Furniture Value Chains Project

Mahogany and teak furniture: action research to improve value chain efficiency and enhance livelihoods’, also known as the Furniture Value Chain (FVC) project is a new project funded by the Australian Centre for International Agricultural Research (ACIAR). The FVC Project is implemented by the Center for International Forestry Research (CIFOR) in partnership with the Jepara Multi stakeholder Forum (Forum Rembug Klaster/FRK), the Jepara District Government, the Forestry Research and Development Agency (FORDAor Badan Penelitian dan Pengembangan, Departemen Kehutanan) and Bogor Agricultural University (Institut Pertanian bogor/IPB).

Jepara is located in Central Java (Indonesia), where at least 15,000 business units and 170,000 inhabitants are engaged in the wood-based furniture industry. Jepara is a key location for job creation and wood consumption as furniture making is the backbone of the local economy and culture.

The project aims to improve mahogany and teak small-scale furniture enterprises in Jepara through enhancing the structure and function of the furniture industry. Researchers and stakeholders will asses furniture value chain efficiency and develop and implement plans to improve efficiency and value added. The overall goal is to contribute to the achievement of the millennium development goals (MDGs) on poverty alleviation, global partnerships and environmental sustainability.

The FVC local office is located in the JTTC building to facilitate research activities and stakeholder engagement. It is an in kind contribution from the Jepara district government.

FVC Project: Kick off Workshop

The kick-off workshop of the Furniture Value Chain (FVC) Project was held at CIFOR Campus on 11 – 12 August 2008. It was attended by 37 participants including FVC partners, the Ministry of Forestry, the Ministry of Cooperative and (small-scale and medium enterprises) SME, Local Government Agencies, Perhutani, local NGOs, furniture business association (ASMINDO), small-scale furniture producers, and related stakeholders.

The workshop objectives were to ensure common understanding of the project’s concept, aims and methods; to understand the state of the art of Jepara teak furniture; and to design the first year working plan and outline partners’ roles.
This workshop also aimed to form a Project Advisory Group, which will advise the project implementation and impact outreach.

To gain support and full engagement of the Jepara District Government, a MoU between CIFOR represented by Dr. Bruce Campbell and District Government of Jepara represented by Drs. Hendro Martojo (Bupati Jepara) was signed.

Results of the workshop are:
1. Project team and stakeholders understood about FVC project’s concepts and approach, working plan and project management.
2. Common understanding about the state of the art of Jepara furniture industry

Project Updates

Livelihood survey
The livelihood survey seeks to get an overview and gain understanding of people’s livelihood strategies in Jepara, especially those who live in areas reliant on furniture industry activities. The survey will allow a comparison of the livelihoods of households that depend on furniture with those that rely on other income sources. Questions in the questionnaire cover demography; assets; income from different sources, i.e. agriculture, forestry, trade, wage and furniture; and respondent’s perception of the furniture industry. Survey findings will support other activities of the furniture project. Monitoring tools will be developed from the survey to assess people’s livelihood dynamics during 5 years project.

Fifteen villages were chosen from 7 sub districts. Systematic random sampling was then used to select 30 households from each village. The survey started in October 2008 by collecting secondary data at the village, sub-district and district levels.

This was followed by the household survey from mid November to the end of December 2008 (figure 1). Currently data is in the cleaning process.

Survey on furniture workshops
The purpose of this study is to determine the efficiency and identify constraints of small-scale furniture producers in the district of Jepara. A questionnaire was developed to collect the data for analyses of efficiency and constraints. Data collected include workshop characteristics, production, capital, labor, inputs, growth, credit and support, constraints, marketing and networks.

The survey revisited subsamples of the workshops that were surveyed in 2005 from the Leveling the Playing Field Project (http://www.cifor.cgiar.org/lpf). The sample include 388 workshops of which 336 are small sized, 44 medium sized and 8 large sized. The sampled workshops are spatially distributed in the Jepara district.

Initial findings show that about 30% of the workshop owners surveyed in 2005 had abandoned, due to the high cost of input materials and low product prices. Many workshop owners are also unaware of how to calculate the profit and none of them keeps accounts. They would benefit greatly from training on management, marketing, design, etc. The small-scale producers also want to have an association that can increase their market access, design, and skills, as well as ensure the quality standard and improve access to credit.

Multi-stakeholder workshop
The workshop was held in Jepara on 22 – 23 December 2008. The objectives were to deliver the on-going results of the project activities to Jepara stakeholders, and to facilitate the establishment of the Association of Jepara small-scale furniture producer (APKJ).

The first day of the workshop was attended by producer representatives, survey teams, local government and project partners (IPB and FORDA). There were presentations on project activities i.e. the livelihood survey, the survey on furniture workshops, lessons learned from related studies by IPB, Value Chain analysis by FORDA and journeys of furniture industry by key actors. CIFOR officially launched the project office which is located in the JTTC (Jepara Trade and Tourism Centre) building.

The second day focused on the facilitation of small-scale furniture producers association (Asosiasi Pengrajin Kecil Jepara or APKJ). It was attended by 41 small-scale producers, ASMINDO, local government agencies, and project’s partners. APKJ’s organisation, vision, mission, objectives and action plans were discussed.

<table>
<thead>
<tr>
<th>October 08</th>
<th>November 08</th>
<th>December 08</th>
<th>January 08</th>
<th>February 08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary data</td>
<td>Household survey</td>
<td>Data entry</td>
<td>Data analysis &amp; writing</td>
<td></td>
</tr>
</tbody>
</table>

Figure 1. Timeline of activities
Establishment of Jepara Small-Scale Furniture Producers Association (APKJ)
The association was established on December 23rd, 2008 by representatives of small-scale furniture producers from 7 sub-districts. The visions are to improve small-scale furniture producers’ potency to be independent and have competitiveness in the global market, to empower the members of APKJ towards prosperity and advancement of the Jepara furniture industry. The missions are to improve small-scale furniture producers skills for better bargaining position, to create fair market prices and to facilitate access to credit. Eleven people had been elected as task force members to formulate the APKJ’s statutes and protocols, and prepare the first APKJ’s congress.

Progress Report from Partners

a. Furniture Industry Cluster Multi-stakeholder Forum (FRK)

Teams and individuals of FRK partners were hired to develop their own stories in Bahasa in the period of November to December 2008. They comprise one small-scale producer team, one small-scale individual producer, one independent body, one big company owner and one government officer. The stories tell us their experiences of surviving a cooperative institution, struggling for living and sustaining carving culture in Jepara. The stories provide perspectives of Jepara furniture from its real actors. The stories have been presented during the stakeholder workshop in December 23rd, 2008 and will complement the various quantitative surveys conducted by the project team.

The small-scale producer team, headed by Edy Turmanto and Muhtadi, provides a story entitled “Journey of Small-scale Garden Furniture Manunggal Jati Group, Jepara”. The story describes the boom and bust of Jepara furniture, illegal logging, declining furniture quality, the emergence of the group and the cooperative, charting the group rules, and maintaining the group. This story provides lessons on the need for better human resources, awareness of collaboration among small-scale producers, conducive government policy and avoiding consumerism life style.

Another small-scale producer, namely Margono, provides a story of his personal life, working experience in the furniture industry, developing his own business, and his perspectives on the future of the Jepara furniture industry. He expects CIFOR to facilitate human resources development, wood shops establishment, financial and market access, and small-scale furniture producer association establishment.

Bambang Kurniawan, the head of Jepara Furniture Design Center (JFDC), wrote the story entitled “Learning Carving: Journey of understanding youth in sustaining carving culture in Jepara”. He describes the story of carved furniture; the boom of the furniture industry in 1998; emergence of various institutions in 2001 and beyond; forest degradation caused by excessive wood demand; and the need of government policy that supports entrepreneurship. He also explains the role of education and training in carving, his involvement, and leadership of Suhud, a local actor, in carving.

Akhmad Fauzi, owner of SIPRA furniture company and the head of ASMINDO (Indonesian Furniture Association) Jepara, wrote a story entitled “A Journey of an Industrialist in Jepara Furniture”. The story tells us about his personal life; challenges of the furniture industry before 1990; the wax and wane of the furniture industry from 2001 to now; the role of ASMINDO and its struggles; and his expectation for the future of the industry. He expects in the future Jepara will have “Jepara incorporated” to standardize minimum prices of various products, wood terminal, Jepara branding, and grand strategy for the Jepara furniture industry.

Salembayong is a Jepara government officer and was the initiator of development JTTC building complex to integrate the furniture development activities. In his individual capacity he wrote a story entitled “17-years of Duty Serving: A duty journey to facilitate furniture industry”. He wrote the story of his personal duty life, furniture value adding, his work and challenges as field facilitator, efforts have been done to develop furniture industry and emergence of young industrialists to revitalize ASMINDO and develop other organization such as JFDC, Jepara Exporting Board. To enhance the value added of Jepara furniture he proposed the following: product design development; design protection and product certification; developing a common market for Jepara producer and trading alternatives such as auction, human resource improvement; and information technology based business promotion and information.
b. Faculty of Forestry of Bogor Agricultural University (IPB)

The team of Faculty of Forestry of IPB, comprises Dodik Ridho Nurrochmat, Efi Yuliati Yovi and Bahruni, who produced two background paper drafts. The first background paper entitled “Domestic and International Market of Indonesian Wooden Furniture”, which contains baseline information on Overview of the timber marketing policies; Problems on larger deficit of log supply; potential growth of wooden furniture market; marketing structure, channels, and margins; purchasing power of wooden furniture domestic market; backward and forward linkages of wooden furniture industry; competitiveness of Indonesian wooden furniture; and the international market situations of wooden furniture.

The second IPB background paper is entitled “Wood Sources for Jepara Teak and Mahogany Furniture”. This paper describes the current condition of Jepara furniture industries, which contains the balance between supply and demand, raw material distribution chain, competition between furniture industries in obtaining materials. Research methods related to furniture wood sources are also provided in the paper.

c. Forestry Research and Development Agency (FORDA)

The team of FORDA of the Ministry of Forestry, made up of Rachman Effendi and Nunung Parlinah, produced a background paper and preliminary analysis of the Jepara furniture industry value chain. The background paper provides literature review on value chain characteristics and the furniture production and export from Asia (Indonesia, Malaysia and China) and Africa (South Africa). The second paper provides furniture value chain in Central Java and Jepara. The paper highlights some of the barriers of the development of Jepara furniture industry, which are (a) low average level of education; (b) the decrease of wood furniture quality; (c) high production costs in Jepara; (d) uncontrollable selling price of furniture due to unhealthy competition; (e) over stock of Jepara furniture in buyer countries; (f) fragile structure of furniture industry in Jepara.

Project Meeting Report

The project management and its partners evaluated the progress of the project in Semester 1 (July-December 2008) on 24th of December 2008 in Jepara. We compared the outputs/milestone that the project supposes to have and project achievement by 22nd of December 2008. The overall picture is good. The next steps for the unfinished reports in December were discussed. Some reports due in December had been moved to January 2009.

Upcoming Events

- Market Survey: It is planned to be carried out on 15-19 February 2009. Dwi Muhtaman will take lead on the survey
- Value Chain study: It is planned to be carried out in end of March 2009 or early April 2009. FORDA team (Nunung Parlinah will lead the study)
- Gender Study: It is planned to be carried out in June 2009. CIFOR team will lead the study.
- Project annual meeting: It is planned to be carried out in May or June 2009.

Organization of FVC Project at CIFOR

- Project Implementation at CIFOR: Herry Purnomo (project leader, h.purnomo@cgiar.org), Rika Harini Irwati (project officer, r.irwati@cgiar.org), research team (Ramadhani Achdiawan, Levania Santoso, Monica Grace Fisher, Yayan Indriatmoko, Dwi R. Muhtaman), and field facilitator (A. Jaenudin) and Finance (Henny Linawati)
- Project Advisory Group: Agus Djalilani, Hendrayanto (IPB), Russell Haines, (ACIAR Representative), Hendro Martojo (Jepara District), Iman Santoso, (FORDA), Akhmad Fauzi (ASMINDO Jepara), Yuana Sutyowati (Ministry of Cooperative and Small-scale enterprises), Nurcahyo Adi (MFP DFID), Bruce Campbell (CIFOR) and Herry Purnomo (CIFOR)