

CBI MARKET SURVEY

THE CHEMICALS MARKET IN LITHUANIA

Publication date: August 2007

Introduction

This CBI market survey gives exporters in developing countries information on some main developments on the chemicals market in Lithuania. The information is complementary to the information provided in the CBI market survey covering the EU chemicals market. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.eu/marketinfo>.

1. Market description: industrial demand and production**Industrial demand**

- Lithuania is a very small consumer of chemicals, accounting for 0.2% of total EU consumption.
- In 2005, Lithuania industrial demand for chemicals amounted to € 1.0 billion, representing an average annual increase of 11% during the review period (European Chemical Industry Council (CEFIC), 2006).

Table 1.1 Industrial demand for chemicals in the EU and Lithuania, 2001-2005, in € million

	2001	2003	2005	Average annual growth
EU25	496,581	507,835	564,598	3.3%
Lithuania	670	769	1,010	10.8%

Source: CEFIC (2006)

- As demand for (intermediate) chemicals is directly related to the structure and performance of the chemical industry in Lithuania, more information on demand can be derived from the next section on production.

Production

- Lithuania has a very small chemical industry, accounting for 0.1% of total European production.
- In 2005, the Lithuanian chemical industry turnover amounted to € 474 million, representing an annual average increase of 18% during the review period (CEFIC, 2006).
- According to the department of statistics, 67 Lithuanian enterprises were operating in the chemical sector. The major branches of chemical industry in Lithuania are basic chemicals (17 companies), pharmaceuticals (13 companies), household chemicals and body-care products (16), semi-synthetic fibres (1) and, most importantly, fertilizers (PriceWaterhouseCoopers, 2006). Most companies are small.
- According to industry sources, due to its focus on fertilizers and therefore on agriculture in the region, the Lithuanian chemical industry has limited links to other branches of industry.
- Achema AB, Lifosa AB, and Arvi UAB are the main representatives of the fertilizer industry (EKT Grupe, 2002). According to industry sources, fertilizers account for 80% of chemical sales.
- A specialised chemical company, Fermentas UAB, produces for conducting scientific research at molecular biology and genetic engineering laboratories, and has an important position on international markets (EKT, 2002). Fine chemical producers also have strong capabilities in some areas such as the production of insulin (PriceWaterhouseCoopers, 2006).

- The leaders in the pharmaceutical branch are Sanitas AB, Endokrininiai Preparatai AB, and Liuks UAB.
- The leaders in household chemicals are Koslita UAB, Naujoji Ringuva AB, Alytaus Chemija AB, and Baltic Chemicals International AB. The leader in body-care products is Biok UAB.
- Lithuania's chemical industry production is based on primary raw materials, i.e. sulphur, sulphuric acid, hydrates, soda-ash, and wood pulp. Lithuania's geographical location affords an opportunity to efficiently use raw materials from Eastern Europe and Russia. Some of the raw materials are available from local suppliers, but most are imported. (EKT, 2002)
- According to industry sources, the chemical industry has grown substantially in the last few years, also caused by accession to the EU.

Trends

- According to industry sources, the future of the chemical industry is heavily dependent on (foreign) investment.
- However, due to low local labour costs and substantial capital investment in local production facilities, it can be expected that production will continue to increase.
- In particular, the demand for plastics will grow substantially.
- According to industry sources, the Lithuanian chemical industry suffers from high gas prices and irregular deliveries of gas from Russia.
- Furthermore, there are difficulties in attracting sufficient numbers of qualified workers.

Opportunities and threats

- Because of its limited size, and heavy dependency on primary raw materials from the East European region and Russia, the Lithuanian market offers limited possibilities to exporters in developing countries.

Useful sources

- For further information, please refer to Lithuanian trade associations mentioned in section 6 of this survey. The European Federation CEFIC (<http://www.cefic.org>) is also of interest.
- Also of interest is the Lithuanian statistical agency - <http://www.std.lt/en>.
- Several reports, such as "The Chemical Industry Sector in the CEEC's" - <http://www.pwc.com/pl/eng/about/ind/cips/chem/chemia05.pdf> and "the Chemical Industry in Lithuania" (available through <http://www.lida.lt>).

2. Trade channels for market entry

- In general, the trade channels in Lithuania do not differ from the trade channels where have been mentioned in the CBI market survey covering the EU chemicals market. The traditional approach of contacting traders, intermediate processing companies, agents and wholesalers (either with or without processing capacity, dependent on the chemical) remains the most effective method.
- For a comprehensive website of companies active in the chemical sector in Lithuania, please refer to the Association of Lithuanian Chemical Industry Enterprises http://www.chemija.lt/3_en/02_alchie_members_en.htm.
- Chemindustry.com (<http://chemindustry.com/index.html>) provides additional chemical companies in Lithuania.

3. Trade: imports and exports

Imports

- Lithuania is a negligible importer of chemicals, accounting for 0.2% of EU imports.
- In 2006, Lithuania imported € 96 million / 115 thousand tonnes of chemicals, representing an average annual increase of 15% during the review period.
- In 2006, developing countries supplied 5% of all Lithuanian imports, which is just under the EU average of 7%. Imports from developing countries increased by an annual average

rate of 9% in the period reviewed, amounting to € 5 million / 14 thousand tonnes in 2006. The main developing country suppliers to Lithuania are Ukraine (3%), and China (1%).

- Leading suppliers of chemicals to Lithuania are The Netherlands (16%), Poland (16%), Russia (15%), Czech Republic (11%) and Germany (10%).
- Lithuanian imports of chemicals consisted of oleo chemicals (47%), organic chemicals (34%), dyes and pigments (13%) and inorganic chemicals (6%).

Exports

- Lithuania is a very small EU exporter of chemicals. However, its exports are increasing strongly, representing an annual average growth of 40% during the review period, amounting to € 16 million / 17 thousand tonnes in 2006.
- Between 2002 and 2006, all selected product groups showed strong increases in exports. Exports of inorganic chemicals showed a particularly strong increase, representing an average annual growth rate of 68% during the review period.

Opportunities and threats

- Lithuania is a small EU trader in chemicals. Based on the figures, it seems that not many opportunities exist for developing country suppliers.
- Although trade with developing countries increased over the period 2001-2005, China is the only trading partner of significance.

Useful sources

- EU Expanding Exports Helpdesk - <http://export-help.cec.eu.int>
- Eurostat, the official statistical office of the EU - <http://epp.eurostat.cec.eu.int>

4. Price developments

- The CBI market survey, covering the EU chemicals market, presents general information on prices. These price indications do not differ from those in Lithuania.
- The prices of most commodity chemicals can be found relatively easily. Useful sources are; <http://www.cnionline.com> (subscription site with information on companies, markets, products, strategies, mergers, acquisitions, capacity expansions, forecasts and trends in the chemical industry) and <http://www.icislol.com> (subscription site for prices on the petrochemical and oil markets).
- However, the prices of fine and specialty chemicals are more difficult to obtain. They are not published and can vary widely from one application area to another. Obtaining reliable price information in these segments often requires asking a distributor, or asking a producer for a quotation.

5. Market access requirements

- Manufacturers in developing countries should be aware of the market access requirements of their trading partners and the country's government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns.
- For more information, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>.

6. Business practices

Trade Associations

- Association of Lithuanian Chemical Industry Enterprises - <http://www.chemija.lt>.

Trade Fairs

- No chemical trade fairs were encountered in Lithuania.

Trade Press

- Medicina - <http://medicina.kmu.lt/main-e.htm>

This survey was compiled for CBI by ProFound – Advisers in Development
in collaboration with Jan Ramakers Fine Chemical Consulting Group.

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