in Mindanao in Mount Apo, 9690 feet high (2954 metres) the highest peak in these islands.

There are three major islands namely; Luzon, Visayas and Mindanao.

The traditional classification of climate is based on four climate types. These types run north to south, due to the fact that most of the mountain barriers are high enough to cause variations in rainfall distribution. But generally two seasons are well pronounced, the rainy and the dry seasons.

The gross national product as of 1980 is P 300,000 million and the percentage growth from 1979 to 1980 is 22.1 per cent. Population as of 1980 is about 48 million.

Raw Material Situation

Solid Wood

Although there is an abundant supply of lumber in the Philippines because of its vast forests, local furniture manufacturers often complain of the lack of fine quality of wood and plywood.

In order to solve such problems, the government has reduced the total log production and exportation in spite of the projected loss in foreign earnings, in order to make an added value to the finished product.

"Narra" (Pterocarpus indicus) which is the common specie used is a dwindling specie: total ban on cutting such species had been imposed to save this specie. But, since the Filipino manufacturers and customers have been accustomed to specifying Narra, the manufacturers are facing a real problem. The refusal to try other species that are comparable tends to show that the manufacturers have no knowledge or experience with other species both in their physical and mechanical properties.

The minor species used are tanguile, lauan, yakal, mayapis, etc., more known as the Philippine mahogany.

Lumber procured from lumber yards is generally dimensioned according to the requirement of the construction industry. Thus, dimensions are not usually those that are required.

Rattan

The rattan sector of the industry is largely centered in the Cebu area and is currently experiencing serious difficulties in supplying rattan poles. The major problem is the lack of accurate information on the quantities available and the future supply situation.

Re-planting this material has been encouraged by the government and it has long banned the export of rattan poles, likewise it has encouraged selective cutting.

Hardware and Fittings

Hardware and fittings, especially handles, locks, hinges, and KD fittings are manufactured locally but the main bulk is imported. The importation of each imposes enormous problems in terms of tariffs and customs, however.

Finishing materials and adhesives are available locally, but these are usually of low quality and very expensive to buy.

Structure of the Industry

The furniture industry in the Philippines which dates back to the pre-hispanic period is nowadays dominated by a large number of small and medium-sized units which accounts for about 90 per cent of the total number of manufacturers. These are engaged mainly in the manufacture of bedroom, living room, dining room, kitchen and office furniture for domestic and export sectors of the market. Two types of furniture-making predominates in the industry namely: wood furniture and rattan furniture. Factories producing wooden furniture cater mainly to the domestic market, while the bulk of rattan furniture made in other factories is exported.

The industry is widely dispersed throughout the entire country but the larger export oriented firms are located mainly in Metro Manila and Cebu, because of the proximity to the sources of raw materials as well as the requisite shipping and trading facilities. There are only few medium-sized and large-scale firms and generally these cater to the export market.

Most firms operate on a job-order basis requiring craftsmen and artisans especially when the furniture is adorned with hand-carved designs, therefore highly labour intensive.

The present manufacturing techniques and procedures, excepting for medium and large factories, are simply not geared for mass production.

The extent of mechanization in the industry varies widely from the small factory with simple hand tools, to the large firms with almost complete lines of machines. Skills are thusly determined by productivity and quality of products in most factories.

Ownership of the majority of enterprises is by Filipinos who adopt the common types of business organization namely, single proprietorship (i.e. family owned and managed) plus partnerships and corporations. Where ownership is shared with non-nationals, it is done so on the basis of an arrangement which permits the transfer of design and technology coupled with the emphasis on exporting. Where such arrangements exist, in most cases, they have been made with American business partners.

The majority of firms do not specialize to any great extent, as most of them are prepared to undertake the manufacture of any piece of furniture within their competence.

Problems Affecting Growth

(1) Inefficiency, low levels of accuracy, low capacity of machinery and poor maintenance is reflected in the output of the workers. Likewise, the industry lacks basic wood working machines and drying facilities.

(2) The design and final finish of the furniture or furniture parts, both wood and rattan, largely depend upon the design of the customer.

(3) Poor production techniques and low level of production technology.

(4) The industry is deficient in the field of marketing and also in design and management.

(5) Lack of furniture standards.

(6) Technical information or assistance is rarely, if ever, available or availed by these firms.

(7) The export prospects for wood sector of the industry are not good because of a lack of well designed products, coupled with problems of moisture content.

Marketing Practices

The bulk of wooden furniture produced by the industry is sold locally. The sale of furniture manufacturer is normally within a confined geographical area near its base of operation. Most sales are made directly through the manufacturer's shop which serves as a retail outlet. The exceptions are when they are supplying hotels and similar institutions or as in the case of the few enterprises that have a partnership arrangement with overseas organizations.

There is very little export of solid wood furniture. In 1980, its share in the total export of furniture was only 5.31 per cent, unlike rattan which is a much better developed sector whose share was some 54.41 per cent.

Industrial Infrastructure

The Chamber of Furniture Industries of the Philippines (CFIP) is the only national organization in existence to take care of the needs of the furniture industry. It is composed of furniture, joinery and secondary wood processors totalling about 350 members in Metro Manila and regional chapters.

At present the chamber in co-operation with government agencies conducts technical seminars aimed at improving the quality, design, productivity in order to fully exploit the export potential of the industry.

With regard to existing institutions, providing assistance to this sector, the Ministry of Industry in co-operation with the Forest Products Research and Industries Development Commission (FORPRIDECOM) has long been implementing management/technical training programmes especially geared towards the small and medium-sized furniture manufacturers. Such projects have been made possible through the assistance of the United Nations Industrial Development Organization (UNIDO). A UNIDO wood industry expert has been assigned to the Ministry or Industry to help them assess the needs of our industry. Likewise, the expert, Mr. Desmond Cody, has re-organized a number of firms in the Philippines. It can be said that existing institutions are not yet that strong to solve the industry's numerous problems.

Training for the labour force is still very limited. Although a number of training courses for workers have been held, these are limited to a three to four day training course. What is intended is that industrial training programmes and training centres be established which would cater to the workers along the line of furniture manufacturing.

Prospects for Development

Since the government is all out to help this industry emerge from its present state, there is not a doubt that it will prosper in the near future. The programme includes technical and managerial training, export and marketing awareness and introduction of new product lines. Likewise, direction is geared towards increased design conciousness, along the lines of Philippine designed furniture.

Measures Being Undertaken by the Government

An analysis of the industry's problems and their inter-relationships will reveal that most of these problems are common in nature and that a group approach in finding solutions to these problems appears to be the most logical alternative. Further, analysis indicates that some problems may be solved only if individual furniture firms band themselves together to form functional industry associations or corporations and undertake development projects.

A case in point is the raw material problem of the wood furniture manufacturers use. The cutting and transport of narra which furniture makers have long been accustomed to using as the major solid wood material, has been banned by the Government in an effort to conserve the dwindling supply of this wood specie. Furniture makers, therefore, are increasing the utilization of substitute species such as Philippine mahogany which is relatively abundant. Such species, however, in order to be suitable for the production of quality furniture have to be properly kiln dried unlike narra which can be properly seasoned through backyard air drying. Kilns, however, are expensive items of equipment, require considerable skill to operate and therefore do not readily fit into the day to day management of small and medium-scale furniture firms. A central kiln dryer, run as an everyday facility by an industry association, can attain the maximum economies of continuous drying operations. Such a scheme guarantees a steady supply of properly seasoned lumber and reduces the working capital requirements of member firms since carrying large stocks of lumber for air drying will no longer be necessary.

Co-operative efforts within regional industry groups are also envisioned in providing solutions to the problem of skilled labour unavailability. The pirating of skilled workers, a common practice in the industry, has been detrimental to the growth of the industry by inequitably raising wage scales and thus, the price of finished products. Such problems may be minimized through association efforts leading toward the standardization of wage scales and the adoption of measures to discourage the pirating of skilled labour among association member firms. Successful efforts in this regard are also envisioned to encourage some firms to view on-the-job training as a practical solution to their skills problems since labour turnover will be minimized. Co-operative efforts within regional industry groups are also expected to lead toward bigger projects such as joint purchasing and joint marketing schemes which are geared toward improving industry efficiency.

Joint purchasing schemes allow price and quality advantages and in a way reduce working capital requirements of individual firms since raw material and supply inventories need not be kept at high levels. Joint marketing allows an industry group to accept large order sizes in spite of low individual capacities and encourages both sub-contracting arrangements and specialization.

It is therefore clear that many advantages can be derived from the existence of functional industry associations. Such associations are envisioned to be capable of someday implementing their own developmental projects for their own benefit. Furthermore, the existence of such groups allows the effective and efficient implementation of national regional government programmes for the industry.

Once an industry association is formed, their growth from mere social clubs into active organizations has to be catalyzed through the provision of group consultancy services from an independent source.

Discussions on the perceived industry problems have to be carried out between the industry group and consultants in order to identify the nature of priority co-operative efforts which will lead toward the solution of such problems and contribute to the development of the industry. Based on specific industry studies conducted in close co-operation with the industry group, advice on how specific co-operative efforts can be undertaken effectively may be provided by the consultants.

At present, while there are already many regional furniture industry groups known to be in existence, the majority if not all are clearly inactive. As such, these associations are incapable of initiating and implementing developmental projects for their member firms. This situation is generally traceable to the inability of association members to clearly perceive industry problems.

To a certain extent, such a situation is also due to the lack of planning capabilities in association leaders. The birth of these associations is generally characterized by enthusiasm among member firms; the lack of group projects caused disinterest among the member firms. In such associations, therefore, developmental efforts can be initiated only after member firms as well as non-member can be made to realize that the existence of industry associations are essential to the undertaking of group efforts for the development of the industry.

The implementation of technical assistance projects geared towards improving product quality, product design and reducing production costs through the introduction of modern technology may be used as a major strategy to initiate co-operative efforts within inactive associations. The implementation of technical assistance projects in various forms (i.e. technical training, technical information dissemination, technical assistance in setting of common facilities such as kiln dryers) is not therefore, an end in itself but rather a means in achieving successes in other fields that are largely dependent on co-operative efforts within the industry.

Problems of the Industry Which Require International Assistance

(1) Poor Standard of Design

Commissioning of international furniture consultants to work with the Design Centre of the Philippines to advise on design improvements within the industry.

(2) Lack of Technical Information

Compilation and documentation of information for the furniture industry to be disseminated especially to the small and medium-sized firms in the regions.

(3) A need for a management/industrial training.

(4) A need for a Research and Development Centre for furniture industry.

Highlights on the 1980 Export Performance of Furniture

For the last five years, exports of furniture have been steadily increasing at a rate of 72.98 per cent annually. The fastest growing furniture types are metal at 401.84 per cent, furnishing at 139.41 per cent and bamboo at 101.05 per cent.

The export figure for 1980 is US dollars 77,156.32. The bulk of the exports comes from rattan and buri furniture. Rattan furniture accounted for some 54.41 per cent of the 1980 exports and furniture of other materials, n.e.s. which is composed mostly of buri furniture contributed 34.95 per cent.

Market Breakdown

(1) Rattan Furniture: Rattan furniture earned a total of US dollars 41,979,191 in exports. Its top market is the United States which imported a value of US$ 19,700,469 or 46.92 per cent. The next highest export earnings were grossed from EEC. Of its export figure equivalent to US$ 8,205,723 the biggest contribution came from the Federal Republic of Germany (at US$ 3,269,785).

The other leading markets are Japan at US$ 4,888,652, Australia at US$ 3,070,397 and Canada at US$ 1,162,177.

Among the ASEAN countries, Singapore accounted for 96 per cent of the imports from the region, which amounted to some US$ 43,508.

(2) Buri Furniture: Exports of buri furniture rolled up to US$ 26,937,560 in 1980. Seventy per cent of this amount, or US$ 18,053,294, was earned from the United States market.

Dollar earnings from EEC amount to US$ 3,315,000. The leading importers in the community are the Federal Republic of Germany and France with US$ 858,172 and US$ 837,970 respectively.

In the ASEAN region, exports registered a value of US$ 4,077 with Singapore accounting for US$ 3,524.

Hong Kong imported a total of US$ 110,455. Exports of buri furniture to other Asian countries rose significantly from only US$ 29,473 worth of exports to Bangladesh, US$ 3,828 to South Korea and US$ 3,289 to Brunei. The 1979 figure of US$ 175 was earned from South Korea.

The detailed export performance is presented in the attached tables.

TABLE I

FURNITURE EXPORTS OF THE PHILIPPINES 1976-1980
(FOB VALUE IN US$)

	1976		1977		1978		1979		1980		Average Annual Growth Rate
	Amount	Percent Share	Amount	Percent Share	Amount	Percent Share	Amount	Percent Share	Amount	Percent Share	
1. Wood Furniture	996,875	10.22	1,593,389	7.33	1,429,212	5.36	2,426,077	4.42	4,098,095	5.31	46.89
2. Metal Furniture	14,516	0.15	3,246	0.01	57,615	0.22	54,340	0.10	62,905	0.08	401.84
3. Bamboo Furniture	21,386	0.22	49,861	0.23	126,138	0.47	195,155	0.36	318,918	0.41	102.05
4. Rattan Furniture	5,241,770	53.72	11,426,119	52.54	14,762,900	55.41	30,331,694	55.26	41,979,191	54.41	72.75
5. Furniture of other materials (mostly buri furniture)	2,668,830	27.35	6,973,427	32.06	8,849,057	33.21	16,905,398	30.80	26,969,158	34.95	84.68
6. Furniture parts	801,604	8.22	1,654,124	7.61	1,301,389	4.89	4,836,571	8.81	3,468,116	4.50	82.09
7. Furnishings	11,859	0.12	47,773	0.22	117,951	0.44	139,569	0.25	264,649	0.34	130.41
TOTALS	9,756,840	100.00	21,747.939	100.00	26,644,262	100.00	54,888,804	100.00	77,156,032	100.00	72.98

TABLE 2

EXPORTS OF FURNITURE IN THE PHILIPPINES
BY PRODUCT CATEGORY
1976-1980
(FOB VALUES IN US DOLLARS)

	1976	1977	1978	1979	1980
I. Wooden Furniture	996,875	1,593,389	1,429,212	2,426,077	4,093,095
1. Chairs and other seats made of wood	108,616	108,278	121,060	327,197	476,387
2. Medical, dental, surgical or veterinary furniture, made of wood	-	-	-	928	-
3. Filing cabinet made of wood	-	-	88	-	10,322
4. Ice box, wooden	-	-	-	-	648
5. Other furniture, n.e.s. made of wood	888,259	1,485,111	1,308,064	2,097,952	3,605,738
II. Metal Furniture	14,516	3,246	57,615	54,340	62,905
1. Chairs and other seats made of metal	-	-	10,342	-	30,613
2. Medical, dental, surgical or veterinary furniture made of metal	-	-	-	-	-
3. Filing cabinet designed to stand on the floor made of metal	-	-	161	2,111	-
4. Other furniture n.e.s. of metal	14,516	3,246	47,112	52,299	32,292

Table 2 Continued

		1976	1977
III.	Bamboo Furniture	21,386	49,861
	1. Chairs and other seats made of bamboo		4,503
	2. Furniture, n.e.s. of bamboo	21,386	45,358
IV.	Rattan Furniture	5,241,770	11,426,119
	1. Chairs and other seats of rattan		235,674
	2. Furniture, n.e.s. of rattan	5,241,770	11,190,445
V.	Furniture of other materials, n.e.s. (mostly buri furniture)	2,668,830	6,973,427
	1. Chairs and other seats of other materials n.e.s.	346,740	238,704
	2. Medical, dental, surgical, or veterinary furniture of plastic or other materials n.e.s.	-	22,756
	3. Furniture, n.e.s. of plastic	-	-
	4. Music stands	-	-
	5. Furniture n.e.s. of other materials	2,322.090	6.711,967

1978	1979	1980
126,138	195,155	318,918
34,977	9,871	9,945
91,161	185,284	308,973
14,762,900	30,331,694	41,979,191
1,133,241	1,829,555	1,303,697
13,629,659	28,502,139	40,675,494
8,849,057	16,905,398	26,969,158
1,394,092	2,887,653	3,759,318
-	-	-
-	-	29,920
-	-	1,678
7,454,965	14,017,745	23,178,242

Table 2 Continued	1976	1977	1978	1979	1980
VI. Furniture parts	801,604	1,654,124	1,301,389	4,836,571	3,468,116
1. Parts of chairs and other seats (other than those falling under metal, wood, bamboo, rattan, etc.)	-	100	4,590	280	31,468
2. Identifiable parts n.e.s. of other furniture of metal wood, bamboo, rattan, etc.	801,604	1,654,024	1,296,799	4,836,291	3,436,648
VII. Furnishings	11,859	47,773	117,951	139,569	264,649
1. Matress supports and mattress of any material (except pneumatic mattress)	-	-	4,530	2,927	41,736
2. Cushions and pillows (except pneumatic)	2,603	34,746	79,764	109,316	197,052
3. Quilted bed covering of all kinds of fabrics	-	10,370	33,365	16,486	25,861
4. Articles of bedding and similar furnishings	9,256	2,657	292	10,840	-
TOTALS	9,756.840	21,747,939	26,644,262	54,888,804	77,156,032