

For information on
25 February 2004

LegCo Panel on Food Safety and Environmental Hygiene

**LOANS UNDER KADOORIE AGRICULTURAL AID LOAN FUND
FOR MARICULTURISTS AFFECTED BY COLD SPELL**

PURPOSE

This paper invites Members' views on the Administration's proposal to make available loan capital of \$10 million from the Loan Fund to the Kadoorie Agricultural Aid Loan Fund (KAALF) to enable the latter to make loans to mariculturists affected by the recent cold spell.

JUSTIFICATION

2. The majority of locally cultured marine fish are tropical/sub-tropical species which are highly vulnerable to prolonged low water temperature below 15°C. The recent cold spell prevailing from mid January to early February 2004 has however led to a sharp decline in water temperature to less than 15°C, resulting in a high mortality of cultured marine fish in a number of fish culture zones. It is estimated that the losses suffered by the mariculturists amounted to 3,000 piculs of fish valued at some \$10-12 million.

3. To provide urgent assistance to the fish farmers in need, we have arranged prompt disbursement of relief under the Emergency Relief Fund (ERF), with a maximum payment of \$6,440 for each affected mariculturist. In addition to that, we are expecting a considerable amount of applications, particularly from those hardest hit by the cold spell, for loans under the KAALF to re-establish their fish culture businesses.

4. Under the existing arrangements, loans are available under KAALF to mariculturists for the purpose of business development and production. Such loans may be used for purchasing

fish fry, fish feed and farm equipment and for the building and maintenance of fish rafts. The size of the loan will depend on the need of mariculturists in their fish farming businesses and other factors including the repayment ability and past repayment performance of the operators, their provision of guarantor/security, and the duration needed to culture their fish to marketable size. The interest rate varies with the loan amount and is subject to revision taking into account the prime rate and bank savings deposit rate.

5. At present, the KAALF has a balance of around \$0.6 million for loans to mariculturists. To ensure that the KAALF will have sufficient funds to meet the needs of affected mariculturists, we propose to make available loan capital of \$10 million to the Fund. The KAALF Committee, a statutory committee established under the Kadoorie Agricultural Aid Loan Fund Ordinance (Cap. 1080), will administer these loans and determine the loan amount for individual applicants in line with its normal terms and procedures. The normal criteria for loans from the KAALF will also continue to apply. A list of parameters for loans for mariculturists under KAALF is at enclosure.

WAY FORWARD

6. Subject to Members' views and the KAALF Committee's approval, we intend to put the funding proposal through the LegCo Finance Committee as soon as practicable for an early release of loans to affected mariculturists.

Health, Welfare and Food Bureau
February 2004

Enclosure

**Parameters for the Grant of Loans to Mariculturists
from the Kadoorie Agricultural Aid Loan Fund**

- 1. Purpose of the loan** For working capital needs, including the purchase of fish fry, fish feed, farm equipment, and the building and maintenance of fish rafts.

- 2. Eligibility of applicants**
 - (a) Holder of a valid mariculture licence issued under the Marine Fish Culture Ordinance and who is in need of a loan for the above purpose;

 - (b) the stock in the mariculture farm must be owned by the applicant and not be beneficially owned by another person or a company; and

 - (c) the applicant does not have any outstanding loans under the KAALF nor unsatisfactory past repayment records.

- 3. Number and maximum amount of loans** No more than one loan per applicant will be granted.

Maximum Loan amount will depend on the actual need for mariculture operations and provision of adequate security as required.

- 4. Security** The applicant shall provide land-based properties and/or bank guarantee as security for a loan above \$100,000, and a guarantor for a loan not exceeding \$100,000.

- 5. Interest** For loans not exceeding \$100,000: Average bank savings deposit rate as approved by the KAALF Committee;

For loans exceeding \$100,000 but not exceeding \$160,000: Half of the sum of average bank savings deposit rate and prime rate as approved by the KAALF Committee; and

For loans of \$160,000 or above: Prime rate as approved by the KAALF Committee.

[The interest rate will be fixed for the entire loan period]

6. Loan period

The loan period will depend on the purpose for which the loan is issued and normally not exceed 2 years. Repayment is usually made by half-yearly instalments, but one-off repayment in full may also be allowed.