



THE STATUS OF PRIVATISED PULP AND PAPER MILLS IN NIGERIA: CHALLENGES AND PROSPECTS

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Abstract

Despite the huge capital investment in the establishment of three integrated pulp and paper mills in Nigeria, the Nigeria paper industry has not performed to its optimal level expected of it by the planners. The three primary paper producers namely, the Nigerian Paper Mill (NPM), Jebba, the Nigerian Newsprint Manufacturing Company (NNMC), Oku-Iboku and the Iwopin Pulp and Paper Company (IPPC) Limited, Iwopin, even after their privatization, are presently moribund and some are in comatose state. This paper examines the status of these privatised paper mills, x-rays the challenges militating against their optimal operability and suggests strategies as pathways towards a virile resuscitation of the paper industry in Nigeria. NPM, Jebba with an expanded annual production capacity of 65,000 metric tons for both industrial and writing paper had its peak production of 42,960 metric tons in 1986, representing 66.1% capacity utilisation. NNMC, Oku-Iboku, designed for 100,000 metric tons of newsprint yearly recorded a peak production level of 37,580 metric tons in 1990, corresponding to 37.6% capacity utilisation. IPPC, Iwopin, designed to produce 60,000 metric tons per annum of fine cultural grade of writing and printing paper could only managed a peak output of 4,750 metric tons in 1996, recording an abysmal capacity utilisation of 7.9%. The above scenario shows that large-scale based paper sector has failed in Nigeria. Hence, the need for re-structure of the pulp and paper sector, and to leverage on the promotion of small-scale paper mills due to their low capital outlay. Over-dependence on foreign management and technical expertise, dependence on imported production inputs, obsolete plant machinery and industrial equipment are cited as some of the challenges facing these mills. Strategies for mill resuscitation include friendly economic policies by government for investment sustainability, intensive afforestation projects on locally sourced fibre resources and engagement of only core investors and technical partners with proven knowledge and technical experience in operational management of paper mills.

Keywords: Integrated mills, primary paper producers, production capacity, capacity utilisation, privatisation.

Introduction

Forest and forest products are major resources for social and economic development of a nation. They are the vital economic components for several infrastructural needs of man and society (Chukwuemeka and Ngwuli, 2018). Forest supplies industrial raw materials for domestic uses and for exports to generate foreign earnings (Price, 1997).

Of the abundant forest resources, wood stands out as a unique and universal material of diverse utility (Abel, 2005). Wood is used as sawn timber and structural component for building and construction purposes (Quintanar *et al.*, 1997), wood fuel for domestic cooking and heating in rural and poor urban areas (Kuti and Adegoke, 2008), and as source of fibrous raw material in pulp and paper making (Bierman, 1996).

Paper and paper products have been of tremendous importance to mankind dating back to pre-historic days (Austin, 1984). Being a vital element in our daily lives, paper renders such services as communication medium, packaging material and base material for sanitary and disposable products (FAO, 1991). It is therefore hard to imagine how our life styles would be

without paper and paper products. Thus, all over the world, paper consumption has become an assessment index for social and economic development in several countries (EPN, 2018).

It is against this background, and leveraging on the global expansion of the pulp and paper market of the late 60s and early 70s (Picornelli, 1984 and Ogunwusi, 2013), the Federal Government of Nigeria, in 1975, earmarked for establishment two additional integrated pulp and paper mills to further expand the industrial base of the pulp and paper sector of the economy (Adegbihin and Omueh, 1998 and RMRDC, 1991).

In spite of the noble goals and expected impact of these mills on capacity development and supply of industrial products, the unique potential presented by this industrial sector has not been fully exploited to the socio-economic well-being of Nigerians (Noah, 2009).

Roles of Paper in Society

The pulp and paper industry has always occupied an enviable position in human activities. Dating back to early civilization, paper making was one of the oldest vocational endeavours by man. The use of papyrus

plant by the Egyptians as writing material vividly comes to mind (Wanrosli and Law, 2011)).

Therefore, from time immemorial, paper has played key roles in the cultural development of many nations, and there is no doubt that, it will continue to have much impact on the advancement of several societies in the future (Smook, 1992). Paper in its various forms has been indispensable to the civilized man. There is hardly any home without paper in one usable form or the other. As writing and printing material, paper remains the medium of recording and preserving history, besides being used extensively as a communication medium in newspaper printing and book publishing (FAO, 1991). Practically, paper has no rival as base material for hygienic and sanitary conveniences (World Paper, 2008). Its application as a packing material has been of tremendous success in the handling of several articles of commerce (Kline, 1992). In currency operations, paper is the medium of exchange and a means for settlement of debt (PPI,2011).Therefore, paper and paper products are essential parts of modern living and it would be hard to imagine how our life styles would be without them (Noah, 2009).

Development of Paper Industry in Nigeria

In Nigeria, significant development in paper making began in 1963, with the establishment of the Nigerian Paper Mill (NPM) in Jebba by the Federal Government (Ogunwusi, 2013). Established as the pioneer primary paper producer, it was designed to produce 12,000 metric tons of industrial grades of paper per annum. In essence, Kraft paper sacks, liner boards were to be the mill products for wrapping and packaging applications (Onilude, 2011). Subsequent expansion in 1984, however, broadens the production scope to include process lines for making writing paper. With this expansion, the production capacity was increased to 65,000 metric tons yearly for both industrial and writing grades of paper.

The Jebba mill was run with mixed success, and it recorded its peak production level of 42,960 metric tons in 1986, before it eventually folded up in 1996 (RMRDC, 2010). Several attempts were made by the government to privatise the company, and in 2006, an Indian Conglomerate, MINL emerged as the successful bidder for the company. The mill is yet to be on full production schedule, managing only partial production activities up till now.

In 1975, in its drive to further expand the industrial base of the pulp and paper sector, the Federal Government earmarked for establishment two additional integrated paper mills:

- The Nigerian Newsprint Manufacturing Company (NNMC), Oku Iboku, Akwa-Ibom State.
- The Nigerian National Paper Manufacturing Company (NNPMC), Iwopin, Ogun State.

The Nigerian Newsprint Manufacturing Company was conceived as the country's sole producer of newsprint from locally processed *Gmelina* short fibre pulp, which was to be blended with 15 – 25% imported long fibre pulp. The mill was commissioned in 1986, with a designed annual production capacity of 100,000 metric tons of newsprint to meet local needs of newspaper houses in Nigeria, and to export the surplus to the sub-west African region (RMRDC, 2003).

Records have it that before its shutdown in 1993, the highest output was peaked at about 37,580 metric tons per annum in 1990, a figure far below its installed production capacity (RMRDC, 2010). The Federal Government in 2008 sold the company to an indigenous consortium, Negris Group of Companies, Nigeria Limited. To date, no operation activities have been recorded at the mill site. Rather vandalism of plant machinery and equipment at mill site has been reported (NCP, 2010).

The present day Iwopin Pulp and Paper Company (IPPC) Limited was originally incorporated as the Nigerian National Paper Manufacturing Company (NNPMC) Limited in 1975. Planned to be a fully integrated mill and the largest in sub-west Africa, it was conceived to produce 138,000 ADMT of bleached kraft short fibre pulp from *Gmelina arborea*. 86,000 tons of the outputs were to be processed into market pulp for export, while the balance of 52,000 tons were to be blended with imported long fibre pulp to produce 60,000 metric tons of fine cultural grades of white writing and printing paper (Noah, 2009).

As lofty as the vision may appear, the Iwopin Paper Mill is still a project, yet to be completed after 44 years of inception. In 1994, one paper machine line (PM2), along with supporting facilities, was commissioned using imported fibre furnish. During the four years of operation, the mill had its peak production of 4,750 metric tons of paper in 1996. Thus, a turnover of N400 million was made and US\$ 3.75million was saved in foreign exchange through import substitution (IPPC, 1997). However, for a number of economic, political and technical reasons, the mill was shut down in March, 1998, just like the other two mills. After a protracted privatization process by the Bureau for Public Enterprises (BPE), the paper mill was eventually handed over to Beulah Technical Services Company Limited (BETCO), an indigenous company, as the successful bidder in 2014. For now, there are no production activities at mill site. Equally, cases of plant vandalism have been reported, and most of the obsolete machines and equipment have been scrapped by the new owner.

Total loss by Nigeria due to non-performance of the three privatised paper mills between 2006 and 2015 is estimated at 180 billion naira (RMRDC, 2015). And the cost of their continued non-performance is on the increase to date. The operational overview of the privatised primary paper mills in Nigeria is presented in Table 1.

Table 1: Operational Overview of Privatised Primary Paper Mills in Nigeria

Mill	Year of Estab/Comm.	Paper Grade	Installed Capacity (Fmt/Yr)	Peak Prod. & Year (Fmt/Yr)	Capacity Utilizn. (%)	Mill Shut-Down	Present Status
Nigerian Paper Mill (NPM) Jebba, Kwara State	1963/1969	Industrial paper/Bond paper	65,000	42,960/1986	66.1	1996	Privatised & partially operational
Nigerian Newsprint Manufacturing Company (NNMC) Oku-Iboku, Itu, Akwa-Ibom State	1975/1986	Newsprint	100,000	37,580/1990	37.6	1993	Privatized & Non-operational
Iwopin Pulp & Paper Company (IPPC) Iwopin, Ogun State	1976/1994*	Writing & printing papers (Bond paper)	60,000	4,750/1996	7.9	1998	Privatized & Non-operational

Source: Field study (2017)

*Phase 1 Project (One paper machine line – PM 2 commissioned)

Challenges against Optimal Operation of Privatised Paper Mills

The questions one would likely ask: why these primary paper mills even after privatisation are still in this moribund state of operation? What are the constraints militating against successful operation of pulp and paper mills in Nigeria? The answers are not far-fetched, and can be found in the following outlined salient points:

1. Lack of continuity in government policies: Frequent changes in government policy and policy reversal are a clog in the wheel of industrial advancement. Governance is supposed to be a continuum, but more often than not, inherited viable projects are usually abandoned by succeeding governments for political reasons.
2. Lack of adequate working capital: Poor funding has been the bane of the pulp and paper mills. Pulp and paper industry is capital intensive. Hence, large capital outlay is required in addition to adequate working capital for successful mill operation (Smook, 1992).
3. Mismanagement of fund: Misapplication of fund by officials has been a common re-occurring decimal in the management of Nigerian businesses. The pulp and paper sector is no exception.
4. Lack of Technical Expertise: No pulp and paper mill can function efficiently without sound technical knowledge in operational management by the personnel manning it.
5. Over-dependence on Foreign Production Inputs: Most plant machinery and industrial equipment, processing fibrous materials and additives are imported, resulting in higher operation costs.
6. Unstable and insufficient power supply: No industrial advancement can take place without adequate power supply to drive the sector. Thus, lack of sufficient, stable and affordable power supply is a serious problem militating against the efficient running of pulp and paper mills in third world countries, Nigeria inclusive (RMRDC, 2009).
7. Unfavourable Government Tariff: The current 5% tariff on pulp and paper inputs by the federal government is a serious dis-incentive to manufacturers.
8. Unstable and Insecure Political Environment: No investor will want to risk investment in a volatile, insecure and unstable political environment. Nigeria has had its own fair share of security challenges. No thanks to Boko Haram insurgency, Niger Delta Militancy, Kidnapping and Herdsmen banditry! These tendencies drive away foreign direct investment (FDI).
9. Poor Maintenance Culture: Machine breakdown is not unexpected in a pulp and paper mill, but lack of good maintenance

culture on the part of the maintenance crew can further accentuate the non-functionality of the mill. Moreover, obsolete plant machinery and industrial equipment depress mill operability (Idhammar, 1999).

10. Lack of Adequate Stock of Spares: Inadequate working capital to stock up enough spares for machine maintenance and parts replacement can also depress the mill capacity utilization. Most of these spares are imported and often do not arrive the shores of the country on time
11. Lack of Secured Raw Material Base: Lack of continuity in supply of basic production raw materials is a serious dis-incentive to investors (Momoh, 1996, Onulide, 2011). No investor will go into joint venture partnership if the raw material base is not secured and guaranteed on sustainable basis.

Paper Industry Prospects and Strategies for Resuscitation

Against this back drop, is there any hope for the privatised pulp and paper mills in Nigeria? The answer is yes. The potentials of the mills are enormous. The future is bright and the prospects are great. For a virile resuscitation of the paper mills, the following outlined strategic tasks must be executed.

Specific Tasks

- Formulation and implementation of good economic policies: Government must set the tone by initiating investment friendly policies with clear-cut targets. Non- clarity of government policies and policy reversal must be avoided. Protection of local pulp and paper industries from the dumping activities of imported pulp and paper merchants should be ensured.
- Provision of adequate working capital: Timely provision of adequate working capital as counterpart-funding by government is a necessary task. In addition, joint partnership funding and favourable loan terms from banks are necessary financial planks for efficient running of industries. Prudent management of these funds cannot be overemphasized!
- Provision of adequate, stable and affordable power supply: Connection of paper mills on industrial lines to National Grid for adequate, stable and sustainable power supply is a necessity. Stable and affordable energy

impacts positively on production costs and makes the products competitive in the market (Noah, 2009).

- Harnessing the abundant forest resources to ensure sustainable raw material base. More pulpwood afforestation projects should be embarked upon by government at all levels as well as by private stakeholders. Omo and Oluwa Forest Reserves in Ogun and Ondo State respectively are clear examples of World Bank assisted plantation projects. There is need to raise more pulpwood plantations besides those of known pulpable wood species such as *Gmelina* and *Eucalyptus*. *Gerdenia ternifolia* (Noah *et al.*, 2015), *Sterculia setigera* (Oluwadare and Egbewole, 2008) and *Aningeria robusta* (Ajala and Noah, 2019) are species with proven potential for pulp and paper making. Research into non-wood fibrous materials should be intensified and development of the breakthroughs be carried out on pilot and industrial scales. Thus, priority should be given to research and development (R&D). Bamboos (Ogunsile and Uwajeh, 2009) and bast stalk of kenaf (Udohitinah and Oluwadare, 2001) are good tropical sources of long fibre pulp. Liaising therefore with kenaf growers for sustainable propagation is a win-win situation for all parties. The propagation of *Pinus caribaea* within a rotation cycle of 15 years in Nigeria (Osadare, 1996) is a positive step to build on, to reduce dependence on Europe and America for supply of long fibre pulp. The pines project, despite the initial silvicultural challenges associated with lack of micorrhiza association development in Nigerian savannah soil (Madu, 1971), deserves another trial shot at development. Ironically, *Pinus caribaea* takes about 30 – 35 years to mature in the temperate regions of Europe and America. The relatively short rotation cycle for *P. caribaea* in Nigeria is a boost for raw material development on sustainable basis.
- Exploiting the Market Potentials in Nigeria: Nigeria is an enormous market for paper and paper products. Even if the entire three privatised primary paper mills were to be in operation at full capacity, the demand for paper and paper products would still not be

met by local production. According to Onwuala (2010), Nigeria spends on the average over 500 billion naira on importation of paper and paper products annually. The cost of paper importation is rising daily! Nigeria's net consumption of paper and paper products stands at 542,000 metric tons per annum. 524,000 metric tons are met through importation annually (Wikipedia, 2014). Therefore, there is guaranty that these products will be readily consumed locally by paper merchants, newspaper houses, book publishers and printers as well as paper converters.

- Manpower Development: Nigerians are resourceful and are capable of holding their own anywhere in the world. What is needed is adequate investment in training of engineers, technologists, technicians to acquire requisite knowledge on pulp and paper technology. Exposure of students to industrial training field sites for real time practical experience is also necessary to complement theoretical knowledge.

Conclusion and Recommendations

Conclusion

The following inferences are drawn:

- Large scale-based government participation in the pulp and paper sector has failed.
- Pulp and paper industry requires adequate restructuring for both government and private participation in operation, management and ownership of paper mills.
- Capacity utilization of paper mills in Nigeria is low due to over-dependence on imported production inputs, resulting in higher costs of operation.
- Hundreds of billions of naira are lost to importation of paper and paper products due to non-functionality of the privatised primary paper mills.
- Privatised primary paper mills need foreign direct investment (FDI), sufficient working capital as well as good and prudent management for sustainability.
- Foreign technical expertise and management is required to kick-start and sustain operation of paper mills on mutually contracted beneficial terms.

Recommendations

- Nigeria should draw from the experiences of other successful developing countries like Brazil, South-Africa, Malaysia, even Kenya and Tanzania, on how their paper mills are successfully and efficiently run.
- Government should provide enabling environment to attract foreign investment in forest development, plantation establishment and pulp & paper manufacture.
- Promotion of investment in small-scale paper mills due to their lower initial capital outlay should be encouraged.
- Intensification of afforestation projects on locally sourced fibre resources beyond Gmelina and Eucalyptus should be encouraged. Thus, breakthroughs in research on long fibre pulp from local resources like kenaf and bamboos should be developed on pilot and industrial scales (R&D) for sustainability.
- Urgent need for thorough review of the privatization policy of government on public enterprises to ensure that:
 1. Only core investors and technical partners with proven knowledge and experience in engineering operation and management of paper mills are awarded bids to acquire paper mills.
 2. After-sales monitoring of performance and evaluation of privatized paper mills by government should be mandatory.
 3. Time line for development of privatized paper mills should be embedded and enforced as clause in the sales and purchase agreement (SPA).
 4. Strict adherence to the mandates of the privatized mills should be enforced by government through its agency, Bureau for Public Enterprises (BPE).
 5. In signing Joint Venture Agreement (JVA), **BOT** clause should be factored into the partnership. Thus, Technical Partners would **build** (construct, start-up and commission the mill), **operate** (run the mill and train Nigerian personnel for a period of 5 years), and **transfer** (handover the mill to Nigerian Management).

In this wise, Nigerians would have acquired the prerequisite knowledge and experience to take over, run and managed the paper mills efficiently.

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