



DHAKA, MONDAY, APRIL 11, 2011, E-MAIL: business@thendaystar.net

# Furniture market taking shape

SAYEDA AKTER

THREE years back, Shafayet Ahmed ordered wooden furniture worth Tk 1.5 lakh to decorate his new office with sitting arrangement for nearly 25 people.

Desks, chairs and cabinets with drawers were the main items on the list then. In addition, the vendor had given him a few pieces of wooden handicrafts, including paperweights, pen and card holders and ashtrays for free.

"This year I needed furniture for another 15-20 people, as part of an expansion plan. I went to the same furnisher, thinking that like the last time, I would get delivery of the goods on time, not to question the high quality of the furniture," said Ahmed.

This time the shop owner refused politely. He said supplying the same furniture at similar costs would not be possible now, as the prices of seasoned timber, that is, price per cubic foot (cft) and the carpentry costs have doubled by this time, added Ahmed.

Many of his acquaintances advised Ahmed to go for alternatives, such as plastic or a mix of glass and other artificial materials. But Ahmed's preferred choice was wooden furniture.

"I think the elegant quality and durability of wooden furniture still make it the top choice whenever people go for buying home or office furniture. One can't afford to spend a lot of money to replace furniture every now and then," said the chief of an IT firm.

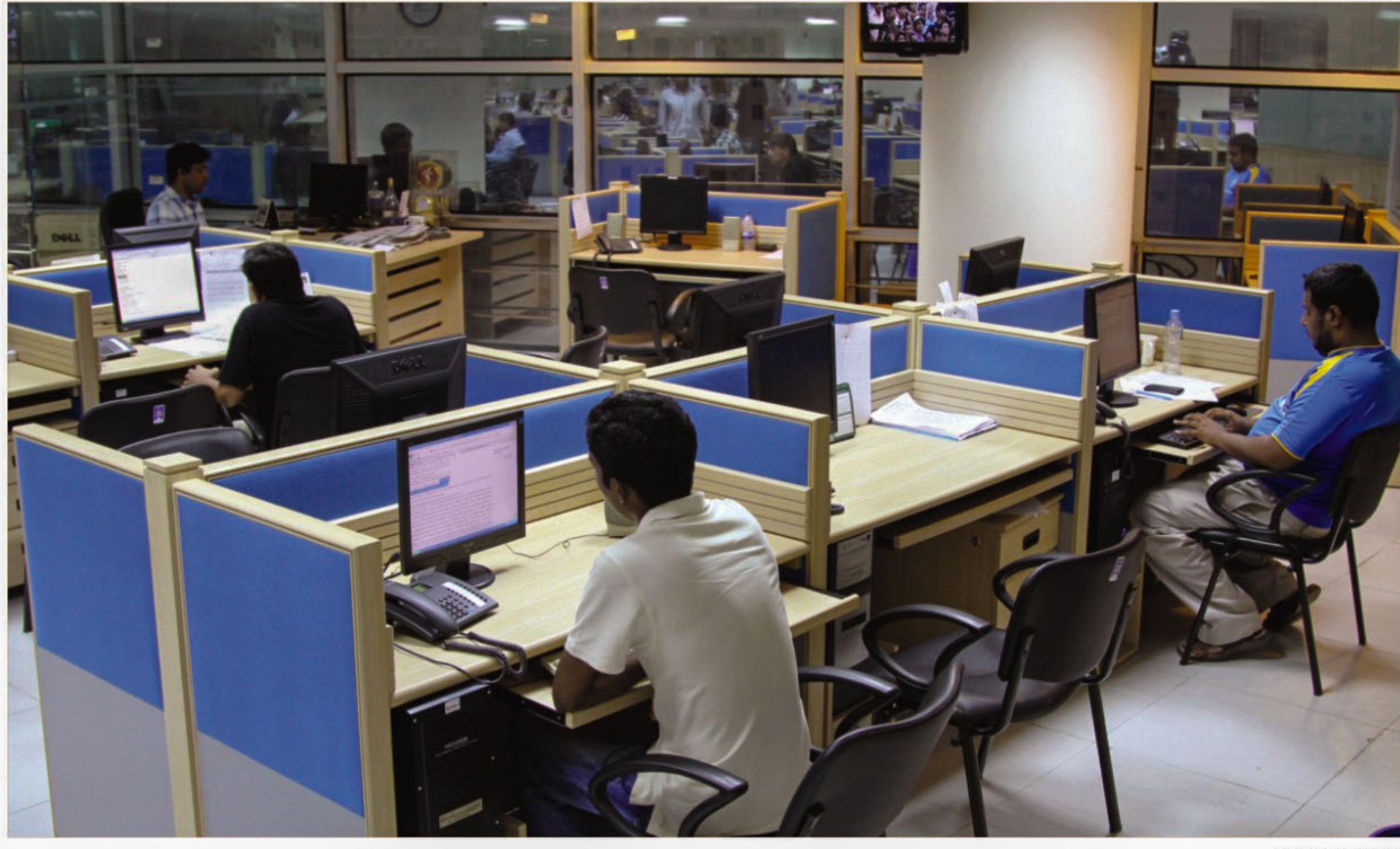
"You have a few options in hand -- wood or wrought iron. But considering aesthetic aspects, when you are mentally ready to spend a little more, you can't go beyond wooden stuff."

Ahmed is just one of thousands, if not more, who still believe that the glory of wooden furniture would not fade so soon although furniture materials were increasingly replaced by plastic, glass and artificial timber products in the past decade.

However, it is an interesting situation that the demand for wooden home furniture is declining, but the total volume of sales of wooden products is growing because of its demand in the corporate sector, said industry insiders.

"There's still no alternative to wood, when it comes to making doors and door frames, and furnishing an office. One of the main reasons

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The glory of wooden furniture will not fade so soon although furniture items are increasingly replaced by plastic, glass and artificial timber products.

behind this is that people prefer wood to wrought iron, because of comfort and longevity and of course, the elegant looks," said KM Akhteruzzaman, president of Bangladesh Furniture Industries Owners Association.

"These days, big corporations and business houses are building huge offices, where glass, aluminium and steel materials have replaced wooden door frames and window frames. But the ever growing corporate sector's orders for wooden office furniture have increased the sales volume," he explained.

Another trend has been noticed with the increasing use of branded furniture mainly since the 1990s, when local brands began to achieve a certain level of trust among the entrepreneurs who go for renovation and expansion of their businesses, he said.

At present, the size of the local furniture sector stands at around Tk 7,000 crore, said insiders.

To cater to these varied needs and trends, furniture makers keep products of various qualities and raw materials. Also, different groups of clients experience variations of local and imported goods and make their choices freely.

Generally, timber is used in manufacturing outdoor furniture, boat decks and other articles where weather resistance is necessary. It is also used for indoor flooring and as a veneer for indoor furnishings.

Of various timber types -- low and high cost -- teak has natural oils that make it suitable for use in exposed locations, where it is durable even when not treated with oil or varnish. Teak-

cut from matured trees grown slowly in natural forests is more durable and harder, while teak from young trees grown in plantations is more prone to splitting and water damage.

However, the demand for imported teak is still high among the careful buyers, said insiders.

"The reason for this is the fast depletion of our local teak everyday. The supply of timber from teak, especially of chapalish, garjon, gamari and many other varieties from Rangamati, Chittagong, Bandarban and Sylhet forests, has almost stopped for years," said Mohammad Bazlul Karim, secretary of the Mirpur unit of Bangladesh Furniture Owners Association (BFOA).

Now, the price of a cft of Burma teak, the most preferred teak, ranges from Tk 3,000 to Tk 7,000, while Chittagong teak, popularly known as shegun from Chittagong Hill Tracts, costs Tk 2,000-Tk 4,000 in the local market.

Oak and mahogany are also preferred for making cabinets and drawers. The prices of each cft of oak range from Tk 2,000 to Tk 3,000 and those of mahogany between Tk 1,500 and Tk 2,500, said the insiders.

"As our local sources are not capable of meeting the demand, we have to import timber. Supply shortage is another reason for the soaring prices of timber such as teak, the most favoured one," Karim said.

The shortage has been caused by the restrictions imposed on felling young tree resources in Bangladesh for the country's declining forest resources. This shortfall has been traditionally

met by imports from Myanmar and Malaysia.

The recent restriction on raw timber export by the Malaysian government has also hit the imports hard, while the cost of the Myanmar teak is too high for the Bangladeshi buyers.

These factors have forced local importers to look to the African and Latin American countries to ensure an improved supply, which they hope will help contain the present price rise.

Apart from traditional sources, such as Myanmar and Malaysia, the importers and wooden furniture makers are now sourcing timber from Nigeria, Ivory Coast and Ecuador.

"I have started importing from Ivory Coast due to the high prices of the Myanmar teak. I am planning to import from Nigeria as well," said Karim of BFOA.

"We are looking for the best possible sources. Any country we find helpful for our import would do," he said.

Nevertheless, the local business is growing. Bangladesh earned \$19.26 million from exports of wooden furniture in fiscal 2009-10, shows Export Promotion Bureau data.

The sector's contribution to GDP (gross domestic product) is 0.29 percent on average, while the industry is comprised of around 41,560 enterprises and employs nearly two lakh skilled and semi-skilled people.

At present, the top local furniture makers are -- Otobi, Akhtar, Hatil, Brothers, Partex, Navana and Furnitec. Mirpur Furniture Market is the largest in the country.

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# Hurdles to growth: high duties, poor supply

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WOODEN furniture makers and exporters are feeling the pinch of high duties on imports of raw materials that is holding them back to expand the industry further.

In addition, the declining sources of the local supply of wood and a lack of technical expertise and big investments, are forcing the sector to play a trivial role in the national economy, said industry insiders.

"We need support from the government to take the sector to a higher level, which would help us contribute more to the economy," said KM Akhteruzzaman, convenor of Bangladesh Furniture Exporters Association (BFEA).

"Now, we have to pay over 90 percent duties on imports of raw materials, which ultimately increase the production costs. This eventually reduces competitive-

ness of our products than that of our regional competitors," he said.

"We often face difficulty to meet the buyers' price targets, although our exports doubled in the last fiscal year," added Akhteruzzaman, also the managing director of Akhtar Furniture Ltd.

Akhteruzzaman also urged everyone to go for massive tree plantation to increase the local supply of wood.

Bangladesh exported wooden furniture worth \$19.26 million mainly to neighbouring countries, such as India and Nepal.

He said the furniture market could be expanded both at home and abroad further, through blending technology, skilled manpower, quality raw materials and designs.

Industry insiders said most of the raw materials for wooden furniture, including teak, adhesive and painting products, have to be imported from Malaysia, Canada and China.

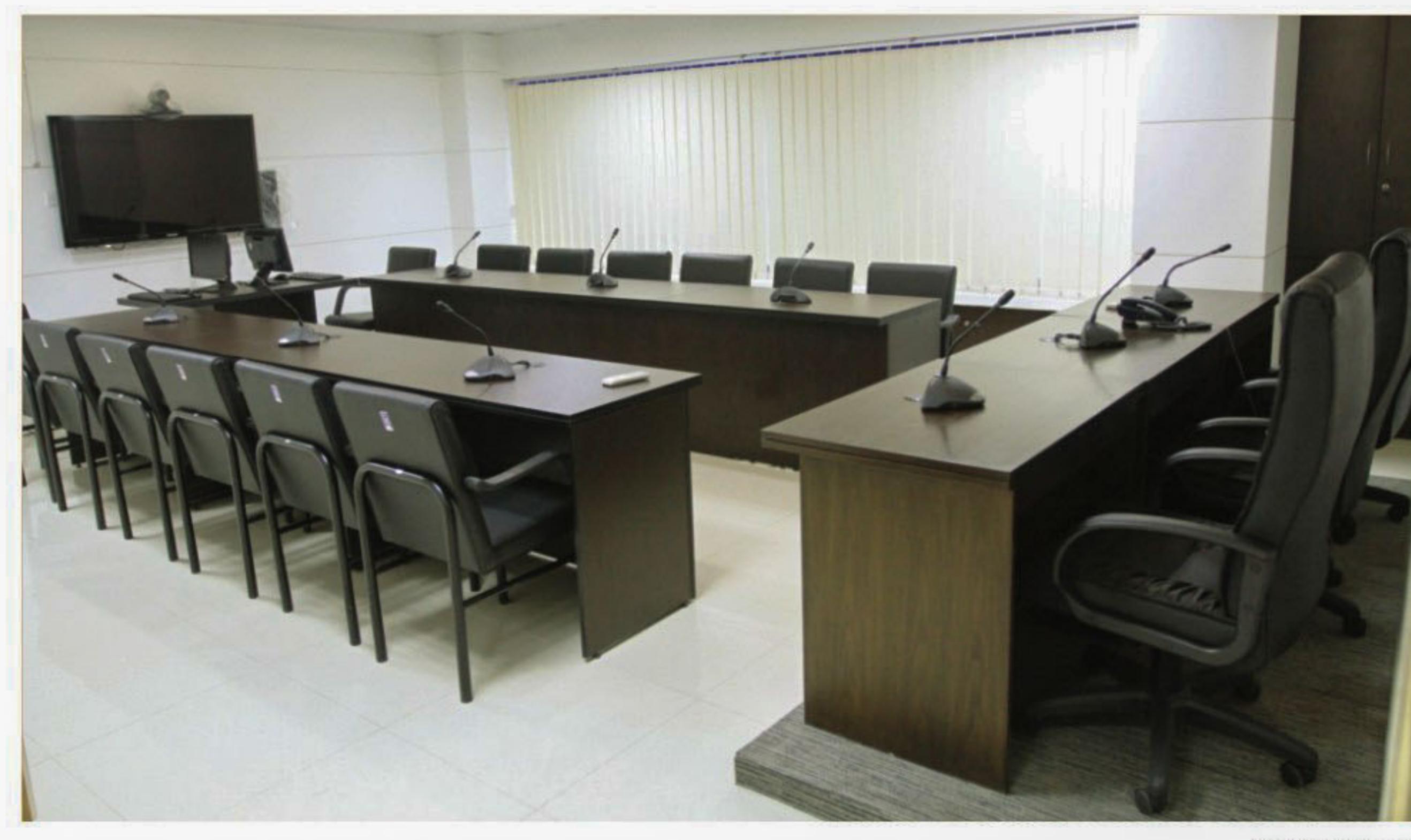
At present, there are 24 local companies that export wooden furniture, of which Otobi, Akhter, Hatil, Brothers, Partex, Navana, Furnitec and Legacy are the major players.

Apart from that, the sector also suffers from a lack of technical knowledge, which made the sector dependent on traditional methods that consume a huge time.

"The government should take necessary steps to help the sector grow fast. Most of the small entrepreneurs suffer from a lack of capital, while the bank interest rate is still too high," said Mohammad Jalal Uddin, owner of Jalal Timber Traders and Saw Mills.

"There are only a handful skilled designers and workers in the sector. If the government helps in setting up a training institute, it will certainly make a difference," he added.

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Furniture makers have to pay over 90 percent duties on imports of raw materials, which ultimately increase their production costs and make the products less competitive.

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