Subject: State Aid SA.60666 (2020/N) – Estonia
COVID-19: Exceptional temporary support due to the COVID-19 outbreak for farmers

Excellency,

1. **PROCEDURE**

   (1) By electronic notification of 23 December 2020 Estonia notified aid in the form of limited amounts of aid (Exceptional support to the farmer due to an 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”). By email of 12 December 2020 the Estonian authorities modified the notification.

   (2) By email of 13 January 2021 the Estonian authorities informed that the notification will be amended. By email of 5 March 2021, registered by the Commission on 8 March 2021, the Estonian authorities submitted an amendment of the notification.

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Estonia exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union (“TFEU”), in conjunction with Article 3 of Regulation 1/1958 and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE MEASURE

Estonia 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.

The Estonian authorities explained that the agricultural supply chain has been affected through difficulties in certain sectors (hotels, restaurants, catering) and consequently the demand for agricultural products has decreased which has led to a negative effect on prices. The income deficit resulting from the low buying-in prices of agricultural products has reduced the income and sustainability of agricultural production. Thus, under the current market situation, income from the marketing of agricultural products does not cover the costs of production.

The negative impact of the COVID-19 outbreak is assessed on the basis of the general economic indicators of the agricultural sector. The Estonian authorities have analysed various agricultural sectors and identified that the main agricultural sectors affected by the COVID-19 outbreak are the following: dairy cows, beef cattle, pig, sheep and goat rearing as well as organic cereals, potatoes, strawberries and vegetables. According to the Estonian authorities businesses active in these agricultural sectors are negatively affected by the Covid-19 crisis and have suffered economic losses.

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.

The measure consists of two aid schemes.

2.1. The nature and form of aid

The measure provides aid in the form of direct grants.

2.2. Legal basis

The legal basis for scheme 1 is the Regulation of the Minister of Rural Affairs No 22 “Exceptional support to the farmer due to an outbreak of COVID-19” (2 of March 2021) that is established on the basis of the Rural Development and Agricultural Market Regulation Act (1 of August 2008).
The legal basis for scheme 2 is the draft decision of the Supervisory Board of the Rural Development Foundation that is established on the basis of the Rural Development and Agricultural Market Regulation Act (1 of August 2008).

2.3. Administration of the measure

The Agricultural Registers and Information Board (the ARIB) is responsible for administering the scheme 1. The ARIB is an Estonian paying agency within the meaning of Article 7 of Regulation (EU) No 1306/2013.

The Rural Development Foundation (the MES) is responsible for administering scheme 2. The MES was founded by The Government of the Republic of Estonia, and its purpose is to support economic development in Estonian rural areas via specific programmes implemented for promoting business activities.

2.4. Budget and duration of the measure

The estimated budget of the measure is EUR 15.8 million.

The estimated budget for scheme 1 is EUR 12 million, and it is allocated to the sectors as follows:

<table>
<thead>
<tr>
<th>Sector</th>
<th>EUR million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pigs</td>
<td>3.67</td>
</tr>
<tr>
<td>dairy cows</td>
<td>4.3</td>
</tr>
<tr>
<td>sheep and goats</td>
<td>0.7</td>
</tr>
<tr>
<td>vegetables</td>
<td>0.53</td>
</tr>
<tr>
<td>potatoes</td>
<td>1.13</td>
</tr>
<tr>
<td>strawberries</td>
<td>1.65</td>
</tr>
<tr>
<td>quails</td>
<td>0.025</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12</strong></td>
</tr>
</tbody>
</table>

The estimated budget for measure 2 is EUR 3.8 million, and it is allocated to the sectors as follows:

<table>
<thead>
<tr>
<th>Sector</th>
<th>EUR million</th>
</tr>
</thead>
<tbody>
<tr>
<td>beef</td>
<td>2.2</td>
</tr>
<tr>
<td>organic grain farming</td>
<td>1.5</td>
</tr>
</tbody>
</table>

(17) Aid may be granted under the measure as from its approval until no later than 31 December 2021. However, under scheme 2 aid may be granted as from the approval of the measure until no later than 30 June 2021.

2.5. Beneficiaries

(18) The final beneficiaries of the measure are farmers of all size active in Estonia in the sectors listed in recitals (21) and (22).

(19) However, aid may not be granted under the measure to medium\(^4\) and large enterprises that were already in difficulty within the meaning of the relevant 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 ABER 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 aid\(^6\) or restructuring aid\(^7\).

2.6. Sectoral and regional scope of the measure

(20) The measure is open to farmers only. It applies to the whole territory of Estonia.

2.7. Basic elements of the measure

(21) Under scheme 1 eligible farmers are:

(a) producers holding at least four dairy cows on 31\(^{st}\) of December 2020;
(b) producers holding at least one sow on 31\(^{st}\) of December 2020;
(c) producers holding at least 20 pigs, other than sows, on 31\(^{st}\) of December 2020;
(d) producers holding at least five ewes or female goats on 31\(^{st}\) December 2020;
(e) potato growers who had at least one hectare in 2020;

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5 As defined in Article 2(14) of Regulation (EU) No 702/2014.

6 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.

7 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.
(f) vegetable growers who had at least one hectare in 2020;

(g) strawberry growers who had at least one hectare in 2020;

(h) producers holding at least 100 quails on 31st December 2020 and who, on 31st December 2020 submitted an economic report on the keeping of quails for the purpose of marketing production under the Animal Disease Control Act.

(22) Under scheme 2 eligible farmers are:

(a) meat producers holding at least five bovine animals on 31st of December 2020;

(b) producers holding at least three suckler cows on 31st of December 2020;

(c) organic grain growers on at least five hectares on 31st of December 2020 according to the Organic Farming Register;

(d) producers holding laying hens on 31st December 2020 according to the Organic Farming Register, and who submitted an economic activity report on keeping organic laying hens for the purpose of marketing eggs under the Animal Disease Control Act.

(23) The maximum amount of aid that can be granted to any individual beneficiary under this measure is EUR 225 000.

(24) The aid is paid per hectare or per animal (aid unit rates). The unit rates are decided taking into account the budget distribution among the sectors (recitals (15) and (16)), to be divided by the number of eligible animals or hectares subject to the aid applications submitted. However, the unit rate for sows is fixed by the national legal basis at EUR 221 per sow.

(25) The Estonian authorities confirm that, when aid unit rates are defined by the ARIB in accordance with the method set out in recital (24), the aid unit rates per animal or hectare will not lead to an overcompensation.

(26) The Estonian authorities confirm that the aid is not fixed on the basis of the price or quantity of products put on the market.

2.8. Cumulation

(27) The Estonian authorities confirm that the measure is not co-financed by the European Regional Development Fund (ERDF), European Social Fund (ESF), Cohesion Fund (CF), European Agricultural Fund for Rural Development (EAFRD), European Maritime and Fisheries Fund (EMFF), European Union Solidarity Fund (EUSF) or the Coronavirus Response Investment Initiative (CRII).

(28) The Estonian authorities confirm that aid granted under the measure may be cumulated with aid under the applicable de minimis Regulation8 or Block

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Exemption Regulation\(^9\) provided the provisions and cumulation rules of those Regulations are respected.

(29) The Estonian 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.

(30) The Estonian 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.

(31) The Estonian 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 points 22(a) and 23(a) of that framework, will be respected.

(32) Where an undertaking is active in several sectors to which different maximum amounts apply in accordance with points 22(a) and 23(a) of the Temporary Framework, the Estonian authorities confirm that it will be ensured, by appropriate means such as separation of accounts, that for each of these activities the relevant ceiling is respected and that the overall maximum amount of EUR 1.8 million is not exceeded per undertaking, and where an undertaking is active in both sectors covered by point 23 (a) of the Temporary Framework, the overall maximum amount of EUR 270 000 is not exceeded per undertaking.

2.9. Monitoring and reporting

(33) The Estonian 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 above EUR 10 000 on the comprehensive national State aid website or Commission’s IT tool within 12 months from the moment of granting\(^10\)).

3. Assessment

3.1. Lawfulness of the measure

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

3.2. Existence of State aid

(35) 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


\(^10\) Referring to information required in Annex III to Regulation (EU) No 702/2014.
be selective in nature. Fourth, the measure must distort or threaten to distort competition and affect trade between Member States.

(36) The measure is imputable to the State, since it is administered by the ARIB that is a national authority in Estonia (recital (12)) and the MES that implements policy objectives (recital (13)) and it is based on a national legal regulations (recitals (10) and (11)). It is financed through State resources, since it is financed by public funds (recital (14)).

(37) The measure confers an advantage on its beneficiaries in the form of direct grants (recital (9)). The measure thus provides an advantage to its beneficiaries which they would not have under normal market conditions.

(38) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, in particular farmers active in primary agricultural production. The financial sector is excluded (recitals (18), (20), (21) and (22)).

(39) 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.

(40) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Estonian authorities do not contest that conclusion.

### 3.3. Compatibility

(41) 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.

(42) 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”.

(43) 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”.

(44) The measure aims at facilitating the access of undertakings to external finance 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.

(45) The measure is one of a series of measures conceived at national level by the Estonian authorities to remedy a serious disturbance in their economy. The importance of the measure to preserve employment and economic continuity in agriculture sector is widely accepted by economic commentators and the measure is of a scale which can be reasonably anticipated to produce effects across the
entire Estonian’s agricultural sector. 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.

(46) The Commission accordingly considers that the measure, consisting of two schemes, 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 grant (recital (9)).
  
  The overall nominal value of direct grants does not exceed EUR 225 000 per undertaking (recital (23)). The measure therefore complies with point 23(a) of the Temporary Framework;

- Aid is granted under the measure on the basis of schemes with estimated budgets as indicated in recitals (14) to (16). 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 (19)). 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 aid\(^{11}\) or restructuring aid\(^{12}\) (see recital (19)). The measure therefore complies with point 22(c)bis of the Temporary Framework;

- Aid will be granted under the measure no later than 31 December 2021 (recital (17)). 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 (26)). The measure therefore complies with point 23(b) of the Temporary Framework;

- Where a 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 points 22(a) and 23(a) of that framework, will be respected. Aid granted under the measure or aid under other measures approved by the Commission under section 3.1 of the Temporary Framework which has been reimbursed before 30 June 2021 shall not be taken into account in determining whether the relevant ceiling is exceeded.

\(^{11}\) 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.

\(^{12}\) 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.
• 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, Estonia 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 1.8 million 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 270 000 is not exceeded per undertaking (recital (32)). The measure therefore complies with point 23bis of the Temporary Framework.

(47) The Estonian authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (33)). The Estonian authorities further confirm that the aid under the measure may only be cumulated with other aid, provided the specific provisions in the sections of the Temporary Framework are respected and the cumulation rules of the relevant Regulations are respected (recital (30)).

(48) The Commission 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.

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