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**Subject: State Aid SA.101098 (2021/N) – Cyprus  
COVID-19: State aid scheme under the Temporary Framework for  
State aid measures to support the economy in the current COVID-19  
outbreak to a) pig farmers, b) poultry farmers, c) cow farmers, d)  
rabbit farmers**

Excellency,

## 1. PROCEDURE

- (1) By electronic notification of 16 December 2021, Cyprus notified aid in the form of limited amounts of aid to a) pig farmers, b) poultry farmers, c) cow farmers, and d) rabbit farmers (“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>.
- (2) Cyprus exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union (“TFEU”), in conjunction

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<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), C(2021) 8442 (OJ C 473, 24.11.2021, p. 1).

Ioannis Kasoulides  
Ministry of Foreign Affairs  
Presidential Palace Avenue,  
1447 Nicosia,  
Cyprus

with Article 3 of Regulation 1/1958<sup>2</sup> and to have this Decision adopted and notified in English.

## 2. DESCRIPTION OF THE MEASURE

- (3) Cyprus considers that the COVID-19 pandemic 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 pandemic, to ensure that the disruptions caused by the pandemic do not undermine the viability of the undertakings and thereby to preserve the continuity of economic activity during and after the pandemic.
- (4) Cyprus confirms that the aid under the measure is not conditioned on the relocation of a production activity or of another activity of the beneficiary from another country within the EEA to the territory of the Member State granting the aid. This is irrespective of the number of job losses actually occurred in the initial establishment of the beneficiary in the EEA.
- (5) The compatibility assessment of the measure is based on Article 107(3)(b) TFEU, in light of Sections 2 and 3.1 of the Temporary Framework.

### 2.1. The nature and form of aid

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

### 2.2. Legal basis

- (7) The legal basis for the measure are
  - (a) the Decision of the Council of Ministers, dated 27 October 2021 “*Payment of exceptional State aid to support the livestock sector to be paid: a) as transitional national aid for sheep and goat farming, b) as State aid under the Temporary Framework for State aid measures to support the economy in the current outbreak of COVID-19 to (a) pig farmers, (b) poultry farmers, (c) cow farmers, (d) rabbit farmers*”; and
  - (b) its implementing provisions “*State aid plan based on the Temporary Framework for State aid measures to support the economy during the current outbreak of the COVID-19 disease to a) pig farmers, b) poultry farmers, c) cow farmers d) rabbit farmers*”. The implementing provisions contain a standstill clause, i.e the aid is conditional upon the Commission’s approval of the scheme.

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

### 2.3. Administration of the measure

- (8) The Cyprus Agricultural Payments Organisation (“CAPO” or “the Organisation”) is responsible for administering the measure. The CAPO is an independent legal entity governed by public law<sup>3</sup>. The Council of Ministers appoints a Commissioner for Agricultural Payments, head of CAPO<sup>4</sup>, for the purposes and exercise of the duties, powers and responsibilities conferred on the Organisation. Within CAPO the Payment Fund<sup>5</sup> is responsible for, *inter alia*, the payment of the State aid to beneficiaries, on behalf of the Republic of Cyprus, following a prior authorisation from the Commission.

### 2.4. Budget and duration of the measure

- (9) The estimated budget of the measure is EUR 5 695 000.
- (10) The Cypriot authorities confirm 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).
- (11) Aid may be granted under the measure as from the notification of the Commission’s decision approving the measure until no later than 30 June 2022.

### 2.5. Beneficiaries

- (12) The final beneficiaries of the measure are micro, small and medium-sized enterprises (“SMEs”)<sup>6</sup> of the sectors concerned and active in Cyprus. Financial institutions are excluded as eligible final beneficiaries.
- (13) Aid may not be granted under the measure to medium<sup>7</sup> enterprises that were already in difficulty within the meaning of the Agriculture Block Exemption Regulation (“ABER”)<sup>8</sup> on 31 December 2019. Aid may be granted to micro and small enterprises that were in difficulty within the meaning of the ABER on 31 December 2019, if those enterprises, at the moment of granting the aid, are not

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<sup>3</sup> Articles 3, 7, 9 par. 1, and 5 par. 1 of Law 214(I)/2020, Government Gazette, Annex I, Part I, 4800.

<sup>4</sup> [http://www.capo.gov.cy/capo/capo.nsf/capo01\\_en/capo01\\_en?OpenDocument](http://www.capo.gov.cy/capo/capo.nsf/capo01_en/capo01_en?OpenDocument)

<sup>5</sup> The annual budget of the Payment Fund is prepared by the Ministry of Agriculture, Rural Development and Environment in cooperation with CAPO. The Commissioner shall submit to the President of the Republic, within six (6) months of the end of each financial year, a report on the Organisation’s activities. The Commissioner shall also submit a copy of the annual report to the Council of Ministers, the House of Representatives and the Competent Accreditation Authority (articles 27 par. 2b and par. 3 and 57 par. 1 and 2 of Law 214(I)/2020, Government Gazette, Annex I, Part I, 4800).

<sup>6</sup> As defined in Annex I to 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.

<sup>7</sup> As defined in Annex I to 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.

<sup>8</sup> As defined in Article 2(14) of Commission Regulation (EU) No 702/2014.

subject to collective insolvency procedure under national law and they have not received rescue aid<sup>9</sup> or restructuring aid<sup>10</sup>.

- (14) The estimated number of the beneficiaries is over 1 000.

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

- (15) The measure is open to all undertakings that qualify as SMEs and hold one or several active livestock units in at least one of the following sectors: a) pig farming, b) poultry farming, c) cow farming and d) rabbit farming. It applies to the whole territory of Cyprus.

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

- (16) To contain the spread of COVID-19, restrictive measures have been imposed at global level, which have disrupted the balances in global supply of raw materials as well as in transit trade. That disruption has had a significant impact on the livestock sector, since over the past six months there has also been a substantial increase in feed prices, which are following the rises on the world market. The cost of feed in Cyprus is additionally increased by the transport costs.
- (17) At the same time, Cyprus has difficulties in exporting its main dairy product to its traditional export markets because of the problems of the food service sector on those markets linked to the measures adopted to contain the pandemic. Therefore, because of the decrease of demand, Cypriot producers cannot pass on the cost increase in milk production. At local level, the consumption of meat and other products of the livestock sector has not reached pre-pandemic levels, as the tourism industry falls significantly short of its return to 2019 levels. As a result, there is no scope for cost roll-over as there is high local supply, but also significant competition from imports.
- (18) The aid will be granted to SMEs holding one or several active livestock units in at least one of the following sectors: a) pig farming, b) poultry farming, c) cow farming and d) rabbit farming. Each livestock unit shall be registered in the Register of Veterinary Services, in accordance with the relevant legislation and shall bear a unique identification code or registration number. A livestock holding with productive animals / birds on 1 September 2021 is considered active and will be confirmed by the Department of Agriculture in cooperation with Veterinary Services. Beneficiaries may not include: a) natural or legal persons who are not legally resident in the Republic of Cyprus and b) natural or legal persons with an outstanding recovery order following a Commission decision.
- (19) Potential beneficiaries of the aid are obliged to accept any checks by the competent government departments. Potential beneficiaries at the time of the audit should submit any supporting documents which, in the opinion of the competent services, help to draw conclusive conclusions on the fulfilment of their obligations.

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<sup>9</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>10</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.

- (20) The total amount of aid per sector has been calculated separately for each livestock sector and is presented in the following table:

<b>Sector</b>	<b>Maximum total aid (EUR)</b>
Pig farming	2 720 000
Cow farming	1 670 000
Poultry farming	1 280 000
Rabbit farming	25 000
<b>Total total</b>	<b>5 695 000</b>

- (21) The maximum amount of aid per animal was calculated based on the total budget allocated per sector and the latest information regarding the total number of animals at the time of calculation. For this purpose, the Cypriot authorities have used the latest annual animal census of the year 2021 provided by the Department of Agriculture. The aid will be granted based on Veterinary Services animal register for pigs and cows. For those animals for which there is no register, the aid will be granted based on written evidence provided by the aid applicant.
- (22) The scheme also sets a maximum amount of aid per animal. In practice, if the number of animals is lower than estimate, there will be no recalculation of the aid per animal. On the contrary, if the number of animals is higher than estimate, the aid amount might be lower. The per capita aid shall be broken down as follows:
- (a) Pig farming: The aid will not exceed EUR 108 per sow held for breeding and fattening, the reference date being 1 September 2021. For holdings with only breeding or fattening units, the amount of aid will be differentiated: EUR 18 per sow for breeding and EUR 90 per sow for fattening. The aid is granted per sow and not by the number of fattening pigs or the produced meat. The aid to the exclusive pig fattening farms will be granted as a fraction of the per sow aid without taking into account any quantity of meat.
- (b) Cow farming:
- Aid 1: The aid will not exceed EUR 35 per female of over two years held, the reference date being 1 September 2021. The aid is not linked to milk production or milk price.
  - Aid 2: The aid will not exceed EUR 9 per male of over two months and under one year held, the reference date being 1 September 2021. The aid is not linked to the amount of meat placed on market or meat price.
- (c) Poultry farming:
- Meat production aid: the aid will not exceed EUR 0.38 per chick placed for growing<sup>11</sup>, the reference period being from 1 September

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<sup>11</sup> For the calculations, the Cypriot authorities will take into account that certain farms may put their activities on hold for some time or work with significant lower capacities. Therefore, the total number

2020 to 30 August 2021, provided that the maximum stocking density allowed under the Animal Welfare and Welfare Regulations of 2011 (RAA 68/2011) is respected.

- Egg production aid: the aid will not exceed EUR 0.54 per active post<sup>12</sup>, the reference date being 1 January 2021, provided that the maximum capacity allowed for each cavity is respected in accordance with the Animal Protection and Welfare (protection of laying hens) Regulations of 2003 (RAA 761/2003). The aid is granted per active post independently from the production method used and the relation to egg production.
  - Breeding aid: the aid will not exceed EUR 0.81 per active post<sup>13</sup>, the reference date being 1 January 2021.
  - Aid for quail farms: the aid will not exceed EUR 0.09 per active post<sup>14</sup>, the reference date being 1 January 2021. The aid was calculated as 1/6 of the aid to laying hens and there is no link to the actual production or products price.
- (d) Rabbit farming: The aid will not exceed EUR 2.80 per rabbit mother held, the reference date being 1 January 2021. The support is granted independently from the product production. There is a flat rate support which is not connected with the farm intensity or rabbit races used.
- (23) The total aid per beneficiary for the categories of pig and poultry farming cannot exceed EUR 125 000.
- (24) The Cypriot authorities confirmed that the overall nominal gross value of aid does not exceed EUR 290 000 gross per undertaking active in the primary production of agricultural products.
- (25) The Cypriot authorities confirmed that 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

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will be based on chick placement for a year, divided by number 5. Non-active farms or non-active farms capacities will be not eligible for aid.

<sup>12</sup> There may be a difference between the number of approved posts in the Veterinary Services, based on the animal welfare legislation, and the actual number of active posts. Certain farms may stop production for some time or may put on hold their building capacity. Consequently, for the aid calculation, the Cypriot authorities will take into account the posts registered in the Veterinary Services corrected by the figures of the latest animal census on 31 December 2021. Non-active farms or non-active farms capacities will be not be eligible for aid.

<sup>13</sup> The active post for broiler breeder refers to the yearly production possibility (a production cycle is around 48 days plus some days for chamber cleaning and decontamination). Because only the maximum posts capacity is registered in the Veterinary Services, the active post will be calculated based on Veterinary Services posts registration corrected by the calculations provided by the aid applicant. The number of chick purchases declared by the applicant during a year period, will be divided by number 5. Non-active farms will be excluded from the aid.

<sup>14</sup> Because only the maximum posts capacity is registered in the Veterinary Services, the active post will be calculated based on Veterinary Services posts registration corrected by the calculations provided by the aid applicant. The number of quail purchases declared by the applicant during a year period, will be divided by number 5. Non-active farms will be excluded from the aid.

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 2.3 million is not exceeded per undertaking, and that, where an undertaking is active in the sectors covered by point 23 (a) of the Temporary Framework, the overall maximum amount of EUR 345 000 is not exceeded per undertaking.

- (26) The Cypriot authorities confirmed that the aid granted will not be fixed on the basis of the price or quantity of products put on the market.

## **2.8. Cumulation**

- (27) The Cypriot authorities confirm that aid granted under the measure may be cumulated with aid under the *de minimis* Regulation<sup>15</sup> or the ABER provided the provisions and cumulation rules of those Regulations are respected.
- (28) The Cypriot authorities confirm that aid under the 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.
- (29) The Cypriot 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.
- (30) The Cypriot 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 points 22(a) and 23(a) of 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 granting of new aid shall not be taken into account in determining whether the relevant ceiling is exceeded.

## **2.9. Monitoring and reporting**

- (31) The Cypriot 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 in the primary agriculture sector on the comprehensive national State aid website or Commission's IT tool within 12 months from the moment of granting<sup>16</sup>).

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<sup>15</sup> 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>16</sup> Referring to information required in Annex III to the ABER.

### 3. ASSESSMENT

#### 3.1. Lawfulness of the measure

- (32) By notifying the measure before putting it into effect, the Cypriot authorities have respected their obligations under Article 108(3) TFEU (recital 7 (b)).

#### 3.2. Existence of State aid

- (33) 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.
- (34) The measure is imputable to the State, since it is administered by the CAPO (recital (8)) and it is based on the above-mentioned Decision of the Council of Ministers, dated 27 October 2021, and its implementing provisions (recital (7)). It is financed through State resources, since it is financed by public funds.
- (35) The measure confers an advantage on its beneficiaries in the form of direct grants (recital (6)). The measure thus confers an advantage on those beneficiaries, which they would not have had under normal market conditions.
- (36) The advantage granted by the measure is selective, since it is awarded only to certain undertakings active in the sectors of a) pig farming, b) poultry farming, c) cow farming and d) rabbit farming (recital (15)), excluding the financial sector.
- (37) 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.
- (38) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Cypriot authorities do not contest that conclusion.

#### 3.3. Compatibility

- (39) 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.
- (40) 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*”.
- (41) 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”.*

- (42) The measure aims at facilitating the access of undertakings to liquidity at a time when the normal functioning of markets is severely disturbed by the COVID-19 pandemic and that pandemic is affecting the wider economy and leading to severe disturbances of the real economy of Member States.
- (43) The measure is one of a series of measures conceived at national level by the Cypriot authorities to remedy a serious disturbance in their economy. The importance of the measure is to preserve employment, economic continuity and recovery in the sectors of a) pig farming, b) poultry farming, c) cow farming and d) rabbit farming. 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.
- (44) 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 gross value of direct grant does not exceed EUR 290 000 per undertaking active in the primary production of agricultural products (recital (24)). The measure therefore complies with point 23(a) of the Temporary Framework.
  - Aid is granted under the measure on the basis of a scheme with an estimated budget as indicated in recital (9). The measure therefore complies with point 22(b) of the Temporary Framework.
  - Aid may not be granted under the measure to medium<sup>17</sup> enterprises that were already in difficulty on 31 December 2019 (recital (13))<sup>18</sup>. The measure therefore complies with point 22(c) of the Temporary Framework. Aid may be granted to micro and small enterprises that were in difficulty on 31 December 2019, if those enterprises, at the moment of granting the aid, are not subject to collective insolvency procedure under national law and they have not received rescue aid<sup>19</sup> or restructuring aid<sup>20</sup> (recital (13)). The measure therefore complies with point 22(c)bis of the Temporary Framework.

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<sup>17</sup> As defined in Article 2(14) of the ABER.

<sup>18</sup> As defined in Annex I to the ABER.

<sup>19</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>20</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.

- Aid will be granted under the measure no later than 30 June 2022 (recital (11)). The measure therefore complies with point 22(d) 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 (26)). 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, the Cypriot authorities 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 2.3 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 345 000 is not exceeded per undertaking (recital (25)). The measure therefore complies with point 23bis of the Temporary Framework.
- (45) The Cypriot 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)).
- (46) The Cypriot authorities confirm that the monitoring and reporting rules laid down in Section 4 of the Temporary Framework will be respected (recital (31)). The Cypriot authorities further confirm that the aid under the measure may only be cumulated with other aid, provided the specific provisions in the sections of the Temporary Framework and the cumulation rules of the relevant Regulations are respected (recitals (27) to (30)).
- (47) 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.

#### **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