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TRADE INFORMATION BRIEF

FURNITURE



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Participation in international trade has become one of the most important factors in increasing the prosperity of countries. Yet for many developing countries, perhaps particularly for those in Sub-Saharan Africa (SSA), trade is viewed primarily from a defensive perspective, with a focus on the disruptive effects of imports rather than on the opportunities presented by increased access to world markets. A key reason is the existence of information market gaps that are often associated with trade facilitation and development in developing countries – information on the export performance and potential of many developing countries remains incomplete.

The **TRADE INFORMATION SERVICE** series of market briefs aims to contribute to bridging this information gap for existing producers in the Southern African Development Community (SADC) who may not have the financial resources to generate a fully fledged market research process. The briefs are not intended to act as the detailed export market intelligence that successful exporting requires, but rather as a basic first-cut analysis of export prospects, to allow enterprises to make the decision on whether to initiate further market research.

Each Trade Information Brief will cover a product cluster of particular interest to members of SADC. The cluster may represent an existing key set of export products with potential for expansion, or a relatively new set where there is an indication of competitive advantage for the region.



Contents

1.	INTRODUCTION	1
2.	PRODUCT DESCRIPTION AND DEFINITION	3
3.	THE RATIONALE-WHY PRODUCE FURNITURE IN SOUTHERN AFRICA	4
4.	THE FURNITURE VALUE CHAIN	5
5.	PRODUCTION AND CONSUMPTION	7
6.	TRENDS IN WORLD TRADE	14
6.1.	Major Exporters	14
6.1.1.	The European Union	15
6.1.2.	NAFTA	17
6.1.3.	ASEAN	19
6.1.4.	East Asia	21
6.1.5.	South America	23
6.1.6.	Southern Africa	24
6.2.	Major Importers	26
6.2.1.	The European Union	27
6.2.2.	NAFTA	29
6.2.3.	Asian imports	31
6.2.4.	Australia	33
7.	MARKET ACCESS	35
7.2.	Known Non-Tariff Barriers (NTBs) to Trade	36
7.1.	Tariffs	35
8.	THE WAY FORWARD	39
9.	CONCLUSION	43
10.	TRADE CONTACTS AND FURTHER INFORMATION	45
11.	BIBLIOGRAPHY	46

TABLES

Table 1: HS Code 9403	3
Table 2: Forest cover in Southern Africa	13
Table 3: Loss of forest cover	13
Table 4: EU export (€million/tons)	17
Table 5: Polish export (US\$'000)	17
Table 6: Czech Export (US\$'000)	17
Table 7: NAFTA countries' export of HS Code 9403	18
Table 8: Canadian export (US\$'000)	19
Table 9: Consumers of ASEAN furniture export (HS Code 9403) (US\$'000)	20
Table 10: The main consumers of Chinese furniture export (US\$'000) (HS Code 9403)	23
Table 11: Destination for Brazilian export	23
Table 12: EU imports (€million & tons)	28
Table 13: Major Japanese trade partners - where does Japan import furniture from?	32
Table 14: Origin of Australian imports and value (US\$'000)	34
Table 15: SADC furniture import (200	34
Table 16: Tariff rates on 'Furniture and parts thereof' (HS9403)	36

FIGURES

Figure 1: World trade of furniture (US\$ '000) (HS Code 9403)	2
Figure 2: The wood furniture value chain	5
Figure 3: Annual % change in world furniture (HS Code 9403)	15
Figure 4: EU total export & import (HS9403) (US\$'000)	16
Figure 5: NAFTA export of furniture HS9403 (US\$'000)	19
Figure 6: ASEAN export to regions (HS9403) (US\$'000)	21
Figure 7: Malaysian export (HS Code 9403) (US\$'000)	21
Figure 8: East Asian export (HS9403) (US\$'000)	22
Figure 9: SADC export to WORLD (HS9403) (US\$'000)	25
Figure 10: The top destination for SADC furniture export (HS Code 9403) (US\$'000)	26
Figure 11: SADC export to world, by country (HS9403) (US\$'000)	26
Figure 12: World's top 10 importers	27
Figure 13: EU import HS9403 (US\$'000)	29
Figure 14: NAFTA import by region (US\$'000)	30
Figure 15: NAFTA's top 10 import partners (US\$'000)	31
Figure 16: Japanese imports & exports (US\$'000)	32
Figure 17: Indian furniture import (US\$'000)	33
Figure 18: Australian export and import of furniture (US\$'000)	33

1. Introduction

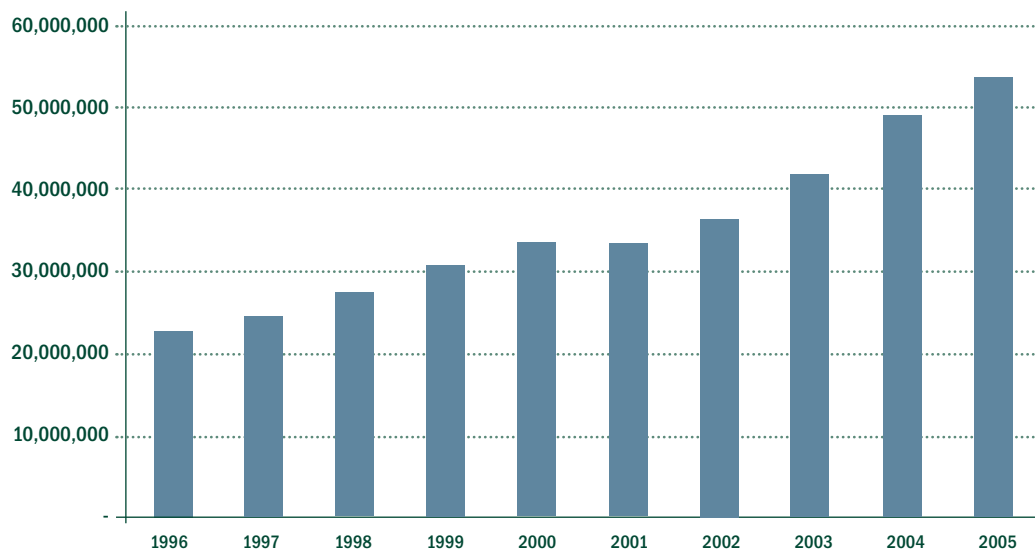
The aim of this Trade Information Brief (TIB) is to offer a short outline of the global furniture market in order to determine what opportunities exist for furniture producers in the Southern African Development Community- hereafter only referred to as SADC. This is needed due to the fact that global markets have generally become more complex, differentiated and demanding, which makes it increasingly difficult for small, medium and micro-sized enterprises (SMMEs) in the region to orientate and follow the rapid changes that occur. The purpose of this TIB is not to offer an in-depth market study of the various regions or countries, instead it should be considered a first-step analysis of the current global trends. As a consequence of this the focus will be on the major exporters and importers of furniture- in order to firstly determine who the main competitors are, secondly which markets these economies export furniture to and thirdly who SADC producers should export to and what they need to focus on in order to expand their market share in an increasingly competitive global furniture market.

Generally speaking, the criteria by which consumers in developed countries are making buying decisions encompass a variety of traditional factors such as price, quality, branding, uniqueness and availability. This also holds for the developed countries' furniture market, with the result that producers able to respond to these changes in demand are achieving economic growth and prosperity. Other furniture manufacturers, on the other hand are less able to stay informed of these changes and to perform the subsequent adjustments and are thus prevented from taking advantage of the increased global demand for furniture. The reason for choosing furniture as the topic for this TIB is that many industrialising economies have used the furniture industry as an early stepping-stone to induce economic growth. Consequently, an expansion of the wood furniture industry in Southern Africa offers an opportunity to diversify the economies of this region and to subsequently create economic growth and prosperity.

The international furniture industry has experienced a remarkably high growth rate since the 1960s, exceeded only by computers and peripherals (Dunne 1999). Between 1995 and 2000 worldwide trade in furniture grew by 36% and it was by 2000 the largest low-tech sector (Kaplinsky et al 2001). Figure 1 shows this growth from 1996 to 2005, where in 1996 the value of total world furniture trade was less than US\$23bn and had by 2005 reached almost US\$54bn- which equals an average annual growth of more than 12% (nominal figures). Developed countries, led by Italy, Germany and Canada have traditionally been the main producers, exporters and importers of furniture, only in the last ten years have they faced fierce competition from developing countries- especially China (and to a lesser degree Malaysia and Indonesia).

Keeping this growth rate in mind and knowing the imperative role the furniture industry has played in the economic development of other regions it is of paramount importance to determine a way around the obstacles connected with SADC furniture production and trade. In doing so, the opportunities associated with furniture production in the region will be stressed in order to suggest a possible way forward for furniture manufacturers in Southern Africa.

Figure 1: World trade of furniture (US\$ '000) (HS Code 9403)



Source: WITS

2. Product description and definition

The focus of this TIB is, as already mentioned, wood furniture for all kind of uses, as well as metal and plastic furniture, in addition to furniture parts. Various methods for the classification of goods produced and traded exist. Arguably the most commonly accepted method is the Harmonized System Codes (HS Codes). This TIB will, as a consequence of this, use the HS Codes- unless otherwise clearly stated. Chapter 94 of the HS Code covers: “Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishing; lamps and light fitting, not elsewhere specified or included (nes); illuminated signs, illuminated name-plates and the like; prefabricated buildings” (World Customs Organization: http://www.wcoomd.org/ie/En/Topics_Issues/HarmonizedSystem/DocumentDB/2094E.pdf). However, for the purpose of this paper it is needed to narrow down the definition of furniture to exclude products such as for instance medical, dental, surgical and veterinary furniture (all HS Code 9402) as well as mattresses (HS Code 9404) and lamps and lighting fittings (HS Code 9405). Furthermore, especially when focusing on the SADC region it is important to be able to exclude seats (HS Code 9401) due to the fact that the production of ‘seats of a kind used for motor vehicles’ (HS Code 940120) is covered under the MIDP (Motor Industry Development Program) and has experienced tremendous growth in the last few years. Consequently an inclusion of HS Code 940120 in this analysis will not give a realistic picture of the SADC furniture industry. Keeping these issues in mind, this report will use HS Code 9403 which is defined as “Other furniture and parts thereof”. Table 1 gives a systematic overview of HS Code 9403, including its sub-categories- and consequently one should get an idea of what kind of products are excluded.

Table 1: HS Code 9403

HS Code 9403: Furniture and parts thereof	
940310	Metal furniture of a kind used in offices
949320	Other metal furniture
940330	Wooden furniture of a kind used in offices
940340	Wooden furniture of a kind used in kitchen
949350	Wooden furniture of a kind used in bedroom
940360	Other wooden furniture
940370	Furniture of plastics
949380	Furniture of other materials, including cane, osier, bamboo or similar materials
940390	Furniture parts

3. The Rationale-why produce furniture in Southern Africa

The points below highlight the possibilities and opportunities associated with furniture production in Southern Africa:

The wood furniture value chain has the potential to play an important role in promoting growth and alleviating poverty in Southern Africa. Many emerging economies have used the furniture industry as one of the primary stepping-stones to promote growth and diversify economic structures.

Furniture has traditionally been a labour-intensive industry that includes both local craft-based firms and large volume producers. SADC has a pool of cheap labour that has the potential of becoming skilled craftsmen.

The furniture industry is perfectly suited for small-scale production, where the rural manufacturer can produce furniture from home and sell it on the local market- consequently creating economic growth in rural SADC areas.

The furniture industry has the second lowest cost per employee, where the amount of capital needed in order to create one job is ZAR20,000. (The lowest is the textile industry which does not require more than ZAR12,000). In addition to low start-up costs, the furniture sector also allows producers that have been in the industry for longer, and thus more established, to easily mechanise production in order to focus on value-added production and thus create a higher premium on furniture produced.

In addition to being labour-intensive, the furniture industry is also resource-intensive. Due to favourable climatic conditions and soil the region lends itself, with a few exceptions, to efficient production of fast-growing, solid timber.

The efficient production of rapidly growing and cheap timber could potentially help facilitate productive linkages between industry and agriculture and urban and rural areas, consequently improving infrastructure in the least developed areas in a country.

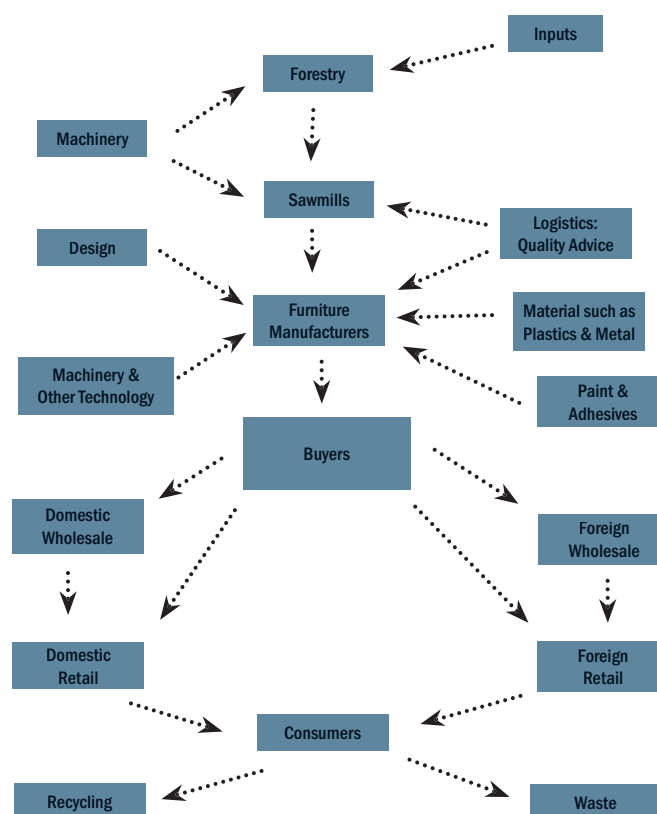
Southern African producers have types of wood that are not readily found in other regions of the world and could thus focus on niche markets and produce furniture that is viewed as exotic- and consequently of higher value- on markets all over the world. An example of this is Saligna (a type of Eucalyptus) which is not considered an endangered species like so many of the types of timber that offers a similar finish.

In terms of design, the global consumer is often searching for 'an exotic look.' If Southern African producers ensure the production of furniture differentiated from that of other producers the demand and price for regional furniture is likely to remain high. An example of this could be an 'African look'- for instance in line with the Zulu Zen concept.

4. The furniture value chain

The furniture value chain is, as already mentioned, of paramount importance to developing countries such as the SADC countries because it carries with it the potential to induce economic growth and consequently alleviate poverty. Furthermore, it is labour-intensive and particularly suited for SMME participation. Focusing on the wood furniture value chain, like this TIB is doing, (at least parts of) the Southern African region is relatively rich in input. In South Africa, the largest furniture producers in the region, the wood input into the furniture industry is mainly pine (comprising XX) and a small amount of Saligna- a hardwood substitute. Another important input, Zambezi Teak, is found mainly in western parts of Zimbabwe and Zambia, as well as northern Botswana, northeastern Namibia and some parts of Angola. Montane forests are found in Malawi, Mozambique, Zambia and Zimbabwe, while Mangrove forests are found along the coastlines in Mozambique and Angola.

Figure 2: The wood furniture value chain



Source: (Adapted from Kaplinsky & Morris 2006)

In order to grow this type of timber, inputs such as seeds, chemicals, equipment and water is needed (illustrated in Figure 2). When the timber has reached a mature age (from 12 to 25 years depending on the type of timber) it flows to sawmills, where machinery and quality advice are two important inputs. The sawn timber is then delivered to the furniture manufacturers. The manufacturers in turn obtain inputs from other industries such as plastic, metal, textiles machinery and paint. In addition to this the furniture manufacturers also source inputs such as machinery as well as inputs from the service sector in the use of design and branding experts. The finished product leaving the manufacturers then moves, generally through a buyer, into either the domestic or foreign wholesale or retail sector, before it reaches the consumer. The reason why the buyers are represented with a dotted line in Figure 2 is the fact that the changing nature of the industry, often represented by large-scale retailers has led to an increasingly common practice of retailers buying straight from manufacturers- in a cost saving-initiative. The last step of the value chain is then the consumer who will, in time, either recycle or dispose of the furniture.

5. Production and Consumption

The global furniture industry is, as already mentioned, rapidly expanding and Italy has, since the 1960s been the world's largest producer. In terms of industrialised countries, Germany and Canada are Italy's greatest competitors, where the former in the last couple of years has grown larger than Italy. However, in recent years these dominant players in the global furniture industry have had to face fierce competition from Chinese producers. China is by far the largest producer in the developing world, followed by Indonesia, Malaysia and (more recently) Thailand. In addition Poland has entered the furniture market in the last decade and has experienced a period of tremendous growth. This is mainly due to the fact that large Transnational Companies (TNCs), mostly with headquarters in Western Europe, have started investing in Poland (as well as other eastern European countries such as Estonia, the Czech Republic and Hungary).

Total European Union (EU) consumption was estimated at €76,367 million in 2005. This is an increase of 3% since 2001. The new EU members have seen the most significant increase in consumption of furniture, along with smaller countries such as Finland, Ireland and Greece. In traditionally bigger markets such as Germany and Italy the increases were small. In the last couple of decades a polarisation into lower quality/price and higher quality/price sectors has occurred. A country such as Italy is strongly represented both as a producer and as a consumer, producing furniture to the value of €15,285m and consuming for €12,424m (2005 estimates) (CBI Market Survey 2006). Consequently, some of the major exporters are also amongst the largest importers of furniture. Although Italy has in recent years been surpassed by Germany as the world's largest producer of furniture, its leading role over many decades has led to Italian furniture today being of high-quality and price, and carries a impressive reputation. Part of the reason behind Italy's long period of growth is the cluster development that occurred amongst SMMEs, often referred to as 'the Third Italy'. The case of Third Italy will be discussed in further detail in section 8- as a possible model for the SADC furniture sector.

While the furniture producers in Italy and Spain still remain small and specialized, this is not so in western and northern Europe, where one sees a trend amongst the manufacturers to consolidate into larger units. This dominance of large suppliers as a result of mergers and acquisitions has different impacts in the various EU countries. In the Netherlands the top 10 suppliers accounted for 70% of production, while the figure for France is 40% and 30% for Germany. In Italy and Spain, on the other hand, this figure is as low as 10%. A possible reason for this is the powerful position of the old, small-scale, specialized producers

experiencing economic growth as a result of the cluster initiative in the 1960s. In Germany, France, the Netherlands and the UK the leading manufacturers are investing heavily in automation and computerisation, resulting in greater standardization of products. Furthermore, these manufacturers are continuously outsourcing production to Eastern European countries especially Poland, due to substantially lower labour costs. More than 25% of the Polish furniture industry is financed by large German manufacturers (amongst others Steinhoff, Schieder, Alno and Klose).

The furniture industries in many of the new EU member countries have experienced rapid growth. As already mentioned, especially Poland (with an average percentage change in value of production between 2001 and 2005 of 39.4%) has gone through a period of swift economic growth, but also other Eastern European economies have been able to take part in the expansion. Although the outsourcing by Western (and Northern) European countries to Eastern Europe accounts for a large amount of this growth, there are also other reasons. One of which is the proximity to the EU market. The wages are generally low in Eastern European countries and as a consequence the production costs are lower allowing these producers to sell low-cost furniture on EU markets, which increases the demand for these products.

To sum up the most important characteristics of furniture production and consumption in the EU one sees a polarization between low quality/price and higher quality/price, particularly in the 'old' EU countries (the EU15) where the markets are relatively saturated. A fact that further reinforces this claim is the material used for furniture production. The traditional solid wood, highly specialised, furniture products have retained important niche market segments primarily for high-end, expensive and design-led products. On the other end of the scale one finds that major technological innovation of flat-pack or ready-to-assemble (DIY) designed furniture for the low to medium price markets has created an opportunity for firms to design, manufacture and ship products in large quantities (and thus become a mass producer). These mass-produced, large volume products have tended to dominate the global markets and become a major source of exports for developing country industries. However, in the new EU member markets (as well as other emerging markets) this polarization has not developed as far which allows SADC manufacturers an opportunity to sell value-added furniture made out of cheap input, without competing for market share with, for instance Chinese furniture producers. In other words, the lack of polarization in the new EU markets offers furniture manufacturers in Southern Africa an export opportunity of mid range quality/price furniture.

The North American Free Trade Agreement, hereafter only referred to as NAFTA, consists of Canada, Mexico and the United States (US). Similar to Italy and Germany both the US and Canada produce high

quality/price furniture. The US used to be one of the world's largest producers of furniture, but has in the last few years experienced a decline in furniture production. One of the reasons for this is the increased competition in the form of cheap imports from China. Many Canadian producers have also struggled to stay competitive, so much so that the Canadian Council of Furniture Manufacturers (CCFM) signed a petition in October 2005 suggesting that a China-specific safeguard measure should be taken. However, the Canadian International Trade Tribunal (CITT) ruled against the CCFM (<http://tdctrade.com>). In the US similar actions have been attempted, also without success, leading to many US manufacturers, especially the ones producing low-cost furniture, having to close down. Mexico's market share, on the other hand has been increasing since the beginning of the 1990s. There are various reasons for this. Firstly, a highly successful cluster development took place; secondly, Mexican furniture producers were able to identify a new niche market in the US for Mexican country style furniture; thirdly, the Peso (Mexican currency) was devaluated in 1994 increasing the competitiveness of Mexican furniture manufacturers.

Brazil is not only the largest furniture producer in the Mercosur (Mercado Comum do Sul- the Southern Common Market), its furniture export growth rate is also increasing rapidly, in 2005 comprising 95% of total Mercosur furniture export. The country is richly endowed in natural resources in terms of furniture production- the Amazon Rainforests. However, Brazilian furniture industry has been relatively controversial due to the claim that endangered species of timber has been used in the production of furniture. In various regions of Brazil furniture producers have entered into partnerships with other producers (so-called clusters) in order to allow micro and small exporting furniture manufacturers to achieve economies of scale in the purchase of production inputs. Producers involved in the arrangement reduced input costs by an average of 21% in 2005 and 27% in 2006 (Furnitureglobal.com). Consequently, many Brazilian producers have managed to remain competitive in the increasingly globalised and competitive furniture markets. A further aspect also underscoring Brazil's performance in the furniture industry is the fact that many large European furniture importers (Sweden, France, the UK and the Netherlands to mention a few) have started looking towards Brazil in a quest to limit their dependence on China in the imports of furniture, components and furniture parts (Furnitureglobal.com).

Examining Asian production and consumption of furniture it quickly becomes apparent that both South-East Asian (ASAEN)¹ and East

¹ ASEAN consists of Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

Asian² furniture have performed extremely well in the last 10 years. ASEAN's expansion in the furniture industry is mainly due to Indonesian, Malaysian and Vietnamese furniture manufacturers. East Asia's development is almost solely due to the growth in Chinese furniture production. China has in the last decade become one of the major players in the global furniture industry, producing mainly (but not exclusively) low-cost furniture. The Chinese furniture industry consists of around 50,000 companies and five million employees. Most of these companies are small to medium sized operations with annual sales less than US\$36 m. Approximately 90% of these companies are privately owned, stock-holding companies, as well as various joint ventures. Between 1995 and 2002, Chinese furniture production grew in value from US\$6.8bn to US\$20bn (Kaplinsky & Morris 2006: 57). A substantial amount of this is exported to more or less all regions of the world.

The Chinese furniture industry has received negative attention due to questions around how they source timber. Claims have been raised that they import (uncertified) endangered species of timber from countries such as Myanmar and Liberia. The issue of furniture production in Malaysia is also controversial due to the use of endangered timber. While influential actors such as the EU and the US have been working towards an international forestry convention to limit deforestation, particularly of tropical rainforest (of which Malaysia is richly endowed), this has been heavily opposed by Malaysia and Brazil who views it as their sovereign right to use their natural resources in the way they see best suited (Green in Baylis & Smith 2001: 404). Even if Malaysian manufacturers continue using endangered species of timber in their production line, it is important to keep in mind that such products will be less in demand, and will consequently decrease in price, especially in Europe, due to the very high, and still increasing, environmental awareness of the European consumer. (However, Malaysian producers might still be able to sell furniture made of endangered timber to other markets- such as for instance South Africa, where the consumer is generally less environmentally aware). The wariness of European consumers towards exotic, endangered timber counts in the favour of other producers (in for instance SADC) that are able to offer exotic furniture with an environmental guarantee in the form of a certificate. The South African production of furniture made out of Saligna is a good example of this. Saligna is a non-endangered, yet exotic type of timber and as a consequence the demand for Saligna is likely to remain high, while other exotic types of hardwood will decrease in demand and price. This is a niche market that local producers should take advantage of.

Data on the SADC furniture industry is very poor. The vast major-

² The following countries are considered East Asian: China, Hong Kong, Japan, Democratic Republic of Korea, Republic of Korea, Mongolia and Taiwan.

ity of furniture production in the region takes place in informal sector workshops, using a combination of locally-sourced timber, cut-offs and timber supplies from the formal sector which are largely cut to meet the needs of the construction industry. These workshops target the domestic market for middle, and especially lower-middle and low-income consumers. Designs are unsophisticated and with the exception of a tiny craft segment this informal sector has no presence in export markets. However, this does not mean that the furniture industry in Southern Africa is unable to expand. Many aspects count in the favour of an increased growth of the SADC furniture sectors. As already mentioned in section 3 Southern African countries generally have a large pool of labour that would benefit from improvements in the various countries' furniture sectors. Furthermore, the majority of SADC countries have the raw material needed to produce furniture (as according to the wood furniture value chain as illustrated in section 4). Forest cover in the SADC region is estimated at approximately 183million ha or about 31% of land area. Table 2 shows the distribution of forest in the different SADC countries (where stats were available). As can be seen the amount of land covered by forest varies significantly. Angola is the country with most land covered by forests (56% of land area) while Lesotho, South Africa and Namibia have the least amount of forest cover. Although a country is richly endowed in terms of natural resources feasible for furniture production, these resources are not necessarily utilized as inputs in the furniture industry. To use South Africa as an example one sees that in a country where 80% of furniture production is wood based forest cover is still as low as 7.3% and only approximately 12% of the timber produced is used as input into the furniture industry. This is mainly due to cross-cutting value chains where influential actors operating in the pulp and paper value chain manage to get access to a large amount of the raw material available. This issue further reinforces the need to import timber from countries in the region that have vast forest cover. The sawmilling sector is dominated by a number of large groups with interests in forestry and sawmilling, as well as related activities. These groups include Mondi, Safcol and Sappi. In addition there are approximately 300 informal sawmills, often referred to as 'bushmills' that play an important role in meeting niche market demand (Morris & Dunne 2003: 255). Approximately 70% of softwood timber sales are from formal sawmills. In South Africa the value added timber products sector is divided into two main groups- firms focused on the domestic market and producing mainly from particle board, and export-oriented firms manufacturing almost exclusively from solid timber, mainly pine, and to a lesser extent, Saligna. (The domestic market is by far the most important market accounting for roughly 80% of production).

The issue of access to input, in the form of timber is worth dwelling on. Although a country with high degree of forest coverage is not

necessarily a leading furniture producer the question of input (in terms of wood) is important due to the fact that the sourcing of timber from farther away (than the SADC region) is likely to be more expensive than regional sourcing, and increased input costs increases production cost which subsequently leads to a decrease in production efficiency and ultimately increases the price on the manufactured product and decreases the competitiveness of Southern African furniture producers. Due to increasing population and other pressures the area with forest cover is on the decline. The amount of forest cover in Southern Africa declined from 199.4 million ha in 1990 to 183.1 million ha in 2000. This corresponds to an annual deforestation rate of 1.62 million ha, accounting for 31% of the continent's total cover loss. Zimbabwe, Angola and Botswana have very high rates of forest cover loss. South Africa has one of the lowest rates of cover loss with the change from 1990 to 2000 only amounting to 8000 ha per year. Swaziland, on the other hand, actually experienced a net increase of 6000 ha per year over the same time period. The main reasons for deforestation remain the same throughout Africa. The expansion of agriculture and an increase demand for forest products (particularly close to rapidly growing urban areas) and fires. It was estimated that in 2000 alone 186,000 ha of the region's woodland were destroyed by fire (African Development Bank, European Commission & FAO 2003: 4). These are issues that need to be taken seriously in order to promote growth in the furniture industries in Southern Africa. The status quo suggests that both raw material and labour is readily available, but for the SADC to expand its furniture industry there is a need to ensure high quality output and access to the large markets.

Of the SADC countries only South Africa, Malawi, Mozambique, Namibia, Tanzania and Zambia produce a significant amount of furniture. However, South Africa is by far the largest producer, the bulk of the manufacturers being small-scale producers. In total there are today about 1,400 furniture producers in South Africa, out of which 80% have less than 50 employees. The majority of furniture producers are situated in Western Cape, KwaZulu-Natal and Gauteng. Namibia and Malawi are ranked number two and three, respectively, in terms of size of furniture production. Even if there is not much activity in many of the region's furniture sectors it is important to keep in mind that there are no natural barriers to successful production in these countries. On the contrary, in terms of climate, these areas are generally better suited for furniture production than South Africa, due to superior growing conditions for timber.

Table 2: Forest cover in Southern Africa

Forest cover in Southern Africa in 2000				
COUNTRY	Total land area (000 ha)	Total forest (000 ha)	% of land area (%)	Total forest plantation (000 ha)
Angola	124,670	69,756	56.0	141
Botswana	56,673	12,427	21.9	1
Lesotho	3,035	14	0.5	14
Malawi	9,408	2,562	27.2	112
Mozambique	79,409	30,601	39.0	50
Namibia	82,329	8,040	9.8	0
South Africa	121,758	8,917	7.3	1554
Swaziland	1,720	522	30.3	161
Zambia	74,339	31,246	42.0	75
Zimbabwe	38,685	19,040	49.2	141
Total Southern Africa	591,336	183,125	31.0	2,173

Source: FAO 2001

Table 3: Loss of forest cover

Forest cover loss in Southern Africa 1990- 2000			
COUNTRY	Forest area		
	1990 (000 ha)	2000 (000 ha)	Annual Change (000 ha)
Angola	70,998	69,756	-124
Botswana	13,611	12,427	-118
Lesotho	14	14	0
Malawi	3,269	2,562	-71
Mozambique	31,238	30,601	-64
Namibia	8,774	8,040	-73
South Africa	8,997	8,917	-8
Swaziland	464	522	6
Zambia	39,755	31,246	-851
Zimbabwe	22,239	19,040	-320
Total Southern Africa	199,359	183,125	-1623

Source: FAO 2001

6. Trends in World Trade

As already mentioned, the global furniture trade has been growing steadily since the 1960s. The growth rate from 1997 to 2005 is illustrated in Figure 3, which shows an average nominal growth rate of 8.6% over that period. However, the growth rate has not been stable, reaching a low point in 2001 (negative growth of -1% from the previous year) and peaking in 2004. The graph shows trade measured in value and part of the reason why a negative growth occurred in 2001 could be the fact that many manufacturers in the countries producing high quality/price furniture were struggling due to the entry on the global markets of Chinese producers and cheap furniture products. More importantly, the performance of the global furniture industry is very vulnerable to fluctuations in demand. General economic conditions affect consumer confidence and household spending in the form of personal disposable income. Low growth (and rising unemployment) therefore has a negative impact on the demand for furniture. Other determinants of the demand for furniture include access to credit and the level of interest rates. Due to the fact that furniture is a discretionary purchase it is an easily deferred purchase when spending is tight. This results in a diminishing trade in furniture when the global markets are experiencing GDP contractions. Many of the world's largest markets were experiencing negative GDP growth rates already in the beginning of 2001- a trend that was further emphasised by the September 11th attacks which led to a general decline in consumer confidence. The result this had on the world's furniture industries is displayed in Figure 3).

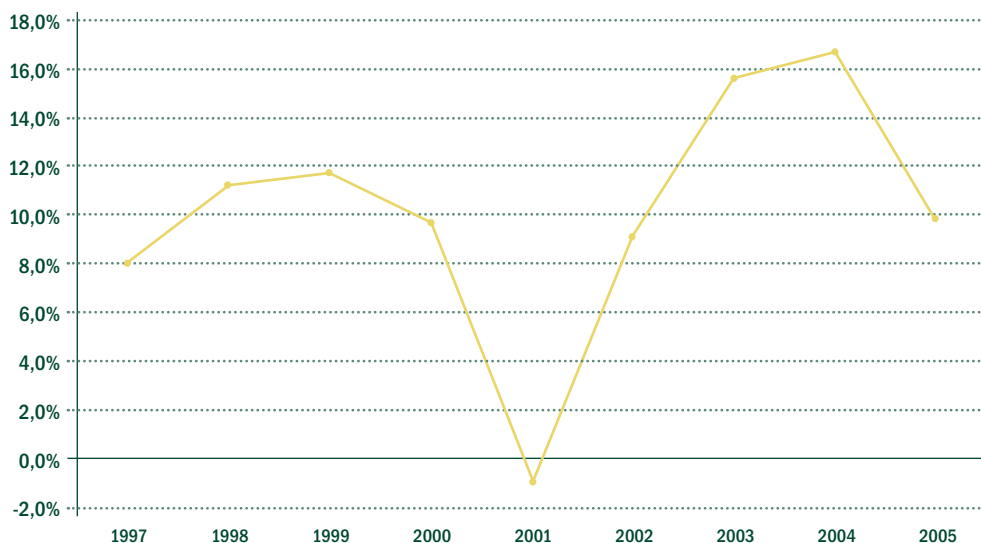
Traditionally the EU and NAFTA have been the regions dominating world furniture trade, however the trend of furniture trade taking place between industrialised countries has changed over the last year with the entry of China into the global furniture market. While the traditional leaders in the furniture industry, Germany, Italy and Canada, are still amongst the top furniture traders, new entrants such as China, Indonesia, Malaysia, Poland and Brazil are continuously expanding their global market share. With the entry of these new players the global furniture prices have fallen forcing furniture manufacturers in the SADC region (and elsewhere) to increase productivity in order to remain competitive.

6.1. Major Exporters

When looking at furniture exporters it is useful to firstly divide them into regions. The main exporting regions are, as already mentioned the EU, NAFTA, ASEAN and East Asia. In addition to this, the SADC and Mercosur (Mercado Comum do Sul)³ regions will also be brief-

³ Mercosur consists of Argentina, Brazil, Paraguay and Uruguay.

Figure 3: Annual % change in world furniture (HS Code 9403)



Source: WITS

ly discussed. In order to determine exactly what kind of competition SADC furniture producers are facing the data from these regions will be broken down in order to examine the major exporters in the various regions such as Germany, Canada, China, Indonesia, Malaysia and Brazil. The spotlight will particularly be on the latter three due to the fact that these are likely to compete with SADC producers for the same consumer groups.

6.1.1. The European Union

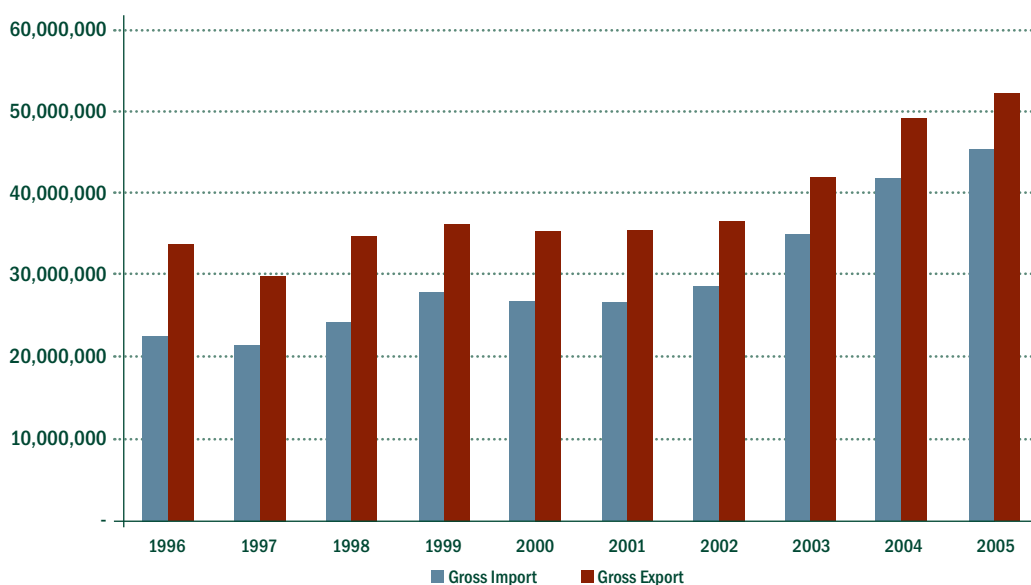
Figure 4 demonstrate the fact that the European Union is large both in terms of export and import. Furthermore, the EU's trade in furniture has increased from 1996 to 2005. Export increased by 6.2% on average in the time period, while import increased on average by 11%.

The European Union accounts for more than 40% of world exports of furniture with Italy, Germany and Poland amongst the top ten global exporters. In 2005, almost 75% of EU exports went to other EU countries. Table 4 shows that intra-EU export increased by 24.6% from 2001 to 2005. (Bear in mind that while this TIB generally uses US Dollars as denomination, the data in this table is in Euros. This table is added, however, due to the valuable contribution it makes in terms of growth rates). Much of this increase is due to increased production and subsequently trade amongst the new EU members. While furniture exports from countries such as Germany and Italy have remained relatively unchanged over the time period (Italy actually experienced a negative growth of -10.4% from 2001 to 2005), new members like Poland and the Czech Republic experienced tremendous growth rates over the same time-period- illustrated in Table 5 and Table 6. Table 4 also shows that extra-EU export decreased by 2.8% (Net Present Value- NPV), this is partly explained by falls in exports to the US, the largest export destination outside of the EU. The fall in demand of higher quality/price furniture product in the US is mainly due to a shift in preference away from furniture from the EU15 and Canada, towards lower quality/price imports from countries such as China.

Poland and the Czech Republic are possible obstacles to Southern African furniture producers' quest to expand their international market share. Therefore these two new EU members will receive extra attention. Both these two countries export a large amount of pine, and have a competitive advantage due to low transportation costs, especially in terms of furniture export to the EU markets. However, as Table 5 shows Poland has experienced a more rapid increase in export to the NAFTA region (where the US is the main consumer of Polish furniture), than to the EU- a fact that suggests that it is not solely the low transportation costs that have enabled them to increase furniture production and exportation. The majority of Polish furniture is destined for the German market, followed by France, the US, the Czech Republic and Sweden. Both Germany and Sweden are large importers of Polish furniture-keeping in mind that many large actors in the German furniture industry as well as the main one in Sweden (Ikea) have partly outsourced production to Poland, it is likely that Poland's furniture industry produces components which are exported to firms in the home countries where they are further manufactured before exported to other markets.

Table 6 displays the development in the furniture industry in the Czech Republic which has, much in the same way as the Polish one, experienced a growth rate in the past 10 years. The fastest growth in export is seen in the Czech expansion on the NAFTA market, however it is important to keep in mind that this growth has occurred from a much smaller base than the growth of Czech furniture export on the EU market and in 2005 almost 15 times more Czech furniture was destined for the EU market than the NAFTA market. An interesting fact associated with Table 5 and Table 6 is that neither Poland nor the Czech Republic have developing countries as important trade partners. SADC was added in Table 6 in order to illustrate how little trade actually occurs between the new EU members and the SADC region.

Figure 4: EU total export & import (HS9403) (US\$'000)



Source: WITS

Table 4: EU export (€million/tons)

	2001		2003		2005		Annual avg growth (NPV)
	value	volume	value	volume	value	volume	
Total EU	27,884	7,707	29,921	8,233	29,921	9,728	1.8%
Intra-EU	18,980	4,292	18,295	5,897	23,641	7,538	5.6%
Extra-EU	8,904	3,648	9,187	2,336	7,950	2,190	-2.8%
Developing countries	1,418	367	1,563	395	1,674	497	4.2%

Source: CBI Market Information Database & own calculations

Table 5: Polish export (US\$'000)

	1996	2000	2005	Annual average growth (NPV)
EU	589,690	815,901	1,607,936	11.8%
NAFTA	12,497	59,190	162,176	32.9%
Germany	433,254	475,139	657,392	4.7%
France	28,626	48,868	146,681	19.9%
United States	9,435	50,610	119,814	32.6%
Czech Republic	16,228	29,923	107,108	23.3%
Sweden	24,577	46,584	97,644	16.6%
World	842,387	1,051,372	2,154,474	11.0%

Source: WITS

Table 6: Czech Export (US\$'000)

	1996	1999	2002	2005	Annual average growth (NPV)
EU	168,869	215,244	257,762	411,242	10.4 %
NAFTA	3,598	8,549	14,233	28,874	26.0 %
SADC	10	3	12	29	11.8 %
Austria	18,532	15,667	28,024	43,751	10.0 %
Germany	101,856	131,369	122,737	159,630	5.1 %
Italy	883	1,603	2,262	2,768	13.5 %
Netherlands	11,553	9,313	12,221	20,770	6.7 %
Poland	2,116	4,194	6,507	14,810	24.1 %
Slovak Republic	12,300	11,875	18,703	34,073	12.0 %
United Kingdom	2,942	9,572	23,197	38,618	33.1 %
United States	2,799	7,100	11,021	23,831	26.9 %
World	200,017	244,908	291,659	475,883	10.1 %

Source: WITS

6.1.2. NAFTA

The amount of export from NAFTA to the various regions in the world is illustrated in Figure 5. From this figure one sees that the majority of furniture export is actually intra-NAFTA. Similar to the intra-EU trade the intra-NAFTA trade reinforces the fact that traditionally the main producers and exporters of furniture are not large net exporters. Other important trade partners are the EU and East Asia. The amount of furniture being sold to SADC countries is too small to even show on the graph. Again a pattern appears showing that in terms of furniture the industrialised countries do a substantial amount of trading with each other. The NAFTA countries are, as discussed in section 5 producers of higher quality/price furniture which is sold to markets which also manufactures a substantial amount of similar quality products in

the same price range. The market for such products in the developing world (like for instance the SADC) region is very small.

Canada is the largest exporter in the NAFTA region with total furniture export in 2005 amounting to almost US\$ 3.5 bn. As can be seen from Table 8, Canadian furniture manufacturers export almost exclusively to the US (the proportion of Canadian export being consumed in the US equalling to as much as 97% of total Canadian export). The US furniture exports experienced a decline from 2000 to 2004, but US furniture has since then been picking up and in 2005 the value of US exports was US\$2,1bn. Compared to its neighbours up north, Mexico is tiny- furniture exportation amounting to US\$ 700m in 2005.

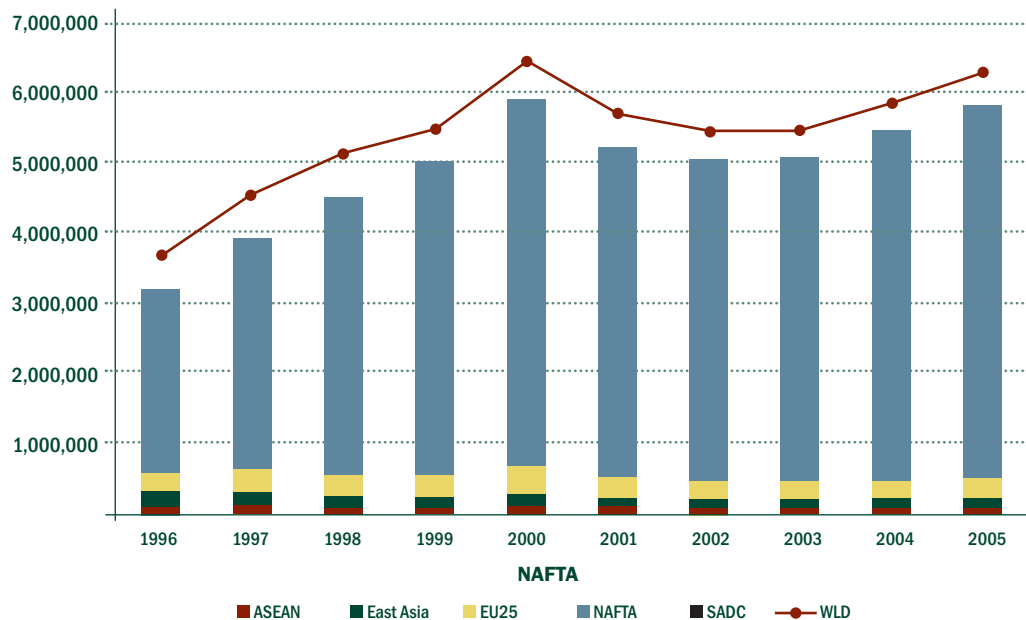
Table 7 shows that the amount of NAFTA export to industrialised countries such as the UK, Germany and Japan decreased from 2000 to 2005, and that the overall NAFTA export dropped by 1.9% over the same period. This trend is emphasised when looking at Figure 5 which illustrates the same development in more detail. A peak was reached in NAFTA exports in 2000, but the industry then contracted and only started expanding again in 2004 and 2005. The reason for this contraction is partly the shift in consumer preference away from regionally produced, relatively expensive, furniture- towards cheaper furniture imported from China. Furthermore, as explained earlier, the contraction in the large global economies generally influences the furniture negatively. While exports to East Asian countries and other developing regions have remained relatively constant, it is the trading within NAFTA and with the EU that has been the driving force behind these changes. However, the NAFTA export figures seem to have improved in the last two years, possibly as a result of a robust economic growth in the region (and in other major markets) which improved consumer confidence and ultimately allowed for increased spending on durable consumer goods such as furniture.

Table 7: NAFTA countries' export of HS Code 9403

NAFTA EXPORT (by countries) (2005) (US\$'000)			
	2000	2005	Change in export (%)
The United States	4,169,993	4,066,922	-0.5 %
Canada	854,140	1,001,254	3.2 %
Mexico	229,676	255,105	2.1 %
United Kingdom	175,858	112,276	-8.6 %
Japan	119,723	63,565	-11.9 %
Cayman Islands	6,586	36,045	40.5 %
Saudi Arabia	69,851	33,609	-13.6 %
China	18,336	33,410	12.7 %
United Arab Emirates	16,707	33,090	14.6 %
Germany	53,510	28,241	-12.0 %
WORLD TOTAL	6411688	6,290,900	-0.4 %

Source: WITS

Figure 5: NAFTA export of furniture HS9403 (US\$'000)



Source: WITS

Table 8: Canadian export (US\$'000)

	1996	2000	2005
NAFTA	1,547,336	3,423,092	3,368,122
The US	1,547,159	3,422,658	3,365,439
EU	34,197	35,571	32,458
World	1,638,825	3,509,183	3,467,479

Source: WITS

6.1.3. ASEAN

The majority of the ten ASEAN members have large and rapidly growing furniture industries. Indonesia has traditionally been the leading nation, but Malaysia, Thailand and Vietnam have experienced rapid growth in furniture exports. Inter-ASEAN export was close to 10 times larger in 2005 than in 1996, Singapore has traditionally been the main consumer of ASEAN furniture products, but as illustrated in Table 9 the amount has decreased over the last couple of years.

The ASEAN producers generally export cheap furniture and have a competitive advantage due to their relatively low labour costs. Figure 6 shows exports from ASEAN countries to various regions as well as the total ASEAN export. (Note that export of HS Code 9403 to the world is measured on the secondary axis and is thus twice as high as it appears to be from the graph). It is also evident that the amount of furniture exported from this region has grown tremendously in the last decade. In 1996 the value of total export from ASEAN was approxi-

mately US\$500m while it had almost reached US\$3.5bn by 2005. The major ASEAN trade partner is NAFTA, where particularly the US has been an important trade partner in the last decade. ASEAN export to the US grew from approximately US\$ 400m in 1997 to US\$ 1.4bn in 2005, which is equal to an average annual growth of 15.5%. Exports to Canada grew even more rapidly, at an annual average of 21.3%, but from a much smaller base- increasing from less than US\$ 20million in 1997 to more than US\$90million.

While more ASEAN furniture exports were sold on East Asian markets (where Japan is the major consumer) than the EU in the late 1990s, this has changed and since 2002 the EU surpassed East Asia and is today the second largest receiver of ASEAN exports. In the EU the United Kingdom, France, the Netherlands and Italy are all amongst the top 10 importers of ASEAN furniture (illustrated in Table 9). The proportion of ASEAN export destined for the SADC region, on the other hand, is minimal- reaching the value of US\$ 31m in 2005 (although the increase has been quite steep- from US\$ 800,000 in 1996).

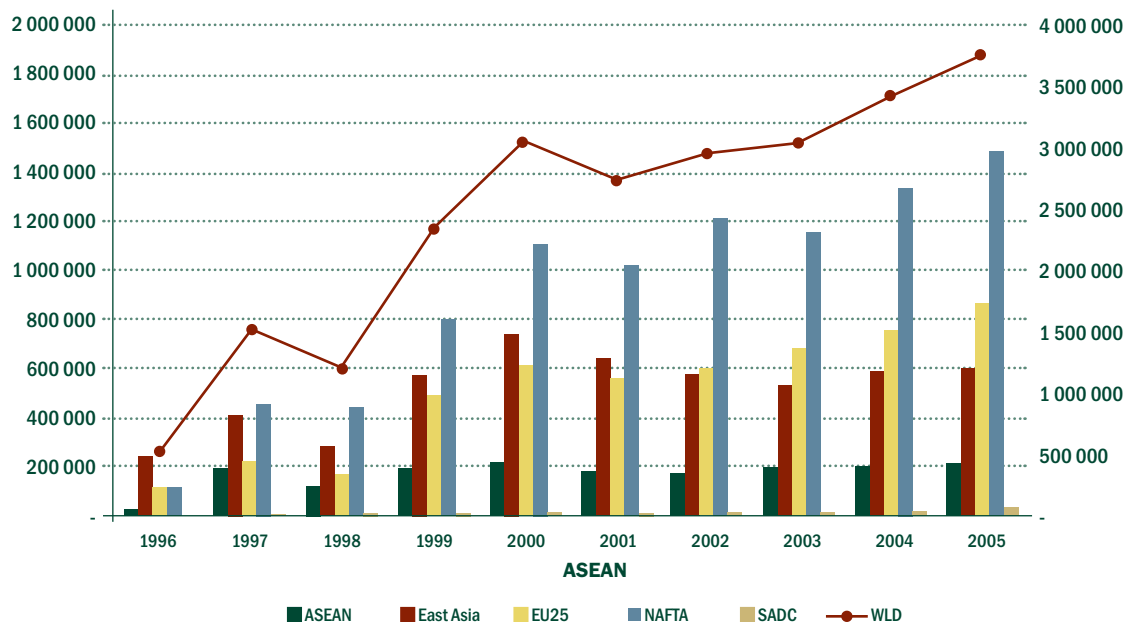
Malaysia is the world's ninth largest furniture exporter- its furniture trade performance is illustrated in Figure 7 (export measured on the secondary axis). Malaysian furniture producers are responsible for roughly 43% of total ASEAN export- making it a giant in the ASEAN furniture industry. Approximately 80% of furniture exported from Malaysia is wooden furniture and two-thirds of this is destined for the US market. As can be seen in Figure 7, Malaysia's furniture exports have grown tremendously in the last 10 years, and it is furthermore estimated to grow between 7-9% in 2007, this growth is, however, threatened by a shortage of timber supply (Furnitureglobal.com). The increasingly large market share consumed by Malaysian furniture producers is important to be aware of for SADC furniture manufacturers seeking to export their products due to the fact that the Malaysian produced furniture is attractive to the same consumer group as SADC producers ideally would supply. Malaysian furniture is generally considered to be of higher standard than for instance furniture originating in China, and it is thus of paramount importance for SADC producers to differentiate the goods exported through for instance an increased focus on innovation in fields such as design- in order to efficiently compete with Malaysian furniture manufacturers.

Table 9: Consumers of ASEAN furniture export (HS Code 9403) (US\$'000)

Export from ASEAN (US'000)					
	1997	1999	2001	2003	2005
United States	435,568	747,672	960,464	1,070,477	1,383,293
Japan	293,119	462,870	547,689	448,398	486,004
United Kingdom	73,593	154,699	188,392	207,316	229,823
Australia	109,951	98,951	96,699	140,347	175,252
France	24,345	71,787	75,647	115,238	106,343
United Arab Emirates	26,407		62,265	99,656	97,332
Netherlands	29,973	70,655	65,515	80,994	97,281
Italy	23,300	21,245	28,071	41,481	97,087
Canada	19,692	39,794	59,460	76,547	92,202
Singapore	126,403	129,343	108,696	115,238	83,127
World	1,522,421	2,340,065	2,735,549	3,028,379	3,736,607

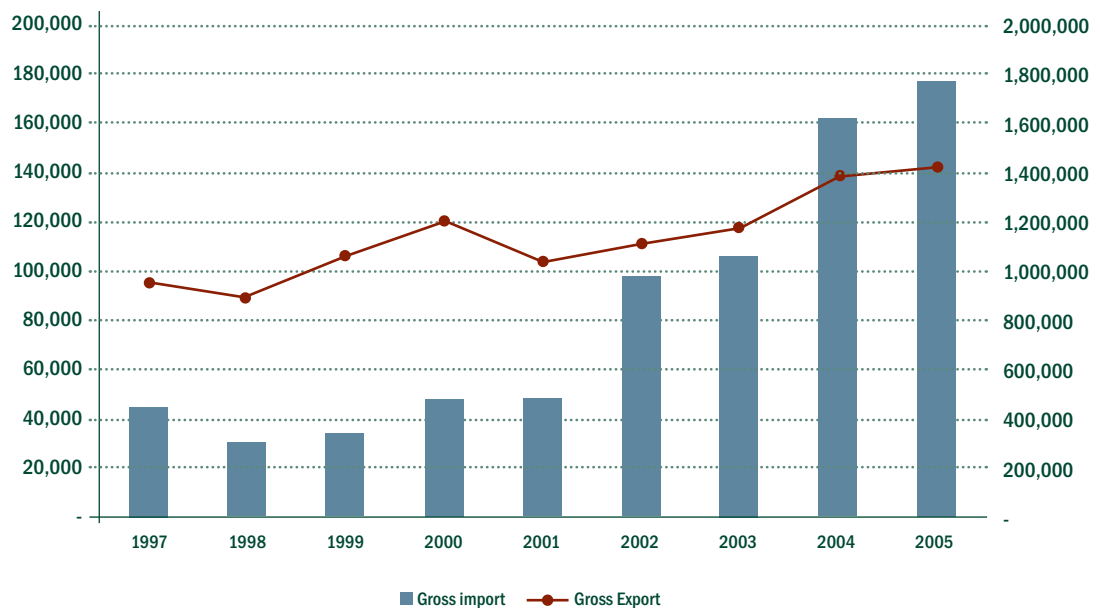
Source: WITS

Figure 6: ASEAN export to regions (HS9403) (US\$'000)



Source: WITS

Figure 7: Malaysian export (HS Code 9403) (US\$'000)



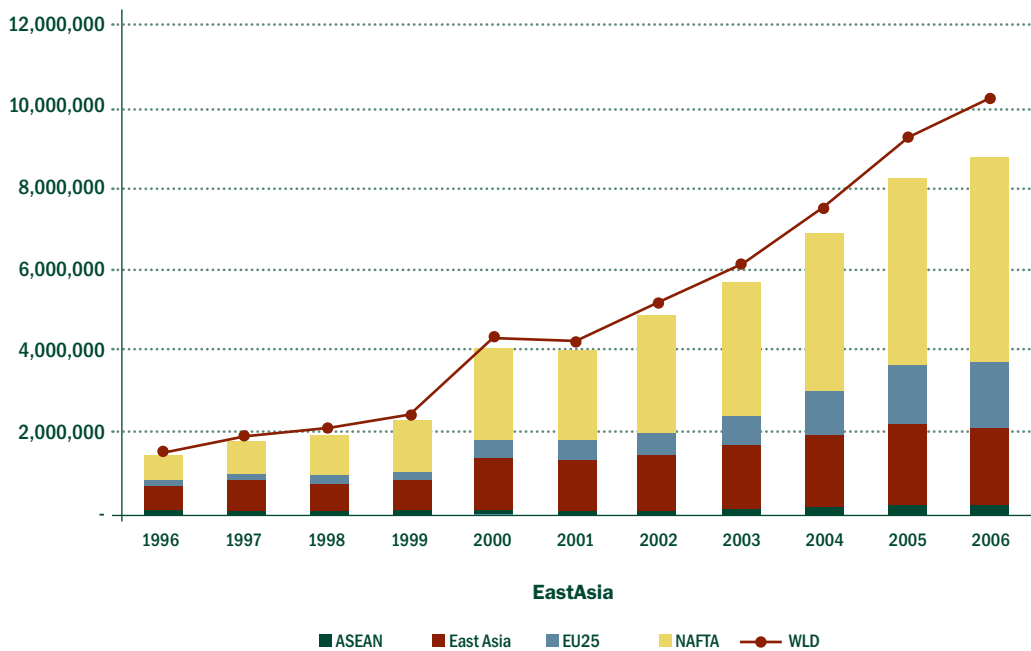
Source: WITS

6.1.4. East Asia

It becomes apparent when looking at Figure 8 that East Asia has experienced, similarly to ASEAN, a period of tremendous growth in export of furniture products. The total value of export from East Asia has increased on average 63,2% per year from 1996 to 2005 (illustrated in Figure 8). Similarly to ASEAN export the majority of furniture export from the East Asian region is destined for NAFTA, where the US is, yet again the largest consumer.

China is, of course, responsible for the largest chunk of East Asian growth in the furniture sector. Exports from China more than trebled in value from 2001 to 2005 and increased even more in volume terms. China's furniture export which in 2005 had the value of almost US\$ 8bn, constitute 85% of East Asia's furniture export (total export from East Asia being US\$9.2bn in 2005). Other furniture producers in the East Asian region being Japan and Taiwan, where the former mainly produces higher quality and price furniture, while Taiwan, like China, focuses on lower quality/price furniture. As can be seen in Table 10 China is mainly supplying industrialised countries. In fact, the total amount of SADC export from China was in 2005 approximately US\$ 35m. However, this trend is changing and it is expected that SADC imports from China will increase dramatically in the next few years. The reason behind this is that China is producing cheap furniture and while consumers in other regions of the world take other aspects such as quality into account before purchasing furniture, a vast majority of consumers in the SADC region do not have the luxury of doing this. Subsequently, the price is what generally determines the consumer preference and in this aspect China (and ASEAN producers) has the upper hand.

Figure 8: East Asian export (HS9403) (US\$'000)



Source: WITS

Table 10: The main consumers of Chinese furniture export (US\$'000) (HS Code 9403)

	1996	1999	2002	2005	Annual average growth (NPV)
NAFTA	312,230	807,335	1,768,789	4,024,769	32.9 %
EU	88,145	187,103	362,587	1,216,557	33.9 %
United States	301,278	784,612	1,685,981	3,794,137	32.5 %
Hong Kong, China	193,580	308,537	490,455	759,351	16.4 %
Japan	130,421	194,076	369,915	692,034	20.4 %
United Kingdom	24,993	50,691	113,856	282,767	30.9 %
Canada	10,728	22,076	76,781	212,064	39.3 %
Australia	9,177	21,806	67,297	192,724	40.3 %
Germany	17,845	30,666	62,795	188,801	30.0 %
France	18,203	32,336	44,431	143,788	25.8 %
Netherlands	13,526	22,770	28,564	126,619	28.2 %
World	850,417	1,653,634	3,343,092	7,861,010	28.0 %

Source: WITS

6.1.5. South America

The largest exporter of furniture in South America is Brazil, exporting furniture to the total value of US\$ 783m in 2005. As shown in Table 11, the majority of Brazilian furniture export is destined for NAFTA and the EU. The six largest consumers (Argentina is the seventh largest one) of Brazilian furniture are all industrialized countries, with the US as the overall largest consumer of Brazilian furniture. Consequently one sees a general trend of Brazilian exports moving towards industrialized markets. Brazil offers Southern African furniture producers strong competition in the lower end of these markets as exporters of furniture made out of pine. Brazil does however, not only export pine furniture and the topic of Brazilian furniture production is (similarly to the Malaysian furniture industry) a rather controversial one due to the claim that much of the input going into furniture production is uncertified timber from the Amazon rainforests. This use of endangered timber species could place Brazil in a disadvantaged position in the increasingly environmentally aware markets of the EU and the US-where currently the majority of the consumers of Brazilian furniture is situated.

Table 11: Destination for Brazilian export

Brazilian export	1997	1999	2001	2003	2005	Annual average growth (NPV)
NAFTA	62,237	91,926	144,468	230,477	334,729	23.4 %
EU	184,950	167,873	166,289	245,252	294,529	6.0 %
SADC	416	322	1,646	9,844	21,355	63.6 %
United States	59,631	89,274	137,240	215,625	312,375	23.0 %
France	62,754	59,509	66,786	88,971	105,418	6.7 %
United Kingdom	30,589	33,531	36,243	58,003	57,569	8.2 %
Spain	341	1,189	3,134	13,858	36,084	79.1 %
Netherlands	43,234	29,262	22,037	32,990	35,052	-2.6 %
Germany	42,142	34,982	19,920	26,239	28,224	-4.9 %
Argentina	24,764	36,323	46,766	7,562	19,350	-3.0 %
World	299,298	331,814	405,127	557,646	783,163	12.8 %

Source: WITS

6.1.6. Southern Africa

SADC is, as mentioned earlier, not a major player in the global furniture industry. In fact, total exports from Southern African countries contribute less than one percentage towards total world trade. South Africa is without a doubt the largest furniture producer and exporter in the region, composing as much as 80% of total SADC furniture export. The total value of furniture exports from South Africa in 2005 was approximately US\$124m. South African exports are mainly pine knock-down household furniture (beds, wardrobes, desks and tables), small house ware items (for instance wooden kitchen utensils and ironing boards), DIY products (including shelves and doors) and to an increasing extent Saligna garden furniture. Key export destinations for South African furniture manufacturers are the UK, Germany, the US and Australia (the destination for SADC export is illustrated in Figure 10).

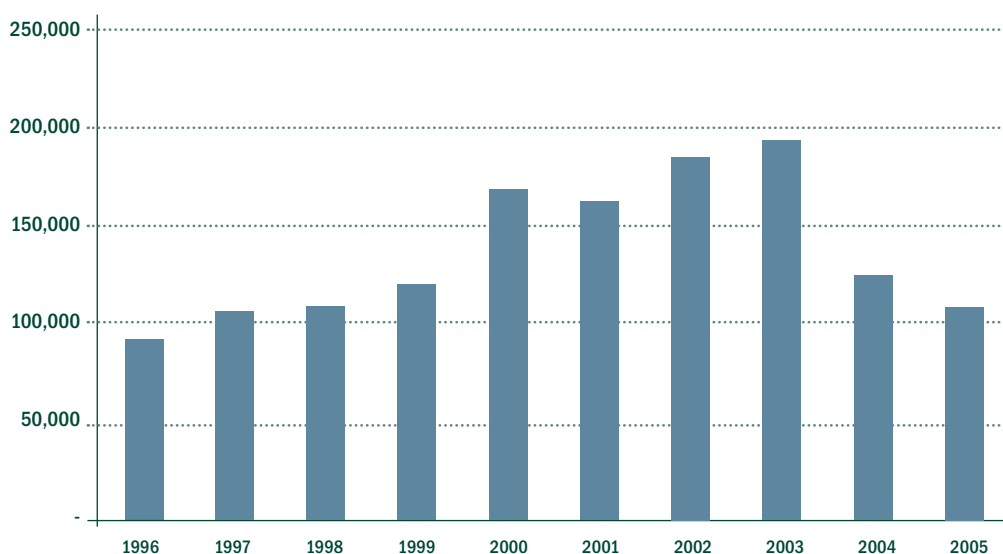
South African furniture manufacturers are facing harsh competition from especially Brazil and Poland as developing markets focusing on the exportation of low cost pine products. Both these two countries are better situated in terms of proximity to markets- NAFTA and EU, respectively. Arguably, sufficient measures have not been taken to differentiate South African products and to subsequently being able to receive a higher price premium on exported furniture. Instead focus has been on increasing the sale of pine furniture, a product that carries a very low premium. In order to improve the South African furniture industry one needs to look at measures which differentiate local products, such as using timber of higher value and upgrading production through training and design enhancements. One measure that has been taken is the certification of South African forest plantation under the Forest Stewardship Council (FSC). Due to the fact that the FSC is highly regarded, especially in the UK market a substantial amount of SA producers (roughly 85%) has been FSC certified. As mentioned earlier FSC certification could potentially play a crucial role when competing with Brazil for increased global market share. The issue of FSC certification will be further discussed in section 7.2 exploring the topic of market access.

As can be seen in Figure 9 SADC's furniture export of furniture has not increased much from 1996 to 2005. Although the value of furniture exported increased steadily from 1996 to 2003 (with a setback in 2001- which is illustrated in Figure 1 as a global trend) one sees that the decline from 2003 to 2005 has been sufficiently large to only lead to an increase from approximately US\$ 91m in 1996 to approximately US\$ 107m in 2005, which equals an annual average growth rate of 1.8%. A peak was reached in 2003 when the value of total SADC export reached US\$ 190m. Figure 11 further emphasises the fact that

South Africa is by far the major exporter of furniture in the region (South African furniture export is measured on the secondary axis- and is consequently ten times larger than the primary axis). Moreover, it shows that besides South Africa it is only Zimbabwe and Swaziland that is engaged in export of furniture products.

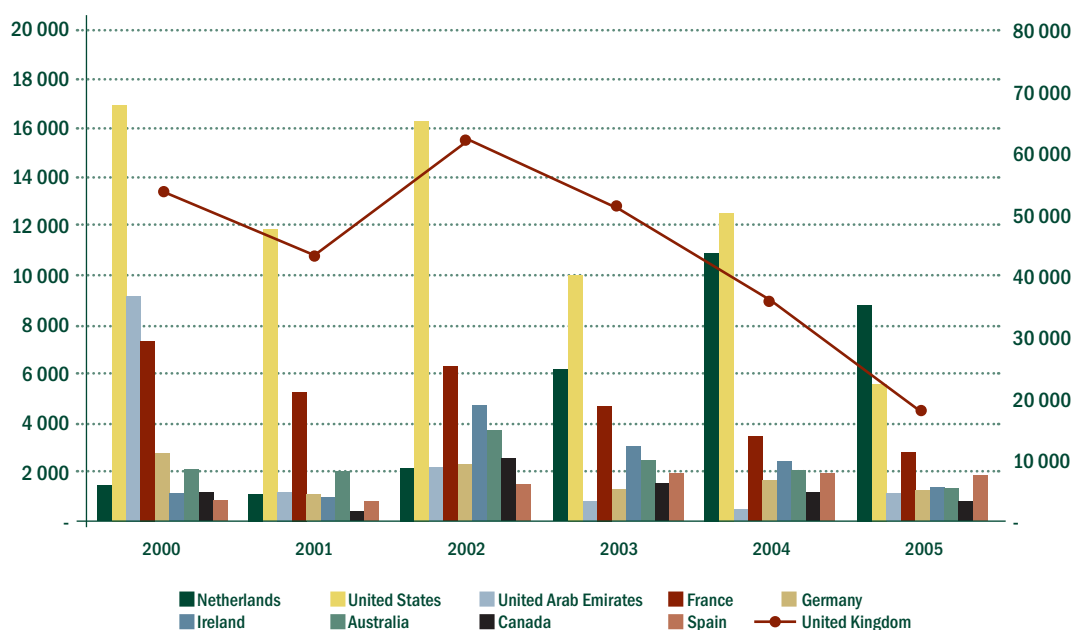
Figure 10 shows some of the largest importers of furniture from the SADC region (note that UK imports are measured on the secondary axis and is consequently four times larger than the other trade partners). This graph shows that the main destinations for Southern African furniture exports are all developed countries, in the same way as Brazilian furniture export. A small proportion of this export is high quality/price, such as Saligna furniture from South Africa. The majority however, is low-cost pine furniture where Southern African exporters are competing with Brazil and Poland, where the latter has an advantage on the EU market in the shape of cheap transportation due to the proximity of markets. The issue of proximity to the major market is a serious one for SADC furniture producers. High transportation costs drive the price of pine furniture up making SADC products less competitive. A possible solution to this problem is to alter production, increase training and highlight the importance of design enhancement and subsequently export differentiated products with a higher premium. Furthermore, South African producers should consider using other inputs than pine- for instance FSC certified hard wood.

Figure 9: SADC export to WORLD (HS9403) (US\$'000)



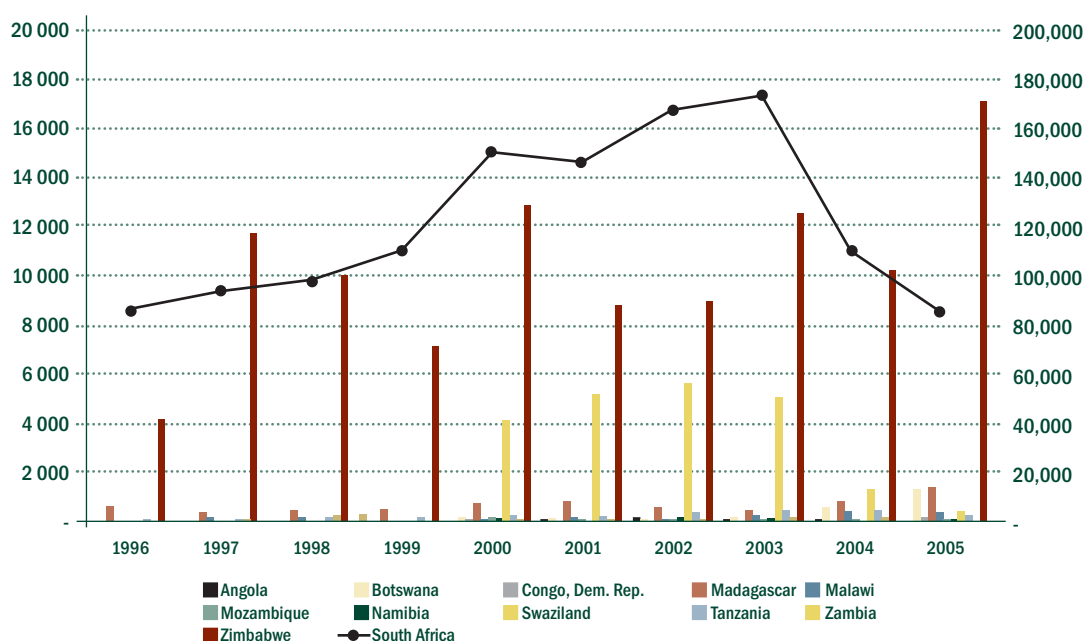
Source: WITS

Figure 10: The top destination for SADC furniture export (HS Code 9403) (US\$'000)



Source: WITS

Figure 11: SADC export to world, by country (HS9403) (US\$'000)



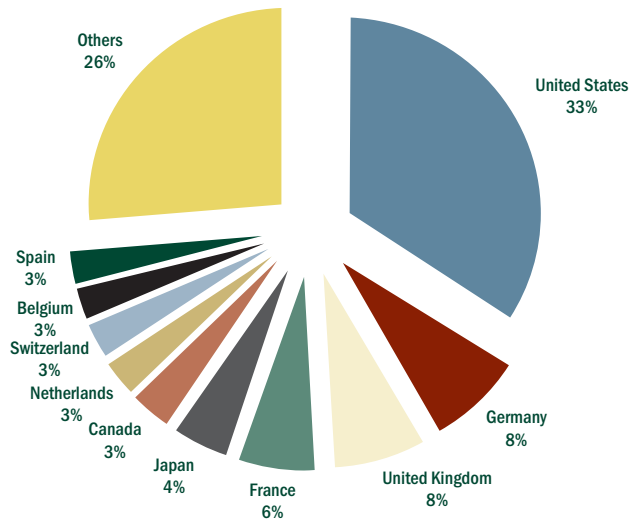
Source: WITS

6.2. Major Importers

As already established developed countries are the largest importers of furniture. Figure 12 displays the world's main furniture importers, and their respective share of imports. It quickly becomes evident that every single one of the top 10 importers of furniture are industrialised countries. The US is by far the world's largest importer of furniture (importing 33% of the world's traded furniture). In terms of regions, the EU

is the largest importer of furniture in the world, importing furniture to the value of US\$ 22.5bn, followed by NAFTA which imported furniture to the value of US\$ 20.5bn in 2005.

Figure 12: World's top 10 importers



Source: WITS

6.2.1. The European Union

As mentioned above, the European Union is the leading importer of furniture in the world. In 2005 the EU imported 10,703,000 tons valued at € US\$ 22,5bn which is more than 50% of global import (Table 12). Germany, the largest European importer of furniture, accounted for one fifth of all EU imports (measured in value). Between 2001 and 2005 total EU furniture imports rose by 7.8% measured in volume and 5.5% measured in value (both NPV), the only three countries that did not increase the amount imported over this time period were Germany, Austria and the Netherlands. The fact that import increased more in volume than in value suggests that although there was an overall increase in imports the majority of the expansion came from an increased demand for low quality/price furniture. The majority of furniture imported by EU countries comes from other EU members- in fact in 2005 68% of total EU import was intra-EU. Extra-EU import on the other hand declined by 63% from 2001 to 2005, and only accounted for 8% of EU furniture consumption in 2005. This fact on its own does not sound very promising for SADC furniture producers, although the picture may not be as bleak as it first appears: Even if extra-EU import decreased on a general level between 2001 and 2005, the share of import from the developing world (measured in volume) increased, over the same time period, from 16% to 28%. The value of imports did not increase at a similar rate which reinforces the claim that EU demand for lower quality/price is increasing- and the developing world has in general been able to respond to this demand. The role of developing countries in the supply of furniture to the EU has become increasingly important, but the growth in imports from the developing world is not evenly spread. China is, of course,

responsible for the majority of this increase in furniture imports, but also imports from the ASEAN region is gaining market share in the European Union. Indonesia, Vietnam and Malaysia have registered strong increases. The value of Chinese imports more than trebled from 2001 to 2005, and rose even more in volume terms. Southern African producers have not been able to respond to this increase in demand- and, not only is the SADC market share small, it has also been diminishing over the last few years, Figure 9 shows that Southern African export of furniture to the EU actually decreased (from US \$72m to US\$ 39m) from 1996 to 2005 (CBI Market Information Database 2006).

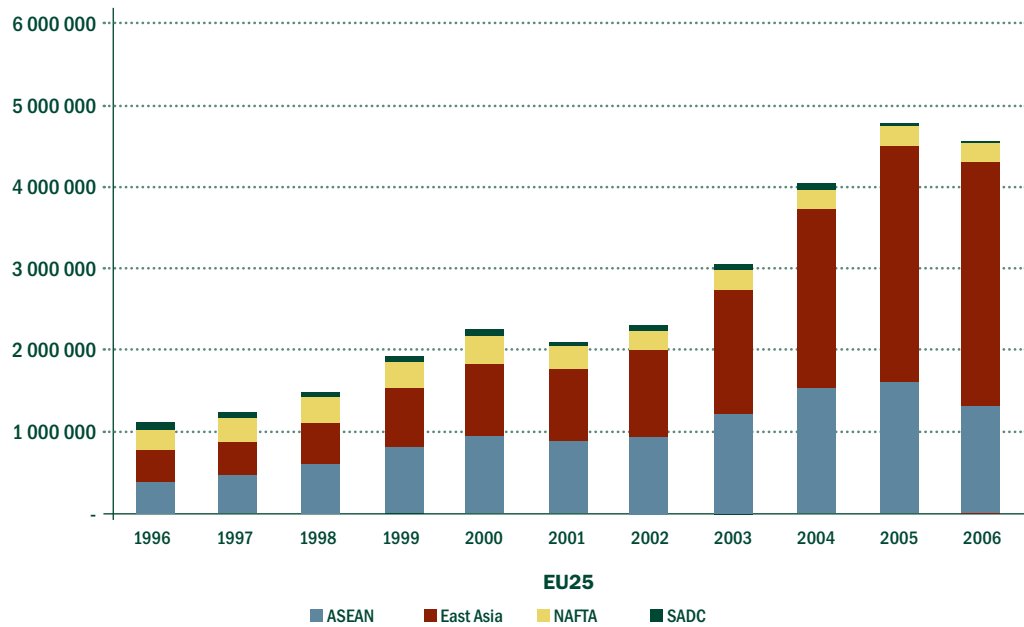
Although it would be difficult for SADC furniture producers to compete with cheap Chinese exports for market share in the US, this does not mean that there is no room for expansion for furniture manufacturers in the region. Instead of competing with China and the like for market access to the relatively saturated, highly polarized markets of the EU15 Southern African suppliers should focus on the new EU member markets (such as Cyprus, Greece, Poland and the Czech Republic), as these are far less saturated than those of the 'core' members. While the old EU market is polarizing into lower quality/price and higher quality/price sectors, the new EU members markets still have mid-range quality/price sector which could offer excellent export opportunities for furniture producers from Southern Africa. Furthermore, due to a shift from traditional to contemporary style furniture the EU market is on a general level more fragmented (this holds even for the 'core' EU countries) than it used to be thus creating opportunities for exporters in developing countries to find niche markets (in terms of, for example type of wood used, an original style etc) where they could sell their products without being severely affected by the increased competition and the subsequent decrease in global furniture prices (CBI Market Information Database 2006).

Table 12: EU imports (€million & tons)

	2001		2003		2005		Average annual change (NPV)
	value	volume	value	volume	value	volume	
Total EU	24,036	7,940	26,568	9,120	29,768	10,703	5.5%
Intra-EU	13,762	4,292	14,310	4,387	20,284	6,807	10.2%
Extra-EU	10,274	3,648	12,258	4,733	9,484	3,896	-2.0%
Developing countries	3,783	1,268	4,973	2,035	7,117	3,011	17.1%
Supplied by Asia	2,798	1,015	3,546	1,584	5,583	2,539	18.9%
Supplied by Africa	393	56	390	56	334	27	-4.0%
Supplied by Latin America	288	114	304	166	356	181	5.4%
Mediterranean/ Middle East	230	61	350	93	395	112	14.5%
Balkan countries	70	20	275	82	331	92	47.5%

Source: CBI Market Information Database 2006

Figure 13: EU import HS9403 (US\$'000)



Source: WITS

6.2.2. NAFTA

Examining Figure 14 and Figure 15 it quickly becomes apparent that not only is NAFTA's furniture import growing fast, but that the majority of this growth comes from the quickly expanding furniture industries in East Asian countries. World imports in Figure 14 are measured on the secondary axis with values that are twice as large as the primary axis. The majority of the growth associated with East Asia in this case comes from China (Import from China measured on secondary axis in Figure 15). Chinese exports, as discussed in section 6.1.4, have increased dramatically over the past decade (not only in regard to the furniture industry). The Chinese have been able to supply global markets with cheap furniture products due to low labour costs and technological advancements in areas such as packaging (for instance Ready To Assemble - RTA) which reduces transportation costs. The demand for furniture products from Vietnam has also grown substantially over a short period of time. While the amount imported in 1997 was less than US\$ 1million this figure had by 2006 grown to US\$ 1 billion. Imports from Malaysia have also grown, although not as fast as China and Vietnam, the amount exported from Malaysia to the NAFTA region had the value of US\$ 240m in 1997, while in 2006 it had reached US\$ 800m.

A further aspect worth noting is the fact that although the total amount imported has increased, intra-NAFTA import has more or less stagnated. One of the reasons for this is that consumers in the US have taken advantage of low priced imports from other regions. The share of the US in global imports rose from 21 to 33% between 1993 and 2002 (Kaplinsky & Morris 2006: 51). This shift in preference (largely due to

price) amongst US consumers has mainly benefited Asian furniture producers, first and foremost Chinese producers but also those from Indonesia, Thailand and Vietnam. Imports from EU countries such as Italy have, similarly to intra-NAFTA imports stagnated or even declined. This fact further emphasises the shift in preference amongst NAFTA consumers away from high quality/price towards lower quality/price furniture.

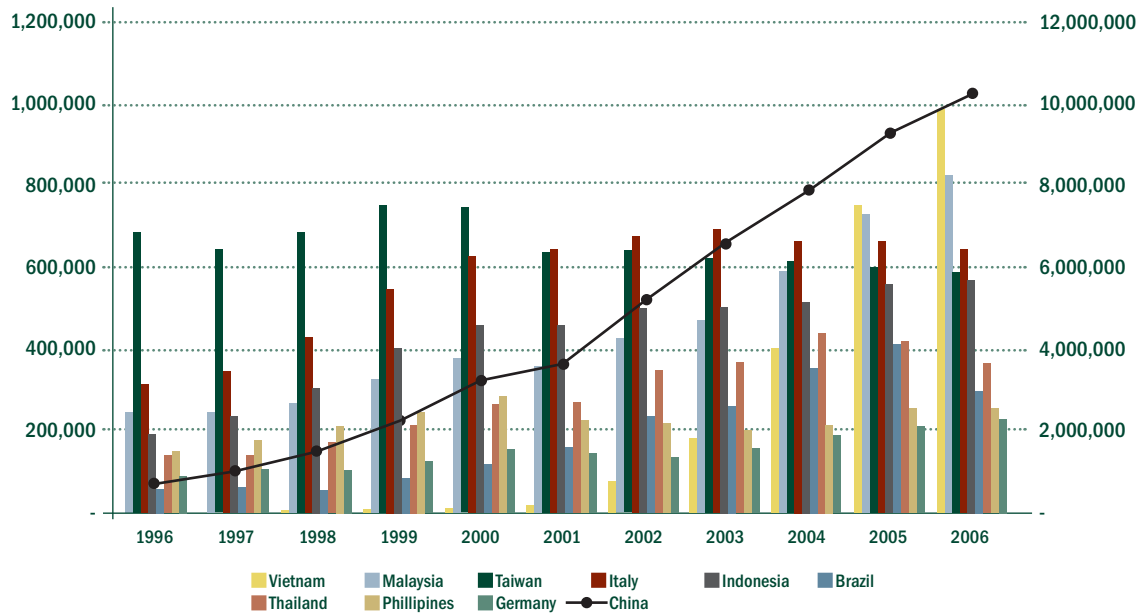
In much the same way as when exploring the EU market one sees in Figure 14 that SADC is barely visible on the graph. However, NAFTA's consumers have indicated an increased interest for imported products that are cheaper than the ones produced on the domestic market, and SADC furniture could take advantage of this and increase their market share in this large and lucrative market. One way in which this can be done is through creating a distinguished 'look' for products coming out of the region and it would be of paramount importance to make sure that SADC products are not placed in the same category (in terms of quality as well as price) as the Chinese. First of all, Southern African producers cannot compete with Chinese input prices in terms of labour. Secondly, Chinese imports do not always have a good reputation in the NAFTA region- a fact that SADC furniture exporters can take advantage of and export furniture that is cheaper than similar products manufactured in one of the NAFTA countries, but is of better quality than products from China.

Figure 14: NAFTA import by region (US\$'000)



Source: WITS

Figure 15: NAFTA's top 10 import partners (US\$'000)



Source: WITS

Canada, the major exporter of furniture in the NAFTA region, is also a large importer of furniture. The total value of furniture imported by Canada in 2005 amounted to US\$ 1.8bn in 2005, and originated mainly (but to an increasing degree) from other industrialised countries such as Italy, Germany and the US. The new (and rapidly growing) addition to the import list over the last 10 years is of course China. Mexico, on the other hand, is not a major player in the market for furniture import. The value of imports in 2005 was US\$ 260m, the biggest import partner was NAFTA countries, but additionally a small amount of high quality/price furniture from Spain was consumed by Mexicans. Furthermore, yet again, lower quality/price from China is to an increasing degree being imported into Mexico. Once again one finds a further reinforcement of the fact that the majority of the world's furniture market are polarising into high quality/price and lower quality/price sectors.

6.2.3. Asian imports

In Asia the major importing countries of furniture are Japan, India, Singapore and China. As can be seen in Figure 16 Japan is a large net importer of furniture- importing furniture worth US\$ 2.3bn in 2005, while exports only reaching US\$ 60m. Furthermore, Table 13 offers a more detailed breakdown of where the imports in Japan originate from. This table clearly illustrates that the majority of furniture products destined for the Japanese market originates from China. Other Asian countries, such as Vietnam, Thailand Indonesia and Malaysia are also strongly represented on the Japanese furniture markets. EU producers on the

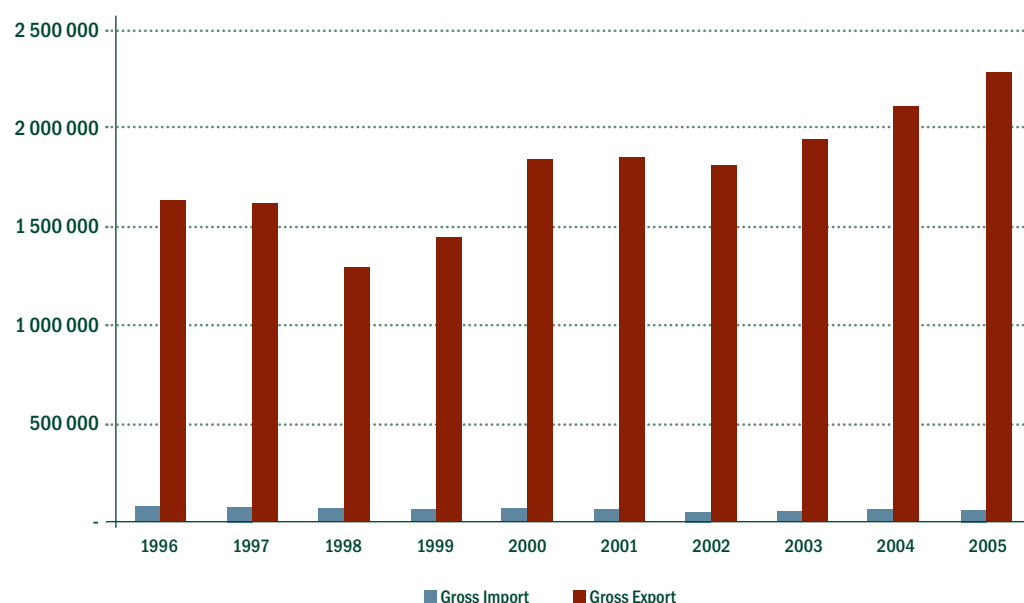
other hand, play a relatively small role on the Japanese market (although the amount of German and Austrian export to Japan has grown substantially over the past 10 years). Singapore has traditionally been a large importer of furniture in the ASEAN region, but is similar to Japan mainly importing from its neighbours (Singapore's import from ASEAN is shown in Table 9). India on the other hand is not a large furniture importer, but it is a rapidly expanding market- making it ideal as a possible destination for SADC export due to the fact that this market (like most emerging markets) has not yet polarised into low quality/price and higher quality/price sectors and is also far from maturity. Figure 17 illustrates the rapid growth in furniture imports that has taken place in India.

Table 13: Major Japanese trade partners - where does Japan import furniture from? (US\$'000)

Japanese import	1997	1999	2001	2003	2005	Average annual growth (NPV)
East Asia	619,410	628,521	895,925	1,010,237	1,250,558	9.2%
ASEAN	595,741	546,709	645,362	616,205	687,298	1.8%
EU	250,761	175,215	225,793	263,454	294,338	2.0%
SADC	741	180	204	29	64	-26.4%
China	188,584	258,369	552,633	758,258	1,018,776	23.5%
Taiwan, China	371,069	315,317	298,397	208,019	187,559	-8.2%
Vietnam	53,306	66,773	107,766	130,932	183,664	16.7%
Thailand	184,580	157,751	177,944	176,401	180,762	-0.3%
Indonesia	209,060	170,139	177,604	150,568	142,558	-4.7%
Malaysia	113,020	116,911	142,324	105,514	119,749	0.7%
Germany	28,198	22,095	33,112	56,263	78,192	13.6%
Austria	11,209	16,604	36,121	48,737	71,075	26.0%
Italy	98,273	61,773	79,753	81,517	70,386	-4.1%
World	1,615,752	1,445,251	1,861,604	1,954,111	2,288,778	4.4%

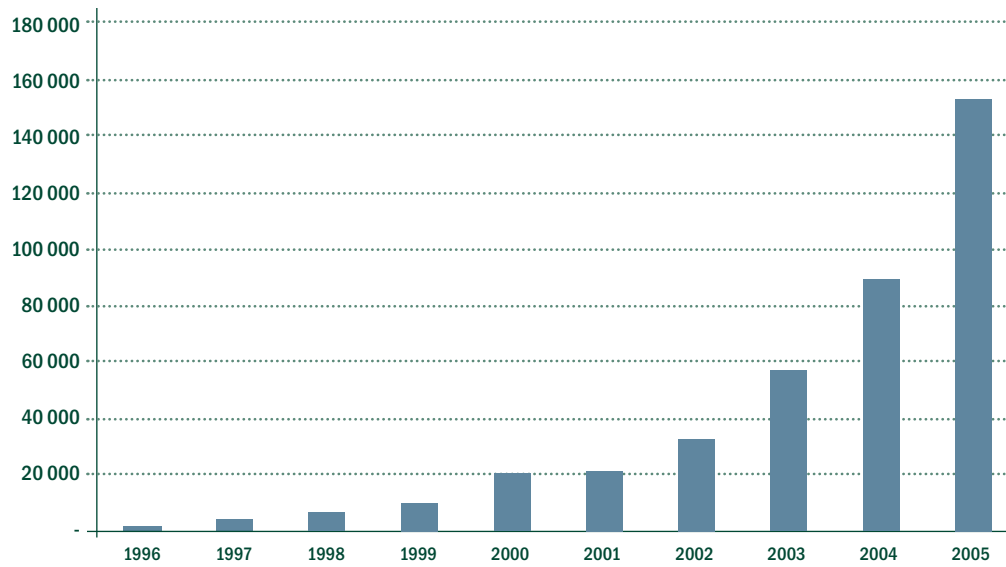
Source: WITS

Figure 16: Japanese imports & exports (US\$'000)



Source: WITS

Figure 17: Indian furniture import (US\$'000)



Source: WITS

Figure 18: Australian export and import of furniture (US\$'000)



Source: WITS

6.2.4. Australia

The Australian furniture industry is heavily dependent on imports (as seen in Figure 18). While the amount of Australian furniture exported has remained relatively stable, the import aspect has grown steadily (with an exception in 2001- much according to the general trend in the global furniture sector). Table 14 shows that the majority of furniture destined for the Australian market come from Asian producers (although Italy and New Zealand are Australia's fifth and sixth largest supplier of furniture). Germany is the developed country that has performed best on the Australian market, but once again China

has managed to capture the greatest market share. This simultaneous growth by two countries producing vastly different types of furniture (the former geared towards the high-end of the market while the latter mainly producing for the lower-end) suggests that the Australian market, like the EU15 has become polarised into high quality/price and lower quality/price sectors. Consequently, SADC exporters (as well as other producers who have not traditionally been producing for the high-end market) wanting to access this market will need to differentiate the products exported in order to receive a higher price premium.

Table 14: Origin of Australian imports and value (US\$'000)

	1997	1999	2001	2003	2005	Average annual growth (NPV)
China	25,612	36,890	69,207	152,755	326,646	37.5%
Malaysia	29,921	47,073	40,130	56,331	76,654	12.5%
Indonesia	33,554	34,384	28,014	43,834	46,514	4.2%
Vietnam	1,489	4,590	8,240	22,470	35,768	48.8%
Italy	23,067	24,964	25,340	32,731	32,741	4.5%
New Zealand	25,426	30,407	23,456	26,842	25,826	0.2%
Taiwan, China	20,120	21,323	16,697	17,183	21,460	0.8%
Germany	3,316	4,814	6,587	12,852	21,178	26.1%
United States	17,185	13,679	14,569	14,857	17,124	0.0%
Thailand	3,056	4,761	4,515	9,437	15,255	22.3%
World	231,403	276,905	282,124	466,808	733,711	15.5%

Source: WITS

6.2.5. SADC

The SADC region is far from being one of the major importers of furniture, however, it is still worth briefly exploring the Southern African import market. A substantial amount of the import in Southern Africa comes from other countries in the region, where South Africa is by far the largest exporter (as well as the main importer of furniture). According to Table 15 South Africa imported furniture to the value of US\$ 131m in 2005, which is almost five times higher than Namibia's import, the second largest importer in the region. In other words, while SADC is an insignificant player in the global furniture market and is thus a price-taker, it is also evident that South Africa completely dominates the regional furniture industry. South Africa's largest import partners are Germany and China. Expensive high quality furniture is imported from Germany, while cheaper and lower quality furniture originating from China is sold on the South African market.

Table 15: SADC furniture import (2005)

Country	US\$ '000
South Africa	131,108
Namibia	28,101
Zambia	13,538
Tanzania	12,734
Mozambique	12,547
Mauritius	9,944
Malawi	8,113
Madagascar	4,222
Total SADC import	220,308

Source: WITS

7. Market Access

In terms of market access it is generally useful to divide this section into tariffs and Non-Tariffs Barriers (NTBs). The reason for this is that the given tariffs (the duty) alone do not necessarily offer a complete picture of the situation facing a manufacturer seeking to get involved in exporting.

7.1. Tariffs

The global furniture trade is rather liberal and most items exported are free from duties. The most important structural phenomenon of the past decade is possibly the increased degree of openness that has occurred in world's furniture markets. Table 16 shows that the European Union import duties range from 0 to 5.6%. Import duties are only payable on kitchen furniture (HS940340) and furniture produced from cane, osier and bamboo. Neither of these types of inputs is particularly common in Southern Africa and it is consequently fair to argue that in effect it is only SADC producers of kitchen furniture that will be liable to pay duties when exporting to Europe. Furthermore, it is worth noting that there are no quantitative restrictions- often referred to as quotas- for imports of furniture into the EU. For more detailed information regarding tariffs facing furniture producers seeking to sell their products on European market, the following two websites provides information: http://ec.europa.eu/taxation_customs/index_en.htm and http://www.cbi.nl/marketinfo/cbi/?login=true&action=downloadFile&doc=2467&typ=mid_document

The Canadian market is, similar to the EU market, relatively liberalised, with import duties ranging from 0-6% for furniture manufacturers from Southern African countries. Furniture made of metal and plastic for office use will enter the Canadian market duty free as well as wooden office furniture and furniture parts. When exporting to Canada, SADC furniture producers will get beneficial tariff rates under the General Preferential Tariff (GPT) system. Where countries with the right to GPT treatment face 6% tariffs, Most-Favoured Nations (MFN) producers on the other hand will have to pay a tariff rate of 9.5%.

The US market for furniture is even more liberalised than the EU market, where SADC furniture manufacturers are facing no duty on their products. More information from the United States International Trade Commission (USITC) is available at: http://dataweb.usitc.gov/scripts/tariff_current.asp

No import duties are payable for SADC producers who wish to enter the Japanese furniture market. For more information about exporting to Japan: http://www.customs.go.jp/english/tariff/2007_4/data/94.htm. India, on the other hand, has relatively high tariff rates on furniture, but is according to the Indo-Italian Chamber of Commerce and Indus-

try in the process of liberalising furniture trade, for more information: <http://www.bo.camcom.it/ALTRI-SERV/DEPOSITO-D/Seminari-s/Report-Furniture.pdf>

In terms of exporting to Australia, SADC furniture producers are faced with a 5% tariff rate. For more information on Australian tariffs on furniture imports from the SADC region go to: http://www.dfat.gov.au/trade/negotiations/us_fta/final-text/Annex2b_Tariff_Elimination/Annex_2-B_Australia_Tariff_Schedule.pdf

Without a doubt, the tariff- or duty rates are not the problem behind the lack of expansion into export markets by Southern African furniture producers. With very few exceptions (kitchen furniture being an important exception) furniture products from all the 13 member countries of SADC are facing a zero tariff rate when exported to the major global markets.

Table 16: Tariff rates on 'Furniture and parts thereof' (HS9403)

HS Code	The US	Canada	The EU	Japan	Australia	India
940310	0	0	0	0	5%	36%
940320	0	5%	0	0	5%	36%
940330	0	0	0	0	5%	36%
940340	0	6.0%	2.7%	0	5%	36%
940350	0	6.0%	0	0	5%	36%
940360	0	6.0%	0	0	5%	36%
940370	0	0*	0	0	5%	36%
940380	0	0	5.6%	0	5%	36%
940390	0	0	2.7%	0	5%	36%

Source: United States International Trade Commission; CBI Market Information Database; Japan Customs; Canada Border Service Agency; Indo-Italian Chamber of Commerce and Industries

*If not for industrial use a 6% tariff applies.

7.2. Known Non-Tariff Barriers (NTBs) to Trade

Before entering the export market there are various Non-Tariff Barriers (NTBs) a furniture producer will have to consider. Issues such as 'eco labelling' and phytosanitary testing can make a larger difference in terms of cost and profits than the legal taxes facing a producer wanting to sell his furniture on the international market. More information regarding this can be found on: <http://www.cbi.ni/marketinfo>; http://www.oecd.org/contactus/0,3364,en_2649_36251006_1_1_1_1_1,00.html; and http://fmwww.bc.edu/ec-p/data/nbercd2/ntb_oecd.html

One example of a Non-Tariff Barrier is the Forest Stewardship Council (FSC) certification. The issue of FSC certification will be briefly discussed in this section in order to illustrate an example of a NTB as well as to show the important role such a matter plays regarding advantages and disadvantage in terms of trade. Markets for certified forest products are mainly located in Europe and the US and it is estimated that these markets will grow exponentially in the next couple of years.

The Forestry Stewardship Council was founded in 1993 as an international non-profit organisation to support environmentally appropriate, socially beneficial, and economically viable management of the world's forests through creating an international labelling scheme for forest products, which provides a credible guarantee that the furniture comes from a well-managed forest. The Council consists of a diverse collection of representatives from environmental and social groups, the timber trade and the forestry profession, indigenous people's organisations, community forestry groups and forest product certification organisations from around the world. Certification takes place through independent profit making certification bodies accredited by the FSC and operate throughout the world. These are evaluated and monitored to ensure their competence and credibility, conducting assessments of forests operations against a set of predetermined set of standards developed by the Council. This allows wood to be brought to markets as 'certified wood' bearing the FSC trademark logo. To ensure that all products manufactured from timber reflect the certification these accredited licensed organisations conduct inspections all along the supply chain to verify and certify chain of custody systems for products from certified forests (Morris & Dunne 2003: 253).

The majority of furniture producers in South Africa are FSC certified. It was believed that becoming FSC certified would cause a price premium on products sold on, especially, European markets. However, this did not occur, instead one sees that for instance to sell furniture products to German buyers one is required to have the products FSC certified, meaning that no price advantage exists for those who are certified, it merely opens a market that would otherwise be out of bound. It is believed that the majority of the major markets of the world will in the future (as the consumer becomes more environmentally aware) demand a FSC certification. Today, the importance of gaining FSC certification lies in the fact that if a firm cannot reassure demanding customers about the sustainability of their products they lay themselves open to potential risk and loss of business. If they can do so, they position themselves advantageously for entering niche markets and new avenues of profitability. (For more information about FSC certification: www.sgs.co.za).

Another system of certification is the ISO14000 series. The ISO14000 differs from the FSC system in the way that while the latter focuses specifically on forest management certification, the ISO14000 series offers a framework for the certification of environmental management systems. The reasons why FSC seems to have been favoured in South Africa, above ISO14000, is that 1) market signals were clearly pointing to FSC as being the favoured environmental certification programme in the key South African export markets; 2) ISO 14000 series is viewed with some scepticism among many manufacturers, and is often viewed as a 'set of rules about how to write rules' making it a poor vehicle for expressing environmental awareness; 3) FSC is a simpler system and certification costs are lower than is the case with the ISO14000 series (Morris & Dunne 2003: 258).

Although South African manufacturers that are FSC certified cannot, as earlier assumed, sell their products on international markets at a higher price, it offers them hassle free access to many markets which competitors are excluded from. One example of this is the fact that furniture producers in Malaysia and Brazil (both competing for the same consumers as SADC producers) often struggle to gain market access due to the controversy around the use of endangered timber from the rainforests. The high degree of certification in the SADC regions offers the producers a very much needed edge when competing for market share in the mid range quality/price sector with producers from other emerging markets.

8. The Way Forward

The wood furniture value chain- as displayed in section 4 - has the potential to play an important role in promoting growth and alleviating poverty in Southern Africa. Many industrialising economies have used the furniture industry as one of the primary stepping stone to promote growth and diversify economic structures. The importance of the furniture industry in this regard is amongst other things found in the fact that it is labour-intensive and the start-up costs associated with this industry is relatively low (compared to other sectors). Most SADC countries have very high unemployment rates which could be decreased through an expansion of the furniture industry. This large pool of relatively cheap labour available in Southern Africa could with minimum training take part in this expansion.

As already mentioned the furniture industries have played a paramount role in many now-industrialised countries. The model of 'the Third Italy' has been used by countries such as Malaysia (and to some extent Brazil) in their quest to expand the furniture sectors, and Third Italy will thus be explored here in order to determine whether it can be used to achieve economic growth and development in Southern Africa. The particular type of industrial development referred to as 'the Third Italy' has been characterized by the growth of a large number of local networks of flexible, small and medium-sized firms, specialising in craft-based industries (such as furniture). It is often suggested that the particular social structure (common value and norms to mention two) in the Third Italy offered a basis on which this type of industrial development could take place. Two keywords in terms of the development that occurred in Third Italy are "trust" and "social capital" which not only stimulated interaction and coordination between the local actors but also enhanced the flexibility of the local production systems in many respects.

Trust is needed in order to overcome the barrier associated with competition and social capital is necessary due to the fact that the firms involved were small and could not afford the cost related to for instance marketing and exportation of their products, thus they were dependent on financial support from governmental structures. In other words, state support and inter-firm cooperation in areas of design, marketing and production made it possible for small-scale producer not to only maintain their positions, but to expand it considerably, and thus create economic growth.

A third major characteristic, beside state support and inter-firm cooperation, is flexibility. Some of the producers also acted as sub-contractors for larger firms by producing components, semi-finished products, or by finishing and assembling furniture. In Italy these firms

where other, larger Italian firms, but more recently one sees examples, specifically in Brazil, where a group of small-scale producers manufacture furniture components for large foreign firms. This gives the industry greater flexibility, and it enhances technical skills, thus enabling small producers to respond quicker to market changes (CBI Market Survey 2006). The positive effect of the cluster development in Italy taking place in the early 1960s led to Italy becoming the major producer and exporter of furniture- a position they maintained for 40 years, only surpassed in recent years by Germany.

Important similarities exist between the position of Italian furniture producers in the 1960s and contemporary SADC furniture manufacturers and although it is not suggested here that the model of Third Italy should be precisely copied and applied to the Southern Africa furniture sectors, lessons could definitely be learnt by this model that brought about such positive results for countries as different as Italy, Brazil and Malaysia.

The current obstacles and limitations for expansion of furniture industries in Southern Africa includes the lack of security of supply (of high quality timber), inadequate infrastructure and lack of training- both technical and in terms of design. An issue linked with this is the lack of information- many SADC producers are not aware of the current trends in the global furniture sector. Adding the fact that these trends change very rapidly should sufficiently stress the importance of this problem. As a consequence SADC manufacturers produce the 'wrong' type of furniture. South African furniture producers need to focus on niche markets instead of exporting cheap pine (that is viewed to be of inferior value compared to pine from the Scandinavian countries) to the European market, especially the EU15. These obstacles can be difficult to overcome by small-scale SADC producers on their own, the cost of which would simply be too high, which is where the importance of cluster development similar to Third Italy comes in. With the establishment of clusters all these obstacles could be solved without large costs to the individual producers. The technical upgrading that will take place as a result of training and sharing of knowledge will increase the price of products manufactured in the region and an intensified focus on design will ensure that the demand for SADC furniture will remain high.

In terms of market opportunities this TIB has identified a trend towards polarisation - especially on established, industrialised markets. Many of these established markets (such as Canada, the US and the EU15) have experienced a polarisation into a low quality/price and a higher quality/price sector. This does not make it impossible for a producer from Southern Africa to get established in such markets, however, it will be rather difficult due to the fact that the timber currently used for furniture production does not belong in the high quality/price sector and, furthermore, not many producers in the region has thus far managed to brand themselves as producers of high quality/price furniture. In the lower quality/price sector Asian producers (mainly China, but also Vietnam, Malaysia and Thailand) are dominating and have a competitive advantage due to low labour costs and highly developed packaging and transportation techniques which ensure the supply of cheap furniture products.

There are two solutions available for SADC manufacturers to the problem stated in the preceding paragraph. Firstly, Southern African furniture manufacturers could upgrade their production process through improved training and alter production methods in order to differentiate furniture originating from the SADC region from furniture produced in Asian (and South America). This would result in a higher price premium on furniture from Southern African manufacturers. Secondly, they could shift their priority markets away from the EU15 towards the new EU members, such as Cyprus, Greece, Poland and the Czech Republic. All these new EU members' market is much less polarised and consequently excellent market opportunities exist for SADC producers to supply these economies with furniture in the mid range quality/price sector. A further benefit associated with the new EU members (as explored in section 6.2.1) is the fact that these economies are actually responsible for the increase in import into the EU, while traditionally strong markets such as Germany, Italy and the UK have stagnated, or even contracted, in the last decade.

It is not only in Europe that market opportunities exists for Southern African furniture manufacturers in terms of emerging markets. Another example is India. The growth in furniture imports in India was discussed in section 6.2.3. Similarly to the new EU markets the polarisation of demand has not developed as far in India as it has in markets such as Germany and the UK. Although a substantial amount of cheap Asian furniture is destined for the Indian market there are great opportunities for a SADC producer who can export furniture that will be considered exotic to the Indian consumer. Other markets that could become important consumers of differentiated furniture originating from the SADC region are Mexico, Japan and the United States. It might seem like a contradiction to suggest the US market as a possible area of growth for SADC furniture producers. As already discussed, this market has, like the EU15, polarised, and China has consumed a large percentage of the lower quality/price sector of it. However, there is a certain level of scepticism in the US regarding Chinese furniture (the Chinese toys⁴ saga has not helped China in any way) - although looking at the trade statistic one cannot help but wonder how strong this scepticism could possibly be. The US is a gigantic market and there are consumers who are not willing to pay the extra price for locally produced furniture, but that are looking for alternatives to Chinese imports. SADC producers could seize this opportunity to expand their market share in the US by supplying goods that are more expensive than Chinese furniture, yet cheaper than NAFTA-produced furniture. However, SADC furniture needs to present a distinguished look- clearly different from what the Chinese can offer.

The topic of differentiated products, or exotic furniture, is discussing in detail. Southern Africa is richly endowed with timber that does not grow in other regions, or that does at least not grow as efficiently in other regions. Exotic timber could be used in combination with other materials (metals, hides and plastic, to mention some) in order to create exotic, and highly demanded furniture. This could offer a competitive

4 For more information see: <http://www.timesonline.co.uk/tol/news/uk/article1674243.ece>

advantage for SADC furniture manufacturers through the production of exotic furniture which would offer a high price premium. The demand for exotic furniture is increasing, even in well-established (and often close to saturated) markets such as Germany, Italy, Canada and the UK. The reason for this is a shift from traditional to contemporary style furniture on many of these markets. Consequently they are becoming on a general level more fragmented than they used to be, which will allow SADC furniture exporters to establish themselves in niche markets. Of particular interest to these two large markets (the EU and the US) is ethnic furniture ('rustic' style non-upholstered seating, table sets, cupboards, stools etc); colonial furniture (luxury items in dark wood such as wengé, mahogany and cherry); small living room furniture; home office furniture; solid woods; and accessories (anything from fruit bowl, candle holders, vases, flower pots and lampshades) (CBI Market Survey 2006).

The example of the use of Saligna mentioned above illustrates how South African furniture manufacturers have managed to take advantage of the demand for exotic furniture and to identify a niche market, which has given them a competitive advantage compared to strong competitors such as Brazil and Malaysia. Saligna, a type of Eucalyptus that is not considered endangered timber, has been used in the production of furniture exports originating in South Africa. The competitive advantage is found in the fact that while strong competitors to South African manufacturers have received negative attention due to the claimed use of endangered timber in the production of furniture South Africa with one of the world's highest rates of FSC certification has become the preferred supplier in important markets. If other producers in the SADC region manage to follow the example set by South Africa and consequently ensure a high rate of FSC certification this could give regional producers a very much needed edge when competing for market share on the major global furniture markets.

To sum up this section, it is fair to suggest that in terms of market opportunities for Southern African furniture producers these do indeed exist - both in terms of the traditional strong markets, but more importantly in terms of new, emerging markets where the size of the middle-class, and consequently the demand for furniture, is growing. In order to supply these markets regional furniture manufacturers need to produce highly-sought after, value added furniture which will carry a higher price premium. The dismal performance of the furniture industries in Southern Africa up until now is not as much a result of a lack of demand for products originating from the region. On the contrary, the problems relate to the Southern African furniture industries' lack of cooperation between manufacturers in the areas of training, design and infrastructure, but also between manufacturers and the supplier of inputs (sawmills). Consequently, a more coherent body of furniture producers in the SADC region will allow for them to take advantage of the market opportunities that do exist - the result of which would be economic growth and prosperity.

9. Conclusion

The aim of this TIB has been to merely offer an outline of the trends in the global furniture industry, and to highlight export potential that are presently available to producers in the SADC region. Many constraints exist and further market research is required before attempting to penetrate a foreign market. However, from this preliminary research effort it is clear that product development needs to be a focal point in order for SADC furniture producers to successfully take advantage of the current market opportunities.

It seems that the reason for the poor performance of SADC furniture manufacturers is not found in the lack of accessible markets, but that it is instead the production phase that is causing inefficiencies. Looking at the furniture manufacturers as well as (moving upwards on the value chain) the producers of input it becomes apparent that the lack of cooperation within and between these two points on the value chain is causing production inefficiencies. In addition to this the lack of training- both technical and in terms of design, offer producers from other countries a competitive advantage they would not otherwise have when competing with SADC manufacturers for similar consumer groups. Contrary to what Southern Africa's furniture trade statistics suggest there are no natural barriers to successful production in this region which is richly endowed in terms of natural resources for both mainstream and niche market furniture production and exportation. By using these resources to manufacture value-added furniture products the SADC furniture industries could expand their market share and ensure a healthy growth in Southern Africa.

In terms of market opportunities the Southern African furniture producers have, like many dominant players in the global furniture market felt the pressure from the entry of cheap Chinese products- and the consequent fall of global furniture prices. Three steps should be taken by producers in the SADC region to ensure that they remain competitive and that the SADC furniture industry could consequently grow. Firstly, a production upgrade (in the shape of technical training) is required in order to increase the efficiency. A consequence of this will be higher-value output, which is more desirable on the global markets. Secondly, Southern African furniture producers should take advantage of the fact that timber considered exotic in many of the large markets grow naturally in this region. This offers an opportunity to manufacture products that are differentiated from those of the competitors, the output of which will be exotic furniture. Furthermore, as markets are becoming more fragmented it is easier to find niche market that SADC producers can supply at a higher price premium. The third point is related to the second one in that it focuses on niche markets. Southern African furniture

producers need to take advantage of the high FSC certification rate in the region. While other large competitors are often perceived as being non-environmental friendly in their furniture production, this is not so for Southern Africa- a fact that could give SADC producers a competitive advantage. Through a focus on a combination of these three points an expansion, and consequently economic growth, can be facilitated in the SADC furniture industries.



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