Impact assessment of the ban on fur farming in Lithuania

Impact assessment report

For: Ministry of Agriculture of the Republic of Lithuania

Vilnius, 2022

LIETUVOS RESPUBLIKOS
ŽEMĖS ŪKIO MINISTERIJA

Smart Continent

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Main abbreviations

ESU	Economic size unit
EAC	Classification of economic activities
Consultant	Smart Continent LT, UAB
NPA	National Paying Agency under the Ministry of Agriculture
OSP	Official Statistics Portal
CHI	Compulsory health insurance tax
SPP	Standard production profit
SODRA	State Social Insurance Fund Board under the Ministry of Social Security and Labour
Assessment	Impact assessment of the ban on fur farming in Lithuania
STI	State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania
SFVS	State Food and Veterinary Service
SSS	State social security tax

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Introduction

The impact assessment of the ban on fur farming in Lithuania is carried out in accordance with Agreement No 8P-22-112 between the Ministry of Agriculture of the Republic of Lithuania and Smart Continent LT, UAB, signed on 16 June 2022.

The purpose of the impact assessment is to determine whether it is worth banning fur farming in Lithuania, in the absence of a unified ban policy in the European Union.

In order to achieve the stated objective, the evaluation needs to be carried out on the basis of the following objectives:

- determine the impact of the ban on this business on Lithuania's import-export balance;
- assess the impact on the level of non-payment of taxes to the budget;
- assess the impact on the labour market and social employment, not only for those directly employed on farms but also for the service sector;
- assess the impact on the market for animal by-products;
- assess the budgetary impact of compensation for business closures;
- evaluate the volume of investment in this sector in Lithuania over the last 10 years;
- evaluate the experience of other European countries that have abandoned this business.

Sources of data on fur farming business used for the impact assessment: Eurostat, the State Enterprise Centre for Agricultural Information and Rural Business, the State Social Insurance Fund Board under the Ministry of Social Security and Labour (hereinafter referred to as 'SODRA'), the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania (hereinafter referred to as 'the STI'), the Official Statistics Portal (hereinafter referred to as 'the OSP'), the National Paying Agency under the Ministry of Agriculture (hereinafter referred to as 'the NPA'), the State Food and Veterinary Service (hereinafter referred to as 'SFVS'). The data collected during the interview with the Lithuanian Association of Animal Breeders were used for the assessment in case no other (statistical) data were available. The data were collected for the period 2012-2021 (including 2022 if available). The fur farming business is classified under the economic activity code 01.49.10 according to the Classification of Economic Activities (hereinafter referred to as 'EAC').

The impact assessment of the ban on fur farming in Lithuania (hereinafter referred to as 'the Assessment') consists of 8 chapters. Chapter 1 provides general information on the fur farming business in Lithuania, including the business scheme, number of operators, number of animals reared, number of herds kept, etc. Chapter 2 of the Assessment analyses the impact of the ban on fur farming on Lithuania's import-export balance. Chapter 3 of the Assessment estimates the amount of tax losses to the budget due to the fur farming ban. Chapter 4 of the Assessment assesses the impact of the ban on fur farming on the labour market and social employment. Chapter 5 of the Assessment analyses the impact on the market for animal by-products. Chapter 6 of the Assessment assesses the budgetary impact of compensation for the closure of the business. Chapter 7 of the Assessment analyses the volume of investments in fur farming business in Lithuania over the last 10 years. Chapter 8 of the Assessment assesses the experience of other European countries that have abandoned fur farming business.

Limitations of the impact assessment:

- The data provided by the STI on taxes paid only for the period 2016-2021, the STI did not provide data for the period 2012-2015;

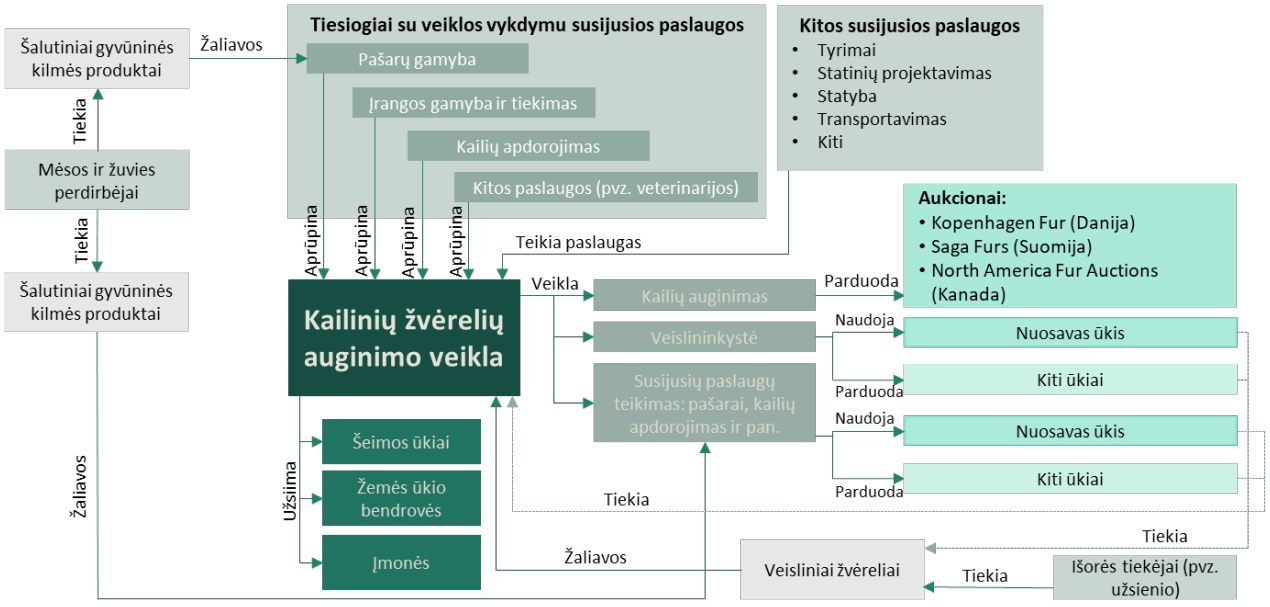
- SODRA provided data on taxes paid only for the period 2019-2021; data from previous years were not provided by SODRA;
- some of the data were collected under the EAC code and therefore their accuracy depends on the entities' own activities being assigned to this code;
- according to the information provided by the Lithuanian Statistical Department (based on the Consultant's requests), data on the number of persons engaged in farming and the number of their family members, the number of conditional workers, the number of agricultural workers are not collected and compiled, and the data on the employed population are provided on the basis of the Statistical Survey of Employment of Population only on the level of the sections of the EAC (the required level of detail is missing);
- to assess the impact on social employment, data on insured persons provided by SODRA, data on the number of holdings with family members and the number of persons on holdings and farms provided by the State Enterprise Centre for Agricultural Information and Rural Business were used, so the assessment may not cover all persons involved in and related to business;
- export statistics are collected using data from Intrastat reports and VAT returns. Data on trade with EU countries are provided by persons registered in the Lithuanian VAT register who import and/or export goods to/from the Republic of Lithuania from/to the EU countries and the value of goods exported and/or imported by them exceeded the reporting thresholds of Intrastat. VAT payers who do not exceed these thresholds are exempt from the obligation to report to Intrastat. When calculating the thresholds, it is ensured that information on at least 97% of the value of all exported goods and at least 93% of the value of all imported goods is collected by taxable persons of the Republic of Lithuania. For the purpose of calculating the results of foreign trade statistics, the entry/exit value of VAT payers who have not exceeded the threshold for submission of the Intrastat entry report and/or Intrastat exit report shall be calculated by using the data from the VAT returns;
- statistics on imports and exports of live fur animals (breeding) are not available (other animals are included in the classifications and therefore it is not possible to distinguish);
- statistics on the use of animal by-products in the fur farming sector are not available. OSP only provides data on the volume and amounts of by-products sold (from industry), but there is a lack of data on the total volume of by-products or their use in a given sector; SFVS provided data on animal by-products used in animal feeding. Therefore, the data provided by the Lithuanian Association of Animal Breeders on the feed requirements per animal and the composition of the feed (including animal by-products) were used for the assessment.

1. Overview of the fur farming business in Lithuania

This chapter aims to provide an overview of the fur farming business in Lithuania in order to describe the processes and interactions that ensure its functioning, the main development trends and their causes, the main indicators characterizing the business, geographical distribution, etc.

The fur farming business in Lithuania has evolved over the last 10 years, with growth until 2018 and a decline since 2019 (as measured by the various indicators below). Lithuania is ranked as one of the best producers of quality mink skins among the world's countries[1] and one of the significant producers in Europe (in terms of production volume)[2].

The fur farming business and its socio-economic impact goes beyond fur farming. Family farms, agricultural companies and businesses are involved in fur farming. Fur farming may be the core activity or one of the activities carried out. Fur farming activities may include fur farming, breeding of fur animals and/or the provision of related services such as feed production, fur processing, etc. Breeding animals can be used both on a farm engaged in breeding, i.e. for own use, or sold to other farms or exported. It should be noted that breeding animals may also be supplied by external suppliers, but must then comply with the various requirements applicable to such animals.



Šalutiniai gyvūninės kilmės produktai	Animal by-products
Žaliavos	Raw materials
Tiekia	Supplied by
Mėsos ir žuvies perdirbėjai	Meat and fish processors
Šalutiniai gyvūninės kilmės produktai	Animal by-products

[1] Fur Europe. Fur Europe Annual Report 2015. Internet access: http://fureurope.eu/wp-content/uploads/2015/02/FE-Annual-Report-2015-Single-Pages.pdf

[2] Hansen, H. O. European mink industry – socio-economic impact assessment 2017. Internet access: https://www.altinget.dk/misc/Fur-Invasive-19-09.pdf

Tiesiogiai su veiklos vykdymu susijusios paslaugos	Services directly related to operational activities
Pašarų gamyba	Feed production
įrangos gamyba ir tiekimas	Manufacture and supply of equipment
Kailių apdorojimas	Fur processing
Kitos paslaugos (pvz. veterinarijos)	Other services (e.g. veterinary services)
Teikia paslaugas	Service provider
Veikla	Activities
Kailių auginimas	Fur farming
Veislininkystė	Breeding
Susijusių paslaugų teikimas: pašarai, kailių apdorojimas ir pan.	Provision of related services: feed, fur treatment, etc.
Kailinių žvėrelių auginimo veikla	Fur farming activities
Šeimos ūkiai	Family farms
Žemės ūkio bendrovės	Agricultural companies
įmonės	Businesses
Kitos susijusios paslaugos • Tyrimai • Statinių projektavimas • Statyba • Transportavimas • Kiti	Other related services • Research • Building design • Construction • Transportation • Other
Au kcionai: • Kopenhagen Fur (Danija) • Saga Furs (Suomija) • North America Fur Auctions (Kanada)	Auctions: • Kopenhagen Fur (Denmark) • Saga Furs (Finland) • North America Fur Auctions (Canada)
Parduoda	Sold by
Naudoja	Used by
Nuosavas ūkis	Own farm
Kiti ūkiai	Other farms
Veisliniai žvėreliai	Breeding animals
Išorės tiekėjai (pvz. užsienio)	External suppliers (e.g. foreign suppliers)
Užsiima	Engaged
Aprūpina	Supplies

Figure 1. Scheme of activities of the fur farming sector in Lithuania

Source: prepared by the Consultant

The fur produced in Lithuania is sold in three auctions: Denmark, Finland and Canada. As can be seen in the diagram below, there are many other businesses linked to the fur farming business, including service providers directly related to the activity, such as feed suppliers, equipment manufacturers and suppliers, and fur processing service providers. The animal by-products aspect should also be mentioned, which allows the use of meat and fish waste generated by meat and fish processors to generate income rather than paying for the disposal of this waste. Other services include services such as research, building design, construction, transportation, accounting, etc. (see figure below).

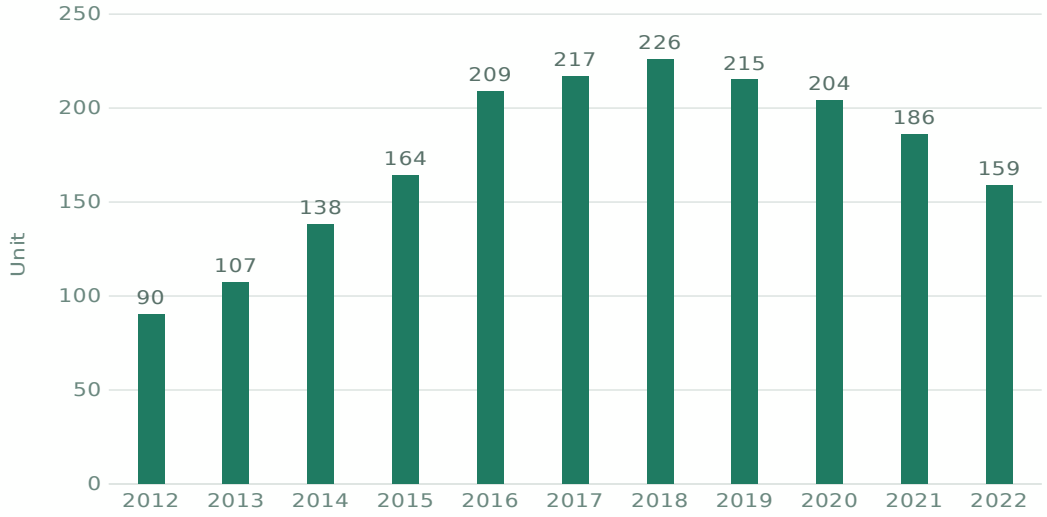
Considering that fur produced in Lithuania is mainly sold at international auctions (Finland and Denmark), the Lithuanian fur farming business is exposed to international requirements and trends. Since 2019, the most important European auctions for Lithuanian fur farming business - Copenhagen Fur in Denmark and SGA FURS OYJ in Finland - sell only certified furs with a WelFur certificate. This means that all keepers wishing to participate in world trade through auctions must meet the requirements of the certificate. Under the requirements of the certificate, mink farms are assessed against 22

indicators covering areas such as good housing, good feeding, good health and good behaviour.

According to the SAGA FURS OYJ annual accounts, the fur farming business is characterised by frequent short-term changes caused by several key factors: the situation in the main sales markets of China and Russia (economic situation, tax changes, etc.), the length of the winter and the average temperature, the trend towards haute couture (but also the reverse is possible: the low price of fur coats may encourage their increased use in collections), etc. In addition, the sector is characterised by frequent fluctuations in fur prices (sometimes even at each auction, i.e. four times a year), which in turn determines the demand for fur coats. For example, during the period of low prices, demand may increase and buyers may buy for storage (in anticipation of price increases). On the other hand, in times of economic downturn or high market uncertainty, buyers buy exactly what they need at that moment. This situation may lead to a surplus of fur on the market. In other words, the price of fur is very sensitive to external factors.

1.1. Analysis of fur animals keepers

Over the past 11 years, the fur farming sector in Lithuania has been characterized by a trend of change. The analysis shows that the number of keepers in Lithuania has steadily increased between 2012 and 2018. In 2018, the number of keepers of fur animals increased by more than 2.5 times compared to 2012. However, from 2019 onwards, the number of keepers started to decrease steadily and decreased by 29.6 % by 2022 compared to 2018, reaching 159 keepers. A number of reasons may have contributed to the decline in business attractiveness: certification requirements for the sale of products at international auctions, oversupply of fur on the market, the caution of buyers in purchasing and, therefore, purchasing only for immediate needs. As shown in the figure below, the COVID-19 pandemic did not have a significant impact on the number of keepers, with a steady decrease every year (but an impact on the number of fur animals – see below in the report).



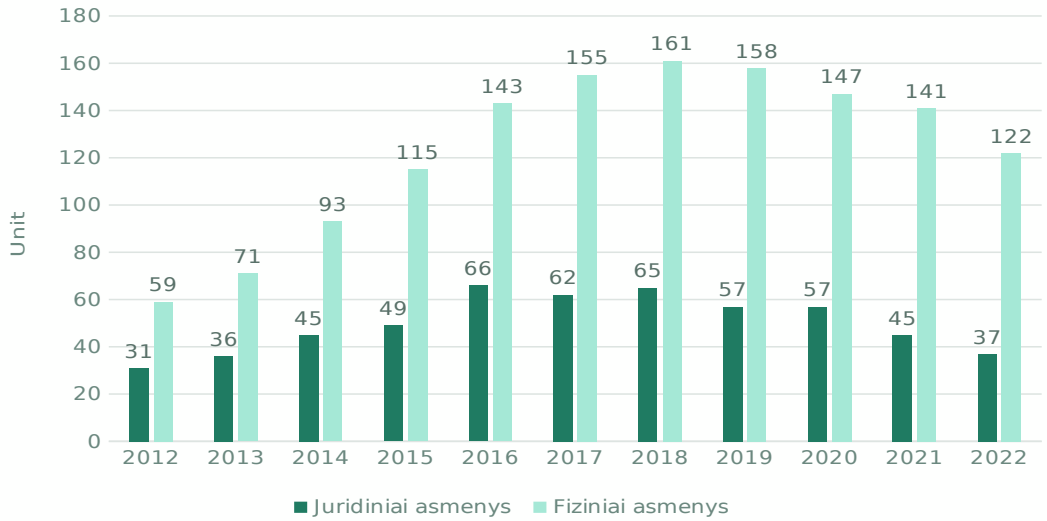
Vnt.	Unit

Figure 2. Dynamics of the number of keepers of fur animals 2012-2022

Source: prepared by Consultant, based on data from the State Enterprise Centre for Agricultural Information and Rural Business

The fur farming business is likely to face further difficulties in the coming years as a result of China's lower market presence and the resulting oversupply of fur, as well as the Russian war in Ukraine, which has reduced the demand on the Russian market and led to a refusal of major auction houses to work with this market. This situation may lead to a decrease in fur prices and thus to a decrease in the attractiveness of the business due to a decrease in profitability and, at the same time, an increase in the prices of energy resources and other raw materials.

The fur animal bearing business is carried out by both natural persons and legal entities. The number of legal entities has more than doubled between 2012 and 2016, reaching 66. Since 2019, the number of legal entities started to decrease and in 2022 there were 37 legal entities, or 43% less than in 2018. In the meantime, the number of natural persons increased from 59 in 2012 to 161 in 2018, or about 2.7 times. As in the case of legal entities, the number of natural persons started to decrease from 2019 to 122 or almost a quarter in 2022.

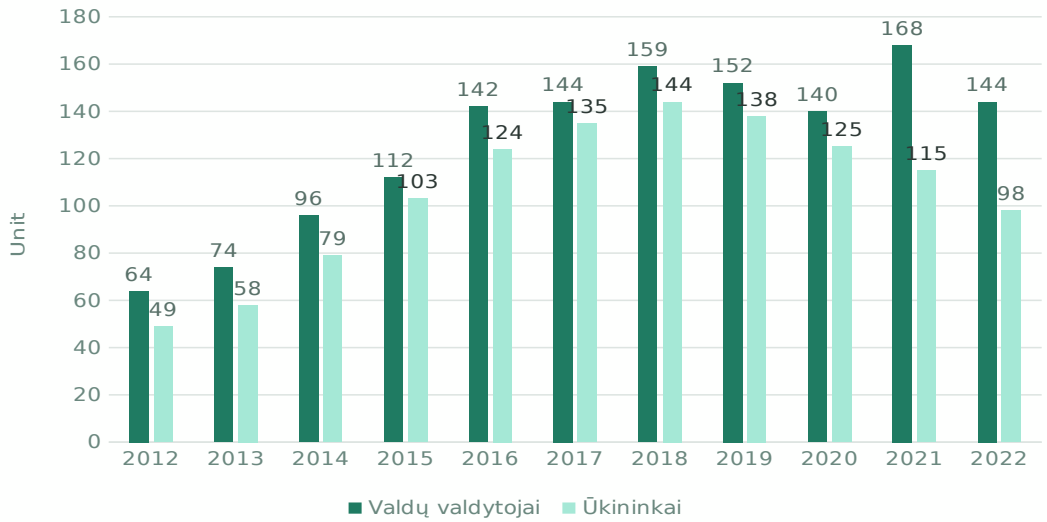


Vnt.	Unit
Juridiniai asmenys	Legal entities
Fiziniai asmenys	Natural persons

Figure 3. Dynamics of the number of keepers of fur animals - legal entities and natural persons - 2012-2022

Source: prepared by the Consultant, based on data from the State Enterprise Centre for Agricultural Information and Rural Business

Keepers of fur animals may act as businesses, registered agricultural holdings or farms, neither registered agricultural holdings nor farms, or both agricultural holdings and farms. The number of both agricultural holdings and farmers showed an upward trend between 2012 and 2018, increasing 2.5 times and 2.9 times respectively. Since 2019, the number of farmers has started to decrease and decreased by 31.9% by 2022.



Vnt.	Unit
Valdų valdytojai	Holding managers
Ūkininkai	Farmers

Figure 4. Dynamics of the number of managers of agricultural holdings and the number of farmers involved in fur farming in 2012-2022

Source: prepared by the Consultant, based on data from the State Enterprise Centre for Agricultural Information and Rural Business

The number of managers of agricultural holdings decreased in 2019 and 2020, but increased significantly in 2021 and, although the number decreased in 2022, it remained higher than in 2020. The increase in the number of agricultural holdings managers may be linked to the granting of temporary State aid to keepers of fur animals. The temporary State aid was intended to alleviate the difficulties (partially compensate for loss of income) faced by chinchilla and mink keepers involved in primary agricultural production as a result of the outbreak of the COVID-19 virus in 2020.[3] In order to qualify for the support, fur farmers had to be registered in the Register of Agriculture and Rural Business of the Republic of Lithuania as managers or partners in an agricultural holding or as legal entities engaged in fur farming and having registered fur animals in their own name in the Register of Farm Animals.[4] It should be noted that, in 2022, a decrease in both the number of agricultural holdings and the number of farmers was recorded, as a result of continuing difficulties in the sector due to a fall in demand, combined with overproduction and other factors discussed above.

[3] Rules for granting temporary state aid to keepers of fur animals approved by Order No 3D-805 of the Minister for Agriculture of the Republic of Lithuania of 19 November 2020

[4] Natural persons and legal entities engaged in agricultural or alternative activities must register the holding in the Agricultural and Rural Business Register of the Republic of Lithuania only if they are applying for EU and state support for agriculture and rural development. If they do not claim support, the holding may not be registered. By registering the holding, the manager and the partner of the holding acquire the status of an agricultural entity with a tax liability and are not entitled to unemployment status or other social guarantees. A family member of the manager who is registered on the holding is not an agricultural operator.

1.2. Analysis of the number of fur animals

After analysing the dynamics of the number of herds, it was found that between 2012 and 2016, the number of herds in Lithuania increased from 90 to 238 herds, or more than twice. The number of herds remained stable in 2016 and 2017. 2019 was the most successful of all the years analysed – the number of herds reached 255 units, but from 2020 it started to decrease and decreased by as much as 23.5 % in 2022. (compared to 2019) and reached 195 units.

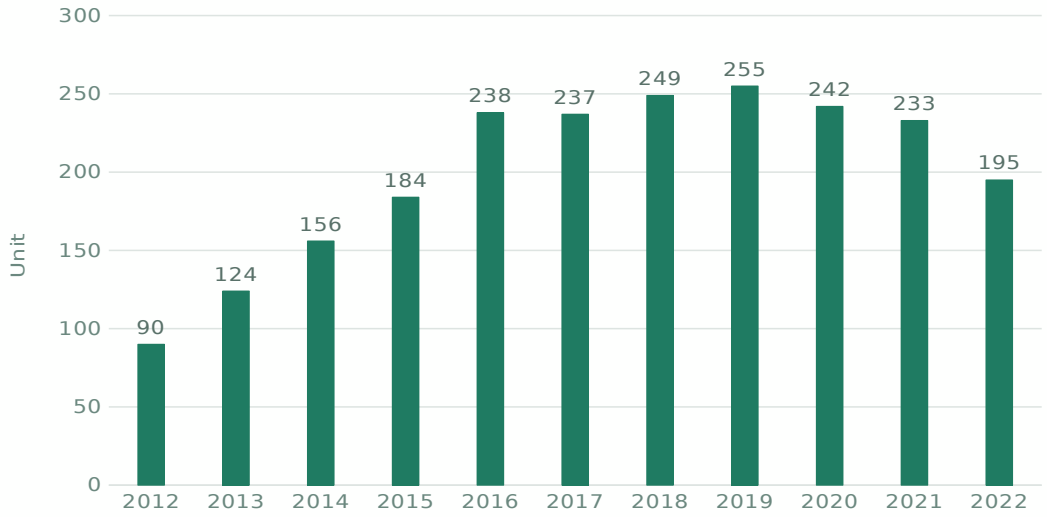
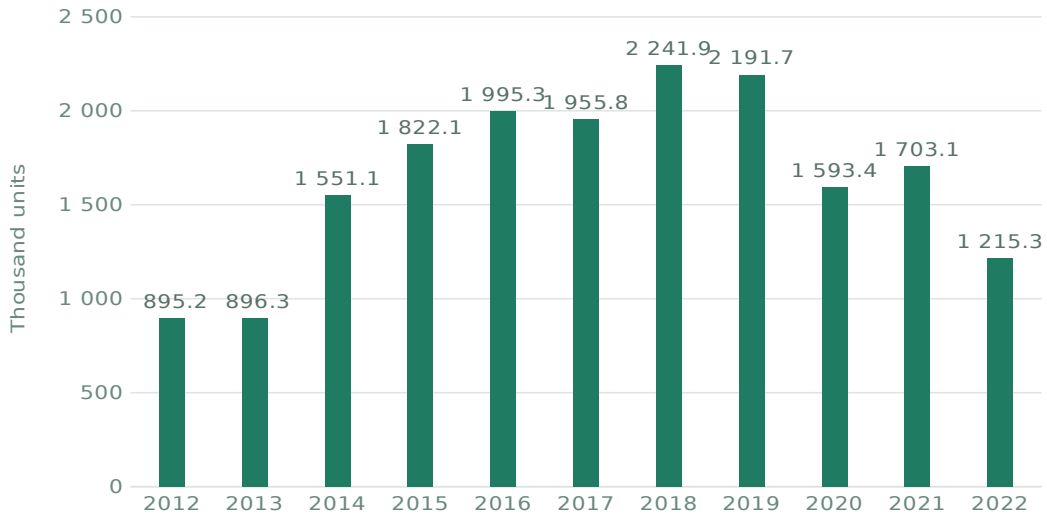


Figure 5. Herd number dynamics 2012-2022

Source: prepared by the Consultant, based on data from the State Enterprise Centre for Agricultural Information and Rural Business

After analysing the dynamics of the number of fur animals kept, it was found that the highest number of animals was in 2018 and amounted to 2.2 million units. From 2012 to 2018, the number of animals increased by more than 2.5 times. However, a decrease in the number of animals has been observed since 2019. 2020 became exceptional due to the COVID-19 pandemic, which caused some animals to be put to sleep. In 2021, the number of animals increased compared to 2020 but did not even reach the level of 2015 and the number of animals recorded at the beginning of 2022 was lower than in 2014. The decline in the number of animals can be attributed, in addition to the COVID-19 pandemic, to market overcrowding, declining demand for fur in global markets due to the abandonment of luxury brands (e.g. Chanel, Prada, Burberry, etc.) and fluctuations in fur prices (with lower prices becoming less profitable), especially during the pandemic (although the price level increased in 2021). Data from the 2022 Finnish fur auction SAGA FURS OYJ show that the natural fur market is facing difficulties after a slight recovery in 2021, mainly due to developments in the Chinese and Russian markets[5]. In China, restrictions due to the COVID-19 pandemic were still in place in the first half of this year, hampering both the production of fur products and the retail trade, so Chinese fur buyers only bought fur for urgent needs. At that time, Russia's war in Ukraine led to the suspension of trade in this market.

[5] Oyj, S. F. Half-year financial report 2021-2022. 29 JUNE 2022 (translation). (2022). Internet access: http://45s05a1g5c8iw559o2mx7vz1-wpengine.netdna-ssl.com/wp-content/uploads/2022/06/Saga-Furs-half-year-financial-report-21-22.pdf

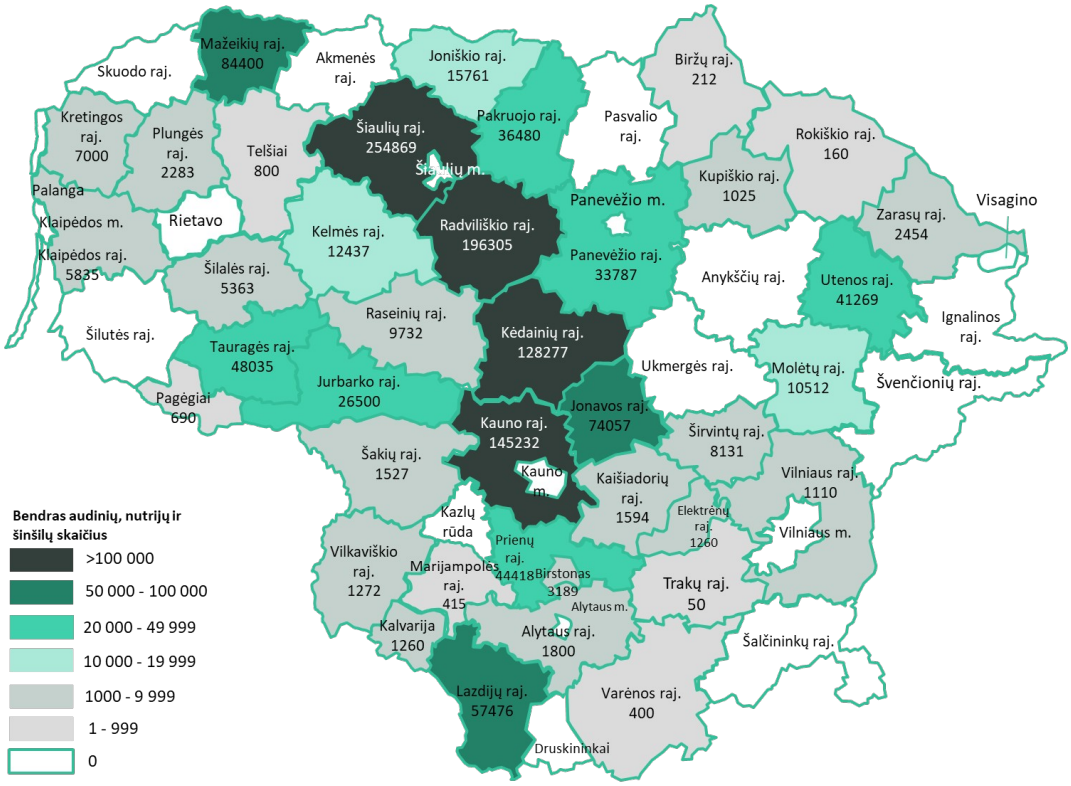


Tūkst. vnt.	Thousand units

Figure 6. Animal Number Dynamics 2012-2022

Source: prepared by the Consultant, based on data from the State Enterprise Centre for Agricultural Information and Rural Business

After analysing the distribution of registered farm animals by municipalities, it was found that as many as 74 % of fur animals are reared in seven Lithuanian municipalities (based on data for 2022). Rearing of fur animals is mainly carried out in central and northern Lithuania, in municipalities such as Šiauliai district, where in early 2022 20.1 % of animals were reared, Radviliškis district. (15.5 % of animals), Kaunas district. (11.5 % of animals) and Kėdainiai district. (10.1 % of animals). In this regard, it should also be considered to be of importance to Mažeikiai district municipality. (6.7 % of animals), Jonava district municipality (5.8 % of animals), Lazdijai district municipality (4.5 % of animals) (see figure below).



Bendras audinių, nutrijų ir šinšilų skaičius	Total number of minks, nutrias and chinchillas

Figure 7. Breakdown of registered farm animals by municipality based on data of 1 January 2022

Source: prepared by the Consultant, based on data from the State Enterprise Centre for Agricultural Information and Rural Business

However, it should also be noted that the rearing of fur animals is quite widespread in the territory of Lithuania, although the rate of production is smaller. Municipalities such as Tauragė district, Jurbarkas district, Pakruojis district, Panevėžys district, Utena district and Prienai district should be distinguished, where between 2% and 4% of animals are reared. In the remaining municipalities, 7.6% of all fur animals grown in Lithuania are grown.

After analysing the number of fur animals by species, it was found that in all the years analysed, the largest proportion of fur animals grown consisted of mink – more than 96 %. This situation is due to the fact that mink fur has a higher market value, as well as due to the various characteristics of animal rearing (adequacy of climatic conditions, threat of disease, etc.). Between 2012 and 2019, the number of minks increased by 2.4 times to 2.1 million, but between 2019 and 2022 the number of minks decreased by as much as 45.3 % to 1.2 million. It should be noted that after the COVID-19 pandemic, when some animals had to be put to sleep, the number of animals increased in 2021, but a further decrease was recorded in 2022.

Between 2012 and 2015, the number of nutrients increased more than twice, but between 2016 and 2022 the number of nutrients decreased by as much as 93.5 %, currently reaching only 53 animals. The decline in the number of nutrients is due to a decrease in demand for their fur. Between 2013 and 2017, the number of foxes was stable and fluctuated between 2 and 2.4 thousand, but in 2018 the number of foxes decreased by almost a quarter, while only a few foxes have been grown since 2019. The decline in the number of foxes is mainly due to the characteristics of their cultivation (e.g. complex breeding) and the quality of the possible fur (belower than in colder

climates due to warmer winters).The positive dynamics observed for chinchillas increased by more than 20 times between 2012 and 2022, reaching 48.4 thousand in 2022. The increase in the number of chinchillas is linked to the high price of fur, but the number of grown chinchillas has not reached a large scale, and is more concentrated on small farms.

1.3. Standard production profit and economic size of fur animals business

The standard production profit represents the difference between the value of the output received and the direct costs incurred to obtain that output. The higher this indicator is, the better, i.e. the high indicator indicates that the activity generates high profits. Standard production profit (hereinafter 'SPP')[6] for fur animals were characterised by the same fluctuations as the number of animals. In addition, SPP also depends on the unit value of the production. As shown in the figure below, the SPP was characterised by very rapid growth until 2016, i.e. between 2013 and 2016, the SGP in the fur animal sector increased by 2.3 times. Although the SPP increased by around 14 % in 2018 compared to 2017, there has been a decrease in the SPP since 2019. The SPP recorded in 2022 decreased by 32.4 % since the sector peaked in 2018 and fell below the 2015 level.

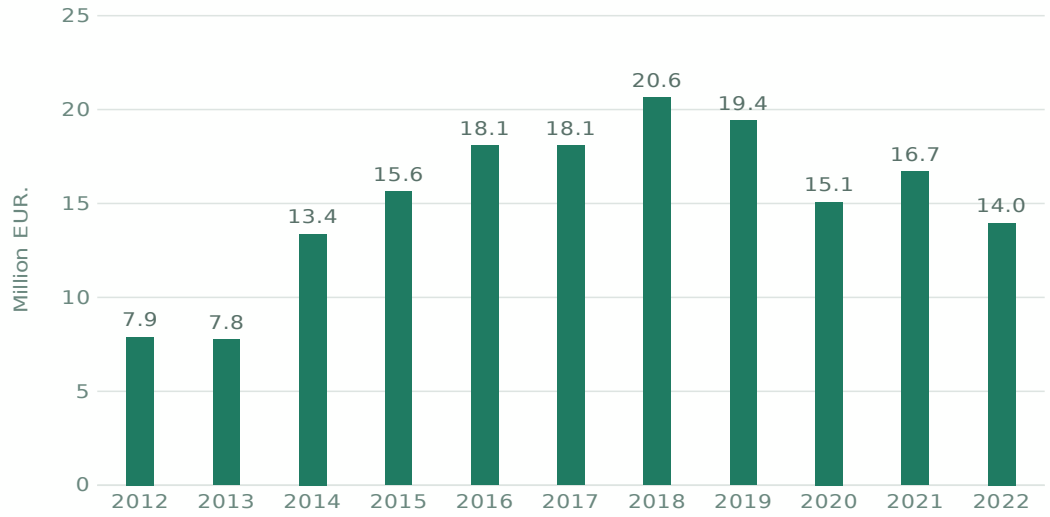


Figure 8. SPP for fur animals 2012-2022

Source: prepared by the Consultant, based on data from the State Enterprise Centre for Agricultural Information and Rural Business

An analysis of the average economic size of an agricultural holding or farm, expressed in European size units (ESU), found that the economic size of the farm was characterised by inefficient fluctuations. The average economic size of the farm depends on the standard production profit, which reflects the industry's standard income and is dependent on the number of animals grown and the type of production in the SGP. In the period 2012-2022, the average economic size of an agricultural holding or farm varied from 62.8 to 84.7 ESU. EFV fluctuations are linked to fluctuations in output prices.

[6] Standard production profit is the difference between the value of the annual output (plus direct payments) per hectare of crop or farmed fish ponds, closed fish-farming systems tanks per cubic metre or per farm animal and the cost of its direct production: costs of seeds, seedlings, fish caviar, fertilisers, feed, plant protection products, medicines, veterinary services, insemination of farm animals, insurance of crops and farm animals, soil analysis, raw milk testing, packaging, storage, etc. Internet access: https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.390083/InVkvWKxHi

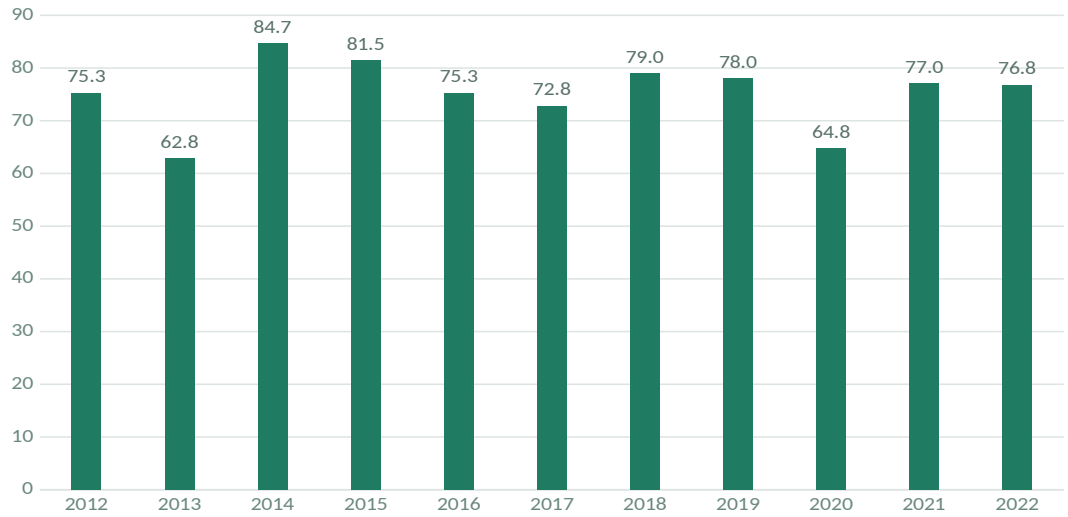
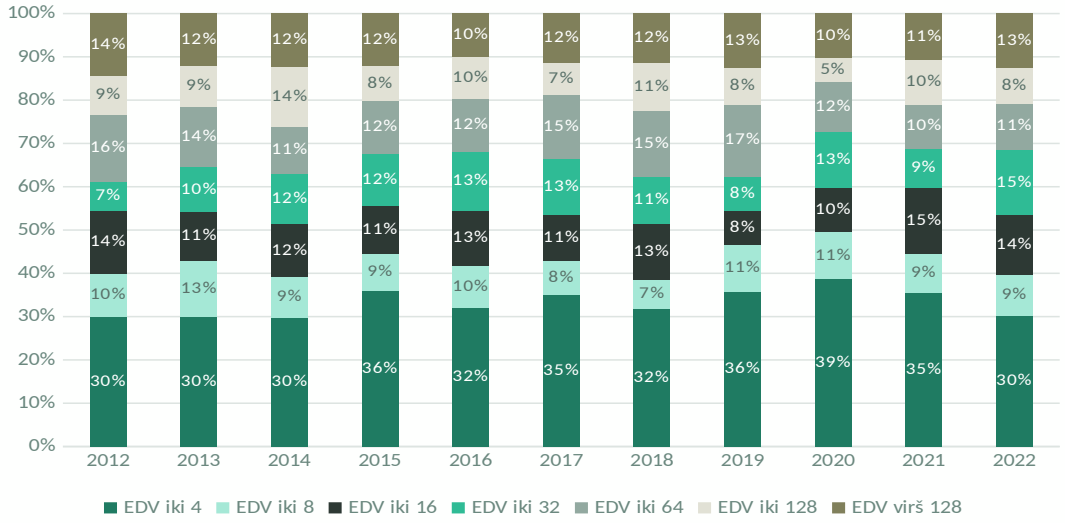


Figure 9. Dynamics of the average economic size of the agricultural holding or farm, expressed in ESU[7], 2012-2022

Source: prepared by the Consultant, based on data from the State Enterprise Centre for Agricultural Information and Rural Business

In all years of the period under review, the largest share (around one third) of fur keepers consisted of agricultural holdings and farms with up to 4 ESU, i.e. very small in terms of average economic size. However, it should also be noted that very large agricultural holdings or farms accounted for at least one tenth of all agricultural holdings and farms in all years of the period under consideration (see figure below).



EDV iki 4	ESU up to 4
EDV virš 128	ESU over 128

Figure 10. Dynamics of the distribution of agricultural holdings or farms according to the size of ESU in 2012-2022

[7] ESU is determined by dividing the total standard production profit (SPP) by an economic unit of EUR 1200. The total SPP for the holding or holding is obtained by multiplying the product, calculated by multiplying the SPP of the holding or the corresponding production type of the holding by the average annual number of cultivated crop areas and livestock per species, the volumes of aquaculture ponds and closed aquaculture systems, and the income from the provision of agricultural services, which shall be converted into SPP by applying a coefficient of 0,5524.

Source: prepared by the Consultant, based on data from the State Enterprise Centre for Agricultural Information and Rural Business

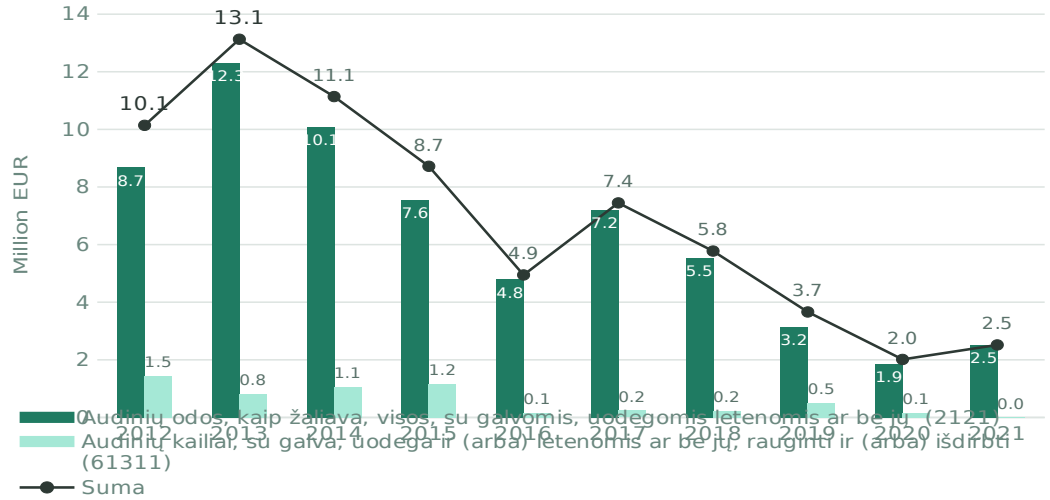
Summarising the overview of fur farming business in Lithuania, the following main conclusions were drawn:

- fur animals business is mainly carried out in Šiauliai district, Radviliškis district, Kėdainiai district and Kaunas district municipalities. The largest proportion of kept fur animals consists of mink. In Lithuania, small agricultural holdings and farms (estimated by economic size) account for the largest share of the entities engaged in the fur farming business. However, more than one tenth of the sector consists of large entities with over 128 ESBs;
- Fur grown in Lithuania is sold at international auctions, therefore, the demand for fur and the situation in the sector are influenced by international trends. Lithuanian farms selling fur at international auctions must obtain a WelFur certificate according to which animals must be provided with good housing, feeding, health and handling conditions;
- Lithuania's fur animal business was marked by a period of strong growth between 2012 and 2016, and since 2018 shows decreasing trends. The strong growth was mainly due to the revenue potential of this business. The rapid increase in both the number of keepers and the corresponding number of animals has led to a high supply, which has led to a decline in the attractiveness of business;
- fur farming faced global difficulties, which affected the sector as well in Lithuania. Demand for fur fell after the use of fur was abandoned by the most famous luxury brands, and was also influenced by the situation on the Chinese market, which is the main buyer of fur. In addition to the above reasons, the COVID-19 pandemic has had a significant impact on the fur animal market. In addition to the obligation to put down some of the SARS-Cov-2 infected minks, the pandemic-related constraints in key markets have also been affected, leading to a contraction in demand. In 2022, a negative impact is expected due to the Russian-induced war in Ukraine due to the decline in trade with Russia.

2. Impact of banning fur farming business on Lithuania's import-export balance

The purpose of this chapter is to determine the impact of a business ban on Lithuania's import-export balance. The following available export and import indicators were analysed: mink skins, raw, whole, with/without head, tail/paws whole furskins of mink, with/without head, tail/paws, tanned/dressed. Data source: Eurostat. Data on the difference between exports and imports and relative export indicators were also provided.

Imports of leather and fur of minks developed cyclically over the period 2012-2021. The first cycle was set between 2012 and 2016, when peaks were reached in 2013. The second cycle was set between 2016 and 2020, when peaks were reached in 2017. It should be noted that fluctuations in imports of leather and fur of minks are driven by trends in mink skins as raw material, as their imports are much higher than those of mink fur. However, looking at the dynamics of the whole period, it was found that the volume of imports of skin and fur of minks was on a decreasing trend and decreased by as much as 80.8 % between 2013 and 2021. The decrease in imports may be attributed to a decrease in the volume of fur products produced in Lithuania – the volume of manufactured fur products decreased by as much as 83 % between 2012 and 2021 and by 93 % between 2017 and 2021.[8] (see figure below).



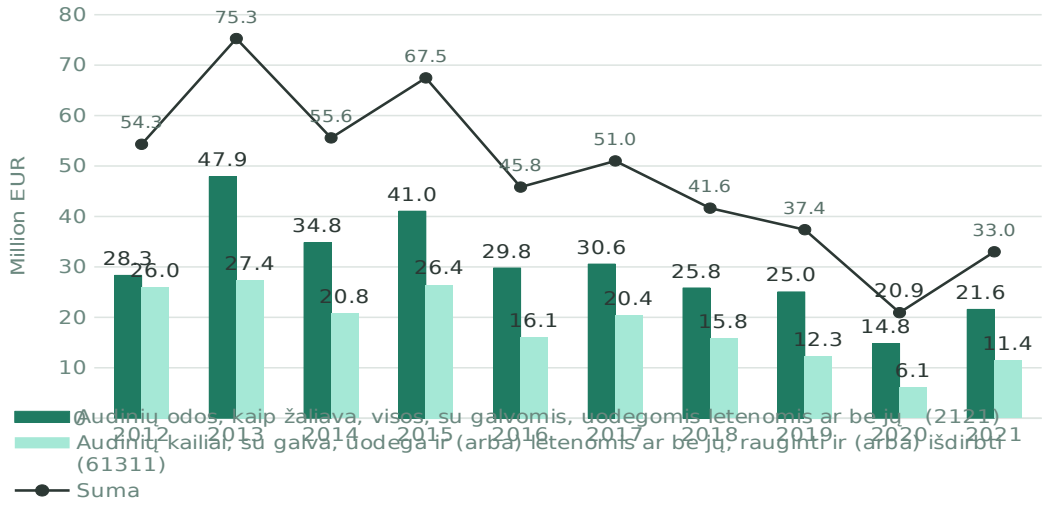
Audinių odos, kaip žaliava, visos, su galvomis, uodegomis letenomis ar be jų (2121)	Mink skins, raw, whole, with/without head, tail/paws (2121)
Audinių kailiai, su galva, uodega ir (arba) letenomis ar be jų, rauginti ir (arba) išdirbti (61311)	Whole furskins of mink, with/without head, tail/paws, tanned/dressed (61311)
Suma	Amount

Figure 11. Imports of mink skins and fur 2012-2021

[8] Analysed indicators: fur garments and clothing accessories (excluding hats and headgear), collars of natural fur, other fur garments and clothing accessories. Data source: OSP

Source: prepared by the Consultant, based on Eurostat data

Exports of fur animals were marked by fluctuations in the period 2012-2021, but a general downward trend was observed. Since 2013, exports of mink skins as raw material accounted for more than 60 % of the sector's exports (see figure below). The highest export volumes were recorded in 2013 and exports decreased by 56 % between 2013 and 2021. As mentioned in Chapter 1, export volumes depend on trends in international markets, driven by factors such as winter average temperature, duration, fashion trends affected by the activities of public organisations in recent years on animal welfare and protection. On the other hand, the sector is significantly affected by the situation in the main markets, such as the contraction in demand due to the restrictions caused by the COVID-19 pandemic, etc. Exports of mink skins and fur are characterised by more frequent fluctuations than imports. Moreover, its fluctuations are due, among other reasons, to frequent changes in fur prices.

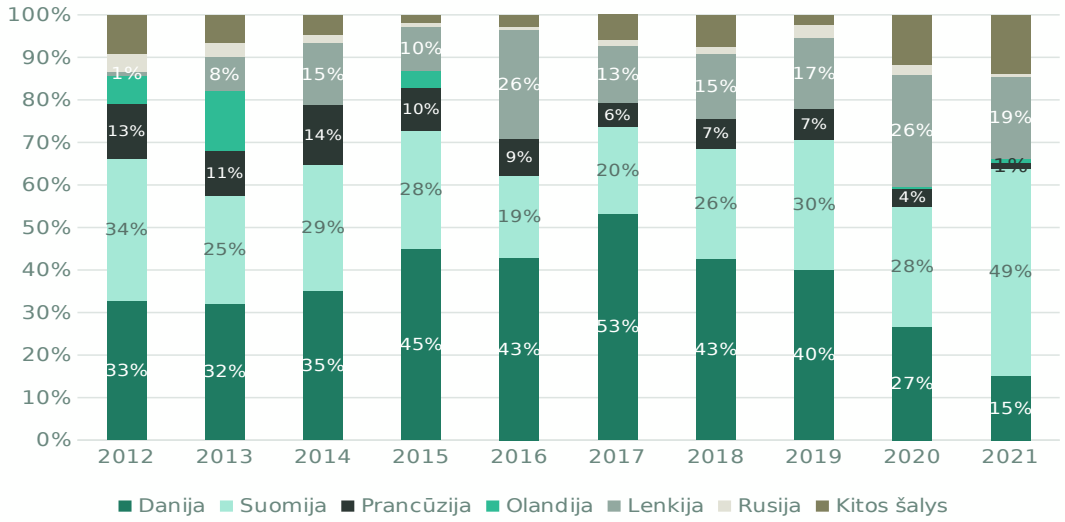


Audinių odos, kaip žaliava, visos, su galvomis, uodegomis letenomis ar be jų (2121)	Mink skins, raw, whole, with/without head, tail/paws (2121)
Audinių kailiai, su galva, uodega ir (arba) letenomis ar be jų, rauginti ir (arba) išdirbti (61311)	Whole furskins of mink, with/without head, tail/paws, tanned/dressed (61311)
Suma	Amount

Figure 12. Exports of mink skins and fur 2012-2021

Source: prepared by the Consultant, based on Eurostat data

Denmark and Finland remained the most important export partners throughout the period under review. However, since 2019, exports to Denmark have decreased, while exports to Finland have increased. This is linked to a temporary ban on fur rearing due to the risk of spreading SARS-Cov-2 in Denmark. The decrease in Danish exports, which by 2020 accounted for more than 70 % of total EU exports of mink skins and fur, and the temporary suspension of activities could have a positive impact on the fur farming business in Lithuania. This can occur both in meeting international demand for mink skins and fur and in meeting the demand for breeding animals. It should be noted that between 2012 and 2021, the share of exports to France decreased from 13 % to 1 %, or even 12 percentage points. At the time, the share of exports to Poland increased from 1 % to 19 %, or even 18 percentage points. Exports to Poland reflect the volume of Lithuania's trading in the Canadian auction, as in Poland there is a distribution centre for this auction, which acts as an intermediary. Therefore, exports to Canada are not reflected in the statistics, although they are carried out. Since 2012, export shares to the Netherlands and Russia also decreased, while exports to other countries fluctuated during the period considered.

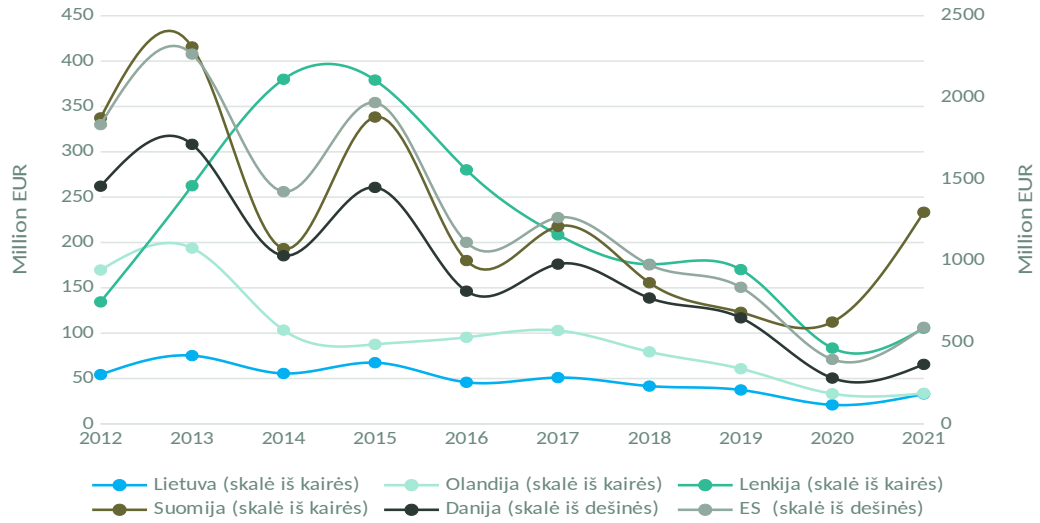


Danija	Denmark
Suomija	Finland
Prancūziją	France
Olandija	Holland
Lenkija	Poland
Rusija	Russia
Kitos šalys	Other countries

Figure 13. Main export partners 2012-2021

Source: prepared by the Consultant, based on Eurostat data

The Lithuanian fur farming sector has the same development trends as the EU as a whole and the most important countries in this area, analysing the dynamics of export volumes (see figure below). The difficulties faced by the Lithuanian sector, as mentioned above, are related to the situation in international markets. The recorded decline in the sector is not only characteristic of the Lithuanian fur farming business, but also in Denmark and Finland, the decline was also observed in the cases of Poland and the Netherlands (although the fluctuation cycles differ). It should be noted that between 2013 and 2020, Lithuania's exports contracted less than the EU as a whole – 56% and 74% respectively, and less than Denmark (79%), the Netherlands (83%) and Poland (60%). Only Finland's exports decreased less than Lithuania's (44%).



Lietuva (skalė iš kairės)	Lithuania (left-hand scale)

Suomija (skalė iš kairės)	Finland (left-hand scale)
Olandija (skalė iš kairės)	Netherlands (left-hand scale)
Danija (skalė iš dešinės)	Denmark (right-hand scale)
Lenkija (skalė iš kairės)	Poland (left-hand scale)
ES (skalė iš dešinės)	EU (right-hand scale)

Figure 14. Export[9] dynamics of fur farming at EU level and in selected Member States 2012-2021

Source: prepared by the Consultant, based on Eurostat data

The import and export balance was positive in the period 2012-2021, i.e. exports exceeded imports. The import-export balance dynamics are driven by export dynamics (see figure below). The positive import-export balance shows that the furry sector contributes to Lithuania's positive foreign trade balance and thus to economic growth.

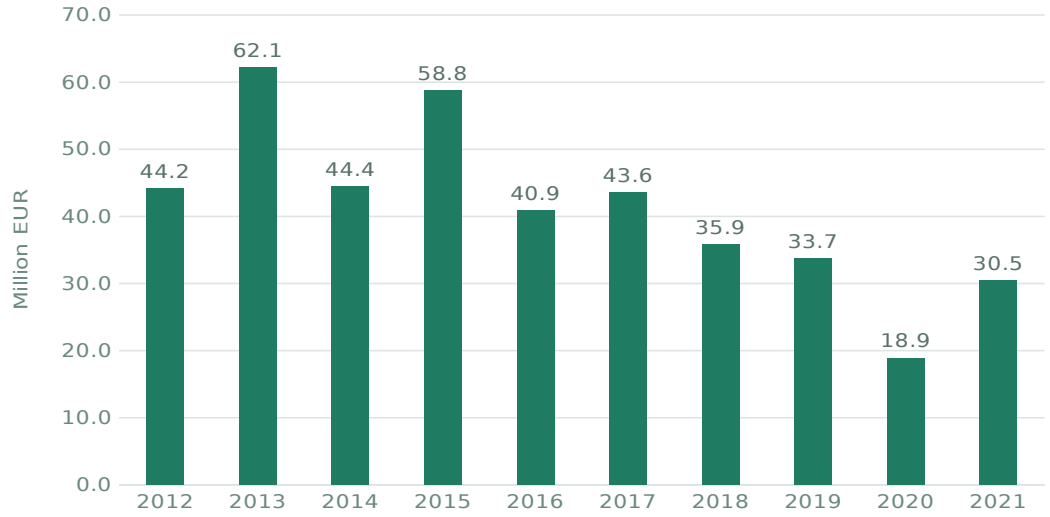


Figure 15. Import and export balance of fur farming in 2012-2021

Source: prepared by the Consultant, based on Eurostat data

The share of exports of fur farming sector in total Lithuanian exports in the period 2012-2021 ranged from 0.31% to 0.07% (see figure below). The lowest share was set in 2020, when the sector faced difficulties due to the fall in demand caused by the COVID-19 pandemic and the obligation to put sick minks to sleep. The contribution of the fur animal sector to Lithuania's total exports was marked by the same trends as exports, and the increase in Lithuanian exports was also influenced by the decrease in exports of fur animals sector.

[9] The sum of two indicators (similar to other figures): tanned and/or dressed skins, as raw material, with or without heads, tails, paws and furskins of minks, with or without head, tail and/or paws

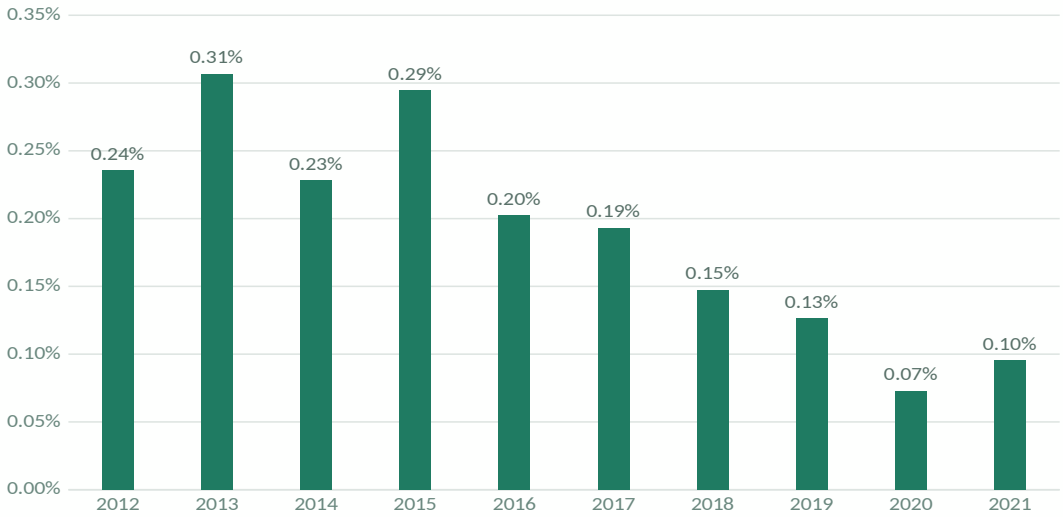


Figure 16. Share of exports of fur farming sector in total Lithuanian exports 2012-2021

Source: prepared by the Consultant, based on Eurostat data

It should be noted that fur grown in Lithuania is internationally regarded as very high quality products, while Lithuania is attributed to countries producing the highest quality mink skins in the world.[10] The Lithuanian export specialization index, which shows relative strength in international markets[11], exceeds 7 and shows that Lithuania has a competitive advantage in this area over other countries of the world and the EU. Lithuanian textile leather export specialisation is similar to that of Denmark, Finland and Poland. The Lithuanian Mink Skins Export Specialisation Index shows that Lithuania has a very good opportunity and basis for mink skins and fur production. The international competitiveness of the mink breeding sector in Lithuania, as well as in Europe as a whole, can be explained by several key factors. First of all, there are favourable climatic conditions for mink breeding in Lithuania. Secondly, there is access to high-quality fresh feed produced from animal by-products. Noteworthy is also an efficient value chain with low transaction costs and economies of scale at auction level. This sector is characterised by a high level of vertical integration and strong cooperation between the actors in the sector, well-developed infrastructure.[12] In addition, an important role is also played by auctioning, which allows the production to be realised at competitive prices and without multi-link intermediaries.

- imports of mink skins and fur decreased by more than 80 % between 2012 and 2021, possibly linked to a decline in the production of fur products.
- exports of minks skins and fur were marked by fluctuations in the period 2012-2021, but the overall trend is decreasing. The decline in exports is influenced by demand-side factors (winter climate, fashion trends, future price expectations, etc.) in the world markets, among which the impact of the COVID-19 pandemic over the

[10] Fur Europe. Annual Report 2015. Internet access: http://fureurope.eu/wp-content/uploads/2015/02/FE-Annual-Report-2015-Single-Pages.pdf

[11] When this indicator is equal to 1, it means that the value of a particular product for a country's exports is the same as the world average. A value in excess of 1 indicates the higher significance of a particular product for a country's exports compared to the average of world exports of a particular product. This means that the higher the export specialisation index, the higher the country's position in international markets compared to the average position of other countries.

[12] Hansen, H. O. European mink industry – socio-economic impact assessment. 2017. Internet access: https://www.altinget.dk/misc/Fur-Invasive-19-09.pdf

last few years has been mainly on fur demand.

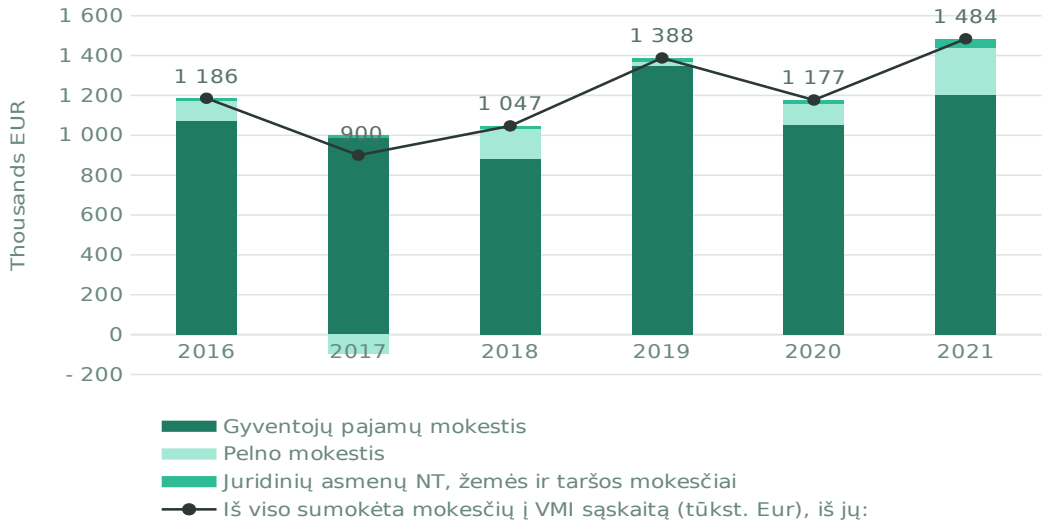
- Lithuania's export trends are marked by the same development trends as in the EU as a whole and in countries such as Denmark and Finland. Exports from other countries, similar to those of Lithuania, are characterised by declining trends since 2013.
- the main export partners of Lithuanian mink skins and fur are the countries where the auctions are held or which broker the auctions – Denmark, Finland and Poland (as broker for the Canadian auction);
- although the share of exports of fur farming business in the country's total exports remained below 0.5%, the positive import-export balance in all years 2012-2021 shows that the fur farming business contributes to the positive balance of Lithuania's foreign trade;
- Lithuania has a very strong position in international markets as a manufacturer of very high quality mink skins and fur, which has a very high competitive position in international markets.

3. Impact of banning fur farming business on Lithuania's budget due to non-payment of taxes

The purpose of this chapter is to determine the impact of the closure of fur farming business on the Lithuanian budget due to non-payment of taxes. The following fees were analysed: compulsory health insurance (hereinafter referred to as "PSI"), state social insurance tax (hereinafter referred to as "the SSI"), corporate income tax (on a certain ESU), value added tax (VAT), excise duties and other taxes.

The fur farming sector paid a total of EUR 3.1 million in taxes to the state budget (including PSD and DHS) in 2019, EUR 2.7 million in 2020 and EUR 3.1 million in 2021.

Taxes paid by the STI increased by 64.9 % between 2017 and 2021. Taxes paid in almost all years of the period 2016-2021 amounted to more than EUR 1 million. Most of them are more than 80 %. — consisted of personal income tax. It should be noted that the level and share of corporate income tax fluctuated over the different years of the period under analysis, but increased from 1% to 16% or 15 percentage points since 2019. This shows that the fur farming sector was profitable (see figure below).



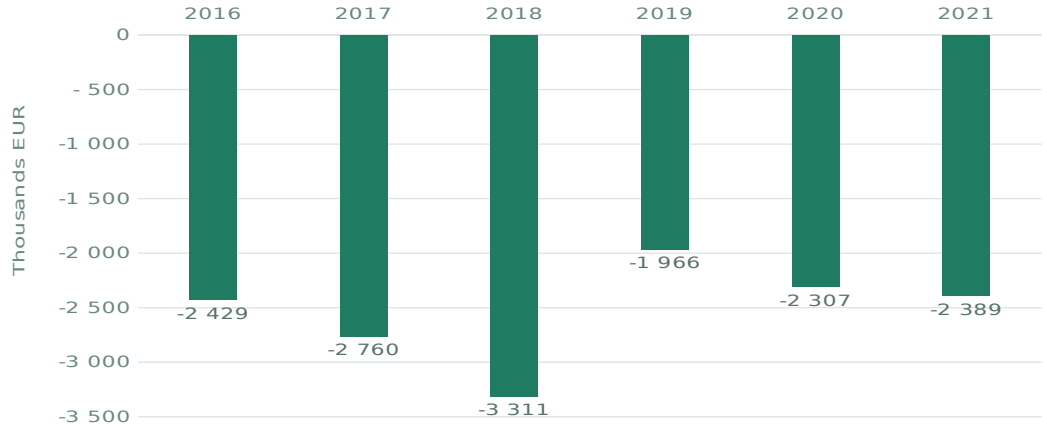
Jundinių asmenų NT, žemės ir taršos mokesčiai	Property, land and pollution taxes of legal entities
Pelno mokestis	Corporate tax
Gyventojų pajamų mokestis	Personal income tax
Iš viso sumokėta mokesčių į VMI sąskaitą (tūkst. Eur), iš jų:	Total taxes paid into the STI account (thousand EUR), of which:

Figure 17. Taxes paid to the STI (excluding VAT) in 2016-2021

Source: prepared by the Consultant based on the data of the STI

Between 2016 and 2021, the fur farming sector recovered VAT of more than EUR 15.1 million (see figure below). The VAT to be refunded in this case is due to the fact that the output is sold in foreign markets and the exported goods are subject to 0 %. VAT – rate In this case, the VAT refund shows that the fur farming sector acquires goods and services in the Lithuanian market, thus contributing to the consumption of the country. The VAT

refund also shows that there are entities in the sector who are VAT payers (the obligation to register for VAT arises when the turnover exceeds EUR 45 thousand). EUR or purchases of goods or services from other EU Member States for more than EUR 14 thousand. In EUR).

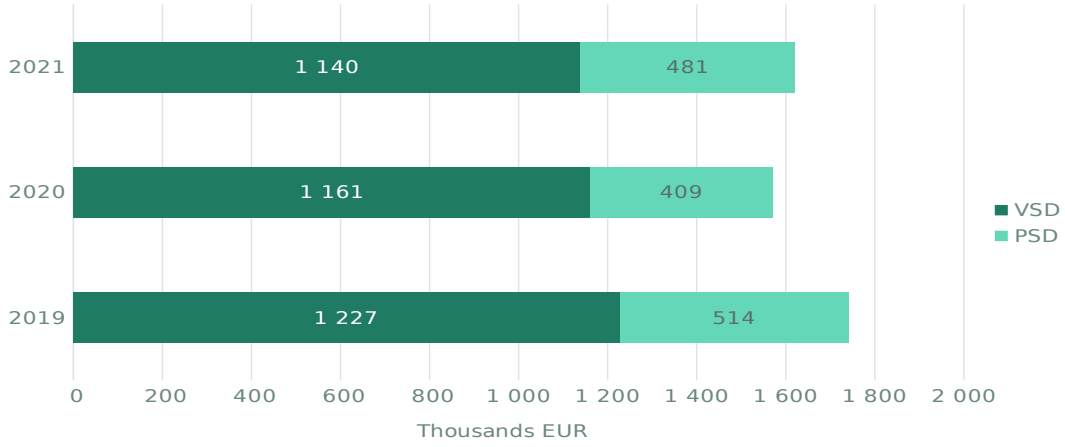


Tūkst. Eur.	Thousands EUR.

Figure 18. VAT refund for 2016-2021

Source: prepared by the Consultant based on the data of the STI

The amount of taxes paid by Sodra remained slightly changed. In 2019-2021, in total, the fur farming sector paid more than EUR 4.9 million to the SODRA budget, of which the DHS fee amounted to EUR 3.5 million or 72 %, to the PSD – EUR 1.4 million or 28 %. DSI and PSD contributions accounted for 55.6 % of total taxes paid in 2019, 57.2 % in 2020 and 52.2 % in 2021.



Tūkst. Eur.	Thousands EUR.

Figure 19. Taxes paid by Sodra in 2019-2021

Source: prepared by a consultant based on SODRA data

The number of policyholders in Sodra was the same in 2019 and 2020, reaching 73 policyholders, rising to 88 policyholders in 2021. At that time, the number of insured persons decreased steadily since 2019, when there were 635 insured persons: In 2020, 48 persons, or 8 %, decreased by a further 31 persons or 5 % in 2021. A fall in the number of insured persons means a decrease in the number of employees.

Summarising the analysis carried out on the impact of banning fur farming business on Lithuania's budget due to non-payment of taxes, the following main conclusions were drawn:

- fees paid to the Lithuanian budget by fur farming business amounted to about EUR 3 million, of which more than half was paid to the SODRA budget as contributions to the SSS and CSI;
- among the taxes paid by the STI, the largest part was personal income tax, since 2019 this tax is paid more than EUR 1 million per year;
- fur farming business acquires goods and services in the Lithuanian market, i.e. contributes to the consumption of the country and has an impact on other related businesses.

4. Impact of banning fur farming business on Lithuanian labour market and social employment

The aim of this chapter is to determine the impact of banning fur farming business on the Lithuanian labour market and social employment, not only directly working on farms, but also the service sector. The following available indicators were analysed: number of holdings with partners, number of persons on holdings, number of holdings with family members, number of holdings with partners, number of persons on farms. Data source: State Enterprise Centre for Agricultural Information and Rural Business.

Operators active in the fur farming sector may choose different legal forms of activity and therefore some of the entities act as both natural and legal persons. They may have neither an agricultural holding nor a farmer's holding, they may have registered both, or they may have registered an agricultural holding and act as its manager or own a farmer's holding. The managers of agricultural holdings can be both natural and legal persons, holdings may be with partners and/or family members. Farms can also work with partners or family members. This diversity means that the impact on the labour market and social employment is complex and the analysis below must be seen as possibly not covering all those involved and involved in the business.

As mentioned in Chapter 3, the number of persons insured by SODRA has shown a downward trend over the last three years. As can be seen in the figure below, the number of insured persons exceeded 500 in all the years of the period under consideration.

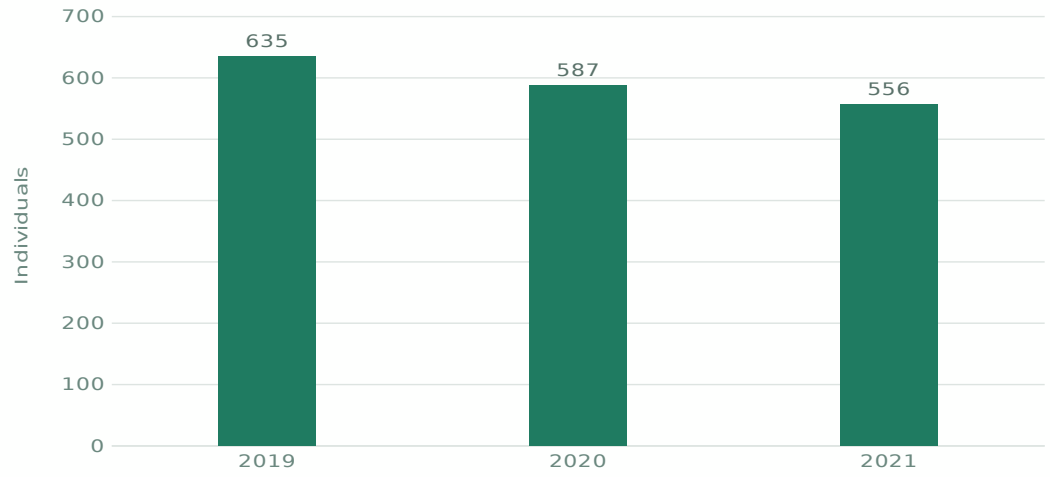


Figure 20. Number of insured persons in the fur farming sector 2019-2021

Source: prepared by a consultant based on SODRA data

Given that insured persons who have lost their job could claim unemployment benefit, it is estimated that the indicative amount of unemployment benefit could amount to more than EUR 1 million based on 2021 data (see table below).

Table 1. Assessment of the need for unemployment benefits

Indicator name	Measuring	Amount

	units	
Average disbursement in 2021	EUR/month	359.6
Average duration of benefits in 2021	month	5.2
Number of insured persons in the fur livestock sector in 2021	individuals	556
Potential needs for benefits based on 2021 data	**thousands EUR**	**1, 038.2**

Source: prepared by a consultant based on SODRA data

It should be emphasised that agricultural holdings and farm holdings often involve also members of managers or farmers' families, so that business bans can affect a large number of individuals. As shown in the figure below, the number of holdings with family members fluctuated between 13 and 23 between 2012 and 2022. The decrease in 2017 may be linked to the choice of a different form of activity by replacing the agricultural holding registered so far (e.g. due to more convenient accounting, tax obligations, possible support or subsidies, etc.). The number of holdings with family members reveals that closing a business in this case would affect not one person, but the situation of the whole family.

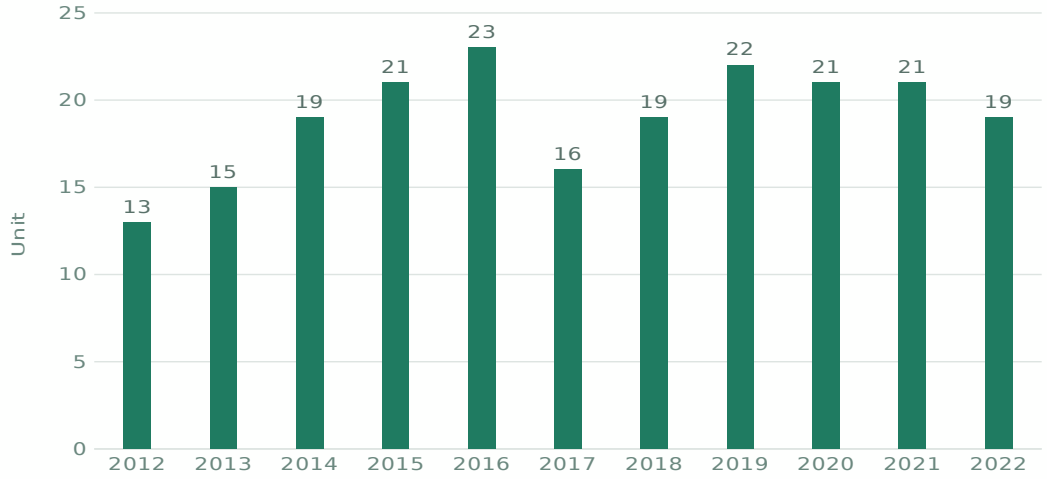
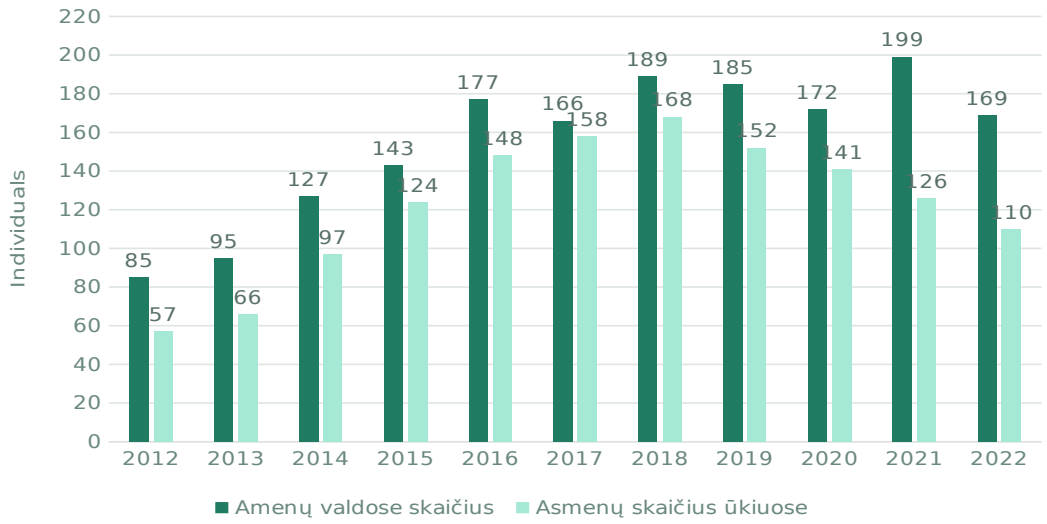


Figure 21. Dynamics of the number of holdings with family members in 2012-2022

Source: prepared by the Consultant, based on data from the State Enterprise Centre for Agricultural Information and Rural Business

The number of persons on the holdings more accurately reflects the extent of the impact. The number of persons on holdings increased by more than 2 times between 2012 and 2016, in line with the general trend in the sector. Since 2017, the number of persons on holdings ranged from 166 to 199 persons, in line with trends in the number of governors.



Asmenys	Individuals
Amenų valdose skaičius	Number of persons on holdings
Asmenų skaičius ūkiuose	Number of persons on farms

Figure 22. Dynamics of the number of persons on holdings and farms in 2012-2022

Source: prepared by the Consultant, based on data from the State Enterprise Centre for Agricultural Information and Rural Business

The trend in the number of persons on farms was in line with the development dynamics of the number of farms. Between 2012 and 2018, the number of people on farms increased almost 3-fold, or as much as 111 people. As in the case of holdings with family members, it should be emphasised that, in the case of farms with family members, the welfare aspect of families is important. The ban on fur farming may not affect the individual members of the family, but the financial situation of the family as a whole is significantly worse.

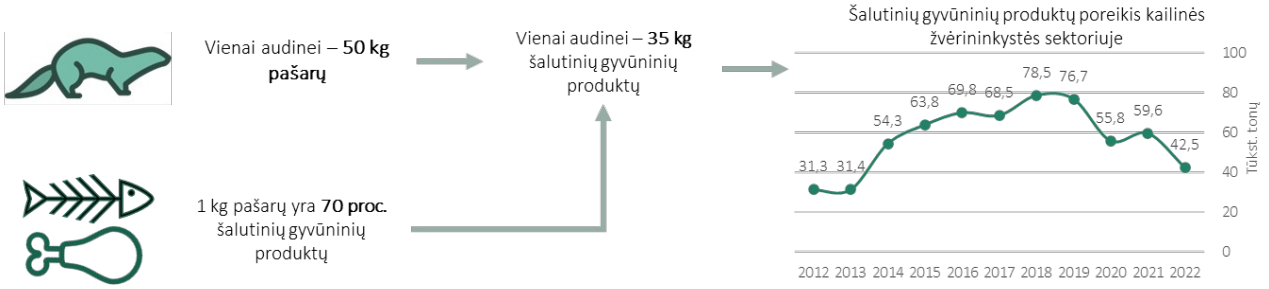
Summarising the analysis of the impact of banning fur farming business on the Lithuanian labour market and social employment, the following main conclusions were drawn:

- the fur farming sector is characterised by a large number of agricultural holdings and farms involving not only the managers or farmers or employees themselves, but also members of their families, so that the effects of the ban may have a negative impact on families.
- the number of insured persons in SODRA exceeds 550 persons, therefore, business insurance will determine the unemployment of these persons and the need to pay unemployment benefits and compensations (potential need for compensation is calculated in Chapter 6); the potential level of unemployment benefits is more than EUR 1 million.

5. Impact of banning fur farming business on the market of animal by-products in Lithuania

This chapter aims to determine the impact of the ban on fur farming business on the market of animal by-products in Lithuania. The data collected in interviews with the Lithuanian Association of Animal Farmers on the need for feed, composition and application scheme were used for the analysis. Statistics on the number of animals were also used (see Chapter 1). Data on support for the disposal and collection of animal by-products were collected from the NPA.

No statistics were available on the use of animal by-products in the fur farming sector. However, according to the data provided by the Lithuanian Association of Animal Producers, approximately 50 kg of feed used for the production of animal by-products is used for the production of one animal. Feed contains about 70 % of animal by-products and 30 % of other ingredients (water, flour, etc.). It is therefore considered that 35 kg of animal by-products are consumed per fur animal. Taking into account the number of fur animals, the need for animal by-products ranged from 31.4 to 78.5 thousand tonnes (see figure below).



Vienai audinei - **50 kg pašarų**	Per mink - **50 kg of feed**
1 kg pašarų yra **70 proc.** šalutinių gyvūninių produktų	1 kg of feed contains **70%** animal by-products
Vienai audinei - **35 kg** šalutinių gyvūninių produktų	Per mink - **35 kg** of animal by-products
Šalutiniųgyvuninių produktų poreikis kailinės žvėrininkystės sektoriuje	Demand for by-animal products in the fur farming sector
Tūkst. tonų	Thousands of tonnes

Figure 23. Need for animal by-products in fur farming sector 2012-2021

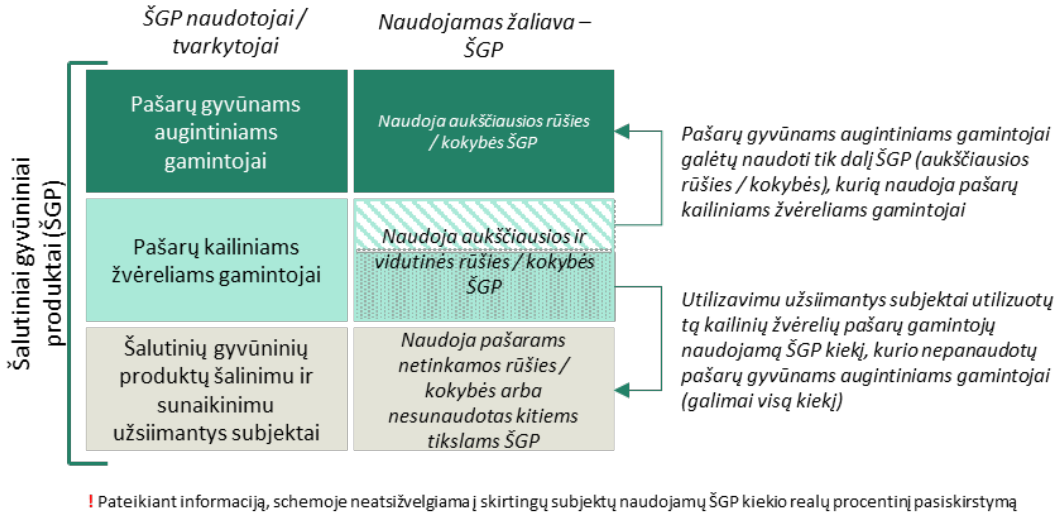
Source: prepared by the Consultant based on the data of the Lithuanian Association of Animal Farmers and the State Enterprise Centre for Agricultural Information and Rural Business

Based on estimates of the need for animal by-products in the fur farming sector and the data provided by the SFVS on animal by-products[13] used in animal feeding, it was found that the fur farming sector consumed around 93% of animal by-products used in animal feeding in 2021 and around 63% in 2022. The decrease in the number of animals has

[13] According to the data provided by the SFVS, animal by-products used in animal feeding amounted to 64202 tonnes in 2021 and 67847 tonnes in 2022.

also led to a decrease in the need for animal by-products, while at the same time the need for their use in another sector or for recovery has increased.

Animal by-products are not only used for the production of feed for fur animals and therefore only part of the animal by-product market will be affected by the ban on fur farming. As shown in the figure below, some of the animal by-products used in the production of feed for fur animals could be used by operators producing feed for pets (cats and dogs). However, it should be noted that feed for pets is made from animal by-products of the best quality. At that time, only part of the animal by-products of this quality are consumed in feed for fur animals (which is not used in feed for cats and dogs). Therefore, animal by-products used as feed for fur animals could only partially be used in the production of food for cats and dogs and only if there were such a need (depending on the volume of production). The remaining part or all of the animal by-products should be disposed of if there is no demand for them from pet food producers.



ŠGP naudotojai/tvarkytojai	ABP users/handlers
Naudojamas žaliava - ŠGP	Raw material used – ABP
Pašarų gyvūnams augintiniams gamintojai	Pet food producers
Pašarų kailiniams žvėreliams gamintojai	Manufacturers of feed for fur animals
Šalutinių gyvūninių produktų šalinimu ir sunaikinimu užsiimantys subjektai	Operators involved in the disposal and disposal of animal by-products
Naudoja aukščiausios rūšies /kokybės ŠGP	Uses the highest grade/quality ABP
Naudoja aukščiausios ir vidutinės rūšies/kokybės ŠGP	Uses the highest and medium grade/quality ABP
Naudoja pašarams netinkamos rūšies/ kokybės arba nesunaudotas kitiems tikslams ŠGP	Uses ABP not suitable for animal feed or not used for other purposes
Pašarų gyvūnams augintiniams gamintojai galėtų naudoti tik dalįŠGP (aukščiausios rūšies/kokybės), kurių naudoja pašarų kailiniams žvėreliams gamintojai	Pet food producers could only use part of ABP (extra species/quality) used by producers of feed for fur animals
Utilizavimu užsiimantys subjektai utilizuotų tų kailinių žvėrelių pašarų gamintojų naudojamų ŠGP kiekį, kurio nepanaudotų pašarų gyvūnams augintiniams gamintojai (galimai visų kiekj)	Recovery operators would dispose of the amount of ABP used by producers of feed for fur animals used by producers of unused feed for pet animals (possibly in all quantities)
! Pateikiant informaciją, schemoje neatsižvelgiama j skirtingų subjektų naudojamų ŠGP kiekio realų procentinj pasiskirstymą	! For reporting, the scheme does not take into account the real percentage distribution of the amount of ABP used by the different actors
Šalutiniai gyvūniniai produktai (ŠGP)	Animal by-products

Figure 24. Scheme for the use of animal by-products

Source: prepared by the Consultant

The recovery of animal by-products – disposal and destruction – is subject to State aid financed by national funds. The measure is intended to provide assistance for the disposal (collection and transport) and/or destruction of animal by-products. The aid shall be granted to the holder of the animal by-products (paid to the manager of the animal by-products). Aid under the measure may be used for the disposal and destruction of dead or killed animals belonging to natural or legal persons engaged in the primary production of agricultural products by the right of ownership or trust, test animals killed by agricultural science or training establishments, dead animals found by public authorities which cannot be identified by the owner and which may endanger human or animal health and the environment, and wild animals suspected of having a contagious dangerous disease for humans or animals. 100% aid intensity for removal, 75% or 100% for destruction. The maximum amount available for disposal is EUR 222/tonne for destruction 94.5 or EUR 126/tonne.[14] As shown in the figure below, State aid for the removal and destruction of animal by-products has exceeded EUR 2.5 million per year since 2014. It should be noted that aid is granted only in certain cases, so that the costs of removing or destroying animal by-products from the food industry would be borne by this industry, i.e. increasing the costs of certain food industry actors. This would have an impact on food prices.

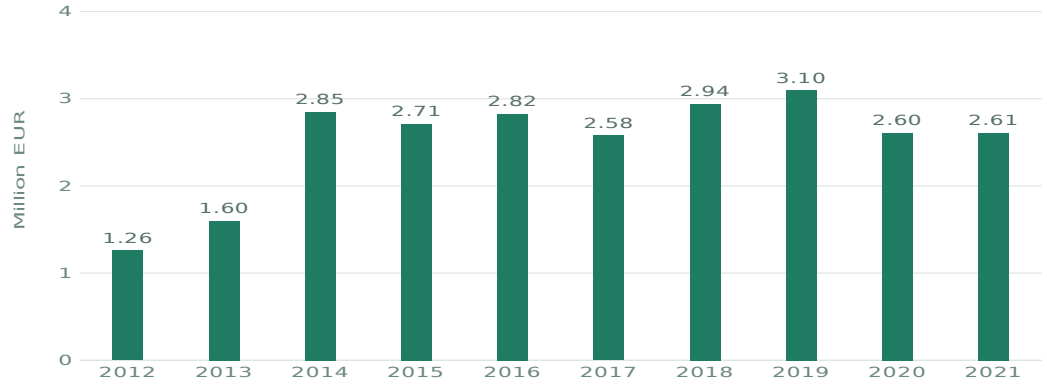


Figure 25. Support for the disposal and destruction of animal by-products not intended for human consumption in the period 2012-2021

Source: prepared by a Consultant based on data from the National Paying Agency

The following assumptions shall be used to assess the potential impact of the closure of the fur farming sector on operators producing animal by-products:

- number of fur animals used in 2012-2022;
- 35 kg of animal by-products are required per fur animal;
- the cost of disposing of the animal by-products used is EUR 222/tonne[15];
- the price to be used for the disposal of animal by-products shall be EUR 126/tonne[16].

An assessment of the number of animals reared and the amount of animal by-products required for the production of animal by-products per animal showed that in 2022 the recovery of animal by-products could cost more than EUR 9 million if they were not used

[14] Annex 1 to the Rules for the granting of State aid for the disposal and destruction of animal by-products not intended for human consumption, approved by Order No 3D-162 of the Minister for Agriculture of the Republic of Lithuania of 13 April 2007 (as amended by Order No 3D-616 of the Minister for Agriculture of the Republic of Lithuania of 11 November 2019).

[15] Annex 1 to the Rules for the granting of State aid for the disposal and destruction of animal by-products not intended for human consumption, approved by Order No 3D-162 of the Minister for Agriculture of the Republic of Lithuania of 13 April 2007 (consolidated version valid from 11/11/2019).

[16] Annex 1 to the Rules for the granting of State aid for the disposal and destruction of animal by-products not intended for human consumption, approved by Order No 3D-162 of the Minister for Agriculture of the Republic of Lithuania of 13 April 2007 (consolidated version valid from 11/11/2019).

for the production of feed for fur animals. At that time, the cost of destroying animal by-products could amount to more than EUR 5 million. This burden would be borne by operators producing animal by-products and by the State in the event of State support for recovery activities.

Table 2. Assessment of the potential costs of removal and destruction of animal by-products used in the fur farming sector

Year	Number of animals in 2021	Animal by-products need for feed (35 kg/animal)	Possible costs of removal of animal by-products (EUR 222/tonne)	Possible costs of destruction of animal by-products (EUR 126/tonne)	Total cost of removal and destruction
	units	tonnes	EUR million	EUR million	**EUR million**
2012	895,208	31,332	7.0	3.9	**10.9**
2013	896,316	31,371	7.0	4.0	**10.9**
2014	1,551,113	54,289	12.1	6.8	**18.9**
2015	1,822,119	63,774	14.2	8.0	**22.2**
2016	1,995,346	69,837	15.5	8.8	**24.3**
2017	1,955,777	68,452	15.2	8.6	**23.8**
2018	2,241,868	78,465	17.4	9.9	**27.3**
2019	2,191,720	76,710	17.0	9.7	**26.7**
2020	1,593,438	55,770	12.4	7.0	**19.4**
2021	1,703,110	59,609	13.2	7.5	**20.7**
2022	1,215,254	42,534	9.4	5.4	**14.8**

Source: prepared by the Consultant

Summarising the analysis carried out on the impact of the ban on the fur farming business on the Lithuanian animal by-products market, the following main conclusions were reached:

- the need for fur farming business for animal by-products varied from 31.4 to 78.5 thousand tonnes between 2012 and 2022, depending on the number of animals grown;
- part of the animal by-products used in the fur animal sector may be used for the production of feed for pet animals if there is such a need, but part could only be recovered.
- if animal by-products used in the production of feed for fur animals should be recovered at 100 %, the cost of their disposal (disposal and destruction) could amount to almost EUR 15 million. this burden would be borne by the holders of animal by-products and by the State in the event of State aid for recovery.

6. Impact of banning fur farming business on Lithuania's budget due to compensation payments

The purpose of this chapter is to determine the impact of business bans on Lithuania's budget due to compensation payments. It should be noted that the amount of compensation required has been calculated on the basis of available data and is therefore provisional. If necessary, the conditions, amount and other details of compensation may be specified, for example, by applying data available at farm level (residual value of fixed assets, reimbursable operating costs, etc.).

Assumptions for calculating compensation:

- the compensation price used for one animal corresponds to the average textile leather price for the period 2010-2019, excluding the highest and lowest value. This period is used because 2019 was the last year when prices were not affected by the COVID-19 crisis. In addition, the long-term choice allows eliminating cyclicality and the possible price effects of certain atypical events. The average price per mink skin in the period 2010-2019 was **EUR 44.75/one mink skin**[17];
- compensation **for loss of income** (not net profit) is calculated due to the lack of data on business operating expenses. In addition, the business may have to cover the costs of services or goods received before the prohibition (for which deferred payment has been applied), and it is not possible to identify such cases within the scope of this Assessment, nor to determine the need for funds to cover such costs.
- compensation to cover **expenditure related to business closure** is calculated as **EUR 0.8/animal**. The lump sum was calculated on the basis of the Danish model. In Denmark, a one-off 10 thousand EUR/keeper payout is allocated for closure[18]. As the keepers in Lithuania are very different and the number of animals kept varies, the size of the infrastructure used also varies, it is appropriate to link the closure payment to the number of animals. According to the example of Denmark, the average farm[19] held 12.9 thousand animals in 2018[20]. As a result, an average payment of EUR 0.8 per animal was made for the costs of closing a business. It is assumed that the costs associated with the closure of a business in this assessment include costs for the conversion or demolition of premises, cage utilisation, etc., but exclude severance payments to employees and settlements with service providers, creditor, etc. (included in the benefit for loss of income);
- calculate **unemployment benefit** assuming that insured persons have access to unemployment benefit according to SODRA data;
- given that some of the holdings are with family members and farmers' farms often work with family members, **the family income allowance is calculated**. Such an allowance shall be calculated in order to ensure that families whose members

[17] State Aid SA.61945 (2021/N) – Denmark. COVID-19: Aid scheme for mink farmers and related businesses affected by the COVID-19 outbreak. Brussels, 7.4.2021. C(2021) 2522 final

[18] Retsinformation. Bekendtgørelse om minkvirksomheders ansøgning om erstatning og compensation som følge af aflivning af og midlertidigt forbud mod hold af mink som følge af COVID-19 om visse dele af erstatningen og compensationen. (2021). Internet access: https://www.retsinformation.dk/eli/lta/2021/2462

[19] 2018 data used, as this is the latest data not affected by the COVID-19 pandemic

[20] In 2018, there were 17.2 million animals kept in Denmark by 1326 keepers, so one keeper had 12.9 thousand animals.

contribute to the rearing of fur animals and do not have other sources of income do not remain without income. It is assumed that at least 6 months are required in order to refocus on another activity/job. The amount of the allowance per member of the family is EUR 161,7/month[21]. It is assumed that the average size of the family is 4 persons. The need is calculated on the basis of the number of holdings with family members and the number of farmers on 1 January 2022;

- compensation is calculated on the basis of indicators fixed at a given point in time (for example, it could be calculated for the moment at which the prohibition takes effect); there is no assessment of the future period, i.e. it is not assumed that compensation will have to be paid for the next 5 or 10 years or the like.

On the basis of the above assumptions, the potential need for compensation from the state budget (including the SODRA budget) was calculated after the ban on fur farming business in Lithuania. In total, the estimated potential need is EUR 56.85 million.

Table 3. Need for possible compensation for the ban on fur animals business

Type of benefit	Calculation of compensation						Amount of compensation
	Basis of calculation	Amount of compensation	Units of measurement of the amount of compensation	Name of the volume to be reimbursed	Coverage to be compensated	Units of measurement of the compensated volume	**Amount, EUR million**
Payment for foregone proceeds from the sale of textile leather	The payment shall be calculated by multiplying the number of animals reared and the amount of compensation per animal	44.75	EUR/one animal	Number of animals	1215254	units	**54.38**
Allowance for costs related to business closure (lump sum)	The payment shall be calculated by multiplying the number of keepers and the amount of compensation per keeper	0.8	EUR/per animal	Number of animals	1215254	units	**0.97**
Unemployment benefit (from the SODRA budget)	The benefit is calculated on the basis of the average benefit (EUR 359.6/month) and the average duration of benefits (5.2 months) in 2021 and taking into account the number of insured persons in the fur farming sector in 2021.	1869.92	EUR/person (within 5.2 months)	Number of insured persons	556	individuals	**1.04**
Family income benefits	The payment shall be calculated on the basis of the amount of the payment, the period of payment, the size of the family and the number of	3880.8	EUR/family (4 persons, 6 months)	Number of holdings with families and farmers	117	units	**0.45**

[21] According to the methodology for calculating social benefits, a social benefit can be received if the average income per person per month from 1 June 2022 does not exceed EUR 161.7. Therefore, this amount is considered to be the minimum amount needed for subsistence in this Assessment. Internet access: https://socmin.lrv.lt/lt/veiklos-sritys/socialine-parama-kas-man-priklauso/patiriu-finansiniu-sunkumu-pinigine-socialine-parama?lang=

Type of benefit	Calculation of compensation						Amount of compensation
	holdings with family members and the number of farmers						
						Total:	**56.85**

Source: prepared by the Consultant

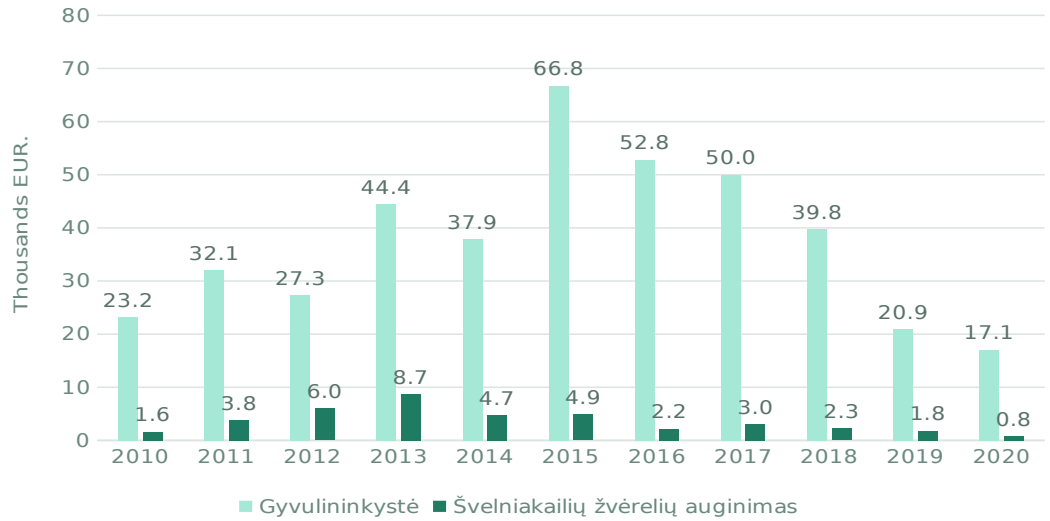
It should be emphasised that this need is preliminary and may vary depending on the details of the data on families and the number of their members, as well as the adjustment of persons who may be entitled to unemployment benefit. However, payments depending on the number of fur animals would depend only on the further development of the sector and the expansion of fur farming could further increase.

- In order to assess the budgetary impact of the ban on fur farming business due to the payment of compensations, payments for income foregone, costs related to business closure, unemployment benefits and family income benefits have been assessed.
- The estimated possible amount of compensation is EUR 56,85 million, the largest part of the compensation being a payment for loss of income from the sale of mink skins.

7. Investment in Card animals business dynamics over the last 10 years

This chapter aims to identify how investments in fur animal business have evolved over the last 10 years. The following available indicators were analysed: material investments according to the CEC code (A01.4 Livestock and A01.49.10 soft-flying animals). Data source: OSP. The analysis covers the period 2010-2020, as more recent data are not available.

During the last 10 years, the material investments of the fur farming business totalled EUR 39.77 million. Compared to investments in the livestock sector, the material investment of the fur animal business accounted for as much as 9.6% of the investment in the livestock sector. It should be stressed that the lowest investment was made in 2020, which is linked to the uncertainty and the difficult situation caused by the COVID-19 pandemic.



Gyvulininkystė	Livestock farming
Švelniakailių žvėrelių auginimas	Rearing of soft-haired animals
Tūkst. Eur.	Thousands EUR.

Figure 26. Total material investment in fur farming and livestock in the last 10 years 2010-2020

Source: prepared by the Consultant based on OSP data

The share of material investments in fur farming in the material investment structure of the livestock sector fluctuated during the period analysed. At a time when the rapid development of the sector was recorded, the material investment of the fur farming business accounted for more than a fifth of material investments in the livestock sector. It should be noted that from 2013 to 2016, the share of material investments in fur farming business decreased steadily, but remained significant in the context of the livestock sector. Since 2016, the share of fur farming investments in the overall material investment structure of the livestock sector accounted for more than 4% (see figure below).

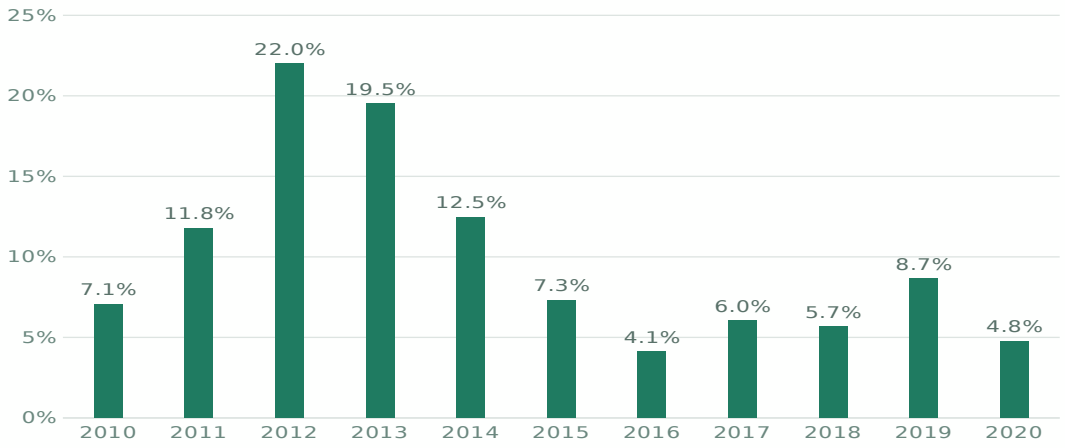


Figure 27. Part of material investment in fur farming business in the material investment structure of the livestock sector 2010-2020

Source: prepared by the Consultant, based on OSP data

The fur farming business uses a variety of specialised machinery and equipment, devices, vehicles and other tangible assets that cannot be used for any other activity. Such fixed tangible assets include specialised vehicles for the transport of fodder, feeding machinery, fur treatment equipment, peeling, degreasing, tensile, drying, machinery used for feed production, cages and others. The exemplary acquisition values of such tangible fixed assets are given in the table below.

Table 4. Exemplary value of acquisition of fixed tangible assets used in fur farming business

Tangible fixed assets	Preliminary acquisition value (average)
Specialised vehicles for the dispatch of feedingstuffs	200,4 thousand EUR
Feeding machine	20.9 thousand EUR
Fur treatment equipment, peeling, degreasing, tensile, drying (large scale activities)	720 thousand EUR
Equipment used in the production of feed (milling, refrigerating, crushing, homogenising, mixing, pasteurising, cooking) (large scale activities)	640 thousand EUR
Other multi-purpose equipment (where the majority consists of mink cages and about 160 thousand animals are kept on the farm)	2946 thousand EUR

Source: prepared by the Consultant based on the data provided by the Lithuanian Association of Animal Farmers

Summarising the analysis carried out on the dynamics of fur animals' investments in the fur animal business over the last 10 years for the market, the following main conclusions have been drawn:

- material investment was characterised by very strong growth between 2010 and 2013, with a general downward trend since 2014;
- the material investment in fur farming accounted for between 4.1% and 22% of the total investment in the livestock sector.

8. Experience of European countries that have abandoned fur animals business

This chapter analyses the experience of other countries that have abandoned fur animal business. In analysing the experience, the following questions were answered:

- Why was it forbidden to keep fur animals, what were the circumstances, what prompted the most, etc.?
- What law is banned?
- Is there a ban in the past few years?
- Has there been a deferral of implementation/implementation of the insurance? If so, what?
- Are there any compensations granted to entities engaged in this business? If so, to which entities? What were/will be compensated for? How much compensation?
- What are other important aspects (explained during the analysis and interesting in the context of this Evaluation)?

8.1. UK case analysis

The context of the ban. The United Kingdom is one of the first European countries to ban fur farming. The ban was adopted on the grounds that raising and killing animals for their fur is unethical and contrary to public morality.[22] The decision was also influenced by the Farm Animal Welfare Committee in the United Kingdom (Farm Animal Welfare Committee). The Farm Animal Welfare Committee, whose data and findings have shown that fur farms are unable to meet the basic needs of animals, in particular to maintain normal behavioural patterns for animals. The Committee refused to draw up appropriate guidelines on the grounds that animal welfare on fur farms could not be ensured.[23]

Regulation of the introduction of insurance. The rearing of fur animals was banned in England and Wales in 2000 with the adoption of the Fur Farming (Ban) Act. *Fur Farming (Prohibition) Act 2000*), which prohibits the keeping of animals solely on the basis of the value of their fur. In Scotland and Northern Ireland, the relevant legislation was adopted in 2002. *Fur Farming (Prohibition) (Scotland) Act 2002*, *The Fur Farming (Prohibition) (Northern Ireland) Order 2002*).

Year of introduction of insurance. In England and Wales, the ban did not enter into force before 1 January 2003. The Scottish Act stipulates that the Act will enter into force once the relevant Order is issued. The Northern Ireland Order provides that the Order enters into force two weeks after its adoption, i.e. 1 January 2003.

Deferral of entry into force of insurance (transitional period).). The ban on the rearing of fur animals in England and Wales has a deferral period of at least 3 years and in Northern Ireland 2 weeks.

[22] Humane Society International. The case for a ban On the uk fur trade. (2021). Internet access: https://www.furfreebritain.uk/resources/HSI-Political-Briefing-One-The-case-for-a-ban-on-the-UK-fur-trade.pdf

[23] Humane Society International. The case for a ban On the UK fur trade. (2021). Internet access: https://www.furfreebritain.uk/resources/HSI-Political-Briefing-One-The-case-for-a-ban-on-the-UK-fur-trade.pdf

COMPONENTS OF COMPENSATION FOR OPERATORS INVOLVED IN THE REARING OF FUR ANIMALS. Compensation shall be paid for:

- foregone income (*Income losses*);
- other losses (*Non-income losses*).

Foregone income shall be considered to be net trading gains lost as a result of business activities discontinued by the enactment or entry into force of the law.

Compensation for other losses incurred consists of:

- any statutory redundancy payments paid to employees previously employed exclusively or mainly in the eligible fur rearing business;
- any loss arising from the sale or disposal of equipment which has been used exclusively or primarily in a qualifying business, where the proceeds of the sale or disposal are lower than the discounted replacement price of the equipment;
- removal and disposal of asbestos from any specialised building;
- any contractual obligations to a third party resulting from the cessation of a qualifying business.[24]

OTHER RELATED ASPECTS. Discussions are currently taking place in the British government on banning the import of fur.[25] [26] Such discussions and actions became possible after the country's withdrawal from the EU, as the country no longer has a commitment to free movement of goods, including fur.

8.2. Irish case analysis

BAN CONTEXT. Ireland is one of the newest countries to ban fur farming. In Ireland, a study found that 80 % of the population. The Irish population supports the ban on fur farms. The study was presented at the event *Make Fur History* in Dublin, supported by *No Fur Alliance* and the Irish Society for Prevention of Cruelty to Animals).[27] Department of Agriculture, Food and the Marine 2021 report stated that animal rearing is no longer acceptable because of their skin or fur[28]. The scientific and veterinary community shared this view, arguing that this poses a threat to animal welfare. This approach received strong support from political parties, leading to a ban on furry business.

At the time of the adoption of the ban, there were only 3 farms of fur animals in Ireland, producing about 120 thousand minks a year[29], there were about 35 employees on farms[30].

[24] Legislation UK. The Fur Farming (Compensation Scheme) (England) Order 2004. Internet access: https://www.legislation.gov.uk/uksi/2004/1964/made

[25] Casalicchio, E. UK to drop proposed fur and foie gras import ban. (2022). Internet access: https://www.politico.eu/article/uk-fur-foie-gras-import-ban/

[26] Eardley, N. Ministers set to drop UK ban on foie gras and fur imports. (2022). Internet access: https://www.bbc.com/news/uk-politics-60439796

[27] Fur Free Alliance. Republic of Ireland bans fur farming. (2022). Internet access: https://www.furfreealliance.com/republic-of-ireland-bans-fur-farming/

[28] Animal Health and Welfare (Miscellaneous Provisions) Bill 2021. Internet access: https://data.oireachtas.ie/ie/oireachtas/bill/2021/136/eng/initiated/b13621d.pdf

[29] Murphy, B. Mink farming banned as bill passes final stage. Irish Farmers Journal (2022). Internet access: https://www.farmersjournal.ie/mink-farming-banned-as-bill-passes-final-stage-688925

[30] Compensation for Irish mink farming sector debated. Internet access: https://news.lslauctions.com/2022/03/compensation-for-irish-mink-farming-sector-debated/

REGULATION OF THE INTRODUCTION OF INSURANCE. Banned by the amendments to the Animal Health, Welfare and Forestry Act 2022 (amended various provisions) *Animal Health and Welfare and Forestry (Miscellaneous Provisions) Act 2022*).[31]

YEAR OF INTRODUCTION OF INSURANCE. Amendments to the law prohibiting the rearing of fur animals were adopted on 4 April 2022.

DEFERRAL OF THE ENTRY INTO FORCE OF THE BAN (TRANSITIONAL PERIOD). The ban on the rearing of fur animals did not have a transitional period – it entered into force in the same year.

COMPONENTS OF COMPENSATION FOR OPERATORS INVOLVED IN THE REARING OF FUR ANIMALS. Compensation is paid for foregone income *Income losses*), other losses incurred *Non-income losses*) and costs incurred by the entity directly because it is no longer able to engage in fur rearing activities due to the adoption of a ban.[32] The Act provides that the responsible minister may take individual decisions on the specification and description of the above-mentioned costs, as well as on other matters of compensation payments (amount of compensation, basis for payment of compensation, forms of documents to be filled in, etc.). Provision may be made for the types of costs reasonably incurred for which compensation may be paid, including the following costs:

- costs of destruction of breeding minks;
- demolition and cleaning costs relating to any buildings, specialised enclosures or other structures used for mink breeding which cannot reasonably be used for any other purpose;
- compensation paid to redundant workers;
- costs of services provided by other suppliers (attached accountant or public relations specialist, or both for representation in the Ministry for 12 months prior to the adoption of the ban; certified accountant or assessment specialist, or both for preparation and administration of the application for compensation).[33]

8.3. Estonian case study

BAN CONTEXT. Estonia is the first of the Baltic states to ban fur farming. The ban on fur farms has been discussed in Estonia since 2009, and this topic was first raised in 2017[34] by Riigikogu (Parliament of the Republic of Estonia). The idea of banning fur farming also reflected the public attitude towards fur farms. A survey of Estonians found that 75 % of the population were opposed to raising animals because of their skin or fur.[35] At the time of adoption of the ban, only a few small farms of fur animals remained in Estonia. The number of livestock and farm workers has been steadily reduced for several years before the adoption of the ban.

[31] Animal Health and Welfare and Forestry (Miscellaneous Provisions) Act 2022. Internet access: https://data.oireachtas.ie/ie/oireachtas/act/2022/4/eng/enacted/a0422.pdf

[32] Animal Health and Welfare and Forestry (Miscellaneous Provisions) Act 2022, adopted 4 April 2022. Internet access: https://www.irishstatutebook.ie/eli/2022/act/4/section/7/enacted/en/html#sec7

[33] Animal Health and Welfare and Forestry (Miscellaneous Provisions) Act 2022, adopted 4 April 2022. Internet access: https://www.irishstatutebook.ie/eli/2022/act/4/section/7/enacted/en/html#sec7

[34] Estonia bans fur farms. (2021). Internet access: https://news.err.ee/1608232815/estonia-bans-fur-farms

[35] Peta UK. Estonia to Become the First Baltic Country to Ban Fur Farming. (2021). Internet access: https://www.peta.org.uk/blog/estonia-ban-fur/

REGULATION OF THE INTRODUCTION OF INSURANCE. It is forbidden to breed and keep animals in order to obtain fur after the adoption of the amendments to the Animal Protection Act and the Nature Protection Act.[36] [37]

YEAR OF INTRODUCTION OF INSURANCE. Estonian Parliament adopted amendments to the law on 2 June 2021[38].

DEFERRAL OF THE ENTRY INTO FORCE OF INSURANCE (TRANSITIONAL PERIOD). A transitional period has been introduced to allow the keeping of mink and raccoon dogs on farms issued before 1 July 2021 until 31 December 2025.[39] New authorisations will not be granted either as the holding of mink and raccoon dogs on farms will be prohibited from 1 January 2026.[40]

COMPONENTS OF COMPENSATION FOR OPERATORS INVOLVED IN THE REARING OF FUR ANIMALS. No compensation foreseen (negotiations underway).

8.4. Case study of the Netherlands

BAN CONTEXT. The Netherlands was the second largest breeder of minks in Europe until 2018. The political debate on banning the production of minks fur began in 1999. The attempt to ban fur farming since 2018 ended unsuccessfully – although the ban was passed by the House of Representatives, but the law did not receive a majority in the Senate. The main argument against insurance was the financial problems that the ban would cause to farmers. However, the deadline for banning fur rearing was set at 2024. However, due to the COVID-19 pandemic, the Dutch government decided to bring forward the ban due to the spread of the virus among minks[41].

REGULATION OF THE INTRODUCTION OF INSURANCE. It was banned by the Law prohibiting the rearing of fur animals. *Wet verbod pelsdierhouderij*). [42]

YEAR OF INTRODUCTION OF INSURANCE. The ban was adopted in 2013 and was due to enter into force in 2024. However, due to the COVID-19 pandemic, an early ban on fur farming entered into force on 8 January 2021.[43] Due to the spread of COVID-19 among minks in several farms since April, at least two workers have been infected with the animal virus, prompting the government to quickly close the industry.

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[36] Animal protection Act, passed 13.12.2000 (in force from 01.12.2021). Internet access: https://www.riigiteataja.ee/en/eli/ee/Riigikogu/act/527122021007/consolide

[37] Nature Conservation Act, passed 21.04.2004 (in force from 09.07.2022 until 31.12.2025). Internet access: https://www.riigiteataja.ee/en/eli/ee/Riigikogu/act/513072022001/consolide

[38] Act amending the Animal Protection Act and the Nature Conservation Act, accepted 02.06.2021. Internet access: https://www.riigiteataja.ee/akt/116062021001

[39] Estonia bans fur farms. (2021). Internet access: https://news.err.ee/1608232815/estonia-bans-fur-farms

[40] Estonia bans fur farms. (2021). Internet access: https://news.err.ee/1608232815/estonia-bans-fur-farms

[41] Animal Equality. Netherlands' Senate Voted to Ban Fur Farming by 2024. (2012). Internet access: https://animalequality.org/news/netherlands-to-ban-fur-farming/

[42] Wettenbank. Wet verbod pelsdierhouderij. (2022). Internet access: https://wetten.overheid.nl/BWBR0032739/2014-01-25

[43] Rijksdienst voor Ondernemend Nederland. Rijksdienst voor Ondernemend Nederland, Vervroegd verbod op pelsdierhouderij. (2021). Internet access: https://www.rvo.nl/onderwerpen/dieren-houden/vervroegd-verbod-pelsdierhouderij

Deferral of the entry into force of the ban (transitional period). The insurance was due to enter into force in 2024, after a transitional period of 11 years (from 2013), but due to the COVID-19 pandemic, the entry into force of the ban was brought forward by 3 years, with effect from 8 January 2021.

Components of compensation for operators involved in the rearing of fur animals. The version of the law adopted in 2013 provided that:

- compensation may be granted for the demolition or refurbishment of buildings in which mink has been kept professionally and which find their intended use;
- the responsible minister may grant compensation to persons who kept minks at the time the prohibition came into effect and who were 55 years or more on 1 January 2014 in the event that the prohibition gives rise to significant inequalities in relation to a person's pension.

Following the decision to bring forward the ban on the rearing of fur animals, a compensation scheme was proposed. Animal breeders may apply for compensation for losses suffered. This compensation does not cover all costs incurred, but only those incurred directly as a result of the entry into force of the advancement of the prohibition.[44] Compensation may be paid for:

- loss of income (calculated by multiplying the number of breeding females by EUR 51/female and by 3, since the prohibition has been brought forward by 3 years, but there are different conditions depending on the category in which the applicant falls);
- during the transition period (EUR 66,5 thousand is paid for the first year). A payment of EUR 50 % for the second and third years each; if you act with a partner, then all partners receive compensation, but its amount is lower (up to 66,5 thousand EUR/partner);
- workers' transitional allowance (covering 60 % of the employee benefit paid by the employer and paid in accordance with the provisions of the relevant legislation);
- restriction on the export of breeding animals (paid EUR 5/feed only if animals were kept in 2020 and the activity was not suspended);
- other fees (e.g. experts involved in applying for compensation and administering them).[45]

The amount of compensation for losses suffered varies depending on which of the three categories the applicant falls into:

1. Fur animals were kept in 2020 and activities were not suspended;
2. Fur animals were kept in 2020 and activities were temporarily suspended;
3. In 2020, the farm was temporarily empty.

Compensation for the demolition or conversion of buildings was no longer provided at the time of the advancement of the ban, but it was allowed to apply until 31 December 2023.

- the buildings are demolished or reorganised within 3 years instead of 1 year;
- 50% of demolition and removal costs shall be reimbursed at 100% instead;
- it is possible to obtain a subsidy for the demolition and removal of fences and equipment;
- it is possible to obtain a subsidy for labour costs if these are labour costs for demolition works;
- it is possible to receive a subsidy for general demolition costs, such as architect costs;

[44] Rijksdienst voor Ondernemend Nederland. Nadeelcompensatie vervroegd verbod pelsdierhouderij. (2022). Internet access: https://www.rvo.nl/subsidies-financiering/nadeelcompensatie-vervroegd-verbod-pelsdierhouderij

[45] Rijksdienst voor Ondernemend Nederland. Nadeelcompensatie vervroegd verbod pelsdierhouderij. (2022). Internet access: https://www.rvo.nl/subsidies-financiering/nadeelcompensatie-vervroegd-verbod-pelsdierhouderij

- maximum subsidy amounts have been set for each undertaking or location of the undertaking, which differ in the case of demolition and conversion or a combination thereof (previously only a maximum subsidy amount per place of establishment was fixed);
- the maximum amount of EUR 38 per breeding cloth shall be applied when assessing the losses resulting from the housing of female breeding animals, which shall apply to up to 2 thousand places; this amount decreases by EUR 3 for each additional 2,000 seats (previously this amount was EUR 6).[46]

Refurbishment covers 40% of the costs incurred.[47]

Animal farm holders and their employees may receive compensation for advice and retraining costs in accordance with the Socio-Economic Plan.[48] This plan applies to keepers of fur animals, their partners and family members, but company managers and employees are also entitled to it. Eligible activities are expenditure on vocational training and skills acquisition through education, training, courses, seminars, briefings and outreach activities. As well as costs for acquiring new knowledge, courses and internships as part of normal routine training programmes or courses, and costs of orientation towards a new future job or company.[49]

In addition to these compensations, the pension system is being developed. However, as stated in the first version of the law, this compensation will apply only in exceptional cases.[50]

8.5. Danish case study

THE CONTEXT OF THE BAN. Denmark is one of the first countries to temporarily suspend fur farming due to the COVID-19 pandemic.[51] This decision was taken in the context of an increase in the number of infections with Sars-Cov-2 against animals (mink) and in the presence of evidence that a new variant of the virus could be resistant to the COVID-19 vaccine.[52]

In addition, the cultivation of foxes was prohibited in Denmark in 2009. Farmers had to abandon this business by 2017 and farms whose main income comes from fox cultivation – by 2023.[53]

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[46] Rijksdienst voor Ondernemend Nederland. Pelsdierhouderij slopen en ombouwen na vervroegd verbod. (2022). Internet access: https://www.rvo.nl/subsidies-financiering/pelsdierhouderij-slopen-ombouwen

[47] Rijksdienst voor Ondernemend Nederland. Pelsdierhouderij slopen en ombouwen na vervroegd verbod. (2022). Internet access: https://www.rvo.nl/subsidies-financiering/pelsdierhouderij-slopen-ombouwen

[48] Rijksdienst voor Ondernemend Nederland. Vervroegd verbod op pelsdierhouderij. (2022). Internet access: https://www.rvo.nl/onderwerpen/dieren-houden/vervroegd-verbod-pelsdierhouderij

[49] Nederlandse Federatie van Edelpeldierenhouders. Sociaal Economisch Plan (SEP) pelsdierhouderij opengesteld vanaf 6 mei 2020. Internet access: https://www.nfe.nl/politiek/sociaal-economisch-plan-sep/

[50] Rijksdienst voor Ondernemend Nederland. Vervroegd verbod op pelsdierhouderij. (2022). Internet access: https://www.rvo.nl/onderwerpen/dieren-houden/vervroegd-verbod-pelsdierhouderij

[51] Restinformation. Lov om aflivning af og midlertidigt forbud mod hold af mink. (2020) Internet access: https://www.retsinformation.dk/eli/lta/2020/2185

[52] Denmark Moves To Ban Mink Farming Until 2021, Cull Millions Of Animals To Stop Covid-19 Transmission. (2021). Internet access: https://www.forbes.com/sites/elanagross/2020/11/10/denmark-moves-to-ban-mink-farming-until-2021-cull-millions-of-animals-to-stop-covid-19-transmission/?sh=681079282988

REGULATION OF THE INTRODUCTION OF INSURANCE. Prohibited by the adoption of the law on the killing of minks and the temporary ban on their possession (dan. *Lov om aflivning af og midlertidigt forbud mod hold af mink*).

YEAR OF INTRODUCTION OF INSURANCE. The temporary ban on the killing and storage of minks was adopted on 29 December 2020 and was in force until 31 December 2021.[54] This temporary ban was extended to 31 December 2022 on 28 December 2021.[55]

DEFERRAL OF THE ENTRY INTO FORCE OF THE BAN (TRANSITIONAL PERIOD). Denmark adopted a temporary ban on the killing and possession of mink, so the standstill period was not applied.

COMPONENTS OF COMPENSATION FOR OPERATORS INVOLVED IN THE REARING OF FUR ANIMALS. An exhaustive list of material compensations was prepared in Denmark in order to assist farmers as a result of the loss suffered as a result of temporary bans. The table below (see table below) shows the specific types of compensation and the circumstances in which compensation will be paid to fur rearers.

Table 4. Types of compensation paid to fur rearers in Denmark

Types of compensation[56]	Reimbursement of costs incurred
Fee	• Compensation is paid to the grower if he is himself responsible for the killing of the minks (when the mink is destroyed together with the fur) (various types of payments apply depending on the area in which the grower enters) • Compensation shall be paid to the producer if he is himself responsible for cleaning the infected holding after the animals have been killed
Compensation for skin and fur of minks	• Compensation may be granted for the loss of the value of fur when minks with fur are killed and destroyed, unless the value of the fur is covered by other means, such as insurance (the compensation amount of EUR 32.5 per fur may be adjusted depending on various conditions, such as the fur index, etc.).
'Speed premium'	• Compensation may be paid if all minks were killed between 1 October 2020 and 19 November 2020 and the grower was self-employed in this activity (basic compensation of EUR 3.9 per mink killed)
Compensation for operating losses	• Compensation for loss of breeding animals • The amount of compensation depends on the permanent closure of the business by the producer or the preparation of the reopening after the expiry of the temporary ban.
Decommissioning costs	• In the event of a permanent closure of the mink farming business, one-off compensation may be requested to cover the costs of closing the business (it is possible to receive compensation if minks were bred in 2018, 2019 or 2020 or if in 2020 or 2021 a one-off amount of EUR 10,4 thousand EUR per producer is paid). • Early decommissioning compensation may be paid if permanent closure is chosen and mink was cultivated in 2020.
Compensation for	• Business losses incurred as a result of temporary insurance can be compensated by companies involved in the breeding of Danish minks. The

[53] A Guide to Fur Bans Around The World. Internet access: https://respectforanimals.org/a-guide-to-fur-bans-around-the-world/#:~:text=The%20Dutch%20Parliament%20voted%20for%20a%20ban%20on,in%20the%20world%20after%20China%2C%20Denmark%20and%20Poland

[54] Lov om aflivning af og midlertidigt forbud mod hold af mink, adopted 29 December 2020 No 2185. Internet access: https://www.retsinformation.dk/eli/lta/2020/2185

[55] Lov om ændring af lov om aflivning af og midlertidigt forbud mod hold af mink, adopted on 28 December 2021, No. 2597. Internet access: https://www.retsinformation.dk/eli/lta/2021/2597

[56] Ministeriet for Fødevarer, Landbrug og fiskeri, Udbetalingstyper. Access to the Internet: https://www.foedevarestyrelsen.dk/Dyr/Dyr-og-Covid-19/Mink-og-COVID-19/betaling/udbetalingstyper/Sider/Honorarer.aspx

Types of compensation	Reimbursement of costs incurred
winding-up of related enterprises	valuation applies only to the part of the business related to the Danish textile business. If it is possible to transfer production immediately to other activities, the right to compensation is lost
Compensation for temporary closure	• Compensation may be paid to a business that has temporarily ceased its activities. Compensation is granted for fixed costs incurred, such as maintenance and maintenance of capital goods. Compensation is granted if the business has bred minks in 2018, 2019 or 2020 or was preparing to start a mink-breeding business in 2020 or 2021.

Source: prepared by the Consultant

It can be seen from the table that material compensation is granted not only for losses incurred by the business, but also for other unplanned expenses or losses incurred by related businesses. It should be noted that compensation is granted only if an application for such a payment is made or if the loss is not covered by insurance.[57]

OTHER RELATED ASPECTS. Danish Minister of Agriculture M. Jensen acknowledged that the decision to destroy all minks in the country was a mistake (about 15-17 million animals were killed due to COVID-19 infection).[58] The minister later resigned.[59] The Danish government is currently facing difficulties due to the need for funds to pay compensation. The temporary ban was also contrary to the law and the order to eradicate existing minks was not supported by extensive scientific evidence.[60]

From 1 January 2023, mink breeding will be allowed again, but with certain restrictions, such as limiting the number of people visiting the farm and registering visitors.[61] According to the data of the Danish Veterinary and Food Authority of 23 September 2022, only 14 producers applied for compensation for temporary inaction and plan to resume their activities after the expiry of the temporary ban, at which time 1223 producers submitted applications for definitive cessation.[62]

8.6. Comparative analysis of foreign experience

To summarise the analysis carried out on the experience of foreign countries in banning fur rearing activities, a comparison of prohibition practices is provided (see table below).

Table 5. Comparative analysis of foreign experience

Country	Year of introduction of	Application of the deferral of the entry	Duration of deferral of the	Payment of compensation

[57] Ministeriet for Fødevarer. Landbrug og fiskeri, Udbetalingstyper. Access to the Internet: https://www.foedevarestyrelsen.dk/Dyr/Dyr-og-Covid-19/Mink-og-COVID-19/betaling/udbetalingstyper/Sider/Honorarer.aspx

[58] Bubola, E. et. al. Denmark's Leader Apologises for botched Mink Cull During Pandemic. (2022). Internet access: https://www.nytimes.com/2022/07/01/world/europe/denmark-mink-report-covid.html

[59] Sustainable Fur. Mink Farming Temporarily On Halt In Denmark – But Was It Necessary? (2020) Internet access: https://www.sustainablefur.com/news_item/mink-farming-temporarily-on-halt-in-denmark-but-was-it-necessary/

[60] Mink Farming Temporarily On Halt In Denmark – But Was It Necessary? (2020) Internet access: https://www.sustainablefur.com/news_item/mink-farming-temporarily-on-halt-in-denmark-but-was-it-necessary/

[61]

[62] Udbetaling til minkavlere. Internet access: https://www.foedevarestyrelsen.dk/Dyr/Dyr-og-Covid-19/Mink-og-COVID-19/betaling/Sider/default.aspx

	insurance	into force of the ban	entry into force of the insurance	
United Kingdom	2000	Yes	3 years	Yes
Ireland	2022	No	-	Yes
Estonia	2021	Yes	4.5 years	No (negotiation ongoing)
Netherlands	2013	Yes	11 years	Yes
Denmark	2020	No	-	Yes

Source: prepared by the Consultant

3 out of 5 countries have a standstill period. Although the length of the period during which the ban takes effect varies between countries, such a deferral allows farmers to gradually adapt to changes and to plan their closure in an appropriate and efficient manner. It should be stressed that, in the case of Denmark, the ban is temporary, the introduction of which was caused by the COVID-19 pandemic. In all countries except Estonia (where negotiations on the payment of compensations are ongoing) pecuniary compensations are paid to producers who have lost their business and income after the entry into force of the insurance. In view of the fact that breeders will lose their income and in order to cover the additional costs incurred, compensation is mainly paid for loss of income, dismantling of equipment, transitional costs for workers, replacement work, retraining, payment of redundancy payments to employees and other regulated cases.

In summarising the comparative analysis of the experience of the countries banning fur farming business, the following main conclusions have been drawn:

- most countries have a transition period allowing fur farming businesses to adapt to change and gradually close their activities;
- most countries have material compensation to cover losses incurred by farmers and other costs related to inventory, retraining or unforeseen costs.

Conclusions

Following the impact assessment of the ban on fur farming in Lithuania, the following general conclusions were reached:

- the number of fur animals in Lithuania has shown a decreasing trend since 2019. Small agricultural holdings and farms account for the largest share of businesses. Farmed fur is sold at international auctions, which shows that fur not only meets high standards, but that demand in this sector is often influenced by international trends that affect demand, supply and business attractiveness factors. COVID-19 also affected the fur farming sector in Lithuania, with a decrease in the number of fur animals kept and the business becoming less attractive due to a fall in production prices.
- the overall trend in exports of leather and fur of minks has been decreasing since 2013. This is influenced by the most demand-driven factors in foreign markets, such as fashion trends, future price expectations, and the situation in the main export markets – China and Russia. The share of exports of fur farming business in the country's total exports remains below 0.5%, however, in 2012-2021, the positive import-export balance shows that the fur farming business contributes to Lithuania's positive foreign trade balance;
- the fees paid by the fur farming business in the Lithuanian budget amount to EUR 3 million, of which more than half are paid into the SODRA budget as contributions to the SSS and CSI. More than EUR 1 million per year is paid to the STI (GPM). Fur farming business contributes to the country's consumption trends by purchasing goods and services in Lithuania.
- banning fur farming business can have a negative impact not only on the income of individuals, but also on families. The fur farming sector in Lithuania is characterised by a large number of farm holdings and farms, which employ not only employees but also family members. A business ban would lead to unemployment for these individuals, which would increase the need for unemployment benefits and compensation;
- banning fur farming business would have an impact on the animal by-products market in Lithuania. Banning the animal husbandry business would allow only a fraction of the animal by-products to be used by other feed producers. If the products should be recovered at 100%, the costs of their recovery (disposal and destruction) would be borne by the holders of animal by-products and by the State in the event of State aid for recovery;
- the preliminary amount of compensations for banning fur animals business is EUR 56.85 million. The calculation of the budgetary impact on the disbursement of compensations included benefits for income foregone, costs related to business closures, unemployment benefits and family income benefits. The largest part of the compensation would consist of payments for loss of income from the sale of leather and fur of minks.
- material investment was characterised by a very strong growth rate between 2010 and 2013, with a general downward trend since 2014. The material investment in fur farming accounted for between 4.1% and 22% of total investment in the livestock sector, which shows that the share of these investments in the overall livestock sector remains significant;
- foreign experience has shown that in most countries there has been a standstill period and compensation. These measures allow producers who have closed their businesses to plan their exit actions and cover the costs of expenses and loss of income, to adapt gradually to the changes without being shocked, and to seek alternative activities or professions with state support.