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**Subject: State Aid SA.63564 (2021/N) – France
COVID-19: Compensations for beef cattle farmers**

Excellency,

1. PROCEDURE

- (1) By electronic notification of 16 June 2021, France notified aid in the form of limited amounts of aid (“COVID-19: Compensation for beef cattle farmers, the “measure”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (the “Temporary Framework”).¹
- (2) France exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union (“TFEU”), in conjunction with Article 3 of Regulation 1/1958² and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE MEASURE

- (3) France considers that the COVID-19 outbreak affects the real economy. The measure forms part of an overall package of measures and aims to ensure that sufficient liquidity remains available in the market, to counter the liquidity

¹ Communication from the Commission - Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak (OJ C 91I, 20.3.2020, p. 1), as amended by Commission Communications C(2020) 2215 (OJ C 112I, 4.4.2020, p. 1), C(2020) 3156 (OJ C 164, 13.5.2020, p. 3), C(2020) 4509 (OJ C 218, 2.7.2020, p. 3), C(2020) 7127 (OJ C 340I, 13.10.2020, p. 1) and C(2021) 564 (OJ C 34, 1.2.2021, p. 6).

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

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shortage faced by undertakings because of the outbreak, to ensure that the disruptions caused by the outbreak do not undermine the viability of the undertakings and thereby to preserve the continuity of economic activity during and after the outbreak.

- (4) France confirms that the aid under the measure is not conditioned on the relocation of a production activity or of another activity of the beneficiary from another country within the EEA to the territory of the Member State granting the aid. This is irrespective of the number of job losses actually occurred in the initial establishment of the beneficiary in the EEA.
- (5) The compatibility assessment of the measure is based on Article 107(3)(b) TFEU, in light of sections 2 and 3.1. of the Temporary Framework.

2.1. The nature and form of aid

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

2.2. Legal basis

- (7) The legal basis for the measure is the (draft) Decision of the Director general of FranceAgriMer on compensation for beef cattle farmers for the losses suffered in the context of the health crisis caused by the Covid-19 pandemic.

2.3. Administration of the measure

- (8) FranceAgriMer is the granting authority. The decentralized departmental services of the Ministry of Agriculture and Food of France are responsible for administering the measure.

2.4. Budget and duration of the measure

- (9) The estimated budget of the measure is EUR 60 million.
- (10) Aid may be granted under the measure as from its approval until no later than on 31 December 2021. Aid applications can be submitted between 15 July 2021 and 15 September 2021.

2.5. Beneficiaries

- (11) The final beneficiaries of the measure are SMEs active in France. The number of beneficiaries is estimated at 22 000.
- (12) Aid may not be granted under the measure to medium³ enterprises that were already in difficulty within the meaning of the Agricultural Block Exemption Regulation (“ABER”)⁴ on 31 December 2019. Aid may be granted to micro and

³ As defined in Annex I to Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 187, 26.6.2014, p. 1.

⁴ As defined in Article 2(14) of Commission Regulation (EU) No 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 193, 1.7.2014, p. 1.

small enterprises that were in difficulty within the meaning of the ABER on 31 December 2019, if those enterprises, at the moment of granting the aid, are not subject to collective insolvency procedure under national law and they have not received rescue aid⁵ or restructuring aid.⁶

2.6. Sectoral and regional scope of the measure

- (13) The measure is open to the beef cattle breeding sector. It applies to the whole territory of France.

2.7. Basic elements of the measure

- (14) Due to the COVID-19 pandemic, the French Government has taken drastic measures to prevent the spread of the virus. The state of health emergency, determined by articles L. 3131-12 et seq. of the Public Health Code, has been declared throughout the national territory as of 23 March 2020. The emergency state was declared again as of 17 October 2020, further extended, first until February 2021, then until 1 June 2021.
- (15) In consequence of the restrictive measures, the catering sector was closed from 14 March to 2 June 2020 and then from 30 October 2020 to 18 May 2021. In addition, travel restrictions in France and in other Member States have severely restricted tourism activities and disrupted the markets for young bovine meat.
- (16) The economic crisis caused by the Covid-19 health crisis has severely impacted the beef industry. The loss of sales channels and sharp declines in the selling prices weighed on the income of all affected entire suckler cattle farming system of cow breeders, cow fatteners and specialized fatteners.
- (17) Moreover, this crisis followed a severe drought in the summer of 2020, further to which a need to buy fodder for the winter and increased breeders' costs. The year 2020 was therefore characterized by combined effects of rising costs, loss of sales channels and falling prices. As a result, the economic situation of the sector has severely degraded.
- (18) Aid under this scheme seeks to set up an exceptional compensation system for part of the losses incurred to beef producers over the period between 1 April 2020 and 31 March 2021, impacted by the sanitary measures.
- (19) The beneficiaries of the notified aid scheme are natural or legal persons constituted as farmers, agricultural groups of joint operations (GAEC), agricultural holding with limited liability (EARL) or other legal person active in the agricultural exploitation.
- (20) To be eligible for aid, the beneficiaries must have at least 10 eligible animals⁷ and demonstrate, with an accounting document, an income available⁸ per unit of non-

⁵ Alternatively, if they have received rescue aid, they have reimbursed the loan or terminated the guarantee at the moment of granting of the aid under the notified measure.

⁶ Alternatively, if they have received restructuring aid, they are no longer subject to a restructuring plan at the moment of granting of the aid under the notified measure.

⁷ Male broutards and young bovines, as further specified in the legal basis.

salaried work (UTANS)⁹ of less than EUR 11 000 for the last financial year (which ended on 1 April 2020). The measure specifically targets suckler cattle breeding farms. Thus, the beneficiaries must be eligible for coupled aid for suckler cattle for the 2020 campaign or demonstrate a turnover from the beef cattle activity of at least 60% of the total turnover (of the last closed financial year).

- (21) Aid will be granted as a flat-rate aid per eligible livestock unit: EUR 41 per *broutard* and EUR 52 per young bovine, which corresponds approximately to 80% of the estimated losses.
- (22) Aid will be granted as from minimum EUR 410. The aid amount will be capped so that the 2020 income, increased by the aid granted, does not exceed the threshold of EUR 11 000 of available income per UTANS. The overall nominal value of direct grants cannot exceed EUR 225 000 per beneficiary.
- (23) Where an undertaking is active in several sectors to which different maximum aid amounts apply in accordance with points 22(a) and 23(a) of the Temporary Framework, France will ensure, by appropriate means that the relevant ceiling is respected for each of those activities and that the overall maximum amount of EUR 1.8 million is not exceeded per undertaking. Where an undertaking is active in the sectors covered by point 23 (a) of the Temporary Framework, the overall maximum amount of EUR 270 000 per undertaking will be respected.
- (24) Aid will not be fixed on the basis of the price or quantity of products put on the market.

2.8. Cumulation

- (25) The French authorities confirm that aid granted under the measure may be cumulated with aid under de minimis Regulation¹⁰ or ABER¹¹ provided the provisions and cumulation rules of those Regulations are respected.
- (26) The French authorities confirm that aid under the notified measure may not be cumulated with other forms of Union financing.
- (27) The French authorities confirm that aid granted under the measure may be cumulated with aid granted under other measures approved by the Commission

⁸ Gross operating surplus from which the repayment of the borrowed capital, the financial charges (interest and agios) and the operator's social security contributions are deducted.

⁹ A non-salaried annual work unit corresponds to the amount of agricultural work provided by a self-employed person employed full time during a year.

¹⁰ Commission Regulation (EU) No 1408/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the agriculture sector (OJ L 352, 24.12.2013 p. 9).

¹¹ Commission Regulation (EC) No 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union, OJ L 193, 1.7.2014, p. 1.

under other sections of the Temporary Framework provided the provisions in those specific sections are respected.

- (28) The French authorities confirm that if the beneficiary receives aid on several occasions or in several forms under the measure or aid under other measures approved by the Commission under section 3.1 of the Temporary Framework, the overall maximum cap per undertaking, as set out in point 23(a) of that framework, will be respected.

2.9. Monitoring and reporting

- (29) The French authorities confirm that they will respect the monitoring and reporting obligations laid down in section 4 of the Temporary Framework (including the obligation to publish relevant information on each individual aid above EUR 10 000 granted under the measure on the comprehensive national State aid website or Commission's IT tool within twelve months from the moment of granting¹²).

3. ASSESSMENT

3.1. Lawfulness of the measure

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

3.2. Existence of State aid

- (31) For a measure to be categorised as aid within the meaning of Article 107(1) TFEU, all the conditions set out in that provision must be fulfilled. First, the measure must be imputable to the State and financed through State resources. Second, it must confer an advantage on its recipients. Third, that advantage must be selective in nature. Fourth, the measure must distort or threaten to distort competition and affect trade between Member States.
- (32) The measure is imputable to the State, since it is administered by FranceAgriMer – a public entity and it is based on the draft Decision on compensation for beef cattle farmers for the losses suffered in the context of the health crisis caused by the Covid-19 pandemic. It is financed through State resources, since it is financed by public funds.
- (33) The measure confers an advantage on its beneficiaries in the form of direct grants. The measure thus confers an advantage on those beneficiaries which they would not have had under normal market conditions.
- (34) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, in particular beef cattle farmers.
- (35) The measure is liable to distort competition, since it strengthens the competitive position of its beneficiaries. It also affects trade between Member States, since those beneficiaries are active in sectors in which intra-Union trade exists.

¹² Referring to information required in Annex III to Commission Regulation (EU) No 702/2014.

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

3.3. Compatibility

- (37) Since the measure involves aid within the meaning of Article 107(1) TFEU, it is necessary to consider whether that measure is compatible with the internal market.
- (38) Pursuant to Article 107(3)(b) TFEU the Commission may declare compatible with the internal market aid *“to remedy a serious disturbance in the economy of a Member State”*.
- (39) By adopting the Temporary Framework on 19 March 2020, the Commission acknowledged (in section 2) that *“the COVID-19 outbreak affects all Member States and that the containment measures taken by Member States impact undertakings”*. The Commission concluded that *“State aid is justified and can be declared compatible with the internal market on the basis of Article 107(3)(b) TFEU, for a limited period, to remedy the liquidity shortage faced by undertakings and ensure that the disruptions caused by the COVID-19 outbreak do not undermine their viability, especially of SMEs”*.
- (40) The measure aims at ensuring sufficient financial liquidity for primary agricultural producers at a time when the normal functioning of markets is severely disturbed by the COVID-19 outbreak and that outbreak is affecting the wider economy and leading to severe disturbances of the real economy of Member States.
- (41) The measure is one of a series of measures conceived at national level by the French authorities to remedy a serious disturbance in their economy. The importance of the measure to ensure sufficient liquidity for running activities of primary producers is widely accepted by economic commentators and the measure is of a scale which can be reasonably anticipated to produce effects across the entire French economy. Furthermore, the measure has been designed to meet the requirements of a specific category of aid (*“Limited amounts of aid”*) described in section 3.1. of the Temporary Framework.
- (42) The Commission accordingly considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State and meets all the conditions of the Temporary Framework. In particular:
- The aid takes the form of direct grants (recital (6)). The overall nominal value of direct grants does not exceed EUR 225 000 per undertaking active in the primary production of agricultural products (recital (23)). The measure therefore complies with point 23(a) of the Temporary Framework.
 - Aid is granted under the measure on the basis of a scheme with an estimated budget as indicated in recital (9). The measure therefore complies with point 22(b) of the Temporary Framework.

- Aid may not be granted under the measure to medium and large enterprises that were already in difficulty on 31 December 2019 (recital (12)). The measure therefore complies with point 22(c) of the Temporary Framework. Aid may be granted to micro and small enterprises that were in difficulty on 31 December 2019, if those enterprises, at the moment of granting the aid, are not subject to collective insolvency procedure under national law and they have not received rescue aid¹³ or restructuring aid¹⁴ (recital (12)). The measure therefore complies with point 22(c)bis of the Temporary Framework.
 - Aid will be granted under the measure no later than 31 December 2021 (recital (10)). The measure therefore complies with point 22(d) of the Temporary Framework.
 - Aid granted to undertakings active in the primary production of agricultural products will not be fixed on the basis of the price or quantity of products put on the market (recital (25)). The measure therefore complies with point 23(b) of the Temporary Framework.
 - Where an undertaking is active in several sectors to which different maximum aid amounts apply in accordance with points 22(a) and 23(a) of the Temporary Framework, France will ensure, by appropriate means such as separation of accounts, that the relevant ceiling is respected for each of those activities and that the overall maximum amount of EUR 1.8 million is not exceeded per undertaking. Where an undertaking is active in the sectors covered by point 23 (a) of the Temporary Framework, the overall maximum amount of EUR 270 000 is not exceeded per undertaking (recital (24)). The measure therefore complies with point 23bis of the Temporary Framework.
- (43) The French authorities confirm that the aid under the measure is not conditioned on the relocation of a production activity or of another activity of the beneficiary from another country within the EEA to the territory of the Member State granting the aid. This is irrespective of the number of job losses actually occurred in the initial establishment of the beneficiary in the EEA (recital (4)).
- (44) The French authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (30)). The French authorities further confirm that the aid under the measure may only be cumulated with other aid, provided the specific provisions in the sections of the Temporary Framework and the cumulation rules of the relevant Regulations are respected (recitals (26) to (29)).
- (45) The Commission therefore considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member

¹³ Alternatively, if they have received rescue aid, they have reimbursed the loan or terminated the guarantee at the moment of granting of the aid under the notified measure.

¹⁴ Alternatively, if they have received restructuring aid, they are no longer subject to a restructuring plan at the moment of granting of the aid under the notified measure.

State pursuant to Article 107(3)(b) TFEU since it meets all the relevant conditions of the Temporary Framework.

4. CONCLUSION

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

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

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President