

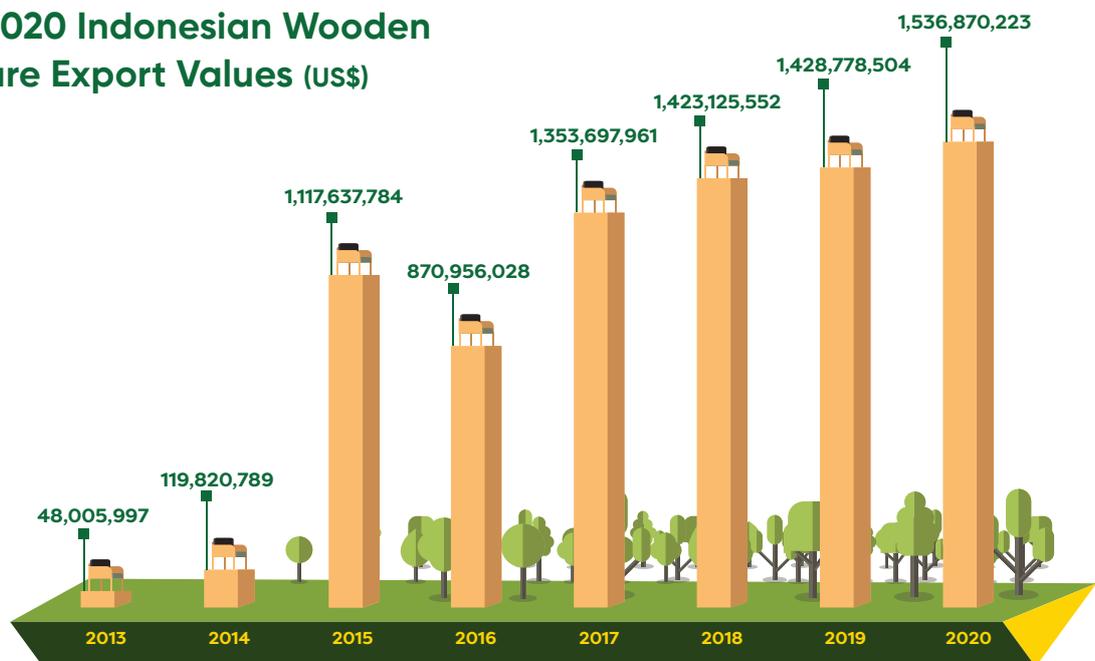
INDONESIAN FURNITURE: Bringing Our Communities Passion to the World

The Global Appetite for Premium Indonesian Furniture

Indonesian furniture has been exported to international markets for decades and constitutes more than 80% of Indonesia's timber exports to sensitive markets. This is largely due to the high-grade raw materials used and the expertise craftsmanship of furniture products.

Indonesian furniture exports have been steadily growing since 2013. Despite the COVID-19 pandemic, exports have continued to increase quite significantly. From 2019-2020, the value of Indonesian wooden furniture exports rose by 7.5%.

2013-2020 Indonesian Wooden Furniture Export Values (us\$)



(Source: Ministry of Environment and Forestry, 2021)



High-Quality Timber and the Dedicated Communities Involved

Indonesia's quality furniture is the result of highly skilled workers optimising high-grade materials. Most furniture industries consist of small and medium enterprises (SMEs).

The raw materials used by Indonesian small and medium furniture manufacturers generally come from community forests. Local communities manage these forests for their own purposes. Supporting community forests is pivotal in fostering a responsible furniture production scheme and empowering these communities.



Trees are an Investment for Future Generations!

- Indonesian communities have been planting trees on their land for generations. Some of the favoured trees include teak (*Tectona grandis*), mahogany (*Swietenia mahagoni* and *Swietenia macrophylla*), sonokeling (*Dalbergia latifolia* Roxb), jackfruit (*Artocarpus heterophyllus*), and sengon (*Paraserianthes falcataria*).
- Trees are considered as an investment. So, when communities need cash (for their children's education or marriage for example), it is common practice to cut down several trees on their land/community forest to sell to furniture makers. Community-managed forests contribute to alleviating poverty and empowering forest communities, in addition to improving the condition of forests (Maryudi et al., 2012).*
- Community forests provide a consistent supply of raw materials to furniture centres, such as Jepara district (Central Java), Pasuruan city (East Java), and Yogyakarta Special Province. These three regions have become the main furniture suppliers in Java.
- These furniture production centres are vital to the Indonesian labour force. It is estimated that wood-processing industries employ approximately 3.9 million workers (the Ministry of Environment and Forestry, 2021). Additionally, according to estimates, 2.1 million workers are employed in furniture and handicraft industries (HIMKI, 2021).*
- These workers include accomplished and meticulous wood carvers, whose carving skill and mastery have been passed down for generations. These workers are a vital part of Indonesian furniture production.

* Maryudi, A., Devkota, R. R., Schusser, C., Yufanyi, C., Salla, M., Aurenhammer, H., ... Krott, M. (2012). *Back to basics:*

Ready to Harvest: Sudarmi is a social forestry group member in one of the managed teak forests. Girdling is a drying technique used to reduce the moisture content of trees. Although the forest appears very dry, it is currently being treated to upgrade the quality of teak wood.

Jepara, Yogyakarta, and Pasuruan are the three largest furniture centres in Indonesia.

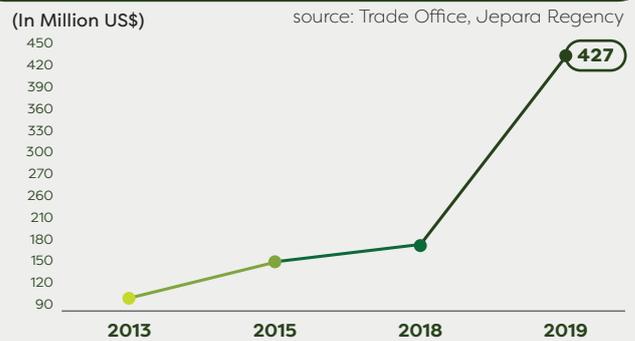


80% of Jepara residents work in the furniture industry- in small and medium scale enterprises.

(Jepara District Govt, 2021)

- Jepara district is one of the largest furniture industry centres in Indonesia and has an important role in the district's economy. SMEs manufacturing furniture account for 52.13% of all SME contributions in Jepara and absorb 33.2% of the district's labour force*.
- 49.6% of exporters in Jepara are furniture SMEs that contribute 82.51% to the total exports in Jepara district*.
- The value of Jepara's exports increased by 82% from 2013 to 2018. The total number of exports, production volume, and export destination countries also increased during 2013-2018. (Center for International Forestry Research/CIFOR, 2010)
- The local government has been providing support by developing the skills of wood workers through capacity building. Pasuruan city government, for example, is currently in the process of building a woodworking vocational high school and a furniture plaza to help boost the industry.

+82% | **Jepara's wooden furniture export industry has rapidly expanded**



Small and medium sized enterprises are benefitting

Number of furniture export enterprises in Jepara tend to increase since 2013. However, in 2020, the number slightly decline due the pandemic to 413.

In Q1 2021, 236 furniture enterprises exported their products to 57 countries. This accounted for 87% of the district's total export value in Q1.

(Jepara District Govt, 2021)



There are **6.140** furniture businesses out of 7,105 small and medium scale wood processing enterprises in Yogyakarta Special Province.

Yogyakarta Special Province Statistic, 2021)



Pasuruan city is currently building a vocational school dedicated to support the furniture industry in the city.



Indonesia's furniture and handicraft industries employ around 2.1 million workers.

(The Association of Furniture and Handicraft Industries/HIMKI, 2020)



Ensuring the Supply of High-Quality Furniture

The Indonesian government continues to support the industry to grow sustainably, providing a continuous supply of high-quality furniture.

Continuous Supply of Responsibly Sourced Timber

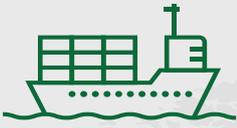
In supporting communities to have a central role in environmental sustainability and local economic empowerment, they are encouraged to not only take part in the supply chain of the furniture industry, but also establish responsibly managed plantations.



How SVLK Supports SMEs to Better Meet Global Demand

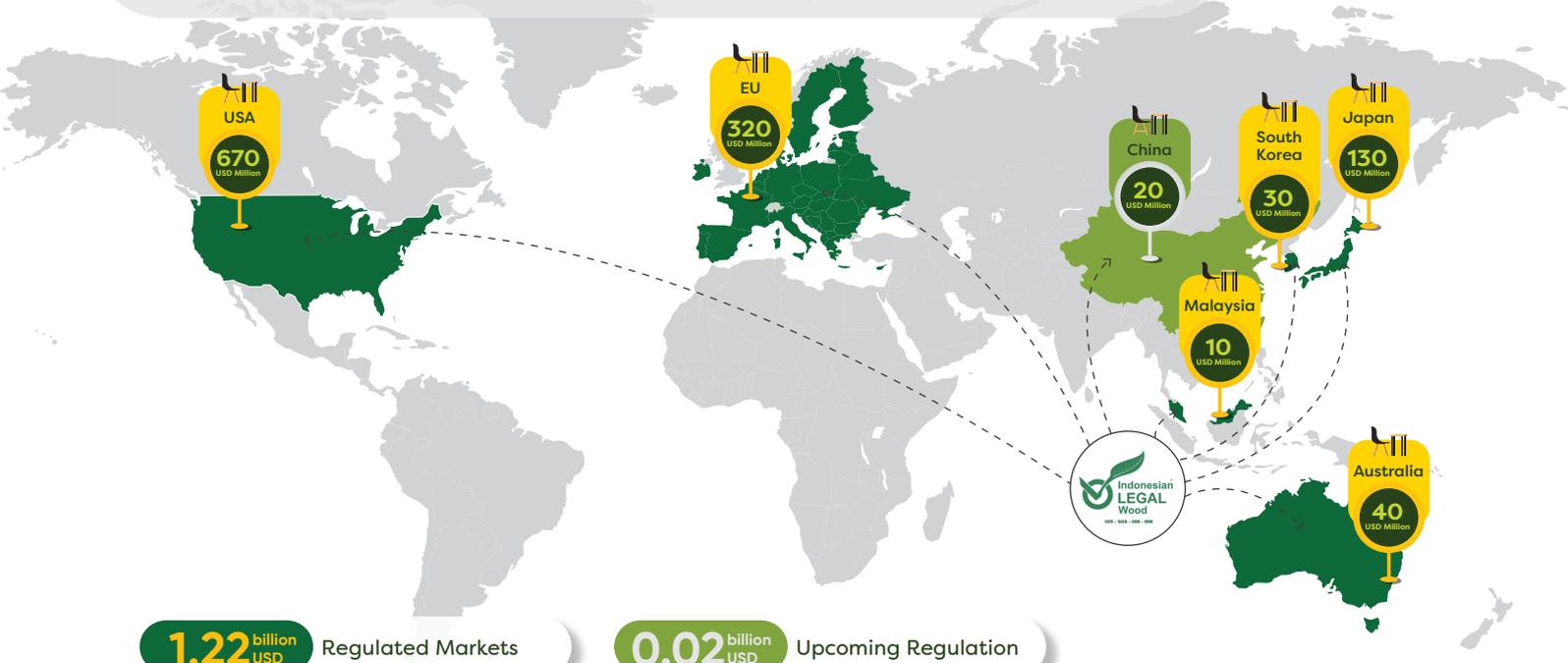
The Indonesian furniture industry has also been keeping up with international buyers' demand and global trends. Hence, the industry has been adapting to ensure that each product is well-designed as well as responsibly sourced and crafted.

- In 2009, Indonesia launched SVLK - the legality assurance system that in 2021 the system is also become a standard for Legality and Sustainability. SVLK ensures that all timber products throughout the supply chain are managed in compliance with all applicable laws and regulations, known as the chain of custody.
- Under the SVLK, Indonesian timber product's origin, production, processing, transport and trade are verified to comply with Indonesian legislation. All certification documents assist to trace a product to its origin. Third-party auditors assess the compliance of legal operators and issue their certificates.
- As global markets are now clamping down on the risk of illegal logging in their supply chains, SVLK helps Indonesia timber businesses to access these sensitive markets. Currently, over 80% of Indonesia's furniture export markets require proof of legality.
- All SVLK certified products have passed the due diligence process as stipulated by the European Union Timber Regulation and the UK Timber Regulation. This means that proof of legality is not required for any certified SVLK products.



Indonesian Furniture Exports (in US\$)

Over 80% of Indonesian furniture exports are marketed to countries that require proof of legality.

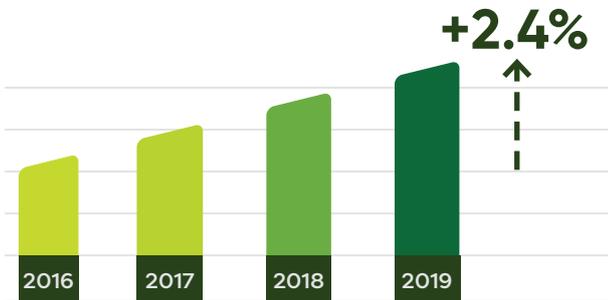


1.22 billion USD Regulated Markets

0.02 billion USD Upcoming Regulation

(Source: FLEGT Independent Market Monitor 2020)

Global exports of Indonesian furniture have grown significantly since FLEGT licensing began.



The government continues to support the development of the furniture industry in Indonesia by promoting SVLK to small-scale furniture enterprises in addition to providing technical and financial assistance to ensure better

product competitiveness. The government has undertaken affirmative action based on government regulations (including certification audit surveillance subsidies, environmental audit subsidies, remote audit mechanisms, technical assistance and incentives to SMEs) to create a competitive climate for small and medium scale enterprises.

Based on these regulations, the Ministry of Environment and Forestry has taken a holistic approach through multi-business forestry towards more economically sound forestry business. This holistic approach confirms that the added value of SVLK lies in its inherently responsible business practices that ensure economic inclusion, improved quality of life for local communities, and environmental protection. A more supportive regulatory framework for developing the responsible sourcing of community forest products for the Indonesian furniture industry is on the track!



International markets have continued to trust in Indonesia's SVLK certified furniture over many years. This confidence has assisted in facilitating the development of small and medium furniture enterprises and benefitting communities living around the forests. Indonesia continues to evolve and develop with greater synergy between the passionate craftpersons, forest communities and the government; a collaboration creating a conducive environment for continuous supply of high-quality furniture.

