

Some Problems Affecting the Veneer and Plywood Industry

by

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INTRODUCTION

The veneer and plywood industry is one of the most profitable wood-using industries in the Philippines. There are, however, some problems reported that threaten the stable status of this industry. As a response, this study was conducted with emphasis on determining the major problems so that possible solutions might be offered for thorough discussions and analysis.

The study was conducted by personal interviews with factory executives and actual observations and analysis of manufacturing operations of selected mills located in Northern Luzon and Eastern and Southern Mindanao in Summer, 1965. This study is a part of a continuing research about plywood and veneer mills in the Philippines.

PROBLEMS AND DISCUSSIONS

The study confirmed at least five major problems which might wipe out the profit in the veneer and plywood industry such as lack of good logs, implementation of the ₱6.00 minimum wage, high freight rates, low wood utilization, and dearth of technical men.

Lack of Good Logs.

The study revealed that a number of mills were operating very much below the rated machine capacity because of lack of good logs for processing. This might be due to inefficient material inventory control or

lack of net operating capital to purchase good logs. These two factors directly result in high production cost.

Inefficient material inventory control resulting in the undersupply of logs influenced the degree of machine utilization and labor cost. Its ultimate effects were low machine utilization and high indirect labor cost. A contributing factor to this unwelcome situation was insufficiency of the right attitude to gather and consolidate information about lead times and the reliability of log suppliers, particularly, if the mill was operating without its own logging concession. It was further aggravated by shallow river bottoms during summer such that rafts of logs were stranded and towing was continued only when the river swelled. It was also considered that intermittent road maintenance in both logging and public roads did not insure the delivery of logs on time.

Tight credit facilities, in addition to tempting prices offered for exportable logs, have forced some mills to export a portion of their high quality logs even to the detriment of a continuous working schedule. Although, it increased the total cost of production, the company has no other alternative, since it cannot operate without the necessary working capital.

Implementation of ₱6.00 Minimum Wage.

The implementation of R.A. 4180 otherwise known as the new minimum wage law which sets the daily wage at ₱6.00 effective April 21, 1965, has increased direct-

ly the labor cost. Its ultimate effect in production cost was seriously felt of mills with reduced machine utilization. Reliable information obtained from executives of mills operating on twenty-four hour per day indicated that the effect of the new minimum wage law should be overcome by greater production per man-hour of high grade plywood and greater plywood recovery from a given log volume.

High Freight Rates.

The high freight charged on Philippine Exports of plywood, veneer, and lumber to the United States in comparison with those shipped from Japan, Taiwan, and South Korea was a severe blow to the country's competitive position. Although, Japanese log processors imported their logs which accounted for their higher log cost from South-sea countries, particularly the Philippines, the Japanese enjoyed advantages such as low-cost plywood machinery, low-cost glues, greater production of high grades plywood, and greater wood utilization. These advantages were more than enough to offset the advantages enjoyed by Filipinos in the form of lower log cost. In this connection, the higher freight paid by Filipinos for their export might be overcome by improvement in the efficiency of the workers in terms of greater production per man-hour and greater recovery of high quality plywood and above all the creation of the Philippine merchant marine.

Low Wood Utilization.

The recovery of 3-ply, 1/4" x 4' x 8' plywood on the average was 40 percent of the

log volume. This represented the average recovery from sawlogs, export rejects, and small volume of veneer grades. Plywood grades recovered based on the quality of face veneers were mostly on the C and Print grades. Our recovery was way below that of South Korea which was no less than 50 percent. However, it should be considered that logs processed in South Korea were generally of exportable grades unlike in the Philippines. Log ends, log centers, and trimming waste were used only in very few mills in the Philippines.

Dearth of Technical Men.

Lack of technical men is a recognized problem in the veneer and plywood industries; those people who understand the behavior of wood as a material. The industries also require men with excellent knowledge in organization and management control as well as human relations so that work can be coordinated effectively. In this connection, it is advisable that those who are now employed in the mills shall be given the opportunity to attend in seminar or training dealing with their work.

CONCLUSIONS

The problem plaguing the veneer and plywood industries require immediate attention and intensive study in order to minimize their adverse effects on these industries. The problems are lack of good logs, implementation of the ₱6.00 minimum wage, high freight rates, low wood utilization, and dearth of technical men.

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