



EUROPEAN COMMISSION

Brussels, 7.5.2021  
C(2021)3372 final

PUBLIC VERSION

This document is made available for  
information purposes only.

Subject: **State aid SA.62631 (2021/N) – Latvia**  
**COVID-19: State support to pig farming sector in order to alleviate the negative impact of the COVID -19 outbreak**

Excellency,

## 1. PROCEDURE

- (1) By electronic notification of 9 April 2021, Latvia notified an aid scheme in the form of limited amounts of aid and of support of uncovered fixed costs (*“State support to pig farming sector in order to alleviate the negative impact of the COVID -19 outbreak”*, “the measure”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, as amended (*“the Temporary Framework”*)<sup>1</sup>. By emails of 23 and 30 April and 5 May 2021, Latvia submitted complementary information.
- (2) Latvia exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union (*“TFEU”*), in conjunction with Article 3 of Regulation 1/1958<sup>2</sup>, and to have this Decision adopted and notified in English.

---

<sup>1</sup> 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).

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

Edgars RINKĒVIČS  
Ārlietu ministrs  
K.Valdemāra iela 3,  
Rīga LV-1395

## **2. DESCRIPTION OF THE MEASURE**

- (3) Latvia 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) Latvia 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, as interpreted by Sections 2, 3.1 and 3.12 of the Temporary Framework.

### **2.1. Nature and form of aid**

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

### **2.2. National legal basis**

- (7) The legal basis of the measure is the draft regulation of the Cabinet of Ministers "Procedure for granting, administration and monitoring of State support to pig farming sector in order to alleviate the negative impact of the COVID-19 outbreak".

### **2.3. Administration of the measure**

- (8) The Ministry of Agriculture is responsible for administering the measure.

### **2.4. Budget and duration of the measure**

- (9) The estimated budget of the measure is EUR 13 million (EUR 2 million for sub-measure under Section 3.1 of the Temporary Framework and EUR 11 million for sub-measure under Section 3.12 of the Temporary Framework), financed from the State budget.
- (10) Aid may be granted under the measure as from the notification of Commission's approval<sup>3</sup> until no later than 31 December 2021.
- (11) The Latvian authorities confirmed that the measure is not co-financed by the European Regional Development Fund (ERDF), the European Social Fund (ESF), Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD), the European Maritime and Fisheries Fund (EMFF), the European Union Solidarity Fund (EUSF) or the Coronavirus Response Investment Initiative (CRII).

---

<sup>3</sup> As provided in Article 42 of the national legal basis.

## **2.5. Beneficiaries**

- (12) The beneficiaries of the measure are primary agricultural producers in the pig farming sector. Enterprises of all sizes are eligible for aid. The estimated number of beneficiaries will be around 600 (500 for the first sub-measure and 100 for the second one). For the same eligible period, a beneficiary cannot be entitled to receive aid from both sub-measures. Financial institutions are excluded as eligible final beneficiaries.
- (13) Aid may not be granted under the measure to large and medium<sup>4</sup> enterprises that were already in difficulty within the meaning of the Block Exemption Regulations<sup>5</sup> on 31 December 2019. Aid may be granted to small and micro enterprises that were in difficulty within the meaning of the Block Exemption Regulations 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 have not received rescue aid<sup>6</sup> or restructuring aid<sup>7</sup>.

## **2.6. Sectoral and regional scope of the measure**

- (14) The measure is open to primary agricultural producers in the pig sector, as described in recital (12). Financial institutions are excluded as eligible final beneficiaries. The measure applies to the whole territory of Latvia.

## **2.7. Basic elements of the measure**

- (15) The notified aid scheme aims at providing direct financial support to pig farmers in Latvia for the losses incurred as a consequence of the COVID-19 outbreak in the period from 1 November 2020 to 31 October 2021, in order to improve their viability and solvency.
- (16) In November 2020, the price of pigmeat in Latvia reached the absolute lowest point since 2007 and the declining trend has continued in 2021.
- (17) The impact of COVID-19 has also caused market oversaturation and resulted in additional costs, including an increase in feed costs, for producers who are forced to rear pigs for longer periods.
- (18) The measure contains two sub-measures, each under different Sections of the Temporary Framework:

---

<sup>4</sup> 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 (“GBER”).

<sup>5</sup> As defined in Article 2(18) GBER and 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 (“ABER”).

<sup>6</sup> 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.

<sup>7</sup> 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.

- a) Aid scheme for revenues not earned (hereinafter – “Revenue support”) under Section 3.1. (“Limited amounts of aid”) of the Temporary Framework;
- b) Aid scheme for uncovered fixed costs (hereinafter – “Cost support”) under Section 3.12. (“Aid in the form of support for uncovered fixed costs”) of the Temporary Framework.

a) “Revenue support” sub-measure

- (19) The aid is applicable in relation to a given period, if the total revenue in the pig farming sector in that period was reduced by 5% or more compared to the respective figure during the reference period<sup>8</sup>. The amount of revenue reduction in each period will be calculated by the Ministry of Agriculture, based on official and verifiable statistics data obtained and published in the Official Journal of Latvia “*Latvijas Vēstnesis*”<sup>9</sup>. The amount of the revenue reduction will be calculated at sectoral level, using the following formula:

$$D\% = \frac{R_{total\ current} - R_{total\ reference}}{R_{total\ reference}} \times 100$$

Where:

- *D%* - amount of revenue reduction in a given period, in percentage (rounded down to full percentage point where necessary).
  - *R<sub>total current</sub>* – total revenue of producers in pig farming sector in the given period.
  - *R<sub>total reference</sub>* – total revenue of producers in pig farming sector in the reference period.
- (20) The individual aid will be based on the numbers of their respective eligible animals. For each period, the eligible animals are pigs sold for slaughter (including exported for slaughter) and weaned piglets marketed (including exported piglets) during the period in question. The reduction of pig-farming revenue will be calculated for each undertaking by multiplying (a) the number of the eligible animals sold/marketed by that undertaking during the period in question, by (b) the average sales prices of respective animals in the reference period<sup>10</sup>, and subsequently by (c) the percentage of revenue reduction calculated on the sectorial level (*D%*) referred to in recital (19). The grants under this sub-measure will compensate 70% of the reduction in pig-farming revenue for the undertaking and period concerned.

---

<sup>8</sup> For period from 1 November 2020 to 31 January 2021, compared to a quarterly average of 2019; from 1 February to 30 April 2021, compared to a quarterly average of 2019; from 1 May to 31 July 2021, compared to a quarterly average of 2019; from 1 August to 30 September 2021, compared to a 2-month average of 2019.

<sup>9</sup> The calculation of the revenue reduction for the first 3-month period (November 2020 - January 2021) has shown a decrease of 47.6% compared to January-March 2020.

<sup>10</sup> The reference period will be the same as defined the sectoral level, as referred to in footnote 8.

- (21) The overall nominal value of direct grants does not exceed EUR 225 000 per undertaking; all figures used are gross, that is, before any deduction of tax or other charges.
- (22) Latvia confirms that aid to undertakings active in the primary production of agricultural products is not fixed on the basis of the price or quantity of products put on the market. Undertakings active in the processing or marketing of agricultural products are not eligible for aid under this sub-measure.

*b) “Cost support” sub-measure*

- (23) Aid is granted to support the uncovered fixed costs borne by beneficiaries in the period 1 November 2020 to 31 October 2021. The 12-month period is divided into 2 sub-periods, each of 6 consecutive months, i.e., November 2020 – April 2021 and May – October 2021. Furthermore, in relation to each sub-period, beneficiaries may choose to apply for the aid for a whole sub-period or for one or several months.
- (24) The aid is available for undertakings that have suffered a decline in turnover during the eligible period of at least 30% compared to the same period in 2019<sup>11</sup>. Only turnover from primary agriculture production in the pig farming sector is taken into account.
- (25) The uncovered fixed costs are calculated by deducting the fixed costs, attributable to agricultural production in the pig farming sector, from the profit contribution (i.e., revenues minus variable costs) generated during the same period, to the extent that such fixed costs are not covered by other sources, such as insurance, temporary aid measures covered by the Temporary Framework or support from other sources. Only figures relating to primary agriculture production in the pigmeat sector are considered for the purpose of calculating the uncovered fixed costs.
- (26) Where the applicant is engaged in other sectors in addition to primary agriculture production in the pig farming sector, he/she must provide, by using the separation of accounts, the operative profit and loss statements for each of the activities in question. Further, the operative profit and loss statements must be approved by a chartered auditor and accompanied by auditor’s report, attesting the veracity of the data and conforming the compliance of the data to the eligibility conditions. The losses of undertakings from their profit and loss statements during the eligible period are considered to constitute uncovered fixed costs.
- (27) The aid under this sub-measure could be granted based on forecasted losses, while the final amount of aid will be determined after realisation of the losses on the basis of audited accounts. Any payment exceeding the final amount of the aid must be recovered.
- (28) The aid intensity will not exceed 70% of the uncovered fixed costs, except for micro and small companies, where the aid intensity shall not exceed 90% of the uncovered fixed costs.

---

<sup>11</sup> This refers to the respective months of 2019, irrespective of whether the eligible period is in 2020 or in 2021.

- (29) The overall aid shall not exceed EUR 10 million per undertaking (gross, i.e. before any deduction of taxes and other charges).

## **2.8. Cumulation**

- (30) The Latvian authorities confirmed that aid granted under the measure will not be cumulated with *de minimis* aid<sup>12</sup> or with aid under the ABER or GBER.
- (31) The Latvian authorities confirmed that aid under the notified measure will not be cumulated with other forms of Union financing.
- (32) The Latvian authorities confirmed that aid granted under the measure will not be cumulated with aid granted under other measures approved by the Commission under other sections of the Temporary Framework.
- (33) For the sub-measure a), the Latvian authorities confirmed 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.
- (34) Moreover, 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, Latvia 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.
- (35) For sub-measure b), the Latvian authorities confirm that aid granted under the measure shall not be cumulated with other aid for the same eligible costs. In addition, the Latvian 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 3.12 of the Temporary Framework, the overall maximum cap per undertaking, as set out in point 87(d) of that framework will be respected.

## **2.9. Monitoring and reporting**

- (36) The Latvian authorities confirmed 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 State aid website or Commission's IT tool within 12 months from the moment of granting<sup>13</sup>).

---

<sup>12</sup> 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), and 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).

<sup>13</sup> Referring to information required in Annex III GBER and Annex III ABER.

### 3. ASSESSMENT

#### 3.1. Lawfulness of the measure

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

#### 3.2. Existence of State aid

- (38) 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.
- (39) The measure is imputable to the State, since it is administered by the Ministry of Agriculture, as shown in recital (8), and is based on the draft regulations of the Cabinet of Ministers "Procedure for granting, administration and monitoring of State support to pig farming sector in order to alleviate the negative impact of the COVID-19 outbreak", as shown in recital (7). It is financed through State resources, since it is financed by public funds, as shown in recital (9).
- (40) The measure confers an advantage on its beneficiaries in the form of direct grants, as shown in recital (6). The measure confers on those beneficiaries an advantage, which they would not have had under normal market conditions.
- (41) The advantage granted by the measure is selective, since it will be awarded only to certain undertakings, in particular for undertakings active in a specific production sector, excluding the financial sector, as shown in recital (12).
- (42) 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.
- (43) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Latvian authorities do not contest that conclusion.

#### 3.3. Compatibility

- (44) 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.
- (45) 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*".
- (46) 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”.*

- (47) The measure aims at receiving that aid 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.
- (48) The measure is one of a series of measures conceived at national level by the Latvian authorities to remedy a serious disturbance in their economy. The measure is important 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 targeted subsector in Latvia. Furthermore, the first sub-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. The second sub-measure has been designed to meet the requirements of a specific category of aid (“*Aid in the form of support for uncovered fixed costs*”) described in section 3.12 of the Temporary Framework.
- (49) 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:
- (50) The first sub-measure meets all the conditions provided for by Section 3.1 of the Temporary Framework:
- The aid takes the form of direct grants, as shown in recital (6).
  - The overall nominal value of direct grants does not exceed EUR 225 000 per undertaking active, all figures must be gross, that is, before any deduction of tax or other charges, as shown in recital (21). The sub-measure therefore complies with point 23(a) of the Temporary Framework.
  - Aid is granted under the sub-measure on the basis of a scheme with an estimated budget as indicated in recital (9). The sub-measure therefore complies with point 22(b) of the Temporary Framework.
  - Aid can be granted under the sub-measure to undertakings of all sizes, as shown in recital (12). Aid may not be granted under the measure to large or medium enterprises that were already in difficulty on 31 December 2019, as shown in recital (13). The sub-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 a collective insolvency procedure under national law, and they have not received rescue<sup>14</sup> aid or

---

<sup>14</sup> 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.



restructuring aid<sup>15</sup> as shown in recital (13). The sub-measure, therefore, complies with point 22(c)bis of the Temporary Framework.

- Aid will be granted under the sub-measure no later than 31 December 2021, as shown in recital (10). The sub-measure therefore complies with point 22(d) of the Temporary Framework.
- Aid granted to undertakings active in the processing and marketing of agricultural products is excluded, as shown in recital (22). The sub-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, as shown in recital (22). The sub-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, Latvia 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, as shown in recital (34). The sub-measure therefore complies with point 23bis of the Temporary Framework.

(51) The second sub-measure meets all the conditions provided for by Section 3.12 of the Temporary Framework:

- Aid is granted under the sub-measure no later than 31 December 2021 and covers uncovered fixed costs incurred during the period between 1 November 2020 to 31 October 2021, as shown in recital (23). The sub-measure therefore complies with point 87(a) of the Temporary Framework.
- Aid is granted under the sub-measure on the basis of a scheme to undertakings that suffer a decline in turnover during the eligible period of at least 30% compared to the same period in 2019, as shown in recital (24). The sub-measure therefore complies with point 87(b) of the Temporary Framework.
- Uncovered fixed costs are defined under the sub-measure in accordance with point 87(c) of the Temporary Framework, as shown in recital (25), and the aid intensity will not exceed 70% of the uncovered fixed costs, except for micro and small companies where the aid intensity shall not exceed 90% of the uncovered fixed costs, as shown in recital (28). The losses of undertakings from their profit and loss statements during the eligible period<sup>16</sup> are considered to constitute uncovered fixed costs, as shown in recital (26).

---

<sup>15</sup> 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.

<sup>16</sup> One-off impairment losses are not included in the calculation of the losses.

The aid under this sub-measure may be granted based on forecasted losses, while the final amount of aid will be determined after realisation of the losses on the basis of audited accounts. Any payment exceeding the final amount of the aid must be recovered, as shown in recital (27). The sub-measure therefore complies with point 87(c) of the Temporary Framework.

- The aid takes the form of direct grants, as shown in recital (6). The overall nominal value of direct grants will not exceed EUR 10 million per undertaking; all figures used must be gross, that is, before any deduction of tax or other charges, as shown in recital (29). The sub-measure therefore complies with point 87(d) of the Temporary Framework.
- The aid under the sub-measure shall not be cumulated with other aid for the same eligible costs, as shown in recital (35). The sub-measure therefore complies with point 87(e) of the Temporary Framework.
- Aid may not be granted under the sub-measure to medium and large enterprises that were already in difficulty on 31 December 2019, as shown in recital (13). Aid may be granted to micro and small enterprises that were in difficulty on 31 December 2019, if those enterprises, at the moment of granting the aid, are not subject to collective insolvency procedure under national law and they have not received rescue aid<sup>17</sup> or restructuring aid<sup>18</sup>, as shown in recital (13). The sub-measure therefore complies with point 87(f) of the Temporary Framework.

- (52) The Latvian 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, as shown in recital (4).
- (53) The Latvian authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected, as shown in recital (36). The Latvian authorities further confirm that the aid under the measure may only be cumulated with other aid, provided the specific provisions in the sections of the Temporary Framework are respected and the cumulation rules of the relevant Regulations are respected, as shown in recitals (30) to (32).
- (54) The Commission therefore considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State pursuant to Article 107(3)(b) TFEU since it meets all the relevant conditions of the Temporary Framework.

---

<sup>17</sup> 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.

<sup>18</sup> 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.

#### 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