

## CBI MARKET SURVEY

## THE PHARMACEUTICAL PRODUCTS MARKET IN LITHUANIA

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**Introduction**

This CBI market survey gives exporters in developing countries information on some main developments in the pharmaceutical products market in Lithuania. The information is complementary to the information provided in the CBI market survey 'The pharmaceutical products market in the EU', which covers the EU in general. 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: consumption and production**

Data concerning consumption of pharmaceutical products in Lithuania are derived from the European Federation of Pharmaceutical Industries and Associations (EFPIA). The latest report from this organisation (The Pharmaceutical Industry in Figures, 2009 Edition) provides data as of 2007. Data for previous years are derived from previous editions of this report. Please note that data are given at ex-factory prices.

**Consumption**

Lithuania was the fifth smallest pharmaceutical market in the EU in 2007, accounting for 0.3% of the total EU market (about the same size as the Slovenian market). Germany and France, the largest pharmaceutical markets in the EU, individually accounted for 18% of the EU market. Between 2004 and 2007, Lithuania's pharmaceutical consumption increased at an annual average rate of 13%, amounting to € 404 million in 2007. Lithuania's pharmaceutical consumption increased at a much higher rate than the average EU pharmaceutical consumption, which grew by an annual average rate of 6.7% between 2004 and 2006.

Please note that data on consumption of specific pharmaceutical products is fragmented and cannot be presented in a structured manner. Additional information can be found under the section 'Trends in consumption'.

**Generic medicines**

The EFPIA does not report the size of Lithuania's generic medicines market but, according to PPRI (2008), generic medicines accounted for around 35% of the total pharmaceutical market in terms of value and 64% in terms of volume, in 2007.

Prescribing by International Nonproprietary Name (INN) is obligatory for Lithuanian physicians and, in turn, generic substitution is permitted for pharmacists, who are obliged to inform patients of the cheapest generic product available (Pharmaceutical Pricing and Reimbursement Information - PPRI, 2008).

**Trends in consumption**

- **Pathologies profile:** The diseases which cause most deaths in Lithuania are circulatory system diseases and malignant neoplasms (i.e. cancer). Male deaths from cancer are 1.2 times more frequent in Lithuania than female deaths (PPRI, 2007).
- **Non-prescription market:** The use of non-prescription pharmaceutical products in Lithuania grows according to the increasingly busy lives of its population. According to Euromonitor (2008), Lithuanians increasingly search for a more convenient and time-efficient way to deal with health problems. Thus, long hours in public clinics are becoming less popular and self-medication methods grow proportionally.

For more information on trends in pharmaceutical products, please refer to the CBI survey 'The pharmaceutical products market in the EU'.

### Production

EFPIA does not provide data on Lithuania's production of pharmaceutical products.

In 2006, 14 local pharmaceutical manufacturers were registered in Lithuania, of which the largest one was Sanitas AB. The local industry is characterised by small and medium-sized enterprises, mostly focusing on generic medicines in tablets, ampoules and ointments; also biotechnologically active pharmaceutical ingredients and formulations (PPRI, 2007). The Lithuanian pharmaceutical market is predominantly supplied by overseas manufacturers; its small local production tends to concentrate on exports to the former USSR.

Leading domestic pharmaceutical companies in Lithuania:

- Sanitas AB – <http://www.sanitas.lt> – Lithuania's largest pharmaceutical company and leading producer of generic medicines
- SICOR Biotech UAB – <http://www.sicor.lt> – develops and manufacturers biopharmaceutical products
- Corpus Medica – [info@corpusmedica.lt](mailto:info@corpusmedica.lt) – producer of generic medicines

Some of the multinational companies present in Lithuania are:

- GlaxoSmithKline – <http://www.gsk.lt>
- Roche – <http://www.roche.com>
- Ratiopharm – <http://www.ratiopharm.com>
- Richter Gedeon – <http://www.richter.hu>

### Trends in production

- **Pharmaceutical industry:** According to Espicom, the Lithuanian pharmaceutical industry has failed to attract the interest of foreign manufacturers, unlike other new EU member states, such as Poland or Hungary. A recent legislative change, which makes it difficult for new companies to acquire import licences, may further dissuade pharmaceutical companies from establishing themselves in Lithuania. On the other hand, Sanitas, the largest domestic pharmaceutical manufacturer, has seen large increases in sales and has gained access to European markets, such as the Czech Republic and Slovakia, due to recent acquisitions (Espicom, 2009).

For more information on trends in pharmaceutical products, please refer to the CBI survey 'The pharmaceutical products market in the EU'.

### Opportunities and threats

- /+Lithuania is one of the smallest pharmaceutical markets in the EU, but has shown signs of strong increase in the last few years.
- + Lithuania offers a fairly generic-friendly environment, having specific policies stimulating the prescription and dispensing of generic medicines.
- Lithuania's pharmaceutical industry is dominated by foreign multinationals, which are already consolidated in this market, being a definite threat to exporters who aim at accessing the Lithuanian market.

Exporters should take into account that the same trend can be an opportunity for one exporter and a threat to another. Please, review these opportunities and threats according to your own situation. Chapter 7 of the CBI market survey 'The pharmaceutical products market in the EU' presents an example of an analysis of whether a trend/development is an opportunity or a threat.

## 2 Trade channels for market entry

The trade structure for pharmaceutical products across the EU is mostly similar, but reveals slight variations according to the diverse pharmaceutical and healthcare systems existent in each country. These variations hardly affect an exporter's market approach, since they are related to the way pharmaceutical products are domestically dispensed to the end-consumer. Some of the specific characteristics of the Lithuanian pharmaceutical trade channels and trends therein are outlined below:

- The **wholesale market** in Lithuania is in private hands, and approximately 10 wholesalers offer more than 1,600 pharmaceutical products in the country. The four leading wholesalers, accounting for 70% of the market, are:
  - Tamro - <http://www.tamro.lt>
  - Limedika - <http://www.limedika.lt>
  - Medikona - <http://www.medikona.lt>
  - Armila - <http://www.armila.com>
- **Direct supplying** from manufacturers to pharmacies is not allowed but, according to the *Law on Pharmacy*, manufacturing and distribution companies can deliver pharmaceutical products directly to hospitals and polyclinics, if the demand concerns a limited number of products (Association of European Self-Medication Industry - AESGP, 2009).
- Generally, pharmaceutical products in Lithuania can only be dispensed through **pharmacies**; health care centres might be allowed to dispense products in isolated rural areas, but these centres must have contact with a pharmacy. The majority of the pharmaceutical market in Lithuania is in the hands of large chains, the most prominent one being Eurovaistine – which accounts for one third of the market. Approximately 20% of the market is comprised of independent pharmacies (AESGP, 2009).
- **Distance-selling or tele-shopping** of pharmaceutical products is generally not allowed in Lithuania, except for pharmacy sales over the Internet (for non-prescription products only) linked to a pharmacist's professional advice (AESGP, 2009).
- **Parallel trade** has not been allowed in the country since 2006, according to the *Law on Pharmacy*. Nonetheless, since April 2007, companies have been allowed to apply for authorisation on parallel trade (PPRI, 2007 and Oebig/European Commission, 2006).

Please, refer to the CBI survey 'The pharmaceutical products market in the EU' for further information on EU pharmaceutical trade channels.

### Price structure

Price decisions in Lithuania are made independently from reimbursement decisions and price control is only applicable to reimbursable products. Price referencing is done through international price benchmarking (the countries used as references are Poland, Latvia, Estonia Hungary, Slovakia, and Czech Republic), at the manufacturer level. Reimbursed prices cannot be higher than 95% of the average of prices in reference countries.

Different prices apply throughout the various trade channels. The margins applied to pharmaceutical products in Lithuania can be expressed in the following manner:

- Wholesaler: Regressive margins for reimbursable products (maximum margin of € 14.48 per prescription); margins for non-reimbursable products are not regulated by the State, but are negotiated with pharmacists.
- Pharmacist: A combination of linear and regressive margins (maximum mark-up of € 5.79 per prescription); margins for non-reimbursable products are not regulated by the State.
- State (VAT): a reduced VAT of 5% is applicable to reimbursable pharmaceutical products (the standard VAT rate of 19% is applicable to non-reimbursable pharmaceutical products)

### Generic medicines

There is no difference in price-setting procedures in relation to generic medicines. Nonetheless, the manufacturer price should be at least 30% below the price of the original product. This rule is applied to all generic medicines, both domestic and imported.

For further information on price structure of pharmaceutical products in Lithuania, please refer to: [http://ppri.oebig.at/Downloads/Results/Lithuania\\_PPRI\\_2008.pdf](http://ppri.oebig.at/Downloads/Results/Lithuania_PPRI_2008.pdf)

### 3 Trade: imports and exports

#### Imports

In 2008, Lithuania was the sixth smallest importer of pharmaceutical products in the EU, accounting for approximately 0.4% of total EU imports (slightly smaller than Bulgaria's imports). As such, it is the largest market among the three Baltic States. Between 2004 and 2008, Lithuania's imports increased by an annual average rate of 13% in value but decreased by 5.7% in volume, amounting to € 411 million or 6.1 thousand tonnes in 2008. The majority of Lithuania's imports (97%, in terms of value) was sourced in EU countries. Between 2004 and 2008, imports from EU countries increased at an annual average rate of 14% in terms of value. Germany, which accounted for an 18% imports share in 2008, was the leading supplier of pharmaceutical products to Lithuania. Other important EU suppliers of pharmaceutical products to Lithuania in 2008 were Latvia (15%) and France (12%). The leading supplier outside the EU was Switzerland, which accounted for 1.8% of Lithuania's imports in 2008.

The role of developing countries in supplying pharmaceutical products to Lithuania is small. In 2008, imports sourced in DCs accounted for approximately 1.1% of Lithuania's total imports, which was slightly higher than the EU average of 0.8%. Imports from developing countries decreased by a substantial annual average rate of 16% between 2004 and 2008. Mexico was by far the main DC supplier in 2008, and imports from this country increased by 24% annually in the review period.

In 2008, Lithuania's imports of pharmaceutical products consisted almost entirely of packed pharmaceutical products. Non-packed pharmaceutical products accounted for an insignificant share of total imports.

#### Exports

In 2008, Lithuania was the fourth smallest EU exporter, accounting for approximately 0.1% of total EU exports. Nonetheless, Lithuania's exports increased by an annual average rate of 18% in value but decreased by 7.0% in volume between 2004 and 2008, amounting to € 114 million or 1.2 thousand tonnes in 2008. Approximately 83% of Lithuania's exports was destined to other EU member countries, and another 4.5% to non-EU countries, excluding DCs. Latvia, the leading destination, accounted for 41% of Lithuania's exports, followed by Estonia (24%) and Germany (12%). DCs accounted for a 12% share of total Lithuanian exports.

In 2008, Lithuania's exports of pharmaceutical products consisted almost entirely of packed pharmaceutical products. Non-packed pharmaceutical products accounted for an insignificant share of total exports.

#### Opportunities and threats

- Imports of pharmaceuticals into Lithuania are low. Although imports increased strongly in the review period, Lithuania remains the sixth smallest importer in the EU.
- Developing countries play a small role in the Lithuanian pharmaceutical market. Moreover, imports from developing countries are decreasing substantially and are dominated by Mexico.

Exporters should take into account that the same trend can be an opportunity for one exporter and a threat to another. Please, review these opportunities and threats according to your own situation. Chapter 7 of the CBI market survey 'The pharmaceutical products market in the EU' presents an example of an analysis of whether a trend/development is an opportunity or a threat.

### Useful sources

- EU Expanding Exports Helpdesk - <http://exporthelp.europa.eu>
- Eurostat – official statistical office of the EU - <http://epp.eurostat.ec.europa.eu>
- Understanding eurostat: Quick guide to easy comext  
[http://epp.eurostat.ec.europa.eu/newxtweb/assets/User\\_guide\\_Easy\\_Comext\\_20090513.pdf](http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20090513.pdf)

## 4 Price developments

Pricing systems vary in the individual EU countries, thus this is also the case for price developments. The main price developments observed in Lithuania in recent years are the following:

- Since January 2009, the reduced VAT of 5%, which was applied to all pharmaceutical products for 5 years, has become applicable only to reimbursable pharmaceutical products. The country's standard VAT (which was raised from 18% to 19% in January 2009) is now applicable to non-reimbursable pharmaceutical products.

### Useful sources

- PPRI – Pharmaceutical Pricing and reimbursement Information - <http://ppri.oebig.at>

## 5 Market access requirements

As a manufacturer in a developing country preparing to access Lithuania, you should be aware of the market access requirements of your trading partners and the Lithuanian government. For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select 'pharmaceutical products' and 'Lithuania' in the category search, click on the search button and click on market access requirements.

Detailed information on packaging can be found at the website of ITC on export packaging: <http://www.intracen.org/ep/packit.htm>

Information on tariffs and quota can be found at <http://exporthelp.europa.eu>

## 6 Doing business

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from <http://www.cbi.eu/marketinfo> - go to search publications. For more information on doing business in Lithuania, visit the following websites:

### Trade associations

- Association of Representative Offices of Ethical Pharmaceutical Manufacturers (EFA) - <http://www.efa.lt>
- Vaistu gemintoju asociacija (VGA) / Association of Generic Manufacturers - <http://www.vgalietuva.lt>
- Lithuanian Association of Pharmaceutical Enterprises – no website available, e-mail: [lfpia@takas.lt](mailto:lfpia@takas.lt)

### Trade press

- Lithuania Online - <http://www.online.lt> – gives information on how to do business and how to find interesting partners in Lithuania.
- Lithuanian Folk Medicine knowledge - <http://ausis.gf.vu.lt/eka/medicine/medicine.html>
- Lithuanian Library of Medicine - <http://www.lmb.lt>

### Trade fairs

- Baltmedica - <http://www.litexpo.lt> – is the international exhibition of medical and laboratory equipment, pharmaceuticals, dentistry and optics, healthy lifestyle. The fair takes place once every 2 years in Vilnius, Lithuania. The most recent event was held in September 2009.

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

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