The *Saeima* 1 has adopted and

the President has proclaimed the following law:

**Prohibition of Unfair Trading Practices Law**

**Section 1. Terms Used in the Law**

The following terms are used in the Law:

1) **perishable agricultural and food products** – agricultural and food products which by their nature or at their stage of processing are liable to become unfit for sale within 30 days after harvest, production or processing;

2) **agricultural and food products** – products listed in Annex I to the Treaty on the Functioning of the European Union, and also products not listed in the abovementioned Annex, but processed for use as food using products listed in the abovementioned Annex, and also packaged water, including mineral water, and other non-alcoholic beverages;

3) **supplier of agricultural and food products** – a producer of agricultural and food products or any natural or legal person or an association of such persons, including a producer organisation, a supplier organisation and an association of such organisations which sell agricultural and food products irrespective of the place of economic activity thereof;

4) **retailer of agricultural and food products** – a performer of economic activity or an association of the performers of economic activity which sells agricultural and food products in retail at a permanent sales location;

5) **retailer of non-food products** – a performer of economic activity or an association of the performers of economic activity which sells products other than agricultural an food products in retail at a permanent sales location and which, considering their buying power for a sufficient period of time and the dependency of suppliers in the relevant market, have the capacity of directly or indirectly applying or imposing unfair and unjustified provisions, conditions or payments upon suppliers and may hinder, restrict or distort competition in retail trade in the relevant market of products in the territory of Latvia;

6) **supplier** – a supplier of agricultural and food products or a person who sells products to a retailer of non-food products;

7) **buyer** – a natural or legal person or an association of such persons irrespective of their place of economic activity if its net turnover in the last financial year exceeds EUR 2 000 000 or an institution in the European Union (national, regional or local institution or an association of several such institutions which operates in accordance with the principles of public law) that purchases agricultural and food products.

**Section 2. Purpose of the Law**

The purpose of this Law is to prohibit unfair trading practices in the entire supply chain of agricultural and food products, and also the use of the buying power of the retailers of non-food products against suppliers.

**Section 3. Scope of the Application of the Law**

(1) The Law prohibits unfair trading practice, and also provides for liability for the violations committed involving the buyer and retailers of non-food products.

(2) It is prohibited to apply the trading practices referred to in Section 5 of this Law to sales transactions where a supplier or buyer of agricultural and food products involved performs economic activity in Latvia.

**Section 4. Supervision of Fulfilment of the Law**

(1) The fulfilment of this Law shall be supervised and controlled by the Competition Council in accordance with the procedures for investigation of the case, taking a decision, appeal and enforcement thereof laid down in the Competition Law, insofar as it is not in contradiction with this Law. The Competition Council shall examine the submissions regarding violations of this Law in relation to the economic activity of a supplier, buyer or retailer of non-food products in Latvia.

(2) The Competition Council shall, upon its initiative or on the basis of a submission of a supplier or an association of suppliers (a producer organisation or an association of producer organisations), and also that of an association regarding violation of this Law, initiate an investigation case in accordance with the priorities laid down by the Competition Council and the impact of the potential violation.

(3) At a cross-border level, while investigating a potential violation, the Competition Council shall cooperate with other enforcement authorities of the European Union Member States and the European Commission by providing assistance in conformity with the procedures laid down in the Competition Law.

(4) Concurrently with the Competition Council, a court may also establish violation of this Law in accordance with the procedures laid down in the Civil Procedure Law. The supplier has the right to an adequate compensation for the infringement of the interests protected by this Law.

(5) The Competition Council has the right to terminate the investigation of a case if taking a decision constitutes a risk of disclosing the identity of the complainant or disclosing information that would cause harm to his or her interests.

(6) The Competition Council shall include in the annual public report information on the results with regard to the supervision of the fulfilment of this Law, including the number of submissions received and the number of initiated and completed cases. The report shall include a summary of each completed case by describing the essence of investigation, result and decision taken.

(7) By 15 March of each year, the Competition Council shall send to the European Commission a report on the application of the provisions of this Law and the fulfilment thereof in the previous year in Latvia in relation to unfair trading practices in business-to-business relationships in the supply chain of agricultural and food products.

**Section 5. Prohibited Unfair Trading Practice**

(1) Buyers are prohibited from actions which conflict with fair trading practice and do not conform to the requirements of good faith and fair dealing. The following unfair trading practices are prohibited for a buyer when cooperating with a supplier of agricultural and food products:

1) to make unilateral amendments to a supply contract for agricultural and food products that concern the frequency, method, place, timing or volume of the offer or delivery of such products, the quality standards, the terms of payment or the prices, or as regards the provision of services referred to in Paragraph two of this Section;

2) to request payments from the supplier of agricultural and food products which are not related to the sale of the agricultural and food products of the supplier, including to request the following;

a) to pay directly or indirectly or otherwise compensate for entering into a contract;

b) to compensate the buyer for the costs related to administration;

c) to pay directly or indirectly for agricultural and food products being present at a sales location, including for placing thereof in the shelves of the sales location, except the case when the buyer and the supplier have entered into a written agreement that it will be paid for additional arrangement of the products in special places;

d) to compensate for lost profit from the sale of the supplied agricultural and food products;

e) to compensate for the costs related to arranging new sales locations or restoring old sales locations, including to request unfair and unjustified payments for the supply of agricultural and food products to the soon to be opened sales location;

3) to request the supplier of agricultural and food products to pay for the deterioration and loss of agricultural and food products which have occurred in the premises of the buyer or after ownership has been transferred to the buyer, unless such deterioration or loss is caused by the negligence or fault of the supplier of agricultural and food products;

4) to request compensation from the supplier of agricultural and food products for the costs of examining customer complaints, unless such complaints are based on negligence or fault of the supplier of agricultural and food products;

5) to return unsold agricultural and food products to the supplier of agricultural and food products without paying for those unsold products or without paying for the disposal of those products if such disposal is required, except for the following cases:

a) agricultural and food products of poor quality have been supplied;

b) the supplier of agricultural and food products has previously clearly and unequivocally agreed in writing with the buyer that he or she would accept back new agricultural and food products and not known to consumers the supply or increase of the volume of which has been proposed by the supplier of agricultural and food products;

6) to determine unfair and unjustified sanctions for the violation of contractual provisions;

7) to refuse to confirm in writing the provisions of a supply contract entered into between the buyer and the supplier in relation to which written conformation has been requested by the supplier of agricultural and food products, unless the supply contract applies to products which a member of a producer organisation, including a cooperative, must supply to a producer organisation the member of which is the supplier of agricultural and food products if the articles of association of the abovementioned producer organisation or regulations and decisions thereof provided for in the relevant articles of association or taken in accordance with them include the provisions with an outcome that is equivalent to the provisions of the supply contract;

8) to unlawfully acquire, use or disclose the commercial secrets of the supplier of agricultural and food products;

9) to threaten the supplier of agricultural and food products to carry out, or to carry out, acts of commercial retaliation if the supplier of agricultural and food products exercises its contractual or legal rights, including by filing a complaint with the Competition Council or the enforcement authority of another European Union Member State or by cooperating with such authority during an investigation;

10) to cancel orders of agricultural and food products at such short notice that a supplier cannot reasonably be expected to find an alternative means of commercialising or using those products. Notice of less than 30 days shall always be considered to be a short notice;

11) to change the order of agricultural and food products two days before the delivery of goods or later;

12) not to accept agricultural and food products from the supplier of agricultural and food products which are valid for use for at least two thirds of the date of durability if such term exceeds 30 days;

13) to ensure the lowest price by restricting the freedom of the supplier of agricultural and food products to agree on a lower price with another retailer of agricultural and food products;

14) to request that the supplier of agricultural and food products would directly or indirectly cover the costs related to employing the staff of the buyer that is responsible for fitting-out premises used for the sale of the products of the supplier of agricultural and food products;

15) to request a payment from the supplier of agricultural and food products as a condition for stocking, listing its agricultural and food products, or of making such products available on the market;

16) to request unfair, unreasonable or non-contractual payments (discounts) from the supplier of agricultural and food products, except for the case where the buyer has previously clearly and unequivocally agreed in writing with the supplier of agricultural and food products on a bulk discount (a discount that is applied depending on the volume of the products ordered) or a campaign discount (a discount that is applied for a limited and specified period of time to promote the sale of products) and the expected quantity of products to be supplied at a discount.

(2) The buyer, when cooperating with the supplier of agricultural and food products, is prohibited from engaging in the following unfair trading practices, unless the relevant conditions have been clearly and unequivocally set out in advance in a written contract entered into between the supplier of agricultural and food products and the buyer:

1) to request the supplier of agricultural and food products to pay, either directly or indirectly, for the advertising or to otherwise compensate the entire advertising costs or part thereof;

2) to request the supplier of agricultural and food products to pay, either directly or indirectly, for the marketing of the sold agricultural and food products;

3) to request the supplier of agricultural and food products to pay, either directly or indirectly, for the logistical service;

4) to request that the supplier of agricultural and food products would purchase goods, services or property from a third party specified by the buyer;

5) to apply a discount to agricultural and food products that was applied to them in order to promote the sale of the relevant products during a certain period of time, but the goods were not sold during that period of time.

(3) The buyer shall provide to the supplier of agricultural and food products a clear and traceable written justification of the payment requested in the situations referred to in Paragraph one, Clause 2, Sub-clause “c”, Clause 16, and Paragraph two, Clauses 1, 2, and 3 of this Section in respect of the total payment or payment per one unit. Upon request of the supplier of agricultural and food products, in addition to the written justification of the payment requested in the situations referred to in Paragraph two, Clauses 1, 2 and 3 of this Section, the buyer shall also provide an estimate with objective and traceable costs and justification thereof.

(4) The buyer, when cooperating with the supplier of agricultural and food products, is prohibited from applying unfair and unreasonably long payment periods for the supplied agricultural and food products: for perishable products – more than 30 days after supply thereof, but for non-perishable goods – more than 60 days after supply thereof.

(5) A retailer of agricultural and food products, when cooperating with a producer or a cooperative society of producers, is prohibited from applying unfair and unreasonably long payment periods for fresh vegetables and berries supplied at least three times in a calendar week – more than 20 days after supply thereof, unless the retailer of agricultural and food products has not agreed in writing with the producer or the cooperative society of producers on another payment periods, insofar as it is not in contradiction with the requirements of Paragraph four of this Section.

(6) Prohibited unfair trading practices referred to in Paragraph four of this Section:

1) do not release from the consequences and legal remedies laid down in The Civil Law which shall apply, by way of derogation from the payment periods provided for in The Civil Law, on the basis of the payment periods provided for in this Law;

2) do not affect the option of a buyer and a supplier of agricultural and food products to agree on a value sharing clause in accordance with Article 172(a) of Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007 (hereinafter – Regulation (EU) No 1308/2013);

3) do not apply to the payments of the buyer to the supplier of agricultural and food products within the scope of the school distribution scheme in accordance with Article 23 of Regulation (EU) No. 1308/2013;

4) do not apply to the payments transferred by such institutions providing healthcare within the meaning of Article 4(4)(b) of Directive 2011/7/EU of the European Parliament and of the Council of 16 February 2011 on combating late payment in commercial transactions;

5) do not apply to payments laid down in supply contracts between suppliers of grapes or must for wine production and their direct buyers if:

a) the specific terms of payment for the sales transactions are included in standard contracts;

b) the supply contracts between suppliers of grapes or must for wine production and their direct buyers are multiannual contracts or become multiannual contracts.

**Section 6. Prohibited Activities in Retail Trade of Non-food Products**

It is prohibited to impose the following requirements to a supplier and to apply the following unfair trading practices in retail trade of non-food products:

1) to request to pay directly or indirectly or otherwise compensate for entering into a contract, unless such payments are justified by the fact of entering into a contract with a new supplier who therefore needs a special evaluation;

2) to request to pay directly or indirectly for the products being present at a retail sales location, including for placing of the products in the shelves of the sales location, except for the case when the retailer of non-food products and the supplier have entered into a written agreement that it will be paid for additional arrangement of the products in special places;

3) to request for the compensation of the costs of the retailer of non-food products related to arranging new sales locations or restoring old sales locations, including to request unfair and unjustified payments for the supply of products to the soon to be opened retail sales location;

4) to request to accept back the unsold products, except for the products of poor quality and new products unknown to consumers, the supply of which or increase in the volume thereof has been proposed by the supplier, and also products the accepting back of which has been proposed by the supplier;

5) to determine unfair and unjustified sanctions for the violation of contractual provisions;

6) to determine unfair and unjustifiably long periods for the settlement of accounts for the supplied products.

**Section 7. Interim Measures**

(1) If the Competition Council has evidence at its disposal which testifies to the possible violation of this Law and non-termination of this violation may cause significant and irreversible harm to the supplier, the Competition Council may take a decision on interim measures.

(2) The means of interim measures is a decision which imposes an obligation upon the potential violator within a specified time period to perform specific activities or prohibits specific activities.

(3) The decision on an interim measure may be appealed by the participant of the proceedings, in respect of whom the interim measure has been issued, to the District Administrative Court within 10 days after the date of entering into effect thereof and the legal obligations imposed thereby shall be fulfilled in accordance with the procedures laid down in the Competition Law.

(4) A decision on interim measures shall be in effect until the moment when the final decision of the Competition Council in the case becomes incontestable.

(5) Forced execution of the binding provisions imposed by the interim measure shall be performed in accordance with the procedures for forced execution of legal obligations laid down in Section 8.1 of the Competition Law.

**Section 8. Liability for Violations of this Law**

(1) If the Competition Council establishes violation of Section 5 or 6 of this Law in the activities of a buyer or a retailer of non-food products, it shall take the decision to establish a violation, to impose a legal obligation and to apply a fine or a warning.

(2) The Competition Council is entitled to impose a fine on a retailer of non-food products of up to 0.2 per cent of its net turnover for the last reporting year, however not less than EUR 70, but on a buyer – a fine up to 0.2 per cent of its net turnover in the last reporting year, however not less than EUR 70 or another equally effective penalty.

(3) The Competition Council is entitled to impose a pecuniary penalty on a buyer and a retailer of non-food products for the non-fulfilment of the legal obligation up to two per cent from the average net daily turnover in the last reporting year, however not less than EUR 70 for each calendar day, until the buyer and retailer of non-food products fulfil their legal obligation.

(4) The Cabinet shall determine the procedures for the determination and imposition of a fine by stipulating special features for the calculation of the net turnover in the financial year, and the procedures for the calculation of the amount of fine by taking into account the gravity and the duration of the relevant violation, and also circumstances mitigating and aggravating liability by providing the cases where there is the right to a reduction of the fine.

(5) A paid fine or compulsory fine shall be paid into the State basic budget.

(6) The Competition Council, upon assessing the circumstances of committing the violation, the nature of the violation and other circumstances which are relevant to the case, is entitled to replace the decision on a fine referred to in Paragraph one of this Section with a warning. The warning shall indicate the person responsible for the violation and the nature of the violation , and the warning shall be published in accordance with the procedures laid down in the Competition Law for the publication of decisions.

**Transitional Provisions**

1. With the coming into force of this Law, the Unfair Retail Trade Practices Prohibition Law (*Latvijas* *Vēstnesis*, 2015, No. 107) is repealed.

2. Conformity of the contract for the supply of agricultural and food products which has been entered into before the day of the proclamation of this Law with the requirements of this Law shall be ensured within a year after the day of the proclamation thereof.

**Informative Reference to European Union Directives**

The Law contains legal norms arising from Directive (EU) 2019/633 of the European Parliament and of the Council of 17 April 2019 on unfair trading practices in business-to-business relationships in the agricultural and food supply chain.

The Law shall come into force on 1 November 2021.

The Law has been adopted by the *Saeima* on 7 April 2021.

President E. Levits

Rīga, 20 April 2021