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**Subject: State Aid SA. 59345 (2020/N) – Lithuania
COVID-19: Temporary State Aid to Fur Animal Keepers facing
economic difficulties caused by the outbreak of Covid-19**

Excellency,

1. PROCEDURE

- (1) By electronic notification of 5 November 2020, Lithuania notified aid in the form of limited amounts of aid “Temporary State Aid to Fur Animal Keepers facing economic difficulties caused by the outbreak of Covid-19” (“the measure”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, as amended (“the Temporary Framework”).¹
- (2) Lithuania exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union (“TFEU”), in conjunction with

* Handling instructions for SENSITIVE information are given at <https://europa.eu/ldb43PX>

¹ Communication from the Commission - Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 91I, 20.3.2020, p. 1, as amended by Communication from the Commission C(2020) 2215 final of 3 April 2020 on the Amendment of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 112I, 4.4.2020, p. 1, by Communication from the Commission C(2020) 3156 final of 8 May 2020 on the Amendment of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 164, 13.5.2020, p. 3, by Communication from the Commission C(2020) 4509 final of 29 June 2020 on the Third Amendment of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 218, 2.7.2020, p. 3 and by Communication from the Commission C(2020) 7127 final of 13 October 2020 on the Fourth Amendment of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak and amendment to the Annex to the Communication from the Commission to the Member States on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to short-term export-credit insurance, OJ C 340 I, 13.10.2020, p. 1.

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Article 3 of Regulation 1/1958² and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE MEASURE

- (3) Lithuania considers that the COVID-19 outbreak has started to affect the real economy. The measure forms part of an overall package of measures and aims to ensure that sufficient liquidity remains available in the market, to counter the liquidity shortage faced by undertakings because of the outbreak, to ensure that the disruptions caused by the outbreak do not undermine the viability of the undertakings and thereby to preserve the continuity of economic activity during and after the outbreak.
- (4) The compatibility assessment of the measure is based on Article 107(3)(b) TFEU, in light of sections 2 and 3.1 of the Temporary Framework.

2.1. The nature and form of aid

- (5) The measure provides aid in the form of direct grants.

2.2. Legal basis

- (6) The legal basis for the measure is the Draft Order of the Minister of Agriculture of the Republic of Lithuania “On the Approval of the Rules for the Payment of Temporary State Aid to fur animal keepers”.

2.3. Administration of the measure

- (7) The Lithuanian Ministry of Agriculture is responsible for granting the aid.
- (8) The measure will be administered by the municipalities, the Agricultural Information and Rural Business Centre, and the National Paying Agency under the Ministry of Agriculture of the Republic of Lithuania.

2.4. Budget and duration of the measure

- (9) The estimated budget of the measure is EUR 5 000 000.
- (10) Aid may be granted under the measure as from its approval until no later than 30 June 2021.

2.5. Beneficiaries

- (11) The final beneficiaries of the measure are small, medium sized enterprises (“SMEs”) and large enterprises³ active in fur farming in Lithuania. However, financial institutions are excluded as eligible final beneficiaries.

² Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

³ As defined in Annex I to Commission Regulation (EU) 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union, OJ L 193, 1.7.2014, p. 1.

- (12) The number of beneficiaries is estimated at 150 undertakings active in the aforementioned sector.
- (13) Aid may not be granted under the measure to medium⁴ and large enterprises that were already in difficulty within the meaning of the Agricultural Block Exemption Regulation (“ABER”)⁵ on 31 December 2019. Aid may be granted to micro and small enterprises that were in difficulty within the meaning of the ABER⁶ on 31 December 2019, if those enterprises, at the moment of granting the aid, are not subject to collective insolvency procedure under national law and they have not received rescue aid⁷ or restructuring aid.⁸

2.6. Sectoral and regional scope of the measure

- (14) The measure is exclusively open to undertakings active in fur farming.
- (15) It applies to the whole territory of Lithuania.

2.7. Basic elements of the measure

- (16) The purpose of the aid scheme is to alleviate the difficulties (to partially compensate for the loss of income) faced by fur animal keepers (specifically, mink keepers), who were not able to sell their production because of the mandatory closure of fur auctions, due to the COVID-19 pandemic.
- (17) Because of the closure of fur auctions, all animal fur production has stopped. The sales prices of mink fur have gone from EUR 22.5 per fur in 2019 to EUR 16.8 per fur in 2020, that is, a difference in price of EUR 5.7, or about 25% lower. With regard to the level of sales, only 10% of furs are sold.
- (18) Moreover, the surplus of fur in the market will affect the prices when auctions are back and operating. Continuity of economic activity of farms and enterprises during and after the COVID-19 outbreak is under threat. In cases where it is not possible to reduce the volumes of production quickly, companies are forced to store unsold products (incurring additional storage costs, lack of working capital to feed and raise new fur animals).
- (19) Fur animal keepers will have to submit an aid application, which will be checked against the eligibility criteria listed in the implementation rules:
- (a) keepers of fur animals shall be registered in the Agricultural and Rural Business Register of the Republic of Lithuania as managers or partners of an agricultural holding, or as legal persons engaged in fur production, by 1 April 2020 at the latest;
 - (b) keepers shall have registered their minks on their behalf in the Register of Farm Animals as of 1 October 2020.

⁴ *Ibidem.*

⁵ Cf. footnote 3.

⁶ As defined in Article 2(14) of ABER (cf. footnote 3).

⁷ Alternatively, if they have received rescue aid, they have reimbursed the loan or terminated the guarantee at the moment of granting of the aid under the notified measure.

⁸ Alternatively, if they have received restructuring aid, they are no longer subject to a restructuring plan at the moment of granting of the aid under the notified measure.

- (20) Applications shall be submitted to the municipal administration of the district in which the applicant's holding is registered from 23 November 2020 until 27 November 2020 (inclusive).
- (21) The amount of aid is EUR 4 per each fur animal. This accounts for 70% of the losses incurred by keepers, as detailed in recital (17). The number of eligible minks is calculated by subtracting the number of adult animals (from 10 months of age) registered in the Register of Farm Animals as of 1 October 2020 from the total number of minks registered by that date.
- (22) The total amount of aid granted to an undertaking under the scheme cannot exceed the overall amount of EUR 100 000 per undertaking concerned.
- (23) Lithuania confirmed that the aid shall not be fixed on the basis of the price or quantity of products put on the market by the undertakings concerned.

2.8. Cumulation

- (24) The Lithuanian authorities confirm that aid granted under the measure may be cumulated with aid under de minimis Regulations⁹ or the Block Exemption Regulations¹⁰ provided the provisions and cumulation rules of those Regulations are respected.
- (25) The Lithuanian authorities confirm that aid under the notified measure may be cumulated with other forms of Union financing, provided that the maximum aid intensities indicated in the relevant Guidelines or Regulations are respected.
- (26) The Lithuanian authorities confirm that aid granted under the measure may be cumulated with aid granted under other measures approved by the Commission under other sections of the Temporary Framework provided the provisions in those specific sections are respected.
- (27) The Lithuanian authorities confirm that if the beneficiary receives aid on several occasions or in several forms under the measure or aid under other measures approved by the Commission under section 3.1 of the Temporary Framework, the overall maximum cap per undertaking, as set out in point 23(a) of that framework, will be respected.

2.9. Monitoring and reporting

- (28) The Lithuanian authorities confirm that they will respect the monitoring and reporting obligations laid down in section 4 of the Temporary Framework (including the obligation to publish relevant information on each individual aid

⁹ Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid (OJ L 352, 24.12.2013, p. 1), Commission Regulation (EU) No 1408/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the agriculture sector (OJ L 352, 24.12.2013 p. 9).

¹⁰ Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 187 of 26.6.2014, p. 1, Commission Regulation (EC) No 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union, OJ L 193, 1.7.2014, p. 1.

above EUR 10 000 granted under the measure on the comprehensive national State aid website or Commission's IT tool within 12 months from the moment of granting¹¹).

3. ASSESSMENT

3.1. Lawfulness of the measure

- (29) By notifying the measure before putting it into effect, the Lithuanian authorities have respected their obligations under Article 108(3) TFEU.

3.2. Existence of State aid

- (30) For a measure to be categorised as aid within the meaning of Article 107(1) TFEU, all the conditions set out in that provision must be fulfilled. First, the measure must be imputable to the State and financed through State resources. Second, it must confer an advantage on its recipients. Third, that advantage must be selective in nature. Fourth, the measure must distort or threaten to distort competition and affect trade between Member States.
- (31) The measure is imputable to the State, since it is administered by the municipalities, the Agricultural Information and Rural Business Centre, and the National Paying Agency under the Ministry of Agriculture (recital (7)) and it is based on the draft legal order described in recital (6). It is financed through State resources, since it is financed by public funds.
- (32) The measure confers an advantage on its beneficiaries in the form of direct grants (recital (5)). The measure thus relieves those beneficiaries of costs which they would have had to bear under normal market conditions.
- (33) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, in particular undertakings active in the fur farming sector, excluding the financial sector, as described in recital (11).
- (34) The measure is liable to distort competition, since it strengthens the competitive position of its beneficiaries. It also affects trade between Member States, since those beneficiaries are active in sectors in which intra-Union trade exists.
- (35) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Lithuanian authorities do not contest that conclusion.

3.3. Compatibility

- (36) Since the measure involves aid within the meaning of Article 107(1) TFEU, it is necessary to consider whether that measure is compatible with the internal market.

¹¹ Referring to information required in Annex III to Commission Regulation (EU) No 651/2014 and Annex III to Commission Regulation (EU) No 702/2014 and Annex III to Commission Regulation (EU) No 1388/2014.

- (37) Pursuant to Article 107(3)(b) TFEU the Commission may declare compatible with the internal market aid “*to remedy a serious disturbance in the economy of a Member State*”.
- (38) By adopting the Temporary Framework on 19 March 2020, the Commission acknowledged (in section 2) that “*the COVID-19 outbreak affects all Member States and that the containment measures taken by Member States impact undertakings*”. The Commission concluded that “*State aid is justified and can be declared compatible with the internal market on the basis of Article 107(3)(b) TFEU, for a limited period, to remedy the liquidity shortage faced by undertakings and ensure that the disruptions caused by the COVID-19 outbreak do not undermine their viability, especially of SMEs*”.
- (39) The measure aims at addressing the liquidity needs of undertakings at a time when the normal functioning of markets is severely disturbed by the COVID-19 outbreak and that outbreak is affecting the wider economy and leading to severe disturbances of the real economy of Member States.
- (40) The measure is one of a series of measures conceived at national level by the Lithuanian authorities to remedy a serious disturbance in their economy. The importance of the measure to ensure the viability of primary producers in the fur farming sector during the COVID 19 outbreak is widely accepted by economic commentators and the measure is of a scale which can be reasonably anticipated to produce effects across the targeted agricultural sector in Lithuania. Furthermore, the measure has been designed to meet the requirements of a specific category of aid (“*Limited amounts of aid*”) described in section 3.1 of the Temporary Framework.
- (41) The Commission accordingly considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State and meets all the conditions of the Temporary Framework. In particular:
- The aid takes the form of direct grants (recital (5)).
 - The overall nominal value of the direct grants does not exceed EUR 100 000 per undertaking active in the primary production of agricultural products (recital (20)). The measure therefore complies with point 23(a) of the Temporary Framework;
 - Aid is granted under the measure on the basis of a scheme with an estimated budget as indicated in recital (9). The measure therefore complies with point 22(b) of the Temporary Framework;
 - Aid may not be granted under the measure to medium and large enterprises that were already in difficulty on 31 December 2019 (see recital (13)). The measure therefore complies with point 22(c) of the Temporary Framework. Aid may be granted to micro and small enterprises that were in difficulty on 31 December 2019, if those enterprises, at the moment of granting the aid, are not subject to collective insolvency procedure under national law and they have not received

rescue aid¹² or restructuring aid¹³ (see recital (13)). The measure therefore complies with point 22(c)*bis* of the Temporary Framework;

- Aid will be granted under the measure no later than 30 June 2021 (recital (10)). The measure therefore complies with point 22(d) of the Temporary Framework;
- Aid granted to undertakings active in the primary production of agricultural products must not be fixed on the basis of the price or quantity of products put on the market (recital (23)). The measure therefore complies with point 23(b) of the Temporary Framework;
- Where an undertaking is active in several sectors to which different maximum aid amounts apply in accordance with points 22(a) and 23(a) of the Temporary Framework, Lithuania will ensure, by appropriate means such as separation of accounts, that the relevant ceiling is respected for each of those activities and that the overall maximum amount of EUR 800 000 is not exceeded per undertaking. Where an undertaking is active in the sectors covered by point 23 (a) of the Temporary Framework, the overall maximum amount of EUR 100 000 is not exceeded per undertaking (recital (22)). The measure therefore complies with point 23bis of the Temporary Framework.

- (42) The monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (28)). The measure may only be cumulated with other aid, provided the specific provisions in the sections of the Temporary Framework and the cumulation rules of the relevant Regulations are respected (recitals (24) to (27)).
- (43) The Commission therefore considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State pursuant to Article 107(3)(b) TFEU since it meets all the relevant conditions of the Temporary Framework.

¹² Alternatively, if they have received rescue aid, they have reimbursed the loan or terminated the guarantee at the moment of granting of the aid under the notified measure.

¹³ Alternatively, if they have received restructuring aid, they are no longer subject to a restructuring plan at the moment of granting of the aid under the notified measure.

4. CONCLUSION

The Commission has accordingly decided not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Article 107(3)(b) of the Treaty on the Functioning of the European Union.

The decision is based on non-confidential information and is therefore published in full on the Internet site: <http://ec.europa.eu/competition/elojade/isef/index.cfm>.

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President

