Present State and Future Prospects of Fur Farming in Finland

Eija Vinnari
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This report is a summary of a report commissioned by animal rights organisation Animalia on the present state and future prospects of fur farming in Finland. This summary does not contain a detailed description of the economic structure of the fur farming municipalities nor a list of financial instruments and support mechanisms. The detailed report, only available in Finnish, can be downloaded in PDF format at animalia.fi/exit.

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# Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction and Executive Summary</td>
<td>4</td>
</tr>
<tr>
<td>Basic Information about Fur Farming in Finland</td>
<td>8</td>
</tr>
<tr>
<td>Value of Fur Imports and Exports, Employment Effect, and Corporation Taxes Paid by Fur Farming Enterprises</td>
<td>11</td>
</tr>
<tr>
<td>The Importance of the Fur Farming Sector at Regional Level</td>
<td>16</td>
</tr>
<tr>
<td>Forms of Support for the Transition Period: International Examples</td>
<td>18</td>
</tr>
<tr>
<td>Forms of Support for the Transition Period: Examples from Finland</td>
<td>24</td>
</tr>
<tr>
<td>Conclusions and Recommendations</td>
<td>27</td>
</tr>
<tr>
<td>References</td>
<td>31</td>
</tr>
</tbody>
</table>
Introduction and Executive Summary
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upport for fur farming is declining by the year in Finland and Europe. The profitability of the sector is also suffering. The Finnish animal rights organisation Animalia has been working for decades to end fur farming in the country, but political will is still lacking. A ban is not yet in sight, even though three of the current five governing parties are in favour of terminating the industry. A common argument of the fur farming sector and its supporters is that fur production is a significant employment provider. Animalia has also been repeatedly asked to provide a proper answer to how the industry could be terminated sustainably.

This report explores the structural changes in the Finnish fur farming sector, paying particular attention to future options. In Finland, fur farming is geographically concentrated in four Ostrobothnian regions located in the west of the country. Assuming that the Finnish government decides to take on its agenda the controlled termination of fur farming in the near future, how can a fair transition be ensured for the Ostrobothnian region and the entrepreneurs and employees in the fur farming sector? Furthermore, what national, regional, and local measures can be taken to create new jobs in the region and support the re-employment of those working in fur production?

Assuming that the Finnish government decides to take on its agenda the controlled termination of the fur farming industry in the near future, how can a fair transition be ensured for the Ostrobothnian region and the entrepreneurs and employees in the fur farming sector?

Most European Union countries have banned fur farming either fully or partially. In Finland, too, there is debate on the potential termination of the industry. As for current governing parties, the Greens, Left Alliance, and Social Democrats favour banning fur farming. In 2013, a citizens’ initiative calling for a ban on fur farming was signed by nearly 70 000 supporters and, as a result, taken to the Finnish Parliament. In the end, however, members of Parliament (MPs) voted against the proposal by a wide margin. In the spring of 2022, European animal welfare and animal rights organisations started collecting signatures supporting a European citizens’ initiative demanding a ban on fur farms and farmed fur products in Europe.

This report, commissioned by animal rights organisation Animalia, discusses the present state and future prospects of fur farming in Finland. The author, professor Eija Vinnari, was not compensated financially for her work on the report.

The report was carried out as part of the ORSI research project (2019–2025) investigating fair and robust methods to make Finland environmentally sustainable. Funded by the Strategic Research Council within the Academy of Finland, the ORSI project aims to find equitable ways for official authorities to contribute to sustainability objectives, especially in the Finnish context. The project looks at structural changes linked to changing societal values, causing some industries to shrink or disappear while others emerge, offering new job opportunities. Gradually losing societal acceptance, fur farming is one example of an industry experiencing such disruption.
The second part of the report scrutinises domestic and international examples of follow-up procedures associated with structural changes and considers how the government and other public actors could help create new jobs in the fur farming regions and support the re-employment of entrepreneurs and employees.

To summarise, the fur farming sector’s export revenues constituted a very small portion of Finland’s total revenue from the export of goods in 2021. Furthermore, fur farming, geographically concentrated in four Ostrobothnian regions, is primarily a small-scale and part-time activity. Based on data acquired from Statistics Finland, calculations indicate that the direct employment effect of fur farming is about 900 person-years, and the total employment effect (including multiplier effect) is approximately 1,800 person-years.

A review of domestic and international examples yielded a wealth of examples of how the structural change of the fur farming sector could be supported. If the Finnish government decided to terminate the industry, the biggest challenge would most likely not be the lack of funding but finding new jobs for the individuals currently employed in fur farming.

The four Ostrobothnian regions are already transition areas that need regional development measures. Despite the areas’ self-sufficiency in workplaces and low unemployment figures, they require development measures as their economic structure is still primary-production intensive. One option is to trust the innovation capabilities of entrepreneurial individuals and provide them with business development services and associated financial support. Novel business opportunities might be offered by the cultivation of peas, fava beans and lupin, for example, and their commercial development into novel plant-based protein sources. Another option is to expand greenhouse cultivation, which is already a prominent business in the area. A third opportunity is provided by renewable energy production, circular economy, and other business linked to the green transition. There are already several ongoing wind energy projects as well as bio and circular economy projects in the Ostrobothnian regions. The area is also home to some factories, which could offer jobs to fur farm employees. Some fur farmers can also be expected to retire during the transition period.

Based on the assumption that the next Finnish government, elected in the spring of 2023, decides to take on its agenda the controlled termination of the fur farming industry, the report offers the following recommendations:

1. A multi-sectoral working group will be established with members from ministries, universities and research institutes as well as from organisations representing not only the fur farmers’ but also the animals’ viewpoint. The group will commission detailed assessments of the fur farmers’ age structure, degree of full-time/part-time occupation, the business’s profitability, and the present value of the fixed assets. This will enable a more specific assessment of the transition period, the necessity of support measures, and the amounts of financial support potentially needed.

2. The recommended length of the transition period is five to seven years, which is viewed as a compromise between the government and the fur farmers. If the transition period is shorter, the compensation paid from public sources is larger. In contrast, if the transition period is longer, the entrepreneurs and employees of the sector will not necessarily receive any financial support.
3. The structural change of the fur farming sector will be included as an agenda item in the regional development discussions held between the government and the Ostrobothnian regions. The government will undertake to make an additional investment into the region’s vitality and the development of its economic structure.

4. The government will grant the regional Centres for Economic Development, Transport and the Environment additional funding for services and support directed at developing new business to replace fur farming.

5. The government will grant municipalities additional funding for services and support directed at the retraining and re-employment of fur farmers and employees.

6. The government will undertake to compensate 40–50% of the demolition and/or conversion costs of fur farming structures, with a maximum sum per farm.
Basic Information About Fur Farming in Finland
The statistics on the fur farming sector from Statistics Finland originally included 1,138 fur farming enterprises. For the purposes of this report, enterprises employing zero employees, bankrupt and defunct businesses, and those not listed on the Finnish Patent and Registration Office database were manually removed. Furthermore, 10 companies with insufficient data on the number of employees were also excluded from the analysis. This left 662 enterprises with 667 locations (five enterprises have two locations, and the rest have one). According to Finnish Fur Breeders’ Association FIFUR’s statistics, the association had 581 member farms with “more than 600 locations” or “approximately 700 locations” in 2021. According to the same statistics, the total number of farms supplying pelts was 721. The difference between Statistics Finland data and the number of FIFUR member farms is at least partly explained by the fact that entrepreneurs report their industrial classification to the Tax Administration, from where it is transferred to Statistics Finland. Therefore, Statistics Finland’s business register is likely to include enterprises that are no longer engaged in fur farming and are not members of FIFUR. According to an estimate by a FIFUR representative, about 20 fur farm enterprises are not members of FIFUR. This means that Finland has approximately 600 active fur farm enterprises (FIFUR members and non-members), which is 60 fewer than in the statistics used for some of the calculations in this report. It is important to take this difference into account when interpreting the results. As the calculations in this report are based on data from Statistics Finland, the number of enterprises used is 662 unless otherwise stated. It is also worth noting that the number of fur farms is constantly changing as old companies close and new ones are launched.

Finland has approximately 600 active fur farm enterprises, which is 60 fewer than in the statistics used for some of the calculations in this report.
There are fur farm enterprises in a total of 65 municipalities in Finland. However, 90% of the enterprises are located in 21 Ostrobothnian municipalities, each containing at least four farms.

The remaining 44 municipalities each had only one or two fur farm enterprises. For data protection reasons, these municipalities are not specified here.

According to FIFUR statistics from 2016, the average age of farmers belonging to its member associations was 52 years. More recent data on members’ age distribution was not available for this report. Some farmers have likely passed on their farms to the next generation. On the other hand, the poor economic situation of the fur farming industry in recent years has not necessarily encouraged young entrepreneurs to enter the sector. Therefore, it is unlikely that there have been any radical changes in the average age of FIFUR members since 2016.

Municipalities with the most fur farms in Finland

- Uusikaarlepyy (17.9%)
- Kauhava (8.2%)
- Vöyri (7.7%)
- Kaustinen (7.3%)
- Kalajoki (7.0%)
- Korsnäs (6.2%)
- Närpiö (5.3%)
- Kruunupyy (4.8%)
- Pedersören kunta (4.5%)
- Evijärvi (4.1%)
- Lappajärvi (2.6%)
- Maalahti (2.6%)
- Kokkola (2.4%)
- Veteli (2.4%)
- Pietarsaari (2.1%)
- Mustasaari (1.8%)
- Kannus (1.7%)
- Alajärvi (1.5%)
- Eurajoki (0.8%)
- Halsua (0.6%)
- Seinäjoki (0.6%)

Figure 2
Distribution of fur farms indicated on a map of Finland
Value of Fur Imports and Exports, Employment Effect, and Corporation Taxes Paid by Fur Farming Enterprises
Value of Fur Imports and Exports

Finland is a small open economy where export revenues play an essential role in GDP. The economic significance of the fur farming sector can be assessed by comparing the value of pelt exports with the value of total exports of goods in Finland. The import, export and net export figures for pelts for 2012–2021 are shown in Figure 3. Import consists mainly of pelts imported to Finland for sale at Saga Furs auctions. Export includes sales revenues from pelts produced in Finland, those imported from abroad, and the brokerage commissions received by Saga Furs Oyj. Thus, net exports represent the total sum of the income from the sale of pelts produced in Finland and the brokerage commissions received by Saga Furs. In 2021, Finland imported EUR 232 million worth of pelts and exported EUR 358 million worth of pelts. That year, net exports – the value of exports minus the value of imports – was EUR 126 million. Finland’s total revenue from the export of goods in 2021 was EUR 68.6 billion, meaning that the gross export revenue from pelt sales constituted 0.5% and net export revenue 0.2% of the total.

The value of pelt imports is 65% of the value of exports, and the share remaining in Finland is 35% of the value of exports. In 2021, Finland imported most pelts from Poland, worth around EUR 100 million. Other major import countries were Lithuania (EUR 32 million), Greece (EUR 28 million) and the Netherlands (EUR 28 million).
The Employment Effect of Fur Farming

There are two approaches to the employment effect of any industry: the total number of natural persons employed in an industry and the calculated person-years per enterprise. In the following section, this report looks at the employment effect of fur farming using both approaches.

According to Statistics Finland’s employment statistics, the Finnish fur farming sector directly employed 826 people in 2020, of whom 473 were self-employed and 353 employees. These statistics include not only full-time employees but also part-time employees and seasonal workers, provided that they were employed as employees or self-employed during the last week of the year. Those employed include, for example, summer workers who have earned more than EUR 8,400 during the year and who are not retired or students at the end of the year. Furthermore, the statistics include only people with permanent residency in Finland.

Aside from concrete numbers of people, it is also possible to assess the employment effect of the fur farming sector in terms of calculated person-years. A person-year refers to the annual labour input of one full-time person, meaning that the labour input of two half-time employees constitutes one person-year. The number of person-years includes hours worked by both self-employed persons and employees. Based on Statistics Finland’s data on the fur farming sector, the direct employment effect of fur farms in March 2022 was 926.8 person-years. According to FIFUR, the number was 886 person-years in 2021. As with the difference in the number of fur farm enterprises, the difference in person-years is likely explained by the fact that some enterprises initially classifying themselves as practising fur farming are currently engaged in another business.
Value of Fur Imports and Exports, Employment Effect, and Corporation Taxes Paid by Fur Farming Enterprises

In over half of the enterprises (376 enterprises, 57%), the number of person-years was less than one, pointing to a part-time activity. Of these part-time enterprises, the majority (43% of the total) had less than 0.5 person-years, clearly meaning a part-time business. These figures are in line with a 2008 survey, according to which fur farming was a part-time activity for 60% of farmers, either alongside agriculture or some other business. Suppose this same ratio is applied to the number of entrepreneurs in the fur farming sector. In that case, it can be estimated that fur farming is the primary source of income for approximately 200 entrepreneurs.

In addition to the workforce collected in statistics, fur farms also employ seasonal labour, especially during the mating season from March to May and the skinning season from November to December. According to a FIFUR representative interviewed on YLE News (25.1.2016), fur farmers hire seasonal workers through networks and recruitment agencies, and there is no accurate data on the number of temporary workers. Part of the workforce comes from abroad, such as neighbouring Estonia and Ukraine, but also from the Philippines. In an interview with the Finnish commercial broadcaster MTV News (10.4.2018), a fur farm owner from Halsua estimated that half of all seasonal workers came from abroad. The prevalence of foreign labour is perhaps also indicated by the fact that in 2016, a FIFUR member organisation commissioned a university of applied sciences student to write their final thesis on the challenges of recruiting foreign labour. In this sense, fur farming compares to the commercial cultivation of strawberries, which would not be possible on the current scale without foreign seasonal labour.

In addition to entrepreneurs and fur farm employees, the sector also employs people working in tanning, fur auctions, and feed mills. Saga Furs Oyj includes the parent corporation responsible for fur auctions and the subsidiary Furfix Oy focusing on the tanning industry. During the financial year 01.11.2020–31.10.2021, Saga Furs Oyj employed 147 permanent employees, of whom 37 worked abroad and 110 in Finland. During the same period, an additional 106 people were employed on fixed-term contracts lasting 3–4 months. Furthermore, in 2021 there were 12 companies producing feed for fur animals, employing between 161 and 168 people. Altogether, Finnish fur farms, Saga Furs Oyj, and the feed mills employed between 1 100 and 1 200 people.

The total employment effect of fur farming and Saga Furs Oyj is 1,795 person-years. However, in FIFUR’s statistics for 2021, the corresponding figure is 3,185 person-years. According to a representative of Statistics Finland, this is because FIFUR has calculated the direct employment effect twice. However, as explained above, the total employment effect already includes both direct and indirect effects.

Turnover and Corporation Taxes

Two-thirds (438 enterprises, 66%) of Finnish fur farm enterprises fall into the lowest turnover category, ranging from EUR 0 to 99 999 per year. Only 2% of fur farms have a turnover of one million euros more. In this context, it is worth noting that turnover only indicates the size of a business. Feed, labour, and other operating costs must be deducted from the turnover before it is possible...
to determine whether a company is profitable or unprofitable. However, these statistics confirm the conclusion drawn from the person-year data that fur farming is mostly a part-time activity.

The economic significance of fur farming in Finland can also be assessed through tax revenue generated for the public sector. According to a study\textsuperscript{20}, the most important types of tax revenue generated by the fur farming sector are corporation taxes paid by limited liability companies and personal income taxes paid by employees working in fur farming enterprises. Therefore, the report at hand primarily focuses on these two types of tax revenue. The amount of corporation tax paid by the surveyed limited liability companies (499 enterprises) in 2019 – before the covid-19 pandemic\textsuperscript{21} – was EUR 947 000. More specifically, just under a third of the limited liability companies (135 enterprises, 29%) paid corporation tax, while nearly three-quarters (364 enterprises, 71%) did not pay any corporation tax. Companies not paying corporation tax were either loss-making or could only cover their operating costs without any taxable income remaining. Without company-specific accounting records covering several years, it is impossible to determine which of the two cases applies to these companies. Without accounting records, it is also impossible to know whether a zero-profit company could only cover necessary expenses (feed costs, for example) and postponed renovations, whether the company has been making a loss year after year, and how much investment or farm relief aid it has received.

In 2019, the share of corporation tax revenue from fur farming that remained with the Finnish state was around two-thirds, or EUR 651 000. In the same year, the Finnish government's entire corporation tax revenue was EUR 4.15 billion (The final central government accounts, 2019). Therefore, the corporation taxes paid by fur farming companies made up 0.02% of the Finnish government’s entire corporation tax revenue. The share of corporation tax revenue paid to municipalities was about one-third, or just under EUR 300 000, and will be discussed in the next chapter.

Another important source of tax revenue is the income tax paid by employees working in fur farms. An employee in a fur farm earns an estimated EUR 29 000 per year, and the income tax goes to the employee’s taxation municipality. This tax revenue will be examined in the next chapter.

According to Saga Furs' financial statements for the financial period 01.11.2018–31.10.2019\textsuperscript{22}, the company’s result before tax was negative, so it only incurred a deferred tax of EUR 25 000.

For 2019, feed mills paid a total of EUR 132 000 in corporation tax. Of this amount, the state accounted for two-thirds, or EUR 88 000, and municipalities EUR 44 000.
The Importance of the Fur Farming Sector at Regional Level
Employment Effect
The importance of fur farming becomes more obvious at a regional and local economic level. An analysis by municipality reveals that Uusikaarlepyy has the highest absolute amount of fur farming activity, both in terms of person-years and the number of fur farming enterprises (199 person-years, 118 enterprises). When it comes to person-years, the runners-up are Kalajoki, Kauhava, Kaustinen, Pietarsaari, and Lappajärvi (50–75 person-years each). Regarding the number of fur farms, the runners-up are Kauhava, Vöyri, Kaustinen, Kalajoki and Korsnä (40–60 farms each)\textsuperscript{23}.

In addition to the absolute employment effect of fur farming, it is also possible to examine its relative employment effect by comparing the sector's employment figures per municipality with the imputed number of jobs in the same municipality. The imputed number of jobs equals the number of persons working in a given area, whether part-time or full-time, permanent or temporary. The two figures are thus comparable.

The relative employment effect of fur farming is highest in Halsua, where it accounts for 6.6% of the municipality's imputed jobs. Other municipalities where the relative employment effect of fur farming is significant are Korsnä (5.7%), Lappajärvi (5.1%), Uusikaarlepyy (4.5%) and Evijärvi (4.5%)\textsuperscript{23}.

Tax Revenue for Municipalities
Fur farms operating as limited liability companies pay corporation tax on their profits to the Finnish state, which returns a certain share of this tax revenue to the municipalities. In 2019, the municipalities' share of corporation tax was about one-third. Based on this information, it is possible to calculate how much of the corporation tax paid by limited liability fur farms was returned to the municipalities where they were located. This amount can, then, be compared with each municipality's total share of corporation tax. The share of corporation tax paid by fur farming companies is the largest in Uusikaarlepyy (3.4%), Lappajärvi (3.0%), Evijärvi (2.8%), Kaustinen (2.4%) and Kauhava (2.2%)\textsuperscript{24}.

Fur farm employees also pay personal income tax on their wages. Let's assume that one employee earns an average of EUR 29 000 per year. At this wage level, the municipal tax rate is 19.88%. These data provide an estimate of the municipal income tax revenue generated by employees in the fur farming sector. When this estimate is added to the municipality-specific corporation tax revenue and divided by the number of inhabitants in the municipality, the result is an estimate of the most significant tax revenue from fur farming per inhabitant. In relative terms, the corporation and income tax revenues generated by fur farming are highest in Halsua (EUR 146/person), Lappajärvi (EUR 87/person), Uusikaarlepyy (EUR 65/person) and Evijärvi (EUR 31/person)\textsuperscript{25}.

In practice, the share of fur farming in a municipality’s entire tax revenue is likely higher because fur farm entrepreneurs also pay real estate tax as well as income and capital tax on their entrepreneurial income. However, the share of the real estate tax in the total is small. The level of entrepreneurial income, in turn, can only be estimated with detailed accounting data covering several years. Moreover, given the poor financial situation of the fur farming sector, only some entrepreneurs may have been able to pay themselves a salary or capital income.
Forms of Support for the Transition Period: International Examples
International Examples

Overview

Most European Union countries have banned fur farming either fully or partially, and there is an intense public debate on the topic. In June 2021, Austria and the Netherlands presented an information note backed by Belgium, Germany, Luxembourg, and Slovakia, and endorsed by six other Member States. The countries called on the European Commission to investigate the possibility of permanently ending fur farming in the EU based on animal welfare, ethics, and public health risks. At the same time, in response to the 'End the Cage Age' European Citizens Initiative, the European Commission committed to putting forward a legislative proposal by the end of 2023 to phase out and finally prohibit the use of cages for certain farmed species. Although the proposed ban does not explicitly mention fur animals, the situation may change during the legislative process. Furthermore, in the spring of 2022, animal welfare and animal rights organisations started collecting signatures supporting a European citizens' initiative calling the EU to ban fur farms and farmed fur products from the European market. The initiative is the latest step in a two-decade development during which several EU and non-EU countries have either banned fur farming, prohibited the farming of particular species or introduced stricter regulations that have effectively curtailed the practice.

The transition period for fur bans varies widely. Preventive bans have generally taken immediate effect. In countries with relatively few fur farms, the transition period has typically been 3–5 years, while in European countries with significant fur farming (the Netherlands and Norway), the transition period has been 7–9 years. The longest transition periods are 10 years in Serbia and 19 years in Bosnia and Herzegovina.

In some countries, fur farming bans have been accompanied by measures aimed at compensating fur farmers for financial losses and promoting re-employment. The following section scrutinises these measures in Norway and the Netherlands, two countries most similar to Finland. Afterwards, there will be a brief overview of how Italy is looking to link the termination of the fur farming industry to the green transition.

Figure 5  Fur farming bans in EU member states

- Fur farming ban
- Fur farming phased out due to stricter regulation
- Partial ban

* raccoon dogs 2011, foxes 2009
** wild animals
*** mink, foxes, polecats, coype
**** building of new mink fur farms
Example: Norway

According to a study conducted in 2015, there were 277 fur farms in Norway, and the employment effect of the sector was 350 person-years. When the Norwegian Parliament Stortinget passed a law banning fur farming in 2019, there were 171 farms left. In Norway, three mechanisms support the fair transition of fur farming: financial compensation, transitional support, and a re-employment assistance scheme.

The proposed compensation in 2019 amounted to NOK 300 million (approximately EUR 33 million). The amount, primarily based on the book value of fixed assets and the number of breeding females, was highly criticised by fur farmers. Consequently, it was replaced by a compensation system whereby each farmer would receive individual compensation based on the same principles as if their farm were expropriated for public use. According to the newspaper Hufvudstadsbladet, this compensation principle was to increase the amount of compensation to NOK 1.75 billion (EUR 165 million). In March 2022, the Norwegian Parliament decided that fur farmers could choose to be compensated either according to the expropriation system (use value) or the depreciated replacement value. The possibility of compensating demolition and cleanup costs was also explored. When writing this report, the final compensation amount was not yet known (summer 2022).

In addition to the compensation scheme, the Norwegian Ministry of Agriculture and Food has set up a transitional support programme. Totalling NOK 95 million (EUR 9.9 million), the financial support is channelled through Innovation Norway, the Norwegian government’s instrument for innovation and development of Norwegian enterprises and industry, and granted until the end of 2024. All fur farmers who were actively engaged in fur farming when the legal process to ban farming started and who intend to launch a new business are eligible for the support. The aid may also be granted to another person with a connection to the farm, subject to the fur farmer’s agreement. The aid may also be paid to a person acquiring a former fur farm, provided that the previous owner has not received the aid. There is no need for fur farming to have ceased before the support is granted. A maximum of NOK 2 million (EUR 209 000) can be granted to a single applicant.

Transitional support may be granted for transitioning to productive economic activity in or outside the agricultural sector. Eligible costs include:
Innovation Norway can demand repayment of the financial support if the investment is sold within five years of acquisition.

An investment project is not eligible for both transitional support and ordinary agricultural or secondary agricultural aid. In addition, support is not available for investments contrary to Norwegian agricultural policy, such as setting up the production of eggs or pork. Furthermore, transitional support does not cover new plantings, drainage, the acquisition of agricultural or other commercial assets, the purchase of additional land or an increase in the milk quota. Support is granted following the rules on state aid.

In addition to direct financial compensation and transitional support, fur farmers may apply for a grant from the Norwegian Agriculture Agency under the Ministry of Agriculture and Food to develop their professional skills. The criteria for eligibility are the same as those for transitional support. In awarding the grant, account is also taken of the extent to which the applicant's chances of earning a steady income are increased by skills development, whether the applicant has applied for or received other public support for skills development, and what the applicant's chances of finding gainful employment are without skills development. Grants are awarded based on a cost estimate submitted by the applicant.

Example: The Netherlands

The Netherlands banned the farming of foxes and chinchillas in 2008 and mink farming in 2013. At the time, the Netherlands had 150 fur farming enterprises with 200 farms and was the third biggest producer of pelts in the world after Denmark and China. Compared to Finland, the farms were, therefore, much larger. In addition, mink farming was geographically concentrated in the provinces of North Brabant, Limburg, and Gelderland. The ban was initially planned to come into force in 2024 but was brought forward to 2021 due to the covid-19 pandemic.

In the Netherlands, three mechanisms supported the fair transition of fur farming: financial aid for the demolition and conversion costs of fur farming structures, compensation for the culling of fur animals because of the covid-19 pandemic, compensation in the context of bringing forward the ban and a re-employment assistance scheme.

The transition period was initially set at 11 years because previous legislation had required fur farmers to make new investments for the welfare of fur animals just a few years earlier. The lengthy transition intended to ensure that farmers could amortise these investments and find new employment. However, the Dutch fur producers’ association took the state to court, arguing that the ban should be lifted. The case was eventually heard by the Dutch Supreme Court, which concluded that the ban was not unlawful nor unfair to farmers. Furthermore, the court noted that the 11-year transition period allowed both productive activity and a shift from fur farming to other industries. For this reason, the compensation scheme initially consisted only of financial aid for the demolition and conversion costs of fur farming structures.

The initial plan was to cover 50% of the demolition costs (up to EUR 95,000 per farm) and 40% of the conversion costs (up to EUR 95,000 per farm). For both, the maximum sum was EUR 95,000. Fur farmers giving up farming also got the opportunity to reinvest the net profit from farming in a new commercial ac-
Compensation for the ban on exporting breeding females due to the pandemic was EUR 5 per animal for farmers with breeding females in 2020.

A special socio-economic programme was also set up to support fur farmers, their partners, families, and employees. The programme provides financial support for vocational training and skills acquisition through education, training, workshops, and coaching. The programme is administered by the Dutch Fur Farmers’ Association (NFE), which reviews the applications and pays the education and training costs directly to the providers based on approved applications. The applicants may also receive a daily allowance for the time spent in training. This support amounts to EUR 35 000 per first establishment (EUR 10 000 per other establishments), up to a maximum of EUR 25 000 per person.

Example: Italy

In December 2021, the Budget Committee of the Italian Senate approved an amendment to the budget law to ban fur farming in Italy. The amendment included the closure of all active fur farms in the country within six months. The compensation for farmers, covered by a fund from the Ministry of Agriculture, was EUR 3 million.

The ban followed a report (Studio COME, 2021) commissioned by Humane Society International/Europe that presented ways to close and convert fur farms into humane and sustainable businesses. According to the report, in 2021, there were 10 active mink farms (with 30 000 mink) remaining in Italy, five of which had no animals due to the covid-19 pandemic. All of these farms were small businesses, employing a total of 14 people on a part-time or full-time basis. In addition, most farms had other sources of income, such as agriculture, floriculture, energy production, hospitality ser-
vices, and construction. The total revenue from fur farming was estimated at EUR 550,000–800,000, which amounted to 0.15% of the total value of Italy’s exports. Suggested alternatives to fur production include circular agriculture and renewable energy production.

Circular agriculture refers to a sustainable, non-intensive agricultural system where no more acreage or resources are used than strictly necessary. It includes, for example, organic farming, agroforestry, and wastewater recycling. The EU Commission supports the circular agriculture model through the Green Deal / Farm to Fork strategy for sustainable food production, distribution and consumption. Circular agriculture is eligible for support through the European Agricultural Fund for Rural Development and the LIFE programme. In addition, in Italy, ISMEA (Institute of Services for the Agricultural Food Market) provides subsidised loans for agribusiness, and the Ministry of Economic Development provides support for innovative investments used to purchase agricultural machinery and equipment to facilitate the transition to a circular economy.

Fur farms can also be converted to produce renewable energy. In Italy, this means, in particular, the hybrid use of agricultural land for farming and solar power, i.e. growing certain crops under solar panels. In this way, agriculture and the production of electricity from renewable sources do not compete for land but support each other. Increasing solar power generation is a strategic policy in Italy — the goal is to meet the EU’s Fit for 55 climate package target and reduce CO2 emissions by 55% by 2030. In total, the country is investing EUR 1.1 billion in hybrid agriculture-energy production systems.

Another opportunity solar energy offers is energy production through solar panels installed on the roofs of shelter buildings used for activities other than animal production. Both solar energy opportunities fall under the priority of the EU’s Common Agricultural Policy for the 2020–2027 programming period, which focuses on achieving climate and environmental objectives.

Other Examples

**Belgium** banned fur farming in 2018 with a 5-year transition period. Fur farmers are eligible for compensation for fixed assets, direct and indirect costs as well as loss of income. Compensation is also available if the nature of the business changes.

**Ireland** banned fur farming in 2020. At the time of the ban, there were three fur farms with around 120,000 mink in the country. The transition period is three years. Compensation for fur farmers takes into consideration the value of fixed assets, profits, unemployment benefits, and demolition costs. The cost of the public compensation package for 2022 is estimated at EUR 4–8 million.

**Denmark** introduced a ban on fox farming in 2009 with a 15-year transition period and prohibited building new raccoon dog farms in 2011. In November 2020, the Danish government ordered the culling of more than 15 million mink and a one-year ban on mink farming due to a covid-19 virus mutation in farmed mink population. At the time, there were about a thousand mink farms in the country. With EU authorisation, fur farmers and people working in related sectors received around EUR 1.75 billion in compensation for discontinuing or giving up their business. The compensation scheme consists of two parts. The first is a fixed cost compensation of EUR 1.2 billion for the temporary mink breeding and farming ban (until 01.01.2022). The second is a compensation of EUR 538 million for farmers and related companies agreeing to give up their production capacity to the Danish State. The latter sum is used to compensate fur farmers for 10 years’ loss of income and the residual value of their fixed assets.
Forms of Support for the Transition Period: Examples from Finland
Structural Change in the Finnish Forest and Paper Industry

In Finland, restructuring the forest industry has led to the closure of several paper factories in cities and municipalities where they were significant employers. Rotko, Palotie, Sihto and Husman studied the effects of the closure of a UPM (United Paper Mills) paper factory in Kajaani, Finland, in 2008 and the supportive measures aimed at those made redundant. This case can be seen as an example of a successful intervention because a year after the closure, half of the personnel had found employment, a fifth was in training, 4% had started their own business, 2% were retired, and only 15% were unemployed.

A substantial amount of supportive action was launched immediately following the factory’s closure. Some measures were directed at the employees, while others targeted the whole community by creating new jobs and supporting companies in the area. The goal of UPM’s ‘From work to work’ support programme was a new job or permanent solution for all. As part of the programme, the company paid for the training costs (EUR 5,000 per person), a start-up grant for those launching their own business (EUR 20,000 per business) or the relocation costs and a settling-in allowance equivalent to one month’s salary for those who moved for a new job. Some employees’ contracts were extended until they reached the so-called “pension pipeline”, allowing workers close to retirement age to claim higher, income-linked benefits for an extended period until they could claim their pension. In addition, the employment authorities in West Kainuu profiled employees made redundant and looked for jobs matching their profiles. A working group of 15 national, regional, and local actors was set up to examine job and business creation. In addition to UPM, the working group included the state-owned financing company Finvera Oyj, the Kainuu regional administration, Kainuu employment authorities, local companies supporting entrepreneurship, and the City of Kajaani. With a grant from UPM, the factory was renovated and transformed into a business park. A structural fund managed by Kajaani employment authorities was used to support investments and training in the factory area and the rest of the Kajaani region.

Rotko et al. conclude their study by listing the elements that contributed to the success of the follow-up procedures. The elements applicable to the fur farming sector can be summarised as follows:

- **Organisation of support measures**: anticipation and preparedness; planning and coordination; commitment of actors; previous experience; adequacy of financial and human resources; cooperation and networks; mutual trust between actors; rapid delivery of support measures and transparency of information flows.
- **Direct support for those made redundant**: the active role of the employment authorities; tailor-made training; job search skills training, motivating people to seek employment and a long transition period.
- **Creating replacement jobs**: setting up a business park; building infrastructure for new businesses in existing premises; a consultant’s mapping of the employment needs and opportunities of local companies and investment projects done with restructuring funds.

Both Rotko et al. and Melin and Mamia (2010) point out that the age and education of an individual are essential factors in re-employment. Older people find it harder to find work because, according to these studies, they are less interested in retraining or moving to another place. Employers are also reluctant to hire older people. The level of education, in turn, makes it easier for people with a higher, well-rounded education to re-enter the labour market than those with lower qualifications.
Reduction in Peat Production in Finland

Appointed in December 2019, Prime Minister Sanna Marin’s Government aims to build a socially, economically, and ecologically sustainable Finland by 2030, as detailed in the Government programme *Inclusive and competent Finland – a socially, economically and ecologically sustainable society*. One of the goals of the programme was to at least halve the use of peat for energy by 2030 in a fair and just way. However, the decline in peat production in Finland was much faster than expected, which reduced the value of the equipment used in peat production and caused difficulties for businesses. As a result, in the spring of 2020, the Ministry of Economic Affairs and Employment appointed a national broad-based peat working group to prepare proposals for measures aligned with the above-mentioned objectives. For the report, the working group commissioned a consultant to conduct a background study on the development of peat energy use and the effects of its decline on employment and the security of supply. Other background material included a regional survey on North Ostrobothnia, a study by Taloustutkimus (a market research company) on the economic impacts of reducing the use of peat for energy, and a report on interviews and dialogues with peat entrepreneurs by the Finnish Innovation Fund Sitra.

The peat working group’s report quotes a study by Taloustutkimus, according to which there were 517 companies in the peat production sector in 2020. Furthermore, according to a study by Pellervo Economic Research PTT, the direct employment effect of the production chain was around 2,500 person-years. Peat production areas are geographically concentrated in Northern and Southern Ostrobothnia. The share of the annual corporation tax paid by the peat industry to municipalities is approximately EUR 18 million, of which peat production accounts for some EUR 3 million and transport companies some EUR 15 million. Therefore, the direct employment effect of peat production was 2–2.5 times higher than that of fur farming (900–1,200 person-years, depending on the method of calculation). In turn, the share of corporation taxes paid by peat production companies to municipalities was 10 times higher than that of fur farming companies (EUR 0.3 million).

The peat working group recommended various measures, ranging from financial compensation to creating new businesses and jobs, to phase out of the industry in a fair and just way. Financial compensation includes subsidies for scrapping, aid for cessation of peat production, structural adjustment assistance, and support for early retirement. The latter, in turn, includes support for new entrepreneurship, targeted funding for regional vitality and regional measures to promote employment and prevent exclusion, targeted and tailor-made retraining, financial counselling and support, and special support for entrepreneurs at risk of losing real estate through bankruptcy. The Fair Transition Fund was recommended as a financial instrument in several cases.

Based on the working group’s report, the government decided to provide a total of 70 million euros in support to peat producers in the budget talks of spring 2021. For businesses affected by rapid change, the Ministry of Economic Affairs and Employment set up a national support model, the main elements of which are a subsidy for scrapping peat machinery and a grant for developing new businesses. A transfer appropriation of EUR 29.1 million was earmarked for scrapping subsidies, while an additional appropriation of EUR 2 million was granted for services and grants aimed at developing new businesses. Employment authorities were allocated EUR 2.5 million to retrain and re-employ former peat entrepreneurs and employees. In addition, for 2022, EUR 30 million was budgeted for aid for discontinuing peat extraction. The target of this aid was to cover the wages of entrepreneurs and employees for a transitional period of five months. Like the scrapping subsidy, the aid for discontinuing peat extraction was to be a so-called *de minimis* aid to avoid EU notification obligations, with a maximum amount of EUR 200,000 per company over three tax years.
Conclusions and Recommendations
Summary and Conclusions

The purpose of this report was to provide an overview of the present state of fur farming in Finland and to consider, in light of international and domestic examples, fair ways to implement the possible termination of the industry in Finland. The review of the present situation examined the economic significance of fur farming in Finland in terms of export revenue, employment effect, and tax revenue paid to the state and municipalities. In summary, the export revenues from fur farming constitute only a small percentage of Finland’s total revenue from the export of goods. One-third of the gross export revenue remains in Finland, whereas two-thirds go to foreign pelt producers. In 2021, Poland was the biggest importer of pelts to Finland. The fur farming industry, which is geographically concentrated in four Ostrobothnian regions, is primarily a small-scale and part-time activity. According to 2020 data, fur farming directly employs 826 people: 473 entrepreneurs and 353 employees. Fur farming, Saga Furs Oyj, and feed mills directly employ 1,100–1,200 people, including part-time and seasonal employees. The total employment effect (including multiplier effect) of fur farming is 1,795 person-years. Regarding the local economy, the absolute employment effect is highest in Uusikaarlepyy (148 people), while the relative effect is highest in Halsua (6.6% of jobs in fur farming). The municipality with the highest corporation tax and income tax revenue from fur farming is Halsua (EUR 146/inhabitant), while Uusikaarlepyy has the highest corporation tax revenues (3.4% of the municipality’s corporation tax revenues). There are 12 feed mills in Finland, and their importance is most significant in Pedersöre, where two mills employ around 65 people.

In practice, a controlled and fair phasing out of fur farming would imply that the livelihoods of some 200 full-time fur farmers would have to be secured or their loss of income compensated. Part-time fur farmers would possibly also need support based on the extent of their engagement in the business. Furthermore, all entrepreneurs should be compensated for the investments they cannot write off during the transition period. Finally, full-time employees in the sector also need support while searching for other work.

A review of domestic examples of paper factory closures and the decline in peat production, as well as international examples of phasing out fur farming in Norway, the Netherlands, and Italy, provided examples of financial and other means to support structural change. Regardless of sector and country, support schemes have always focused on re-educating and re-employing individuals. The costs can be covered by the company ceasing production, a trade association or the public sector. Other measures include financial aid for demolishing fur farming structures and equipment, support for business development, and compensation for the value of breeding animals. However, in assessing the suitability of the measures, it should be noted that there are some differences between the Finnish fur farming sector and other sectors and countries. Norway opted for a rather generous compensation scheme, probably due to the relatively small number of fur farms and farmers (about a third of the number in Finland) and the country’s wealth. In the Netherlands, fur farms were larger than in Finland. Because of the long transition period, the initial plan was to only compensate for the demolition and conversion costs of farms had the covid-19 pandemic not forced an early entry into force of the ban. Fur farming differs from the other sectors experiencing structural change discussed in this report, firstly, because restructuring factories
and peat production is characterised by abruptness. In the case of fur farming, on the other hand, it is mainly a matter of an anticipated structural change allowing for orderly termination. Secondly, peat production is important for the security of supply in Finland, while fur is classified as a luxury product. Thirdly, the employment effect of peat production is about 2–2.5 times higher than that of fur farming. Peat production has also been economically more profitable than fur farming.

Finding a new use for fixed structures and equipment in fur farms might not be easy, so financial aid for demolition or conversion may be necessary. Similarly, government support for tailor-made employment services is recommended to ensure that entrepreneurs and employees in the fur farming sector have access to counselling, education, training, and employment services already during the transition phase. In particular, attention should be paid to ageing fur farmers and fur farm employees.

The European Structural and Investment Funds (ERDF, ESF+, JTF) and the European Agricultural Fund for Rural Development offer funding for the regeneration, vibrancy, and economic viability of rural areas. Similarly, the Finnish state can provide targeted funding based on regional development decisions and discussions. In addition, several bodies offer free counselling to entrepreneurs and employees in sectors undergoing structural change. These include the counties, Centres for Economic Development, Transport and the Environment, Leader Groups funding local rural development projects and supporting local enterprises, Business Finland, Enterprise Agencies as well as employment authorities. If the fur farming industry were terminated, the main challenge would unlikely be the lack of funding, especially as the sector has already received financial support in the form of investment and farm relief aid as well as EUR 32 million in covid-19 subsidies.

A key question is where will people currently earning a living from fur farming find new employment. Fur farming in Finland is geographically concentrated in four Ostrobothnian regions, which are already transition areas in need of regional development measures. Despite the area’s self-sufficiency in workplaces and low unemployment figures, it requires development measures as its economic structure is still primary-production intensive. One option is to trust the innovation capabilities of entrepreneurial individuals and provide them with the entrepreneur services mentioned above. Novel business opportunities might be offered by the cultivation of peas, fava beans, and lupin and their commercial development into novel plant-based protein sources. Another option is to expand greenhouse cultivation, which is already a prominent business in the area. A third option would be the green transition encouraged by EU agricultural policy support instruments, i.e. replacing livestock farming with renewable energy production and circular economy. There are already several ongoing wind energy projects as well as bio and circular economy projects in the Ostrobothnian regions. The area is also home to some factories, which could offer jobs to fur farm employees. Some fur farmers can also be expected to retire during the transition period.

When it comes to the potential termination of the industry, the length of the transition period plays an essential role. The longer the transition period, the less financial support from the public sector will be needed, as entrepreneurs and employees in the industry will be able to amortise their investments, upgrade their skills, find new work, create new business ideas or prepare for retirement. A good example is the Netherlands, where the compensation scheme for the initial 11-year transition period consisted only of financial support for the demolition and conversion costs and the costs of pension arrangements. A total of EUR 32 million was earmarked for these, which is the same amount as the total sum of covid-19 pandemic aid to Finnish fur farms. When considering the length of the transition period, it should also be kept in mind that if the EU decides to ban fur farming, Finland will unlikely be able to influence the length of the transition period or the amount of compensation.
Conclusions and Recommendations

Recommendations

Based on statistics on the present state of fur farming, international examples, and expert opinion, this report offers the following recommendations. These recommendations are based on the assumption that the next Finnish government, elected in the spring of 2023, decides to take on its agenda the controlled termination of the fur farming industry.

1. A multi-sectoral working group will be established with members from ministries, universities, and research institutes as well as from organisations representing not only the fur farmers’ but also the animals’ viewpoint. The group will commission detailed assessments of the fur farmers’ age structure, degree of full-time/part-time occupation, the business’s profitability, and the present value of the fixed assets. This will enable a more specific assessment of the transition period, the necessity of support measures, and the amounts of financial support potentially needed.

2. The recommended length of the transition period is five to seven years, which is viewed as a compromise between the government and the fur farmers. If the transition period is shorter, the compensation paid from public sources is larger. In contrast, if the transition period is longer, the entrepreneurs and employees of the sector will not necessarily receive any financial support.

3. The structural change of the fur farming sector will be included as an agenda item in the regional development discussions held between the government and the Ostrobothnian regions. The government will under-

take to make an additional investment into the region’s vitality and the development of its economic structure.

4. The government will grant the regional Centres for Economic Development, Transport and the Environment additional funding for services and support directed at developing new business to replace fur farming.

5. The government will grant municipalities additional funding for services and support directed at the retraining and re-employment of fur farmers and employees.

6. The government will undertake to compensate 40-50% of the demolition and/or conversion costs of fur farming structures, with a maximum sum per farm.

It seems reasonable to examine the potential termination of the fur farming industry as part of the broader renewal of the economic structure of the Ostrobothnian regions and the future of work in general. Money is just a tool; in order to implement orderly structural change, there must be proper advisory administration, the capacity to develop new ideas, the anticipation of regional reaction, and the tenacity to be open to new opportunities.


Statistics Finland’s Business Register. Basic information on fur farming enterprises in March 2022.


Olli-Pekka Nissinen, personal communication, 8.8.2022.

PROFUR. Tilastot Statistik 2016.

Percentages calculated by Eija Vinnari based on the Finnish Customs’ trade statistics.


In this context, it is worth noting that the number of FIFUR member farms (581) is higher than the number of entrepreneurs in the sector (473). Presumably, some entrepreneurs have more than one business.

MTV Uutiset.


Total figures calculated by Eija Vinnari from data acquired from different sources, including Statistics Finland, Saga Furs annual report 2021, and the Finnish Food Authority.


Markku Räty, Statistics Finland, personal communication 08.08.2022.


During the pandemic year 2020, the import and export of pelts decreased, and the corporation tax revenue of limited liability companies amounted to EUR 592 000.


Statistics Finland.

Corporation tax paid by fur farming enterprises. https://www.vero.fi/tietoa-verohallinnosta/tilastot/avoin.dat/. The total amount of corporation tax revenue received by each municipality: the respective annual reports of Uusikaarlepyy, Lappajärvi, Eijväri, Kaustinen and Kauhava are available on the municipalities’ websites. (accessed 10.02.2023)


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