



Market analysis

Availability of forest products and by-products

Lithuania

Client:

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1. Introduction

SGS has been assigned by Electrabel to analyse the market availability of the feedstock used to produce wood pellets in Lithuania, in order to assess to what extent the use of those materials for energy purpose might compete with the industrial use of those resources both locally and internationally. The wood energy subsector is very developed in Lithuania.

This report will cover the following wood resources used as raw material by pellet producers in Lithuania:

- Wood processing residues
- Round from forest thinning & harvesting
- Residues of forest exploitation

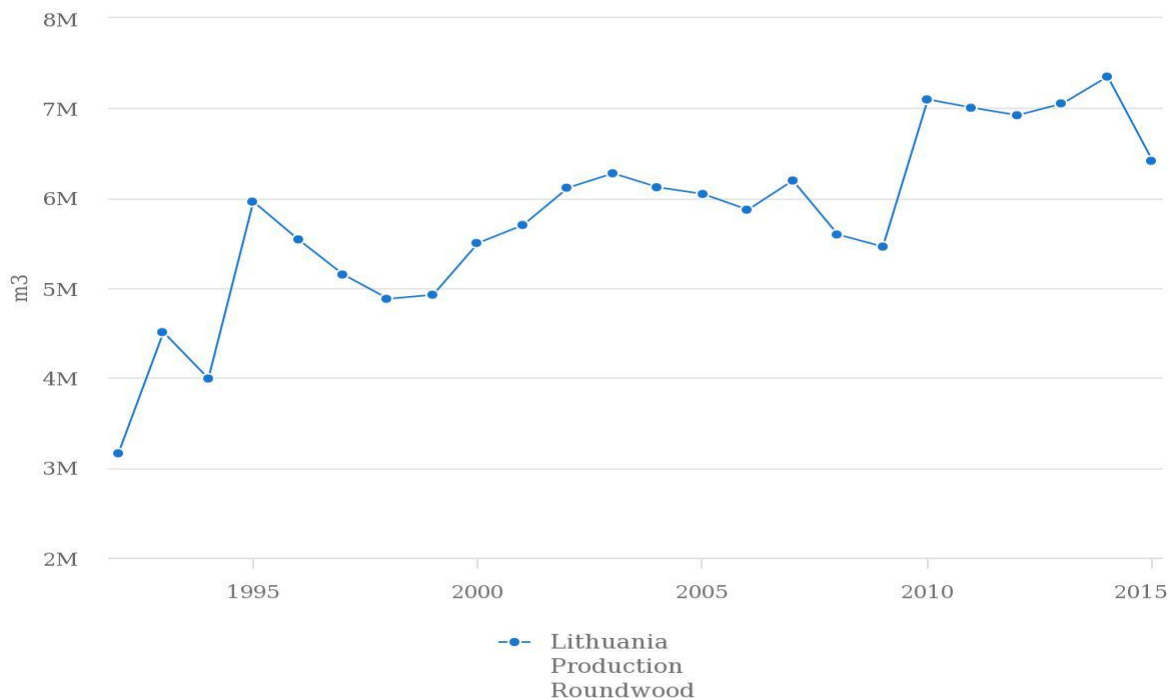
The industrial activities concerned by those materials are:

- pulp and paper
- wood panels production

The geographic range covered by the analysis includes the state of Lithuania.

2. Production volumes

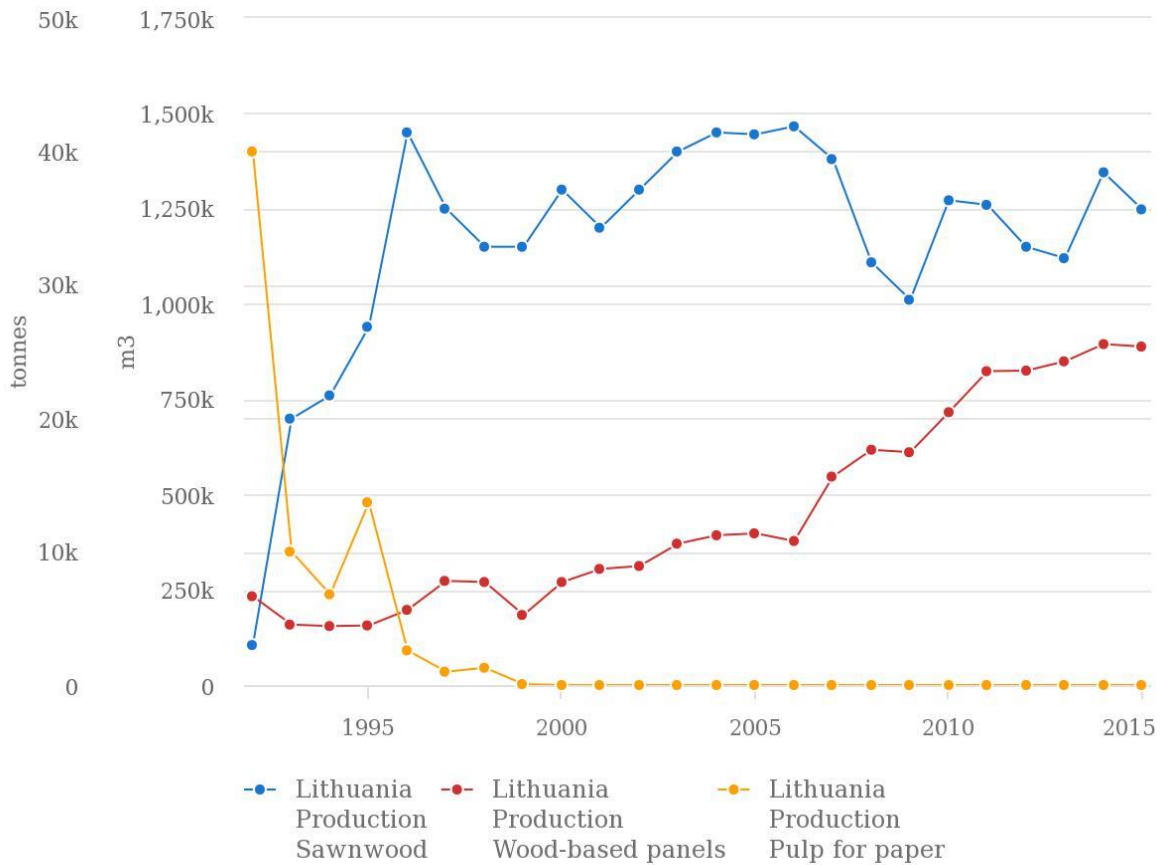
According to the most recent statistics available from the FAO to data¹ (Figure 1) the production of round wood from forest's Lithuania had been fairly stable between 2010 and 2014 with about 7 million m³ of timber, before decreasing substantially in 2015 with 4,4 million m³ of timber. Lower wood prices could explain this drop of production of roundwood and it affected mainly private forest output. The general trend of the production of round wood shows a fast increase from 1991 (Soviet Union's dissolution and Lithuania independence) to 1995 and then a stabilisation of the production until 2009. The production grew up in 2010, after the global economic crisis. The best production level was reached in 2014 with 7,3 million m³.



Source: FAOSTAT (May 22, 2017)

Figure 1 : production of round wood in Lithuania (1992-2015)
(source : FAOstat)

¹ http://faostat3.fao.org/faostat-gateway/go/to/browse/F/*E



Source: FAOSTAT (May 22, 2017)

Figure 2 : production levels of pulp for paper (tonnes), sawnwood (m³) and wood-based panels (m³) in Lithuania between 1990 and 2015
 (source : FAOstat)

Residues from sawmills are the main feedstock for pellet production. In 2015, about 1,2 million m³ in of sawnwood were produced of which 0,8 million were exported. The production of wood-based panels has increased gradually over recent year to reach 0,89 million of m³ in 2015. Concerning the production of pulp for paper, since the end of 90's, the production could be considered as null.

3. Forest exploitation levels

The volume of timber harvested annually from Lithuanian’s forests had been stable up to 2010, about 7 million of m³ of timber. In state forest, volume of felling was stable between 1997 and 2013 around 4 million m³. Felling volume in private forests is much more sensitive to prices than State forest production. So, the global economic crisis caused a fall in Roundwood prices and this could explain the decrease of the volume of felling in private forests between 2007 and 2010. To note that lower prices in 2015 affected private forest output.

The comparison between the volumes of annual fellings and the annual net growth is described in more details in SGS’s report on forest sustainability. According to the Lithuanian Forest Law, the general volume of all annual forest cutting cannot exceed the gross annual tree increment. The volume of annual main forest cutting in State forests is approved by the government for the period 2014-2018 and is 3,15 million m³ The Ministry of Environment approves the volume of intermediate forest cutting in State Forests and for 2016 the volume amounted to 1,3 million m³. The felling volume in State Forests remains stable, 3,8 – 3,9 million m³².

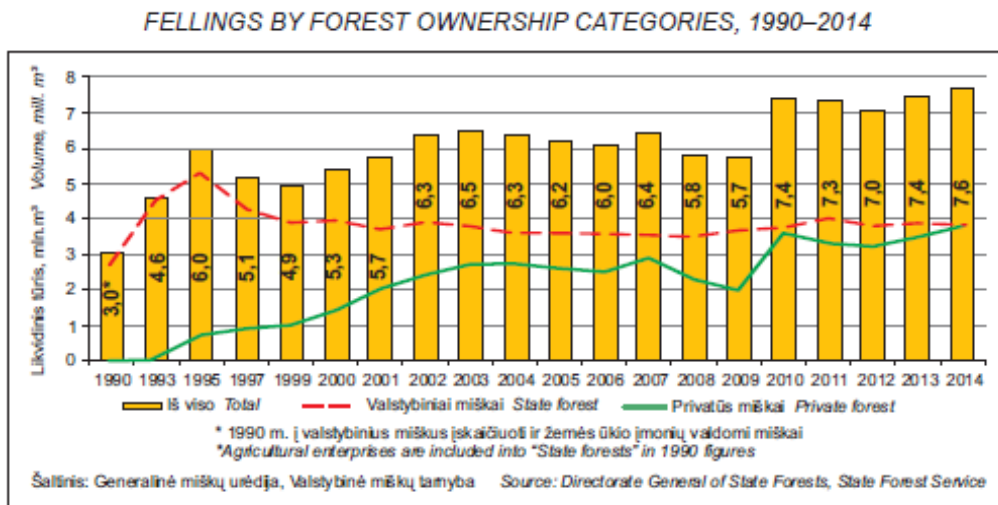


Figure 3 : Volume of felling by ownership in Lithuania between 1990 and 2014
source : http://www.amvmt.lt/Images/Veikla/STAT/MiskuStatistika/2015/Metrastis_2015_CD.pdf

²https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Forestry%20and%20Wood%20Products%20in%20Lithuania_Warsaw_Lithuania_2-28-2017.pdf

4. Price of wood resources

Wood prices in Lithuania used to be stable until 2006, with a brief increase during years 2006-2008 and before falling between 2008 and 2009 in relationship with the global economic crisis. Then, the trend shows a constant grow of prices until 2014 before decreasing again.

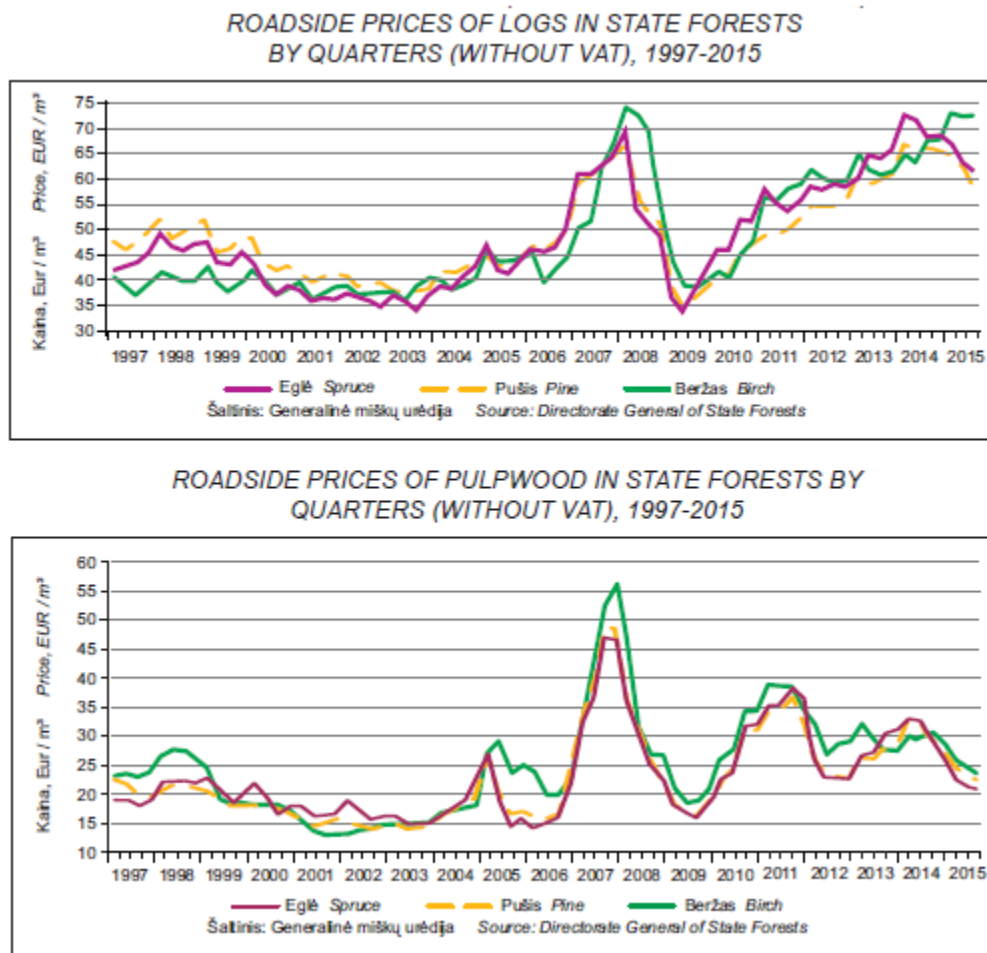


Figure 4 : Roadside prices of wood (logs and pulpwood) in state forests by quarters (EURO/m³ excluding VAT)

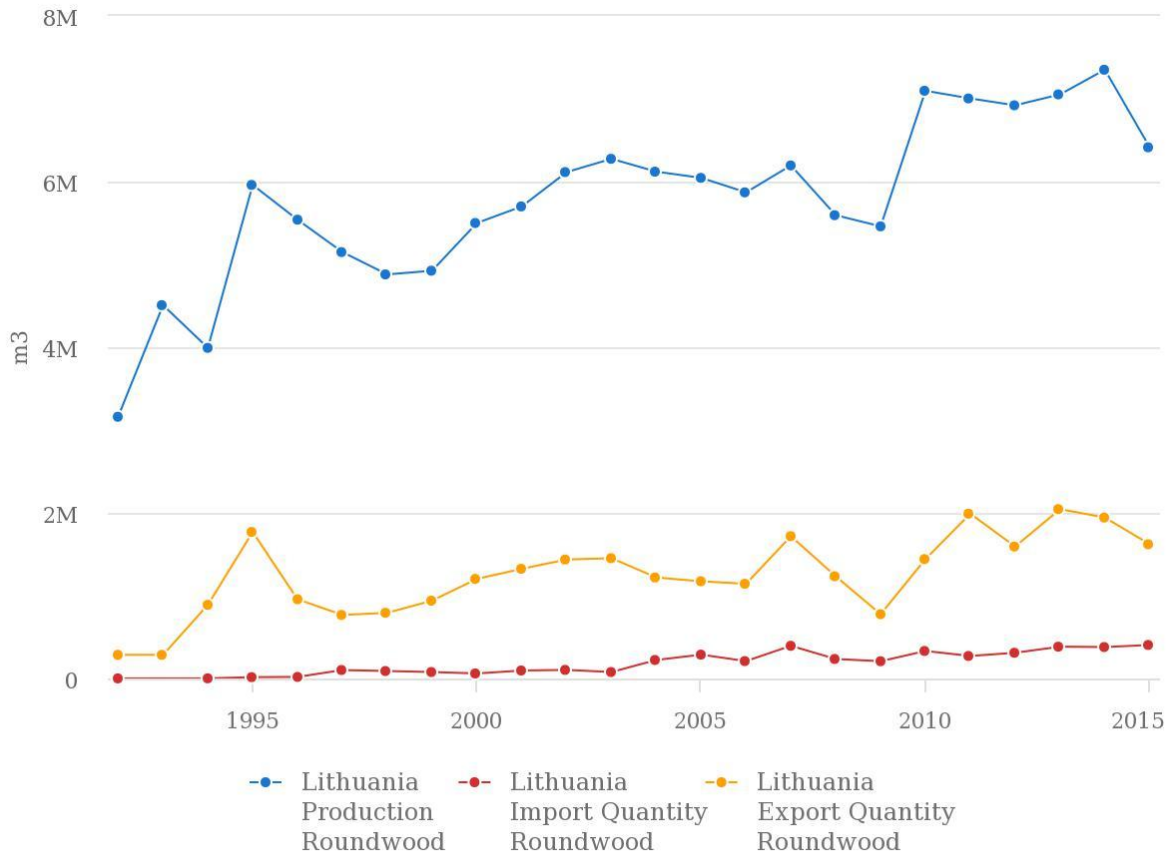
(source : Lithuanian Forestry Statistics :

http://www.amvmt.lt/Images/Veikla/STAT/MiskuStatistika/2015/Metrastis_2015_CD.pdf)

5. Import and export of wood resources

In this section, imports and exports are taken into account to assess the availability of the different kinds of materials.

The imports of round wood are very low compared to the production. The domestic production allows to meet the local demand and allows to generate significant exports.



Source: FAOSTAT (May 22, 2017)

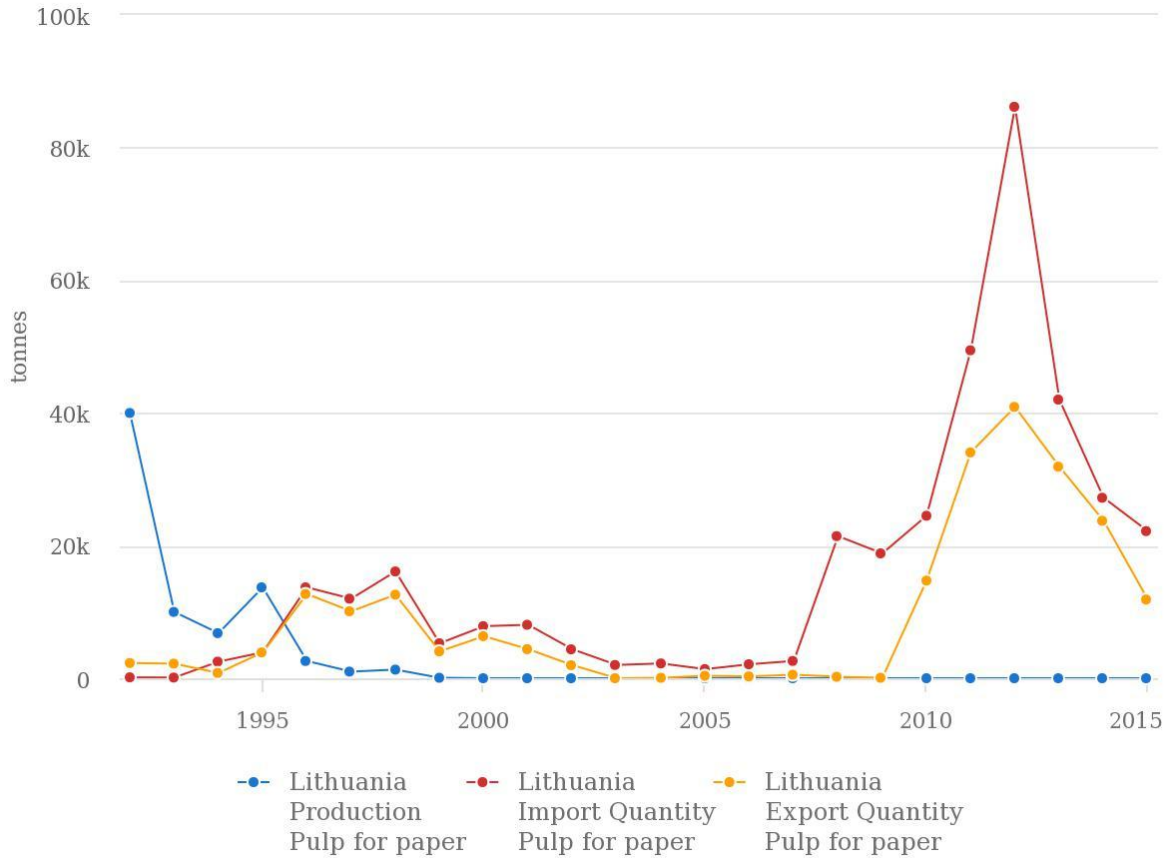
Figure 5 : imports, exports and production of round wood in Lithuania (1992-2015)
(source : FAOstat)

In 2015, the production of round wood was 4,4 million m³, of which 1,6 million m³ for exports. The imports were of 0,4 million m³. We also see on the figure above that production had slightly decreased during the crisis in 2008. But exports showed a sharper drop during this period to reach 0,7 million m³ in 2009. The imports stayed low since 1992. The roundwood production seems to be mainly for the local market.

Lithuania is a net exporter of wood and wood products. The main export destinations are the main EU buyers like Germany, the United Kingdom and the Scandinavian market.

We do notice that the exports of roundwood seems to have suffered mainly during the economic crisis, with a drop from 1,7 million m³ 2007 to 0,7 million m³ in 2009.

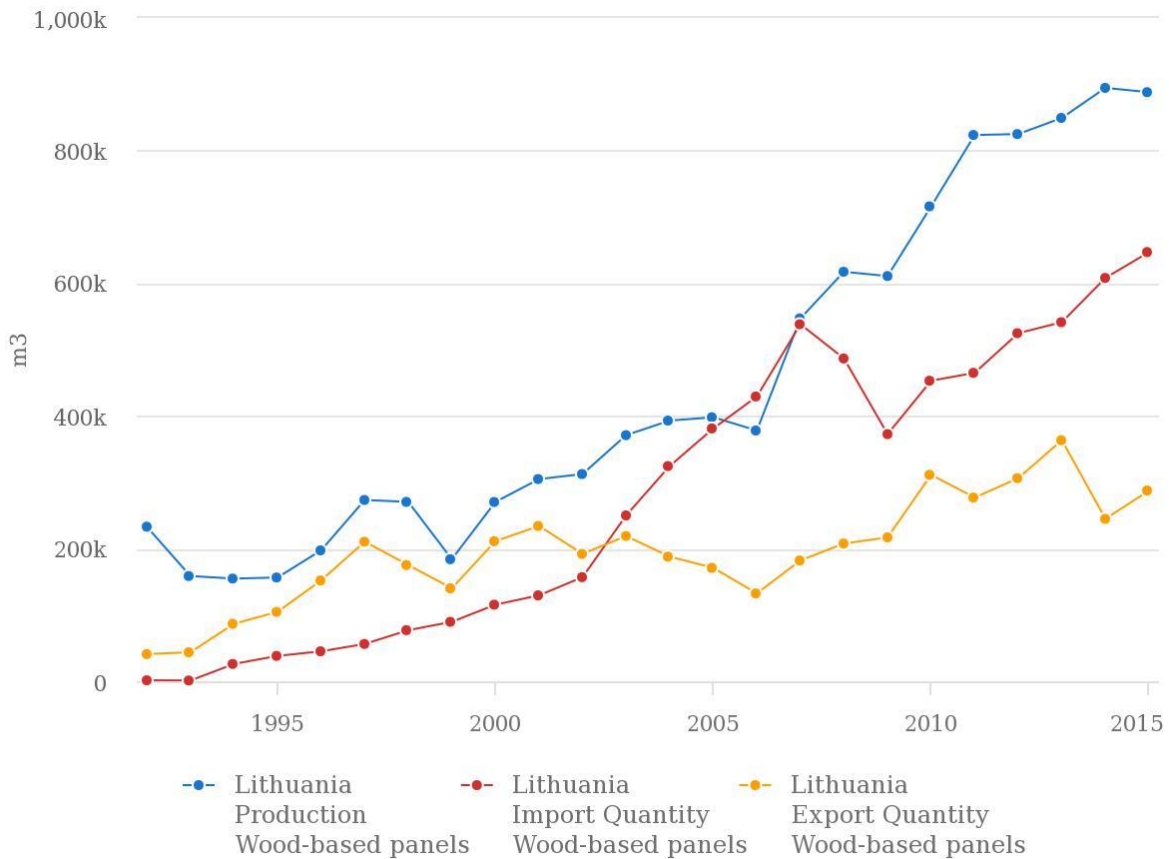
Since 1996, the production of pulp for paper is almost null and the exports globally follows the trend of the imports.



Source: FAOSTAT (May 22, 2017)

Figure 6 : Production, imports and exports of pulp and paper in Lithuania (1992-2015)
(source : FAOstat)

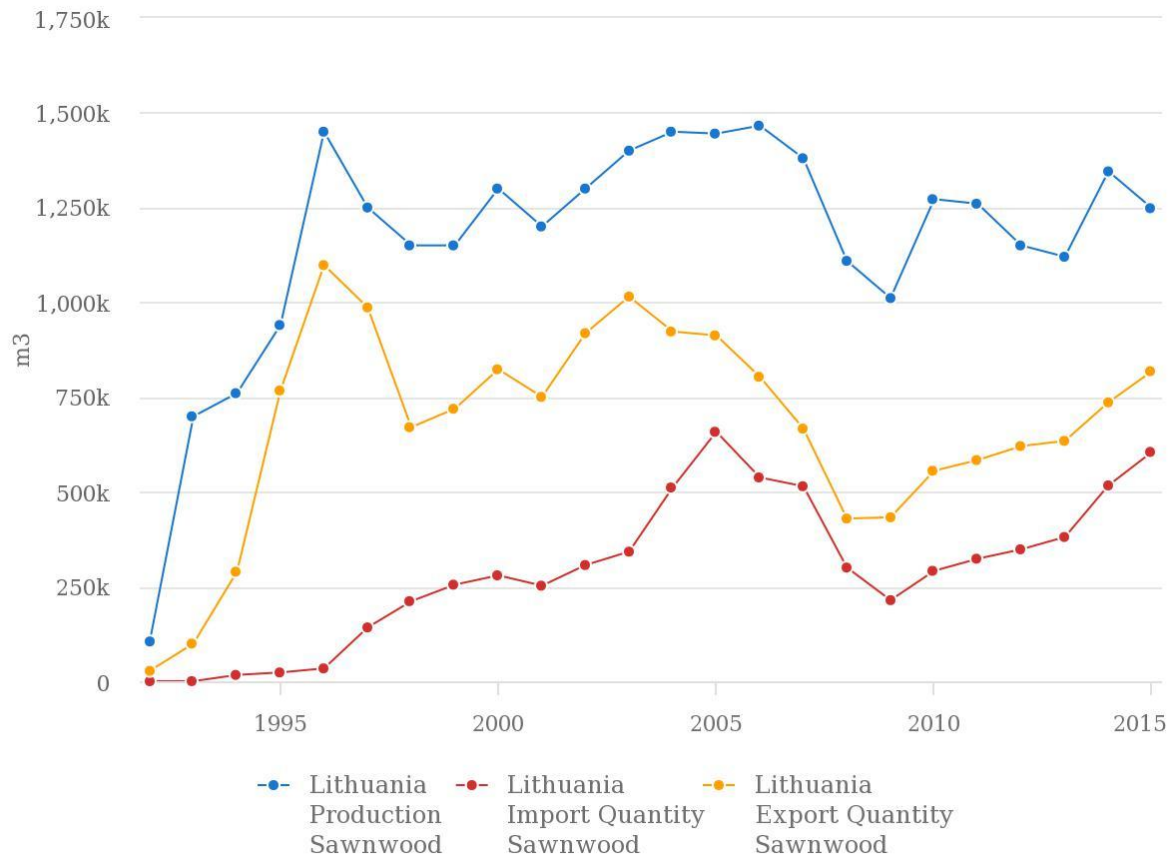
The produced and exported volumes of wood-based panels have gradually increased since 1992. The exports suffered in 2009 and 2010 of the global economic crisis.



Source: FAOSTAT (May 22, 2017)

Figure 7 : Production, imports and exports of wood-based panels in Lithuania (1992-2015)
(source : FAOstat)

After a sharp increase of sawnwood production and exports between 1992 and 1997, the production of sawnwood stayed constant until 2006 when this production (and exports) decreased during 2 years to reach 1 million m³. Since 2010, the production globally increase until 1,2 million m³ in 2015. In 2015, about 1,5 million m³ of sawnwood were produced with 0,8 million³ exported.



Source: FAOSTAT (May 22, 2017)

Figure 8 : Production, imports and exports of sawnwood in Lithuania (1992-2013)
(source : FAOstat)

6. Conclusion

Lithuania is a net exporter of wood and wood products. The exported products are mostly industrial roundwood, sawnwood and in a lesser extent wood-based panels, wood fuel and paper/paperboard. The main Lithuanian wood and wood products export markets were Germany, Sweden, Russia and Norway. The share of 28 member states in Lithuanian exports was 55% in the total export in 2014.

The analysis of the wood market in Lithuania, shows that a major increase of round wood production after a drop during the global economic crisis in 2008 and 2009. The exports seem having suffered much of this drop. The production levels have partially recovered afterwards and increased for certain wood products. In 2015, the growth of forestry sector was slowed down by transport sector problems, which appeared after Russia's imposed import ban of food sector. These direct effects of sanctions on transport sector made secondary negative impact on forest sector³.

Concerning the production of pulp for paper, this subsector is rather small in Lithuania, with fast growing production.

Wood-based panels constitutes an important subsector of woodworking in this country.

Large amounts of round wood are available for harvesting and the recent years the stock in forests gradually grows with 529 million m³ in 2015⁴.

³ <https://www.unece.org/fileadmin/DAM/timber/country-info/statements/lithuania2015.pdf>

⁴ http://www.amvmt.lt/Images/Veikla/STAT/MiskuStatistika/2015/Metrastis_2015_CD.pdf

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