

漁農自然護理署

九龍長沙灣道三〇三號
長沙灣政府合署五樓



AGRICULTURE, FISHERIES AND
CONSERVATION DEPARTMENT

Cheung Sha Wan Government Offices
5th floor, 303 Cheung Sha Wan Road
Kowloon, Hong Kong

本署檔案 Our Ref. : () in AF CR 1-160/74/4
來函檔案 Your Ref. : CB4/PAC/R82
電話號碼 Tel. No. : (852) 2150 6601
傳真號碼 Fax No. : (852) 2311 3731
電郵地址 E-mail Address: : mailbox@afcd.gov.hk

7 June 2024

The Public Accounts Committee
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong
(Attn.: Ms. Shirley CHAN)

Dear Ms. CHAN,

Public Accounts Committee
Consideration of Chapter 6 of the Director of Audit's Report No. 82
Support measures for agricultural industry
by the Agriculture, Fisheries and Conservation Department

Thank you for your letter of 20 May 2024 concerning the captioned Audit Report. We are pleased to provide the requested information and our responses in the Annex.

For any further questions, please contact the undersigned or our Assistant Director (Agriculture), Mr. MA Wai-chung at 2150 6603.

Yours sincerely,


(LAI Chuen-chi)

for Director of Agriculture, Fisheries and Conservation

Encl.

c.c. Secretary for Environment and Ecology (Email: see@eeb.gov.hk)
Secretary for Financial Services and the Treasury (Email: sfst@fstb.gov.hk)
Director of Audit (Email: ncylam@aud.gov.hk)

Chapter 6 of the Director of Audit's Report No. 82

Questions and Requested Information on

**“Support Measures for Agricultural Industry by the Agriculture, Fisheries and
Conservation Department”**

Part 1: Introduction

- 1) According to paragraph 1.5(b) of the Report No. 82 of the Director of Audit (“the Audit Report”) regarding the consultancy study on agricultural land, other than examining suitable agricultural land, would the department have conducted further general survey on agricultural land across Hong Kong, including investigations on usage rate, vacancy rate, and other related aspects. Please provide more detailed information on this matter.**

According to the survey on agricultural land use conducted by the Agriculture, Fisheries and Conservation Department (AFCD), the total area of land for agricultural use in Hong Kong as at December 2023 was around 3,900 hectares. The estimated area of agricultural land in active farming use over the past 3 years is tabulated by district below.

District	Estimated Area in active farming use (hectare)		
	2021	2022	2023
North	272	248	252
Yuen Long	263	260	250
Tai Po	91	91	90
Tuen Mun	44	44	46
Islands	33	33	33
Sai Kung	24	24	24
Tsuen Wan	19	18	19
Others	17	15	15
Total	763	733	729

In 2023, there are about 3,188 ha of abandoned farmland in Hong Kong. According to the figures of 2023, the usage rate of farmland in Hong Kong is about 19%.

Part 2: Planning and Development of Agricultural Areas

- 2) According to paragraph 2.9(b) of the Audit Report regarding the progress of land leasing for the Agricultural Park (Agri-Park) Phase 1, please provide reasons for the flooding problems on two plots of agricultural land. The report mentions that AFCD had carried out several mitigation measures to alleviate the flooding problem. Apart from installation of flood barriers and improving the drainage ditches, please list out the mitigation measures that had been carried out to alleviate flooding problem.**

Having discovered the flooding problem in the concerned farmland, AFCD immediately consulted relevant departments for remedial measures and sought their assistance. It was found that a large amount of silt accumulated at the streambed next to the concerned farmland, which raised the water level of the stream course. Therefore, flooding may easily occur because of the water backflow from the stream into the farmland during heavy rains. Relevant departments subsequently recommended AFCD to install water flood gates and improve drainage conditions, and to arrange de-silting work. In mid-May 2024, AFCD finished all the recommended improvement works and arranged another de-silting work in the stream course with a view to improving the drainage conditions of the streams and reducing the risk of flooding in agricultural land.

- 3) According to paragraph 2.12 of the Audit Report, out of the 15 leased farms, only 3 were in full operation, while 10 were partially operational with agricultural land utilisation ranging from 14% to 93%. On average, 66% of agricultural land were laid fallow. Given that the issue of agricultural land lying fallow in Agri-Park leading to a decline in agricultural productivity has caught the attention of the public, has AFCD undertaken an investigation into the issue of abandonment and idle land in the Agri-Park. Although AFCD and other relevant departments have taken measures to address the issue, the effectiveness of these measures has not been satisfactory. Has AFCD evaluated the effectiveness of these measures and reviewed regularly?**

Some of the farmers of the Agri-Park encountered difficulties when they started cultivating new agricultural land, especially in wet soil conditions after last year's rainy season and adverse weather conditions, which resulted in their failure to plow, sow or weed as scheduled. As a result, their whole production cycle was postponed.

AFCD regularly conducts inspections and closely monitors the use of farmland in the Agri-Park. Currently, except for the pieces of farmland affected by flooding, the overall agricultural land utilisation rate in the Agri-Park has been significantly improved with over 90% of agricultural land utilised. AFCD also provides technical support to the farmers in the Agri-Park, and issues advice or warning to those who have failed to make proper use of the farmland for production. If they fail to make improvement within the specified timeframe, AFCD will consider early termination of their tenancy agreements.

- 4) According to paragraph 2.18(b) of the Audit Report, AFCD conducted annual review on farm production for the 10 farms and found that out of the 10 farms, 9 of them (90%) did not meet the target production yields, with shortfall ranging from 15% to 97%. Does this reflect the issues of AFCD in monitoring of farm operations? What specific measures does AFCD have in place to strengthen farm supervision? Does AFCD know the reasons why the majority of farms not meeting the target yields? If so, please provide details.**

The results of the annual production review mentioned in paragraph 2.18(b) of the audit report refer to the production of the first batch of farmers who started farm operations in the Agri-Park. Prior to the commencement of crop production, the farmers concerned had already invested a lot of time and resources in the new agricultural land but unfortunately, their farm operations were seriously hit by the last year's adverse weather conditions particularly the unprecedented heavy rainfall in September. As a result, they failed to achieve the pledged production targets for the first year.

AFCD will continue to conduct regular inspections, closely monitor the operations and productivity of the farmers in the Agri-Park, and provide technical support to help them achieve production targets. For farmers whose farm operating conditions are unsatisfactory, AFCD will also issue advice or warning to request them to improve their farm productivity.

- 5) According to paragraph 2.34 of the Audit Report, the consultancy study on Agricultural Priority Areas was expected to be completed in 2024, which has a delay of approximately two years than originally scheduled, and as of now, the study has not yet been completed. Has AFCD followed up with the consultants regarding a definite completion date for the study?**

As the number of factors mentioned in paragraph 2.35 of the Audit Report, including the wide expansion of scope of study after its commencement, the outbreak of the COVID-19 epidemic, and the need to coordinate with the Northern Metropolis Development Strategy etc., which resulted in the requirement of additional time to complete the consultancy study. AFCD has revised the timetable for the consultancy study in a timely manner and to keep the progress of the consultancy study under monitoring. The Government plans to consult stakeholders on the recommendations of the study by the end of 2024.

- 6) According to paragraph 2.37 of the Audit Report, the consultant's late submission rate for work documents ranges from 80% to 100%. Does AFCD have the work and monitoring arrangements in terms of administrative improvements, such as introducing a penalty system?**

The Consultant needs to consider the recommendations provided by various bureaux/departments on the above-mentioned factors in (5) when compiling the reports. In this regard, the time required for submission of the reports would be extended accordingly. The Consultancy Agreement stipulates that if the Consultants have not completed the reports to the satisfaction of the Government, they will not be able to receive consultancy fees at the relevant stages of work. Besides, AFCD is required to regularly submit to the related consultant selection board the performance report of the Consultants, which reflects the study progress and the performance of the Consultants. Any record of unsatisfactory performance would affect the chance of the relevant consultant or consulting firm to bid for new contracts from AFCD or other government departments in future.

Part 3: Financial Support Measures

- 7) According to paragraph 3.6 of Audit report, the amount of approved grant under the Sustainable Agricultural Development Fund (SADF) is lower than the original estimated cash flow. It is also observed that there is a decrease in number of applications and low approval rate for general application. Are these situations due to complicated application procedures and requirements for applicants? Do some applicants tend to withdraw their applications because of a long processing process? Does AFCD provide practical technical support and guidance to the potential applicant? Has**

AFCD studied those issues in details and find possible solutions to increase number of applications and approval rate?

Some SADF applications were rejected because the anticipated targets of those applications did not fulfill the objectives and principles of SADF, and they failed to bring overall benefits to the local agricultural industry. In addition, some applicants had decided to withdraw the applications during the application process due to the different reasons. One of the reasons was that some applicants might encounter difficulty in allocating sufficient resources and manpower to deliver his/her proposed projects.

To enhance the number and approval rate of SADF applications, AFCD has put up a series of enhancement measures as follows:

- (a) to suitably expand the coverage of SADF, including (i) to add a new project category of “Support Service Projects”, and (ii) to increase the maximum matching basis between the Government and the applicant for “Innovative Projects” involving commercial elements to two-dollar-for-a-dollar;
- (b) to streamline the application process, including (i) to simplify the application form and the required financial information, and (ii) to provide templates of application forms;
- (c) to speed up the assessment process, including (i) to arrange meetings with the applicants to explain our requests for additional information, so as to limit the frequency of requesting applicants to submit additional information to two times, and (ii) for the application with simpler content or at a lower grant (at or below \$2 million) will be assessed by the SADF Advisory Committee through paper circulation;
- (d) to provide practical support and guidance to the applicants, including (i) to set up a special “Task Force” from AFCD representatives to clearly explain the objectives and principles of the Fund to the potential applicants before formally submitting their applications, and provide technical and financial advice and appropriate support on enhancing the application and preparing the required documents; and (ii) to assist potential applicants in writing proposals under the new “Support Service Projects” category;
- (e) to strengthen publicity, including (i) to establish a dedicated and informative official website containing necessary information, documents and templates, (ii) to organise briefing sessions, seminars and liaison meetings to introduce the fund-related application procedures, assessment criteria and promote

enhancement measures to local farmers and relevant associations, (iii) to share with the stakeholders the promotion videos via various channels, including AFCD official website, social media platforms and stakeholder meetings, and (iv) to conduct one-to-one consultation meetings with interested applicants.

8) According to paragraph 3.10 of Audit report, AFCD has a pledge that processing of an application with all necessary information provided would be completed within 6 months according to application guidelines. However, among 9 general applications received and approved in the period from 2018-19 to 2023-24, 7 applications were approved before implementation of the enhancement measures. For 5 applications, the time lapse was more than 6 months and up to about 18 months. In addition, 2 applications were approved after implementation of the enhancement measures. The time lapse for 1 application was about 12.3 months. The figures show that application processing period do not comply with the pledge. What are the reasons behind and any suggestions for improvement? How does AFCD closely monitor the progress of approved projects?

In general, for an application provided with all necessary information, SADF Secretariat anticipates that the assessment and release of application result would be done within 6 months. Based on AFCD's experience, it may take longer to process applications in certain situations such as the following:

- (a) Some applications are technically complicated, so the applicants may require more time to seek professional advice from AFCD or other government departments; or
- (b) some applicants may lack resource and manpower and as a result, they take longer time to respond to comments from AFCD and other government departments, and to submit the required information and documents.

Regarding the question why 12.3 months was required for assessing one application even it was after implementation of the enhancement measures, this new application was an extension of one of the approved projects which involved special circumstances and required a longer processing time. Since the applicant had applied for budget virement under the approved project, AFCD had to process the request of budget virement before proceeding financial assessment of the new application. Therefore, this application required a longer processing time.

AFCD will continue to implement measures to shorten processing time of applications. Please refer to answer of Question 7 for the measures.

In addition, AFCD has implemented measures to continuously monitor the progress of approved projects, which include:

- (a) AFCD regularly arranges on-site inspection with grantee to closely review the project progress;
- (b) AFCD requires the grantee to submit progress reports and financial statements (or audited accounts) according to the schedule for assessment;
- (c) AFCD prepares progress reports to be reviewed by the SADF Advisory Committee so as to monitor project progress and financial status;
- (d) AFCD and the Advisory Committee conduct monitoring meetings and surprise inspections with the grantees to examine the project progress;
- (e) AFCD only disburses the grant by instalments in accordance with the timetable specified in the signed agreement upon acceptance of report by the Advisory Committee; and
- (f) when the grantee completes the project and releases the results, AFCD will require the grantee to use a questionnaire to understand the industry's opinions on adopting the project results; and AFCD will also continue to promote and review the industry's adoption of the project results.

Part 4: Other Support Measures

- 9) According to the Director of Audit's Report paragraph 4.3, would the Agriculture, Fisheries and Conservation Department indicate what percentage of completed registrations under the Local Vegetable Farm Voluntary Registration Scheme; and whether the Department has any data on the number of vegetable farms that have not yet been registered?**

According to the land use survey conducted by AFCD, there were about 2,000 vegetable farms in Hong Kong in 2022, of which 1,950 had already joined the Local Vegetable Farm Voluntary Registration Scheme. The Department is also aware of the locations of the remaining unregistered farms.

- 10) According to the Director of Audit's Report paragraph 4.6, the Vegetable Marketing Organization (VMO) used the "Good Farmer" image to promote accredited vegetables in 1998, with the original intention of facilitating the public in identifying accredited**

vegetables. However, with the changing times, the public has a vague impression of the logo of this accredited farm, or even has not even heard of it. Should the Department move with the times and update its brand to meet the current market demands; what marketing and sales strategies does the Department have for the accredited farms?

The AFCD and the Vegetable Marketing Organization (VMO) have been actively assisting the trade to establish and promote quality accredited vegetables and will explore more diversified channels to publicise and promote the brand of accredited vegetables to enhance the competitiveness of the trade through the following measures:

- (a) AFCD and VMO jointly organise a series of carnivals featuring local agricultural and fisheries products to publicise and promote quality local agricultural and fisheries products, including accredited vegetables. The largest of these is the annual FarmFest held at the Fa Hui Park, the recent one has attracted more than 160 000 visitors from 5 to 7 January 2024;
- (b) VMO exhibits and markets accredited vegetables through various food exhibitions, including the Vegetarian Food Asia, the Food Expo and the HOFEX, etc.;
- (c) AFCD in 2022 provided a full grant of about \$15 million via the Sustainable Agricultural Development Fund (SADF) to the FVMCS to launch a three-year Local Accredited Vegetable Programme to promote the brand of “HKVEGGIE” at vegetable stalls in major wet markets, and to assist in the provision of freshly-picked local accredited vegetables on a daily basis;
- (d) VMO provide support to FVMCS to set up a farmers market in Lam Tei Farmers' Market to showcase and sell local accredited vegetables on a weekly basis; and
- (e) VMO promotes and sells accredited vegetables through the mobile application “Local Fresh” developed by the VMO and the “Local Fresh” physical stall set up in D-PARK at Tsuen Wan.

Under the “Blueprint for the Sustainable Development of Agriculture and Fisheries”, AFCD will continue to assume the role of a “leader” and a “facilitator” by encouraging and assisting agricultural organisations to actively participate in programmes that promote the development of the agricultural and fisheries industries through new technologies and brand building, while continuing to assist the trade in making the best use of the financial support of the SADF to further promote the branding of local vegetables as being of high quality, freshness and traceability.

- 11) According to the Director of Audit's Report paragraph 4.17 Table 4, the total output and production value of hydroponic farms have been decreasing in the past 5 years. Has the Agriculture, Fisheries and Conservation Department (AFCD) analysed the reasons for the decrease? In particular, the threefold decrease in total production value shows that consumer demand for hydroponic produce decreases. What are the measures implemented by AFCD to cope with the aforementioned situation?**

The main reason for the decline in total output and production value of hydroponic farms was the decrease in market demand for hydroponic produce due to the outbreak of the COVID-19 epidemic. Airlines, hotels, and restaurants, which were major consumers of hydroponic crops, reduced their demands or cancelled orders, resulting in a reduction in production scale or even closure of some hydroponic farms. In addition, closure of some farms was also caused by land resumption, resulting in the decline in total output and production value.

To promote the sustainable development of hydroponic agriculture, AFCD has spared no effort in assisting the industry to promote local hydroponic produce through the organization of large-scale promotional activities and publicity campaigns such as the annual Farmfest event and together with the Vegetable Marketing Organization, the participation in food exhibitions in Hong Kong, such as the Vegetarian Food Asia, the Food Expo and HOFEX. At the same time, the Controlled Environment Hydroponic Research and Development Centre (CEHRDC) under the AFCD provides technical support as well as promotes crop varieties with market potential and agricultural technologies suitable for local adoption to the hydroponic industry, in order to increase crop yield and quality. Besides, the CEHRDC has also launched the Hydroponic Cultivation Attachment Programme, which provides professional knowledge in operating indoor controlled environment hydroponic farms and opportunities for hands-on experience to potential investors and start-up farmers who are interested in joining the local hydroponic agricultural sector, with a view to promoting the sustainable development of the industry.

The land resources in Hong Kong are scarce. The adoption of modern technology and intensive mode of production, including hydroponic cultivation, can complement the development of urban farming. The Government will implement measures related to urban farming through a multipronged approach, including launching a pilot project on modernised urban farming in Ma On Shan Sai Sha Road Garden, and

introducing urban farming elements into the planning stage of New Development Areas (NDAs), making effective use of urban spaces in the Northern Metropolis and other NDAs. The Government will also set up modernised hydroponic farms and stalls on suitable rooftops of public markets. The concept of “harvest-to-sale” will first be adopted in Tin Shui Wai Public Market, which is under construction.

12) According to paragraph 4.26 of the Audit Report, the number of applications for Agricultural Land Rehabilitation Scheme (ALRS) has been high in the past 5 years but there are very few successful cases. Does the Department have any further promotion strategies and will it improve the application guidelines?

Most farmland in Hong Kong is privately owned and whether the land be leased for farming rest with the landowners. In recent years, the government has carried out many large-scale public works in the New Territories, which involve the requisition of private farmland. Landowners generally do not want to lease their farmland to farmers. As a consequence, there is a reduction in successful cases for farmland leased out through the Agricultural Land Rehabilitation Scheme (ALRS). AFCD will continue to perform the role of a “facilitator” by actively assisting and encouraging landowners and farmers to match.