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**Subject: State Aid SA.62686 (2021/N) – Slovenia
COVID-19: Financial compensation for loss of income in pig
breeding as a result of the second wave of the COVID-19 epidemic
for the period from 1 November 2020 to 31 January 2021**

Excellency,

1. PROCEDURE

- (1) By electronic notification of 13 April 2021, Slovenia notified aid in the form of direct grants (Financial compensation for loss of income in pig farming as a result of the second wave of the COVID-19 epidemic for the period from 1 November 2020 to 31 January 2021, 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) Slovenia 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.

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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2. DESCRIPTION OF THE MEASURE

- (3) Slovenia 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 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) Slovenia 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 European Economic Area (“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 Ordinance on financial compensation for loss of income in pig farming as a result of the second wave of COVID-19 epidemic for the period 1 November 2020 to 31 January 2021 (*Odlok o finančnem nadomestilu zaradi izpada dohodka pri reji prašičev zaradi posledic drugega vala epidemije COVID-19 za obdobje od 1. novembra 2020 do 31. januarja 2021*).
- (8) The legal basis of the aid scheme will enter into force on the first day after publication in the Official Journal of the Republic of Slovenia. However, it will apply only after the Commission approves the aid measure.

2.3. Administration of the measure

- (9) The Ministry of Agriculture, Forestry and Food is responsible for administering the measure.

2.4. Budget and duration of the measure

- (10) The estimated budget of the measure is EUR 3 600 000.
- (11) Aid may be granted under the measure as from the notification of the Commission’s approval until no later than 30 June 2021.

2.5. Beneficiaries

- (12) The final beneficiaries of the measure are pig breeding SMEs³ active in Slovenia. Their number is estimated to be around 600. Financial institutions are excluded as eligible final beneficiaries.
- (13) Aid may not be granted under the measure to enterprises that were already in difficulty within the meaning of the General Block Exemption Regulation⁴, the Agricultural Block Exemption Regulation⁵ or the Fisheries Block Exemption Regulation⁶ on 31 December 2019.

2.6. Sectoral and regional scope of the measure

- (14) The measure is open to pig breeders. It applies to the whole territory of Slovenia.

2.7. Basic elements of the measure

- (15) The purpose of the measure is to grant financial assistance to pig breeders for loss of income due to the COVID-19 epidemic, to mitigate the consequences of the second wave of the COVID-19 epidemic. The reasons for the loss of income is the impossibility of, or reduction in sales due to the closure of the hotel, restaurant and catering sector. Based on the Market Information System (TIS) data on average purchase prices of pigmeat and the calculated costs of pigmeat production, it was found that the income of pig farmers in the period November 2020 – January 2021 decreased by more than 30% compared to the same period in the past three years (2017–2019) in December 2020 and January 2021; the income was even negative and showed a net loss, not just a decrease in income. Pigs that could not be sold due to the decrease in demand were kept by pig breeders for a longer time in order to have a chance to be sold on the market for overweight pigs, generally at a lower price. This required extra feed and care, thus imposing additional costs on pig breeders in addition to their loss of revenues.

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(18) of 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, 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, and Article 3(5) of Commission Regulation (EU) No 1388/2014 of 16 December 2014 declaring certain categories of aid to undertakings active in the production, processing and marketing of fishery and aquaculture products compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 369, 24.12.2014, p. 37.

⁵ As defined in Article 2(14) of the 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 of 1.7.2014, p.1.

⁶ As defined in Article 3(5) of the Commission Regulation (EU) No 1388/2014 of 16 December 2014 declaring certain categories of aid to undertakings active in the production, processing and marketing of fishery and aquaculture products compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 369 of 24 December 2014, p. 37.

- (16) Beneficiaries do not have to submit a special application for aid. The Agency of the Republic of Slovenia for Agricultural Markets and Rural Development will issue aid granting decisions to beneficiaries on the basis of data from official livestock records.
- (17) The financial compensation will be granted in the form of a flat-rate compensation: 156 EUR per livestock unit (“LU”) for fattening pigs and 312 EUR per LU for breeding pigs for the period from 1 November 2020 to 31 January 2021. This corresponds to an aid intensity of 100%.
- (18) The aid amount cannot exceed EUR 225 000 per beneficiary. This amount is gross, that is before any deduction of tax or other charge.
- (19) Where an undertaking is active in several sectors to which different maximum amounts apply in accordance with points 22(a) and 23(a) of the Temporary Framework, it will be ensured, by appropriate means such as separation of accounts, that for each of these activities the relevant ceiling is respected and that the overall maximum amount of EUR 1.8 million is not exceeded per undertaking. 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 ought not to be exceeded per undertaking (Article 9(2) of the draft decree).

2.8. Cumulation

- (20) The Slovenian authorities confirm that aid granted under the measure may be cumulated with aid under de minimis Regulations⁷ or the General Block Exemption Regulation, the Agricultural Block Exemption Regulation or the Fisheries Block Exemption Regulation, provided the provisions and cumulation rules of those Regulations are respected.
- (21) The Slovenian authorities confirm that aid under the notified measure may be cumulated with other forms of Union financing, provided that the maximum aid intensities indicated in the relevant Guidelines or Regulations are respected.
- (22) The Slovenian authorities confirm that aid granted under the measure may be cumulated with aid granted under other measures approved by the Commission under other sections of the Temporary Framework provided the provisions in those specific sections are respected.
- (23) The Slovenian 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(s) 22(a) and 23(a) of

⁷ Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid (OJ L 352, 24.12.2013, p. 1), Commission Regulation (EU) No 1408/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the agriculture sector (OJ L 352, 24.12.2013 p. 9), Commission Regulation (EU) No 717/2014 of 27 June 2014 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the fishery and aquaculture sector (OJ L 190, 28.6.2014, p. 45) and Commission Regulation (EU) No 360/2012 of 25 April 2012 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid granted to undertakings providing services of general economic interest (OJ L 114, 26.4.2012, p. 8).

that framework, will be respected. Aid granted under the measure and/or other measures approved by the Commission under section 3.1 of the Temporary Framework which has been reimbursed before 31 December 2021 shall not be taken into account in determining whether the relevant ceiling is exceeded.

2.9. Monitoring and reporting

- (24) The Slovenian 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 12 months from the moment of granting⁸).

3. ASSESSMENT

3.1. Lawfulness of the measure

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

3.2. Existence of State aid

- (26) 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.
- (27) The measure is imputable to the State, since it is administered by the Ministry of Agriculture, Forestry and Food (recital (9)) and it is based on the draft Ordinance on financial compensation for loss of income in pig farming as a result of the second wave of COVID-19 epidemic for the period 1 November 2020 to 31 January 2021 (recital (7)). It is financed through State resources, since it is financed by public funds.
- (28) 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.
- (29) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, in particular pig breeders in Slovenia, excluding the financial sector.
- (30) 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.

⁸ Referring to information required in Annex III to Commission Regulation (EU) No 651/2014 and Annex III to Commission Regulation (EU) No 702/2014 and Annex III to Commission Regulation (EU) No 1388/2014.

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

3.3. Compatibility

- (32) 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.
- (33) 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*”.
- (34) 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*”.
- (35) The measure aims at compensating losses 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.
- (36) The measure is one of a series of measures conceived at national level by the Slovenian authorities to remedy a serious disturbance in their economy. The importance of the measure to preserve employment and economic continuity is widely accepted by economic commentators and the measure is of a scale which can be reasonably anticipated to produce effects across the entire Slovenian economy. Furthermore, the measure has been designed to meet the requirements of a specific category of aid (“Aid in the form of limited amounts of aid”) described in section 3.1 of the Temporary Framework.
- (37) 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 aid does not exceed EUR 225 000 per undertaking active in the primary production of agricultural products (recital (18)). This amount is gross, that is before any deduction of tax or other charge. 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. 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 (10). The measure therefore complies with point 22(b) of the Temporary Framework.
 - Aid may not be granted under the measure to SMEs⁹ that were already in difficulty on 31 December 2019 (recital (13)). Large enterprises are not eligible as beneficiaries (recital (12)). The measure therefore complies with point 22(c) of the Temporary Framework.
 - Aid will be granted under the measure no later than 30 June 2021 (recital (11)). The measure therefore complies with point 22(d) of the Temporary Framework.
 - Aid is not granted to undertakings active in the processing and marketing of agricultural products. The measure therefore complies with point 22(e) of the Temporary Framework.
 - Aid granted to undertakings active in the primary production of agricultural products must not be fixed on the basis of the price or quantity of products put on the market (recital (15)). 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, Slovenia 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 (19)). The measure therefore complies with point 23bis of the Temporary Framework.
- (38) The Slovenian 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)).
- (39) The Slovenian authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (24)). The Slovenian 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 (recital (20)).
- (40) The Commission therefore considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member

⁹ 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.

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) TFEU.

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