

Procedures for the Granting, Administration, and Supervision of State Aid to Agriculture in order to Mitigate the Negative Impact of the Spread of COVID-19

*Issued pursuant to
Section 5, Paragraphs four and seven of the Law on Agriculture and Rural Development*

I. General Provisions

1. The Regulation prescribes the procedures for the granting, administration, and supervision of the State aid (hereinafter – the aid) to agriculture in order to mitigate the negative impact of the spread of COVID-19.
2. The aid to agriculture is:
 - 2.1. the aid for the stabilisation of income to farmers of specific sectors of stock farming in accordance with Chapter II of this Regulation;
 - 2.2. the aid for the destroyed or donated products in accordance with Chapter III of this Regulation;
 - 2.3. the aid for the mitigation of the difficulties caused by increase in stock costs and decrease of turnover in accordance with Chapter IV of this Regulation.
3. The aid to agriculture shall be granted, administered, and supervised by the Rural Support Service (hereinafter – the Service).
4. In accordance with this Regulation, the following potential beneficiaries (hereinafter – the beneficiary) shall be eligible for the aid:
 - 4.1. micro, small, and medium-sized enterprises as defined in Annex 1 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 on the Functioning of the European Union (hereinafter – Commission Regulation No 702/2014);
 - 4.2. large enterprises as defined in Article 2(26) of Commission Regulation No 702/2014.
5. Within the meaning of this Regulation, linked persons are persons corresponding to the definition laid down in Article 3(3) of Annex 1 to Commission Regulation No 702/2014.
6. The aid referred to in Paragraph 2 of this Regulation shall not be granted to the beneficiary if it was in financial difficulties as on 31 December 2019 in accordance with at least one of the following indications:
 - 6.1. more than half of the subscribed capital of the beneficiary which is a capital company has been lost due the cumulative losses, i.e., if a negative result which exceeds half

of the subscribed capital is obtained when subtracting the cumulative losses from reserves (and all other items that are generally considered as part of the equity capital);

6.2. more than half of the capital indicated in the accounting records of the beneficiary at least some shareholders of which have unlimited liability for its debt obligations has been lost due to cumulative losses;

6.3. to the beneficiary, insolvency proceedings have been declared by a court judgment or legal protection proceedings are being executed by a court judgment, or extrajudicial legal protection proceedings are being executed by a court judgment, or its economic activity has been terminated, or the performer of economic activity meets the criteria specified in laws and regulations based on which a creditor may request insolvency proceedings;

6.4. based on the data of the statements for the last two completed financial years, the debt obligation and equity capital balance sheet value ratio of a large enterprise has exceeded 7.5 and the interest coverage ratio thereof calculated in accordance with EBITDA (earnings before interest, taxes, depreciation and amortisation) has been lower than 1.0.

7. The total amount of the aid to be disbursed to one beneficiary referred to in Sub-paragraph 2.1 and Paragraph 31 of this Regulation and one beneficiary referred to in Paragraph 38 of this Regulation which is a producer of primary agricultural products shall not exceed EUR 100 000 (excluding the value added tax).

8. The total amount of the aid to be disbursed to one beneficiary referred to in Paragraph 28 of this Regulation and one beneficiary referred to in Paragraph 38 of this Regulation which is engaged in the processing of agricultural products and which is not a producer of primary agricultural products shall not exceed EUR 800 000 (excluding the value added tax).

9. The total amount of the aid to be disbursed to one beneficiary referred to in Paragraph 38 of this Regulation which is engaged in the treatment of fisheries and aquaculture products shall not exceed EUR 120 000 (excluding the value added tax).

10. If the beneficiary is engaged in the processing of agricultural products or is the beneficiary referred to in Paragraph 9 or 28 of this Regulation, or is engaged in trade and primary production of agricultural products, it shall, using separation of accounting, conform to the maximum intensity of the aid and the sum of the aid which in total does not exceed EUR 800 000 in relation to each of these activities.

11. The beneficiary which is engaged in the processing or trade of agricultural products shall not partly or entirely pass the aid on to the producers of primary agricultural products.

12. The aid shall not be granted to a person which artificially create conditions for for the receipt of the aid, inter alia, knowingly stocks up goods and reduces acquisition of produce from the producers of primary agricultural products.

13. If the financing referred to in Paragraphs 25, 27, and 36 of this Regulation exceeds the amount requested by the beneficiaries or the necessary amount calculated for the aid for the relevant aid, the non-used amount of the aid may be redivided in proportion and used for other aid referred to in this Regulation for which the requested or calculated amount of aid exceeds the available financing.

14. If the beneficiary has violated requirements of this Regulation, it has an obligation to repay the Service the entirety of the aid which has been unlawfully received within the framework of this Regulation together with interest the rate of which is published by the European Commission in accordance with Article 10 of Commission Regulation (EC) No 794/2004 of

21 April 2004 implementing Council Regulation (EU) 2015/1589 laying down detailed rules for the application of Article 108 of the Treaty on the Functioning of the European Union (hereinafter – Commission Regulation No 794/2004) by adding 100 basis points thereto from the day when the aid was disbursed to the beneficiary until the day when it is recovered, following the method for applying interest specified in Article 11 of Commission Regulation No 794/2004.

15. The Ministry of Agriculture shall submit to the European Commission the annual report on the provided aid which is being implemented in accordance with the temporary regulatory framework in relation to the spread of COVID-19.

16. The Service shall ensure:

16.1. publication of information in accordance with the requirements for publicity measures specified in Article 9(2)(c) and (4) of Commission Regulation No 702/2014 and the regulatory enactment regarding the procedures for the publication of information regarding the provided aid for commercial activity and for granting and cancelling the right to use the electronic system;

16.2. recording of the aid and information provided in accordance with this Regulation. The Service shall store the abovementioned information for 10 years from the day when the last aid has been granted and, upon a request, shall submit it to the European Commission.

II. Aid for the Stabilisation of Income to Farmers of Specific Stock Farming Sectors

17. The aid for the stabilisation of income to farmers of specific stock farming sectors shall be calculated and granted as a one-time compensating payment for a farm animal referred to in Paragraphs 18, 20, and 21 of this Regulation if:

17.1. in relation to dairy cows and cattle the total revenue of producers in the sector from April to June in 2020 have been at least 20 per cent lower than on average the total revenue of producers of the relevant sector in the time period from April until June in the previous three years;

17.2. in relation to pigs the total revenue of producers from April to June in 2020 have been at least 20 per cent lower than the total revenue of producers of the relevant sector in the time period from April until June in 2019.

18. The Service shall grant the aid for a dairy cow to a raw milk producer if the following conditions are met:

18.1. on 30 June 2020, it has at least three dairy cows registered in accordance with the laws and regulations regarding registration of farm animals, their herds and holdings, and they have been in the herd of the raw milk producer at least since 1 April 2020;

18.2. within the time period from April until June of 2020 it has delivered milk to the purchaser referred to in Sub-paragraph 4.¹ 1 or 4.¹ 2.3 of Cabinet Regulation No. 841 of 1 November 2011, Procedures for the Gathering and Compiling Information Regarding the Prices and Trading Volumes of Agricultural Products in a Specific Reporting Period;

18.3. it is registered in the single information system of the agriculture sector in accordance with the laws and regulations regarding the single information system of the agriculture sector.

19. If a milk producer delivers raw milk to a purchaser registered in another European Union Member State, it shall, after coming into force of this Regulation by 5 July 2020, submit the Agricultural Data Centre information regarding the raw milk delivered within the time period referred to in Sub-paragraph 18.2 of this Regulation, indicating the name and approval number of the registered purchaser.

20. The aid to an animal breeder shall be granted for cattle of meat breeds or cattle obtained from a cross between breeds and male cattle of dairy breeds or combined (dairy-meat) breeds which has been bred at the farm and sold from April until June of 2020 if the following conditions are met:

20.1. the cattle has been registered and marked, and information regarding it has been provided in accordance with the laws and regulations regarding marking and registration of farm animals;

20.2. at the time of sale the cattle has attained at least six months of age, but has not exceeded 16 months of age;

20.3. the animal breeder is registered in the single information system of the agriculture sector in accordance with the laws and regulations regarding the single information system of the agriculture sector.

21. The aid to an owner of a pig herd shall be granted for a pig for fattening at the age from five to 10 months which from April until June of 2020 has been sold to a slaughterhouse or sent to a slaughterhouse for slaughtering if the owner of the herd is registered in the single information system of the agriculture sector in accordance with the laws and regulations regarding the single information system of the agriculture sector.

22. The Ministry of Agriculture shall, by 20 July 2020, publish the information regarding the amount of reduction of sectoral revenue calculated in accordance with Sub-paragraphs 17.1 and 17.2 of this Regulation in the official gazette *Latvijas Vēstnesis*.

23. The Agricultural Data Centre shall, upon a request of the Service by 20 July 2020, submit information to the Service regarding conformity of the beneficiaries with the conditions of Sub-paragraphs 18.1 and 18.2, and also of Paragraphs 20 and 21 of this Regulation which is necessary for administration of the aid referred to in this Chapter.

24. The Service shall:

24.1. calculate the rate of the aid per farm animal referred to in Paragraphs 18, 20, and 21 of this Regulation, dividing the total amounts of the aid indicated in Paragraph 25 of this Regulation by the number of the relevant animals, however, the rate of the aid shall not exceed EUR 86 per dairy cow, EUR 137 per cattle of meat breed, EUR 96 per bull of dairy breed, and EUR 22.15 per pig for fattening;

24.2. grant and disburse the aid by 31 December 2020.

25. The total amount of the aid shall be determined in the following amount:

25.1. for dairy cows – not exceeding EUR 12 500 000;

25.2. for cattle – not exceeding EUR 3 000 000;

25.3. for pigs for fattening – not exceeding EUR 3 500 000.

III. Aid for the Destroyed or Donated Products

26. The total amount of the aid specified in this Chapter shall not exceed EUR 2 500 000.

27. A food enterprise, a local government, or an educational institution which ensures catering at an educational institution (hereinafter – the caterer) and a producer of vegetables which supplies products to the caterer (hereinafter – the producer of vegetables) may apply for the aid for the destroyed or donated products regarding the food products not used during the emergency situation declared in accordance with Cabinet Order No. 103 of 12 March 2020, Regarding Declaration of the Emergency Situation, (hereinafter – the emergency situation), if

they were intended for ensuring catering at pre-school and general education institutions in which the learning process on site has been discontinued.

28. The aid to the caterer for the destroyed or donated products shall be granted in the form of a one-time payment for food products with an expiration date of up to two months, if they have been destroyed or distributed free of charge to one or several such groups of recipients as social benefit organisations, inpatient medical treatment institutions, long-term social care and social rehabilitation institutions, shelters and night shelters, prisons, zoological gardens, and animal shelters. The sum of the aid for the destroyed products or products distributed free of charge shall be equivalent to the value of the relevant products which is indicated in the bill of lading-invoice of the supplier of the product for the goods received.

29. In order to receive the aid referred to in Paragraph 28 of this Regulation, the caterer shall, by 15 May 2020, submit a submission to the Service indicating the following therein:

29.1. the produce received from suppliers of goods starting from 5 March 2020 which was intended for ensuring catering at a pre-school education or general education institution during the emergency situation;

29.2. the amount and value of the produce destroyed during the emergency situation;

29.3. the amount and value of such produce which has been distributed to the groups referred to in Paragraph 28 of this Regulation free of charge during the emergency situation.

30. The following shall be appended to the submission referred to in Paragraph 29 of this Regulation:

30.1. a copy of the contract concluded with the caterer for catering services at pre-school education or general education institutions;

30.2. a summary of the contract concluded with suppliers of goods for the amount of produce;

30.3. a copy of the bill of lading-invoice of goods or a summary of the bill of lading-invoice of goods regarding the products which have been received from suppliers;

30.4. the act of writing-off of goods if the received products were destroyed;

30.5. a certification as to the fact that food products for which the aid will be received conform to the product quality requirements, and a bill of lading-invoice of goods regarding distribution of goods to one of the groups referred to in Paragraph 28 of this Regulation free of charge during the emergency situation.

31. The aid to the producer of vegetables for the donated products shall be granted in the form of a one-time payment for the produce of vegetables which has been distributed to one or several groups of recipients referred to in Paragraph 28 of this Regulation free of charge. The amount of the aid for the products which have been distributed free of charge shall be equivalent to the value of the relevant products which is indicated in the contract referred to in Sub-paragraph 30.1 of this Regulation.

32. In order to receive the aid referred to in Paragraph 31 of this Regulation, the producer of vegetables shall, by 15 May 2020, submit a submission to the Service indicating the following information therein:

32.1. the amount and value of such non-supplied produce which was intended for the caterer in order to ensure catering at a pre-school education or general education institution during the emergency situation;

32.2. the amount and value of such produce which has been distributed to the groups referred to in Paragraph 28 of this Regulation free of charge during the emergency situation.

33. The following shall be appended to the submission referred to in Paragraph 32 of this Regulation:

33.1. a copy of the contract concluded with the caterer:

33.2. a copy of the bill of lading-invoice of goods or a summary of the bill of lading-invoice of goods regarding the products supplied to the caterer;

33.3. a certification as to the fact that the produce of vegetables for which the aid will be received conforms to the product quality requirements, and a bill of lading-invoice of goods regarding distribution of goods to one of the groups referred to in Paragraph 28 of this Regulation free of charge during the emergency situation.

34. The Service shall grant the aid until 31 December 2020.

35. If the total demand for the aid specified in this Chapter exceeds the total amount of the aid referred to in Paragraph 26 of this Regulation, a proportional reduction shall be applied to the aid of the beneficiary.

IV. Aid for the Mitigation of the Difficulties Caused by Increase in Stock Costs and Decrease of Turnover

36. The total amount of the aid specified in this Chapter shall not exceed EUR 14 000 000.

37. The agricultural and food products are the products referred to in Annex I to the Treaty on the Functioning of the European Union (hereinafter – the TFEU) and the products which have been produced by processing the products referred to in Annex I to the TFEU into products to be used in food (except for alcoholic beverages).

38. The applicant producing the goods referred to in Paragraph 37 of this Regulation may apply for the aid for the mitigation of the difficulties caused by increase in stock costs and decrease of turnover, if the following conditions are met:

38.1. the applicant is registered as a taxpayer with the State Revenue Service and on 1 March 2020 it did not have debts of tax payments and State social insurance contributions or the debt did not exceed EUR 1000, or if the debt exceeded EUR 1000 the time period for the payment of taxes has been extended or postponed therefore by a decision of the State Revenue Service in accordance with Section 24 of the law On Taxes and Duties;

38.2. the applicant is registered with or recognised by the Food and Veterinary Service as an enterprise involved in food circulation, if such requirement applies to the applicant;

38.3. on one of the following dates – 31 March, 30 April, 31 May, or 30 June 2020 – the stocks of goods ready for sale in the main branch of activity of the enterprise have increased by more than 25 per cent in comparison with the relevant date of 2019 or if net turnover in the time period from March to June of 2020 or in any of the months of the period has decreased by more than 25 per cent in comparison with the relevant period or months of 2019;

38.4. the beneficiary has provided evidence on the causal link of the amount of increase in stocks of goods ready for sale or the amount of reduction of net turnover with the spread of COVID-19, inter alia, by submitting evidence of supply contracts.

39. The aid for the mitigation of the difficulties caused by increase in stock costs and decrease of turnover shall be granted to the beneficiary in the form of a one-time payment. The aid may only be received for one of the following cases according to the choice indicated in the submission:

39.1. in the amount of 20 % of the difference calculated by subtracting the value of the stock recorded on the relevant date in 2019 from the value of the stocks of goods ready for sale

in the main branch of activity of the enterprise according to the status on one of the following dates – 31 March, 30 April, 31 May, or 30 June 2020;

39.2. in the amount of 20 % of the difference calculated by subtracting the value of net turnover of the relevant time period or relevant months of 2019 from the value of net turnover recorded in 2020 for the time period from March to June or in any month of the time period.

40. The beneficiary which is engaged in the production of primary agricultural products and processing of agricultural products may submit a separate submission for each main branch of activity, if the beneficiary is keeping separate accounting for the production of primary agricultural products and the production of processed agricultural products or if the information referred to in Sub-paragraph 42.2 regarding each sector of the activity is submitted separately.

41. The aid shall not be granted to the beneficiary to which the aid has been granted in accordance with Chapter II or III of this Regulation, except where the beneficiary is requesting aid for the processed agricultural products and has met the condition referred to in Paragraph 40 of this Regulation.

42. In order to apply for the aid, the beneficiary shall, by 15 July 2020, submit the following to the Service:

42.1. a submission justifying the increase of stocks in accordance with Sub-paragraph 38.3 of this Regulation or the decrease of net turnover in accordance with Sub-paragraph 38.4 of this Regulation, indicating the link between the formation of stocks or the decrease of turnover and the restrictions specified for the reduction of the spread of COVID-19;

42.2. operational balance sheets, profit and loss account, and a report of a sworn auditor in accordance with the Law on the Annual Financial Statements and Consolidated Financial Statements, indicating the information necessary for the receipt of the aid reflecting the situation in relation to the stocks of goods ready for sale in the reporting period and in March, April, May, and June 2019, or operational balance sheets, profit and loss account, and a report of a sworn auditor in accordance with the Law on the Annual Financial Statements and Consolidated Financial Statements, indicating the information necessary for the receipt of the aid which reflects the net turnover in the reporting period and in March, April, May, and June 2019. The operational balance sheet shall be prepared by taking into account Paragraph 5 of this Regulation. The beneficiary which is engaged in the processing of agricultural products and primary production of agricultural products shall, upon submitting the balance sheet, use the separation of accounting in relation to each of the sectors.

43. The beneficiary may, in accordance with the conditions of this Chapter, request an advance payment which does not exceed 40 per cent of the projected amount of the aid.

44. In order to apply for an advance payment, the beneficiary shall, by 30 April 2020, submit a submission to the Service including justified information regarding the projected increase of the amount of stocks above the normal level of stocks in the reporting period or justified information regarding the decrease of net turnover in the reporting period in relation to the restrictions specified for the reduction of the spread of COVID-19.

45. The Service shall calculate the amount of the aid based on the information included in the operational balance sheet of the enterprise and in the submission. The Service shall calculate the amount of the advance payment based on the information submitted by the beneficiary in accordance with Paragraph 44 of this Regulation.

46. The Service shall grant the aid until 31 December 2020.

47. The Service shall take the decision to grant advance and shall disburse the advance within seven working days.

48. The beneficiary which has received the advance payment shall, by 15 July 2020, submit an aid application for the terminal dues.

49. If the received advance exceeds the aid calculated in accordance with the conditions of this Chapter, the beneficiary shall repay the difference to the Service within 30 days after taking of the decision to grant the aid.

50. If the total demand for aid specified in this Chapter exceeds the total amount of the aid referred to in Paragraph 36 of this Regulation, a proportional reduction shall be applied to the aid of the beneficiary.

V. Closing Provision

51. The Regulation shall be applied after a decision of the European Commission by which the aid is recognised as compatible with the internal market has been received.

Prime Minister

A. K. Kariņš

Minister for Agriculture

K. Gerhards