

CHAPTER 6

**Environment and Ecology Bureau
Agriculture, Fisheries and
Conservation Department**

**Support measures for agricultural industry by
the Agriculture, Fisheries and
Conservation Department**

**Audit Commission
Hong Kong
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This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.

Report No. 82 of the Director of Audit contains 8 Chapters which are available on our website (<https://www.aud.gov.hk>).



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SUPPORT MEASURES FOR AGRICULTURAL INDUSTRY BY THE AGRICULTURE, FISHERIES AND CONSERVATION DEPARTMENT

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SUPPORT MEASURES FOR AGRICULTURAL INDUSTRY BY THE AGRICULTURE, FISHERIES AND CONSERVATION DEPARTMENT

Executive Summary

1. Most of the daily fresh food consumption by Hong Kong's population is imported, but Hong Kong's primary producers help satisfy some of the demand. According to the Government, the value of agricultural development lies not just in its contribution to the economy. It would help meet consumers' demand for quality local fresh produce as an alternative to imported food supply, facilitate better utilisation of farmland, and preserve the rural environment through improving the environmental hygiene conditions and better protection of rural areas. In 2022, the gross value of local agricultural production totalled \$1,350 million. Despite its small scale, the local production accounted for 1.9% of fresh vegetables, 13.8% of live pigs and 100% of live chickens consumed in the territory by weight in 2022. The Agriculture, Fisheries and Conservation Department (AFCD) is responsible for promoting adaptive new production method and helping the agricultural industry take advantage of new market opportunities.

2. As announced in the 2016 Policy Address, the Government would implement a New Agriculture Policy to promote the modernisation and sustainable development of local agriculture. Key measures under the New Agriculture Policy include setting up an Agricultural Park (Agri-Park), commissioning a consultancy study on identifying and designating Agricultural Priority Areas (APAs), setting up a Sustainable Agricultural Development Fund (SADF), exploring ways to facilitate establishment of hydroponics or other similar operations in industrial buildings/zones, facilitating leisure farming and enhancing food safety and marketing of local fresh produce. In December 2023, a Blueprint for the Sustainable Development of Agriculture and Fisheries to promote the upgrading and transformation, modernisation and sustainable development of the industries was issued.

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3. In 2022-23, the expenditure for the provision of support measures for agricultural industry by AFCD was about \$43.7 million. According to AFCD, during the period from 2018 to 2023, the provision of support measures/services was adversely affected by the coronavirus disease (COVID-19) epidemic (between end of 2019 and early 2023) and extreme weather conditions (including widespread flooding and typhoons in 2023). The Audit Commission (Audit) has recently conducted a review of the support measures for agricultural industry by AFCD.

Planning and development of agricultural areas

4. *Delay in development of Agri-Park Phase 1.* The Agri-Park aims to help nurture agro-technology and knowledge on modern farm management through leasing farmland and providing associated agricultural facilities for farmers to conduct commercial farming. The Agri-Park is being developed in two phases. AFCD is responsible for managing the Agri-Park, the Civil Engineering and Development Department (CEDD) is responsible for the design and construction of the Agri-Park and the Lands Department (LandsD) is responsible for land resumption and clearance. In July 2020, the Finance Committee (FC) of the Legislative Council (LegCo) approved the funding for the establishment of the Agri-Park Phase 1 at an estimated cost of \$176.6 million (i.e. approved project estimate). In September 2020, CEDD awarded a works contract for the establishment of the Agri-Park Phase 1 to a contractor at a contract sum of about \$120 million. In May 2021, the Government informed LegCo that the construction works of the Agri-Park Phase 1 were expected to be completed in phases from end 2021 (i.e. first stage) to 2023 (paras. 2.2 to 2.5). Audit noted that there were delay and increase in construction cost in establishing the Agri-Park Phase 1, as follows:

- (a) the works for the areas covered in the first stage were only completed with the site (of about 3.85 hectares in area) handed over to AFCD in November 2022, which was about one year later than the original expected completion date of 2021. According to CEDD, as of January 2024, the anticipated completion date for the remaining works was mid-2024 (i.e. about 6 months later than the target completion date of 2023 as reported to LegCo in May 2021); and
- (b) as of October 2023, the actual construction cost for the establishment of the Agri-Park Phase 1 was about \$125 million, which was about \$5 million (or 4%) higher than the original contract sum of \$120 million. According to

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CEDD, as of March 2024, the estimated construction cost would be about \$167 million (para. 2.6).

5. ***Room for improvement in leasing out farmland.*** The site for the first stage of the Agri-Park Phase 1 was handed over to AFCD in November 2022, which included 3.11 hectares of farmland. According to AFCD, as of November 2023, the farmland was demarcated into 16 farms. Audit noted that:

- (a) as of November 2023, AFCD had entered into 15 lease agreements for 15 farms. For the 15 farms, the time lapse between the dates when the farms were ready for leasing and lease commencement ranged from about 1 month to 4 months (averaging about 2 months);
- (b) for one of the 15 farms, while the lease had commenced in December 2022, flooding problem was identified in May 2023. Although several flood mitigation measures had been carried out, the problem was not yet solved as of December 2023 (when the lease was early terminated); and
- (c) the remaining farm had not been rented out as of January 2024 (about 14 months after handover of the site to AFCD). According to AFCD, this was due to flooding problem (para. 2.9).

6. ***Need to ensure timely commencement of crop production.*** According to the lease agreement of the Agri-Park, the lessee shall from the lease commencement date commence and thereafter continue to use and/or operate the premises for the purpose of crop production. For the 15 farms under lease agreements as of November 2023 (see para. 5(a)), Audit examined the inspection reports (December 2022 to November 2023) and noted that 13 farms had commenced crop production, with the time lapse between the commencement of lease and commencement of crop production ranging from 0 to about 7 months (averaging about 2 months). Of the 13 farms, according to AFCD's inspection reports of November 2023, 3 farms were in full production and 10 farms only had crop production in part of the leased areas with the remaining areas laid fallow (ranging from about 14% to 93% of the total leased area, averaging about 66%). The remaining 2 farms had been laid fallow for about 8 and 9 months since lease commencement and up to 24 November 2023 (para. 2.12).

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7. ***Room for improvement in monitoring farm operation.*** The Agri-Park is intended for commercial crop farming, and the inspection report includes a marketing section for providing information such as sales channel and price. Audit noted that no information was provided in the marketing section of all inspection reports (December 2022 to November 2023) for the 13 farms with crop production as of November 2023 (see para. 6), and the documentation on sales records of the farms was also not available. Besides, in December 2023, AFCD conducted annual review on farm production for the 10 farms with the first anniversary of the lease agreements falling in the period from 21 December 2023 to 31 January 2024. Audit noted that 9 (90%) of the 10 farms did not meet the target production volume, with shortfall ranging from 15% to 97% (averaging 65%) (para. 2.18).

8. ***Need to make continued efforts to ensure that Agri-Park serves its intended purposes.*** Audit examined the annual production plans and monthly inspection reports (December 2022 to November 2023) and noted that:

- (a) ***Open application.*** According to AFCD, as of January 2024, all pieces of farmland in the Agri-Park Phase 1 (except the two farms with flooding problems — see para. 5(b) and (c)) had been catered for the farmers affected by the development of the Agri-Park Phase 1 and other government development projects. Hence, open application was not available in Phase 1;
- (b) ***Farm modernisation.*** The Agri-Park aims to encourage the adoption of modern farming practices and development of new agricultural technology. Audit noted that farm machines were only used in 4 (31%) of the 13 farms with crop production as stated in the inspection reports (December 2022 to November 2023). According to AFCD, it actively provided technical training to the farmers on farm mechanisation and technical skills and knowledge, and 12 of 15 lessees had borrowed farm machinery from AFCD to ease cultivating the land in 2023; and
- (c) ***Farming operations.*** While the Agri-Park was intended to accommodate different types of farming operations (including conventional, organic and modern technological farming), all 15 lessees had indicated in the production plans that they would adopt conventional farming. According to AFCD, upon completion of works in the remaining part of the Agri-Park Phase 1, the farmland would be leased to two lessees practising organic

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farming and one lessee practising modernised greenhouse crop production (para. 2.19).

9. ***Delay in completion of consultancy study on APAs.*** In 2018, to revitalise fallow agricultural land and apply farming practices successfully developed or tested in the Agri-Park on a larger scale, the Government commissioned a consultancy study on APAs to identify relatively large areas of quality agricultural land and explore the feasibility of designating them as APAs. A Steering Committee, co-chaired by the Environment and Ecology Bureau and the Development Bureau and with members including AFCD, the Planning Department and LandsD, has been set up for overseeing the consultancy study on APAs. The progress of the study is also monitored through progress meetings (chaired by AFCD) between the relevant government bureaux/departments and the consultant. According to the consultancy agreement, the consultancy services must be completed within 46 months from commencement date of the agreement (i.e. August 2022). According to AFCD, as of January 2024, the consultancy study was expected to be completed in 2024 (i.e. a delay of about two years) (paras. 2.30, 2.32 to 2.34).

Financial support measures

10. ***Need to keep under review measures in encouraging applications for SADF.*** SADF was launched in December 2016 with a commitment of \$500 million to provide financial support for the modernisation and sustainable development of local agriculture. In December 2022, a further \$500 million was injected into SADF (i.e. total approved commitment amounted to \$1 billion). The coverage of the fund has also been expanded and a series of enhancement measures (e.g. increasing the Government's maximum funding ratio for commercial projects which are innovative and pilot in nature) have been implemented with effect from 28 February 2023. Under SADF, as of October 2023, there were three types of applications, namely general application, Farm Improvement Scheme (FIS) and Pilot Scheme (paras. 3.2 and 3.3). Audit noted the following issues:

- (a) ***Approved grant less than estimates.*** Over the nearly 7-year period since the launch of SADF in December 2016 and up to October 2023, the total amount of approved grant was about \$187 million and the average amount of approved grant was about \$27 million each year. The average amount of approved grant was about 46% to 73% less than the original estimated

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cash flow of \$50 million to \$100 million each year (as reported to FC of LegCo in April 2016); and

- (b) ***Decrease in numbers of applications and low approval rates for general application.*** Of the 59 general applications received from December 2016 and up to October 2023, a total of 27 (46%) applications was received in 2016-17 and 2017-18. From 2018-19 to 2022-23, the annual number of applications received was only 3 to 7. Since the implementation of the enhancement measures on 28 February 2023 and up to 31 October 2023, 6 general applications were received. Besides, of the 55 processed applications, 18 (33%) applications were approved, 23 (42%) applications were rejected and 14 (25%) applications were withdrawn (paras. 3.4 and 3.6).

11. ***Long processing time for some general applications.*** According to SADF application guidelines, the processing of a general application with all necessary information provided would be completed within 6 months. For the 9 general applications received and approved in the period from 2018-19 to 2023-24 (up to October 2023), Audit analysed the time lapse between receipt of applications (as the date of receiving all necessary information was not readily available) and the approval, and noted that for 7 applications approved before the implementation of the enhancement measures (i.e. from 1 April 2018 to 27 February 2023), the time lapse for 5 (71%) applications was more than 6 months and up to about 18 months (averaging about 13.7 months). For 2 applications approved after the implementation of the enhancement measures (i.e. from 28 February to 31 October 2023), the time lapse for 1 (50%) application was about 12.3 months. Besides, as of October 2023, 4 applications were under processing, of which 3 applications had been received for more than 6 months and up to about 14 months (averaging about 11.8 months) (paras. 3.10 and 3.11).

12. ***Scope for improving timeliness in submitting and processing of reports.*** Upon approval of a project under general application for SADF, the grantee is required to submit various reports (including progress reports and annual reports) within specified timeframes. According to AFCD guidelines (effective since 19 July 2021), the processing of reports submitted by grantees should generally be completed within 24 weeks. For the 8 projects with expected completion dates in 2022 and 2023, 21 reports were submitted by grantees on or after 19 July 2021 (i.e. after the timeframe for processing of reports was effective). Audit noted that

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14 (67%) reports were not submitted within the specified timeframes, with delay ranging from 7 to 107 days (averaging about 50.4 days). Besides, for the 8 processed reports, the processing time for all reports was longer than 24 weeks, ranging from about 26 weeks to about 69 weeks (averaging about 41.8 weeks or 9.8 months). For the 13 reports under processing, as of October 2023, 11 (85%) reports had been submitted for more than 24 weeks and up to 100 weeks (averaging about 49.4 weeks or 11.5 months) (paras. 3.14 and 3.15).

13. ***Need to improve timeliness in conducting farm inspections and processing applications for FIS.*** FIS aims to provide direct grants to local farmers for acquisition of farming equipment and materials for improving their productivity. According to AFCD guidelines, upon receiving an application for FIS with all necessary information, AFCD officers will normally conduct a farm inspection within 28 working days to assess the eligibility of the applicant. According to AFCD website, the processing of an application with all necessary information provided would be completed within 8 weeks. For the 98 applications received in the period from 2022-23 to 2023-24 (up to October 2023) and approved as at 4 January 2024, Audit analysed the time lapse between receipt of FIS applications (as the date of receiving all necessary information was not readily available) and conduct of farm inspections/dates of approval, and noted that: (a) for 23 (23%) applications, the farm inspections were conducted more than 28 working days and up to 95 working days (averaging about 57 working days) after receipt of the applications; and (b) the processing time for 65 (66%) applications was more than 8 weeks and up to about 23 weeks (averaging about 14.2 weeks or 3.3 months) (paras. 3.2, 3.21 and 3.22).

14. ***Scope for improving processing of applications for Emergency Relief Fund (ERF).*** AFCD is responsible for approving and paying primary producer grants under ERF for loss of crops, livestock or cultured fish as a result of fire, flooding, tempest, landslide, typhoon or other natural disasters. According to AFCD guidelines, upon receiving an application for ERF, site investigation would be arranged as soon as possible and in any case should not be longer than 7 working days. Audit noted that for 766 (39%) of the 1,967 applications approved in 2023, site investigations were conducted more than 7 working days after receipt of applications, with delay ranging from 1 to 21 working days (averaging about 5.2 working days). Besides, according to the performance standard published on AFCD website, processing of an ERF application would normally be completed within 30 working days upon receipt of an application with all necessary information and supporting documents provided. Audit noted that, as of January 2024, for the 1,967 applications, the dates of receiving the applications with all necessary

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information and the completion dates of application process (i.e. the approval dates) were not readily available, and management information on achievement of the performance standard was not regularly compiled for monitoring purpose (paras. 3.26 to 3.28).

Other support measures

15. ***Room for improvement in conducting farm visit under Accredited Farm Scheme.*** The Accredited Farm Scheme aims at promoting the adoption of good horticultural practice and environmental friendly production. Accredited farms are strictly monitored and supervised on uses of pesticides and produce is further checked for pesticide residues before selling at accredited retail outlets. According to AFCD guidelines, farm visit (with samples taken) for extending the accredited status should be conducted half-yearly for local farms and once/twice a year for farms in the Mainland. For the 312 accredited farms as of October 2023, Audit examination of the farm visit records (from 2022 to 2023 (up to October)) revealed that for 190 (66%) of the 287 accredited local farms and 8 (32%) of the 25 accredited farms operated by Hong Kong farmers in the Mainland, the number of visits (with samples taken) to farms did not meet the required frequency and the minimum required frequency respectively (paras. 4.6 and 4.7).

16. ***Room for improvement in conducting farm inspections for Organic Farming Support Service (OFSS).*** Under OFSS, the services provided to participating farmers include technical advice and suggestions as well as assistance in marketing of organic produce. As of October 2023, 353 farms joined OFSS. According to AFCD guidelines, AFCD officers inspect each farm joining OFSS once every year for regular farm monitoring. As of October 2023, for 324 farms (which had joined OFSS for more than a year), inspection to 68 (21%) farms did not meet the requirement, with no farm inspection conducted for more than 1 year and up to about 2.3 years (averaging about 1.2 years) (paras. 1.11 and 4.11).

17. ***Scope for enhancing support for hydroponic farms.*** Hydroponic production may be deployed for factory-like mass production in a completely controlled indoor environment in multi-storey buildings. The Controlled Environment Hydroponic Research and Development Centre is set up to study and demonstrate the advanced techniques and facility involved for reference of the trade and other interested investors. The Centre also arranges regular visits to different hydroponic farms to provide them with technical support. Audit noted that while the

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number of hydroponic farms increased by about 13% from 40 farms in 2018 to 45 farms in 2022, the total output and total value of production of hydroponic farms decreased by about 53% and 68% respectively from 2018 to 2022. From 2018 to 2022, the number of visits to hydroponic farms ranged from 8 to 26 visits each year. While the number of visits in 2023 (up to October) increased to 16 visits, it did not cover all hydroponic farms (paras. 1.11 and 4.17).

18. ***Scope for improving Agricultural Land Rehabilitation Scheme (ALRS).*** AFCD operates ALRS through bringing owners of agricultural land and interested farmers together to work out leasing agreements for the agricultural land. There are two types of arrangements, including matching farmland with landowners and potential tenants on the waiting list by AFCD, and the landowners/tenants having found their own potential tenants/landowners with AFCD providing contract signing services as a witness. In the period from 2018 to 2023 (up to October), there were 156 successful matching cases under ALRS, including 21 (13%) and 135 (87%) cases with matching carried out by AFCD, and landowners and tenants respectively (paras. 4.25 and 4.26). Audit noted the following issues:

- (a) ***Long time taken to match landowners with tenants.*** For the 21 successful cases arranged by AFCD, the average waiting time ranged from 2.8 years to 5.6 years. As of October 2023, there were 507 applications on the waiting list, with average waiting time of about 4.4 years (the longest waiting time was about 18.8 years). According to AFCD, in order to keep the waiting list updated, the applicants on the list would be contacted by phone regularly. Audit examined the contact records (in 2022 and 2023) for 10 applicants on the waiting list as of October 2023, and noted that 3 (30%) applicants were not contacted every year as required (paras. 4.26 and 4.28); and
- (b) ***Need to enhance guidelines for processing ALRS applications.*** For cases arranged by AFCD under ALRS, the land leasing application would be declined if the ownership of the land was uncertain. However, such requirement was not clearly specified in AFCD guidelines for cases arranged by landowners/tenants. For the 135 successful cases arranged by landowners and tenants, the application forms for witness service for 77 (57%) cases were not available, and the proof of land ownership for 105 (78%) cases was not available (paras. 4.30 and 4.31).

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Audit recommendations

19. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Director of Agriculture, Fisheries and Conservation should:**

Planning and development of agricultural areas

- (a) **strengthen measures to ensure the timely leasing of farmland in the Agri-Park (para. 2.26(a));**
- (b) **strengthen measures to ensure that lessees of the Agri-Park timely commence and fully utilise the farms for crop production (para. 2.26(b));**
- (c) **take measures to ensure that lessees of the Agri-Park maintain proper sales records and AFCD officers record sales information in inspection reports for monitoring purpose (para. 2.26(e));**
- (d) **continue to closely monitor the achievement of target production volume by lessees of the Agri-Park and provide assistance as appropriate (para. 2.26(f));**
- (e) **keep under review the operation of the Agri-Park and make continued efforts to ensure that the Agri-Park serves its intended purposes (para. 2.26(i));**

Financial support measures

- (f) **keep under review the measures in encouraging applications for SADF and take follow-up actions as appropriate (para. 3.24(a));**
- (g) **strengthen measures to ensure that SADF general and FIS applications are processed and farm inspections of FIS applications are conducted within the specified timeframes, and enhance monitoring of the compliance with the timeframes (para. 3.24(c));**

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- (h) **take measures to ensure that reports for SADF projects are submitted and processed within the specified timeframes and enhance monitoring of the compliance with the timeframes (para. 3.24(d));**
- (i) **take measures to ensure that site investigations for ERF applications are conducted within the specified timeframe, and monitor the achievement of the performance standard on processing ERF applications (para. 3.33(a) and (b));**

Other support measures

- (j) **take measures to ensure that visits to farms for extending their accredited status under the Accredited Farm Scheme and inspections to farms under OFSS are conducted in accordance with the timeframes and frequencies specified in AFCD guidelines, and enhance monitoring of the compliance with the requirements (para. 4.23(b));**
 - (k) **enhance support for hydroponic farms as appropriate, including conducting more farm visits (para. 4.23(e));**
 - (l) **keep under review the measures for shortening the waiting time of applications under ALRS and strengthen actions as appropriate, including ensuring compliance with the requirement of contacting applicants on the waiting list (para. 4.32(a)); and**
 - (m) **enhance AFCD guidelines to clearly specify the documents required for supporting the application under ALRS, and take measures to ensure compliance with the requirements (para. 4.32(b)).**
20. **Audit has also *recommended* that the Director of Agriculture, Fisheries and Conservation and the Director of Civil Engineering and Development should:**
- (a) **closely monitor the works progress and cost for the establishment of the Agri-Park Phase 1, and ensure the completion of works according to schedule and within the approved project estimate (para. 2.27(a)); and**

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- (b) **closely monitor the drainage conditions of the farms in the Agri-Park Phase 1 with flooding problem and take further measures to address the problem as appropriate with a view to leasing out the farms as soon as practicable (para. 2.27(b)).**
21. **Audit has also *recommended* that the Secretary for Environment and Ecology and the Director of Agriculture, Fisheries and Conservation, as assisted by the Secretary for Development and the departments under DEVB's purview, should:**
- (a) **closely monitor the progress of the consultancy study on APAs through various appropriate means, including the Steering Committee and the progress meetings, to ensure its timely completion (para. 2.41(a)); and**
 - (b) **draw on the experience gained in the consultancy study on APAs in planning similar studies related to agriculture in future (para. 2.41(b)).**

Response from the Government

22. The Secretary for Environment and Ecology, the Secretary for Development, the Director of Agriculture, Fisheries and Conservation and the Director of Civil Engineering and Development agree with the audit recommendations.

PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

Background

1.2 Most of the daily fresh food consumption by Hong Kong's population is imported, but Hong Kong's primary producers help satisfy some of the demand. According to the Government, the value of agricultural development lies not just in its contribution to the economy. It would help meet consumers' demand for quality local fresh produce as an alternative to imported food supply, facilitate better utilisation of farmland, and preserve the rural environment through improving the environmental hygiene conditions and better protection of rural areas. In 2022, the gross value of local agricultural production totalled \$1,350 million (accounting for less than 0.1% of Gross Domestic Product). Despite its small scale, the local production accounted for 1.9% of fresh vegetables, 13.8% of live pigs and 100% of live chickens consumed in the territory by weight in 2022.

1.3 Agriculture in Hong Kong is undertaken mostly in the urban fringes. In 2022, the total area of agricultural land in Hong Kong was about 4,047 hectares. The estimated area of active agricultural land was about 733 hectares, primarily located in North District, Yuen Long and Tai Po. There were 2,492 farms in the territory (comprising 2,420 crop farms, 43 pig farms and 29 chicken farms), and about 4,300 farmers and workers were engaged in agriculture.

1.4 The Agriculture, Fisheries and Conservation Department (AFCD) aims to facilitate agricultural production and improve productivity. It is responsible for promoting adaptive new production method and helping the agricultural industry take advantage of new market opportunities.

Introduction

Agricultural policy

1.5 *New Agriculture Policy.* As announced in the 2016 Policy Address, the Government would implement a New Agriculture Policy to promote the modernisation and sustainable development of local agriculture. Key measures under the New Agriculture Policy include:

- (a) setting up an Agricultural Park (Agri-Park) to help nurture agro-technology and agro-business, as well as to facilitate knowledge transfer with a view to enhancing productivity;
- (b) commissioning a consultancy study on agricultural land to examine the feasibility and merits of identifying and designating Agricultural Priority Areas (APAs — Note 1) that have higher value for agricultural activities to facilitate their use for long-term agricultural purposes;
- (c) setting up a Sustainable Agricultural Development Fund (SADF) to provide financial support to projects that would enhance agricultural productivity and output, or help farmers switch to sustainable or high value-added operations so as to raise the overall competitiveness of the sector;
- (d) exploring ways to facilitate establishment of hydroponics or other similar operations in industrial buildings/zones;
- (e) facilitating leisure farming ancillary to agriculture in terms of planning control and land use; and
- (f) enhancing food safety and marketing of local fresh produce.

According to the 2017, 2018, 2020 and 2021 Policy Addresses, the Government would continue to implement the measures under the New Agriculture Policy/promote sustainable development of agricultural industry.

Note 1: *An APA should generally have a high concentration of agricultural land (whether active or fallow), accessible by road, provided with established agricultural infrastructure, and designation of which would have no adverse impact to the rural environs, environment and ecology.*

1.6 **Blueprint.** As announced in the 2022 and 2023 Policy Addresses, the Government would formulate a Blueprint for the Sustainable Development of Agriculture and Fisheries (hereinafter referred to as the Blueprint) to promote the upgrading and transformation, modernisation and sustainable development of the industries. The Blueprint was issued by the Environment and Ecology Bureau (EEB — Note 2) and AFCD on 14 December 2023. Major initiatives for agriculture under the Blueprint include implementing the Agri-Park project, designating APAs, introducing urban farming, facilitating construction of multi-storey enclosed livestock farms and developing leisure farming. The targets set for agriculture include increasing the annual production of local vegetables and local livestock farms by four folds and by at least 10% respectively within 15 years.

Planning and development of Agri-Park

1.7 The Agri-Park (see Photograph 1) aims to help nurture agro-technology and knowledge on modern farm management through leasing farmland and providing associated agricultural facilities for farmers to conduct commercial farming. It is located in Kwu Tung South, New Territories (see Figure 1), and the site is a traditional vegetable growing zone with active crop farming activities. The Agri-Park is being developed in two phases:

- (a) the Agri-Park Phase 1 is 10.8 hectares in area, which will provide 6 hectares of farmland and 4.8 hectares for infrastructure (including roads, irrigation, basic lodging and storage facilities) (Note 3). It is developed in a relatively small scale with a view to enabling partial commissioning of the Agri-Park for use by farmers as early as possible. Phase 1 is set up

Note 2: *EEB was formed in July 2022 to take up, inter alia, the policy matters on agriculture and fisheries from the former Food and Health Bureau. For simplicity, the former Food and Health Bureau is referred to as EEB in this Audit Report.*

Note 3: *According to the information provided to the Legislative Council in May 2021, the Agri-Park Phase 1 would be about 11 hectares in area, which would provide some 7 hectares of farmland and some 4 hectares for infrastructure. According to the Civil Engineering and Development Department, as of March 2024, the Agri-Park Phase 1 was 10.8 hectares in area, which would comprise formation works covering 7.5 hectares of land (including 6 hectares of farmland and 1.5 hectares for greening and internal footpath between farms, storage facilities, utility zone and areas near existing stream) and other infrastructures covering about 3.3 hectares.*

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with about \$770 million of government funding (as of March 2024 — Note 4) and has commenced operation in phases since end of 2022; and

- (b) the Agri-Park Phase 2 is about 82 hectares in area, which will include about 68 hectares of farmland. As of March 2024, it was under planning and design.

The Agri-Park is managed by AFCD on the advice of the Agricultural Park Advisory Committee (Note 5). The Civil Engineering and Development Department (CEDD) is responsible for the design and construction of the Agri-Park. The land resumption and clearance are handled by the Lands Department (LandsD).

Note 4: *The funding for the establishment of the Agri-Park Phase 1 included the following:*

- (a) *as of March 2024, according to the Lands Department, the estimate for resumption of land for establishment of the Agri-Park was about \$458.3 million and that for road works was about \$133.5 million (funded under Head 701 “Land Acquisition” of the Capital Works Reserve Fund block allocation, under which the Director of Lands is authorised to approve individual items without a financial commitment limit); and*
- (b) *the approved project estimate for establishment of the Agri-Park was \$176.6 million (approved by the Finance Committee of the Legislative Council in July 2020).*

Note 5: *The Agricultural Park Advisory Committee is established to advise the Director of Agriculture, Fisheries and Conservation on issues related to the management and development of the Agri-Park. The Committee consists of a non-official Chairman, 14 other non-official members and 2 official members (i.e. representatives of EEB and AFCD). The non-official Chairman and members of the Committee are appointed by the Secretary for Environment and Ecology for a term of three years.*

Photograph 1

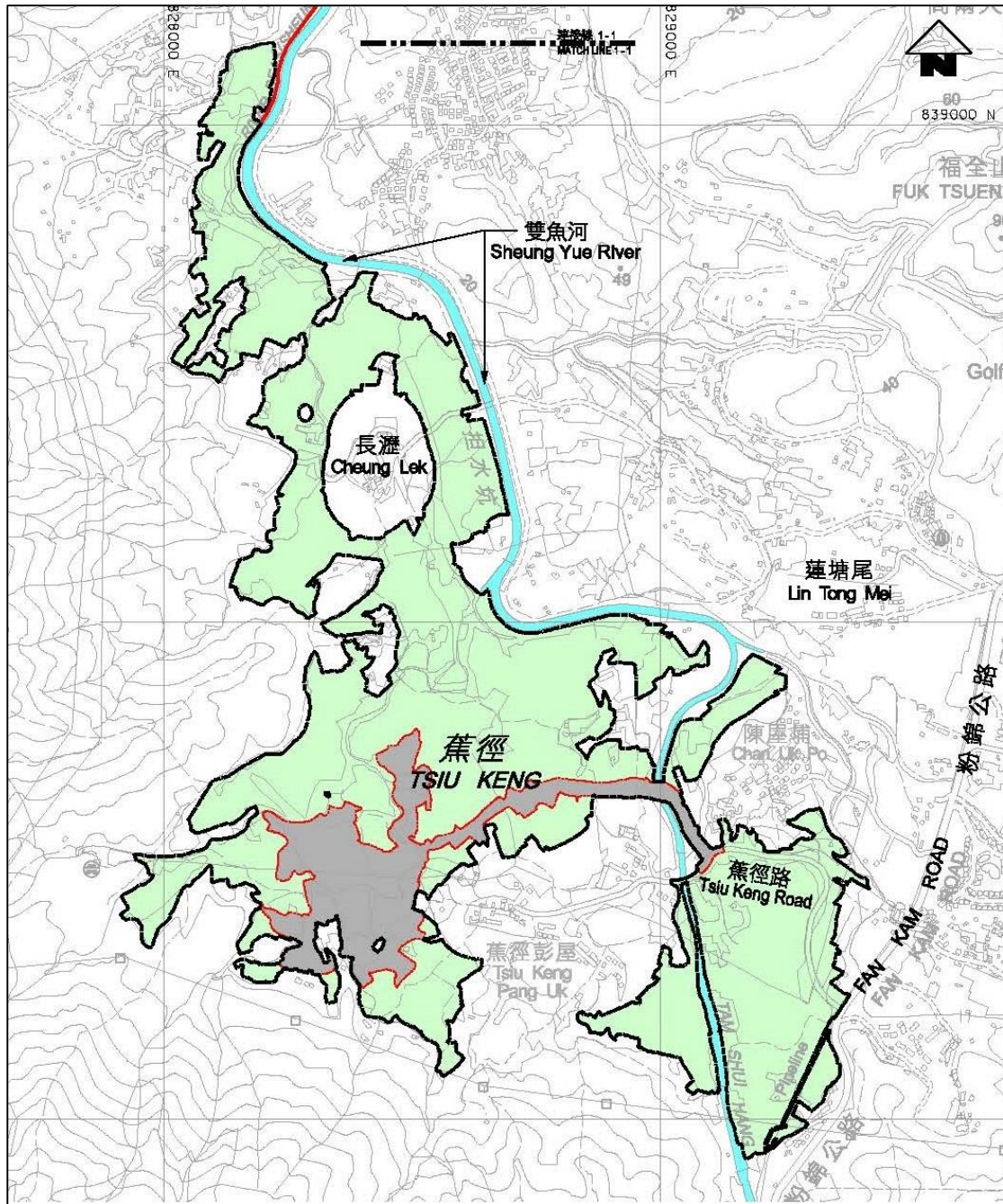
Agri-Park



Source: Blueprint

Figure 1

Location plan of Agri-Park
(February 2024)



- Legend:
- Boundary of the Agri-Park Phase 1
 - Proposed boundary of the Agri-Park Phase 2

Source: CEDD records

Financial support measures

1.8 **SADF.** SADF is established to support practical, application-oriented projects, schemes or research work that would help farmers enhance their productivity and output, as well as contribute to fostering the sustainable development and enhancing the overall competitiveness of the agricultural industry. The Finance Committee (FC) of the Legislative Council (LegCo) approved the setting up of SADF with commitment of \$500 million in May 2016 and the fund was launched in December 2016. To further support the development of the agricultural industry in terms of application of advanced technology and intensification of production, and help it seize the opportunities arising from the Greater Bay Area development, the Financial Secretary proposed in the 2022-23 Budget Speech making an injection of \$500 million into SADF, as well as expanding the coverage of the fund and streamlining the application procedures as appropriate. In December 2022, FC of LegCo approved the additional injection (i.e. total approved commitment amounted to \$1 billion). Since the launch of SADF in December 2016 and up to October 2023, 485 applications had been approved with approved grants of about \$187 million.

1.9 AFCD is responsible for overseeing the governance and implementation of SADF. As the Controlling Officer, the Director of Agriculture, Fisheries and Conservation is authorised to approve a total amount of grant not exceeding \$15 million to each project recommended by SADF Advisory Committee (Note 6). A project with a grant exceeding \$15 million recommended by SADF Advisory Committee will be subject to the approval of FC of LegCo.

Note 6: *SADF Advisory Committee is established to advise the Director of Agriculture, Fisheries and Conservation on the administration of SADF. The Committee consists of a non-official Chairman, not less than 8 other non-official members and 2 official members (i.e. the Secretary for Environment and Ecology and the Director of Agriculture, Fisheries and Conservation, or their representatives). The non-official Chairman and members of the Committee are appointed by the Secretary for Environment and Ecology for a term of three years.*

Introduction

1.10 **Emergency relief.** AFCD is responsible for the administration of primary producer grants from the Emergency Relief Fund (ERF — Note 7) in order to relieve financial distress suffered by farmers adversely affected by natural disasters. In 2023, 1,967 applications had been approved involving grants of about \$23.5 million.

Other support measures

1.11 According to AFCD, it has been providing technical support and introducing modern technology and practices to local farmers to facilitate their efficient production and improve the quality of their products. Major measures include the following:

- (a) **Local Vegetable Farm Voluntary Registration Scheme.** AFCD launched the Local Vegetable Farm Voluntary Registration Scheme in 2006. Under the scheme, AFCD provides technical assistance and agricultural services to registered farms to enhance their awareness of safe production, good farming techniques and produce quality. As of October 2023, there were 1,911 registered farms;
- (b) **Accredited Farm Scheme.** AFCD and the Vegetable Marketing Organization (VMO — Note 8) have jointly run the Accredited Farm Scheme since 1994. Under the scheme, AFCD advises participating farmers on the proper and safe use of pesticides, as well as the adoption of good horticultural practices. Accredited farms (see Photograph 2) are strictly monitored and supervised on uses of pesticides and produce is

Note 7: *ERF, set up under the Emergency Relief Fund Ordinance (Cap. 1103), aims to provide financial assistance to persons who are in need of urgent relief as a result of fire, flooding, tempest, landslide, typhoon or other natural disasters. The responsibility for approving grants and making payments is vested with various government departments, depending on the types of grants. AFCD is responsible for approving and paying primary producer grants for loss of crops, livestock or cultured fish.*

Note 8: *VMO is a self-financing, non-profit-making organisation established under the authority vested in the Director of Marketing by the Agricultural Products (Marketing) Ordinance (Cap. 277) to provide facilities for the orderly and efficient marketing of vegetables as a means to promote the development of vegetable farming. VMO is headed by the Director of Marketing, who is also the Director of Agriculture, Fisheries and Conservation.*

further checked for pesticide residues before selling at accredited retail outlets. As of October 2023, there were 312 accredited farms;

Photograph 2

Accredited farms



Source: *Blueprint*

- (c) ***Organic Farming Support Service (OFSS)***. AFCD launched an Organic Farming Conversion Scheme in 2000 to assist conventional farmers to switch to organic farming. The scheme was renamed as OFSS in 2005. The services provided to participating farmers include technical advice and suggestions as well as assistance in marketing of organic produce. As of October 2023, 353 farms joined OFSS; and

- (d) ***Research and development in hydroponics***. Under hydroponic production, plants are grown in nutrient solution. It may be deployed for factory-like mass production in a completely controlled indoor environment in multi-storey buildings. AFCD and VMO jointly set up the Controlled Environment Hydroponic Research and Development Centre (hereinafter referred to as Hydroponic Centre — see Photograph 3) in 2013 to study and demonstrate the advanced techniques and facility involved in order to showcase its merits for the easy reference of the trade and other interested investors. The Hydroponic Centre also arranges regular visits to different hydroponic farms to provide them with technical support.

Photograph 3

Hydroponic Centre



Source: *Blueprint*

1.12 AFCD has also been providing support in agricultural land rehabilitation and marketing services for local agriculture, as follows:

- (a) ***Agricultural Land Rehabilitation Scheme (ALRS)***. ALRS has been implemented since 1988 to encourage utilisation of otherwise fallow agricultural land for productive farming. Under the scheme, AFCD serves as a middleman to match landowners with prospective tenants and help them reach tenancy agreements. In 2023 (up to October), there were 15 successful cases under the scheme; and
- (b) ***Promotion and marketing services***. According to AFCD, it promotes the local agriculture through different measures, such as promoting leisure farming, assisting in setting up farmers' markets to help farmers reach out to customers and organising the annual FarmFest to showcase local agricultural and fishery produce.

Responsible branch/divisions

1.13 The Agriculture Branch of AFCD is responsible for the provision of support measures for the agricultural industry. The responsible divisions under the Agriculture Branch include the Agri-Park and Land Division, the Extension and Funds Division, the Crop Development Division and the Farm Development Division. An extract of the organisation chart of AFCD (as at 31 December 2023) is at Appendix A. According to AFCD, as at 31 December 2023, 27 staff were involved in the provision of support measures for agricultural industry. In 2022-23, the related expenditure was about \$43.7 million.

Impact of coronavirus disease (COVID-19) epidemic and extreme weather conditions on AFCD's operation

1.14 According to AFCD:

- (a) during the period from 2018 to 2023, the unprecedented COVID-19 epidemic affected the whole territory for a prolonged period (between end of 2019 and early 2023, i.e. about 50% of the time). As a result, due to the implementation of anti-epidemic measures and prioritisation of work in the Government, some of the non-essential supporting measures were suspended/hampered with a significant proportion of respective AFCD staff deployed to assist in the urgent tasks; and
- (b) extreme weather conditions also occurred in 2023 including widespread flooding and typhoons. Majority of AFCD's resources were deployed to carry out relief work such as administration of primary producer grants under ERF.

The provision of support measures/services was adversely affected by the above incidents.

Audit review

1.15 In November 2023, the Audit Commission (Audit) commenced a review to examine the support measures for agricultural industry by AFCD. The audit review has focused on the following areas:

Introduction

- (a) planning and development of agricultural areas (PART 2);
- (b) financial support measures (PART 3); and
- (c) other support measures (PART 4).

Audit has found room for improvement in the above areas and has made a number of recommendations to address the issues.

General response from the Government

1.16 The Secretary for Environment and Ecology and the Director of Agriculture, Fisheries and Conservation thank Audit for the comprehensive review of AFCD's supporting measures for agricultural industry. Both of them agree with the audit recommendations, and affirm the Government's commitment to promote the sustainable development of the local agricultural industry. EEB will provide policy steer and oversight for AFCD to take forward the recommendations.

Acknowledgement

1.17 Audit would like to acknowledge with gratitude the full cooperation of the staff of EEB, the Development Bureau (DEVB), AFCD and CEDD during the course of the audit review.

PART 2: PLANNING AND DEVELOPMENT OF AGRICULTURAL AREAS

2.1 This PART examines the planning and development of agricultural areas, focusing on the following areas:

- (a) planning and development of Agri-Park (paras. 2.2 to 2.29); and
- (b) designation of APAs (paras. 2.30 to 2.45).

Planning and development of Agricultural Park

2.2 The Agri-Park aims to help nurture agro-technology and knowledge on modern farm management through leasing farmland and providing associated agricultural facilities for farmers to conduct commercial farming. According to the information provided by the Government to the LegCo Panel on Food Safety and Environmental Hygiene in October 2018 and May 2021, the key characteristics of the Agri-Park include the following:

- (a) the main objective of the Agri-Park is to encourage the adoption of modern farming practices as well as the development of new agricultural technology and related knowledge transfer;
- (b) the Agri-Park is intended for farmers engaging in commercial crop farming. The farmland within the Agri-Park will be demarcated into different areas for conventional, organic and modern technological farming. By accommodating various types of farming operations, the Agri-Park could provide a platform for cross fertilisation of farming techniques and facilitate knowledge transfer;
- (c) farmers operating within the area prior to the establishment of the Agri-Park as well as farmers affected by government development projects within the same timeframe will be accorded priority to apply for renting farmland in the Agri-Park;

Planning and development of agricultural areas

- (d) the Agri-Park farmland will mainly be made available to the public through open application, with a view to encouraging and nurturing new agro-businesses to invest and explore new agricultural production methods on a commercial scale. The standard lease period is five years (Note 9), which could be renewed upon expiry for tenants who comply with relevant terms and conditions; and
- (e) the Agri-Park will provide necessary infrastructure and facilities, including basic lodging and storage facilities, roads and footpaths for transporting farming equipment and facilities as well as produce, irrigation systems and composting facilities to support the lessees.

2.3 The Agri-Park is being developed in two phases (see para. 1.7). According to the 2023-24 Budget Speech and the information provided to FC of LegCo in April 2023, Phase 1 has commenced operation progressively starting from the end of 2022. As of March 2024, Phase 2 was under planning and design. AFCD is responsible for managing the Agri-Park, CEDD is responsible for the design and construction of the Agri-Park and LandsD is responsible for land resumption and clearance.

Delay in development of Agri-Park Phase 1

2.4 In March 2019, in seeking support from the Public Works Subcommittee of FC of LegCo for the establishment of the Agri-Park Phase 1, the Government mentioned that the construction works were planned to commence in the third quarter of 2019 for completion in stages from the fourth quarter of 2020. In June 2020

Note 9: *According to AFCD, when setting the rental level for the Agri-Park, reference has been made to the median of rental level of farmlands in the vicinity. The existing farmers operating within the area of the Agri-Park as well as farmers affected by government development projects may, upon production of valid lease agreements or supporting documents, enter into the first lease agreements with the Agri-Park at the same rent and for the same lease periods of their existing valid lease agreements, up to a maximum period of five years. Upon expiry of such period, the farmers concerned will be offered the standard lease agreements like other lessees.*

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(Note 10), in the LegCo FC meeting, the Government mentioned that the construction works of the Agri-Park Phase 1 would commence in the fourth quarter of 2020 for completion in 2023, and admission of affected farmers would start in the fourth quarter of 2021 at the earliest. In July 2020, FC of LegCo approved the funding for the establishment of the Agri-Park Phase 1 at an estimated cost of \$176.6 million (i.e. approved project estimate).

2.5 In September 2020, CEDD awarded a works contract for the establishment of the Agri-Park Phase 1 to a contractor at a contract sum of about \$120 million. The works contract commenced on 2 October 2020, and the works were expected to be completed in stages starting from 2021 (i.e. first stage) with completion date on 1 October 2022 (i.e. original contract completion date). The project scope included land formation works, related infrastructures (including drainage, sewerage, irrigation, water supply, utilities and street lighting), associated park facilities (including basic lodging and storage units), and construction of an access road and footpaths. In May 2021, the Government informed the LegCo Panel on Food Safety and Environmental Hygiene that the construction works of the Agri-Park Phase 1 were expected to be completed in phases from end 2021 to 2023 (Note 11). The land involved was handed over by LandsD to CEDD for the construction works in batches from December 2020 to November 2022 (Note 12).

2.6 Audit noted that there were delay and increase in construction cost in establishing the Agri-Park Phase 1, as follows:

- (a) the construction works of the Agri-Park Phase 1 were expected to be completed in stages from 2021 (see para. 2.5). However, the works for the areas covered in the first stage were only completed with the site

Note 10: *According to CEDD, the funding approval was delayed from 2019 to 2020 due to deferral of FC meeting caused by the COVID-19 epidemic and the black-clad violence.*

Note 11: *According to the contract awarded in September 2020, the original contract completion date was 1 October 2022. According to CEDD, during the project planning stage, risk allowance was incorporated in the programme for extensions of time due to unforeseeable events during the course of the contract such as inclement weather and epidemic.*

Note 12: *According to LandsD, the land involved was handed over according to the programme.*

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(of about 3.85 hectares in area, comprising 3.11 hectares of farmland and 0.74 hectares for infrastructure) handed over to AFCD in November 2022, which was about one year later than the original expected completion date;

- (b) as at 31 December 2023, according to CEDD, the construction works covering 1.48 hectares in area were completed but yet to be handed over to AFCD, and the remaining construction works covering 5.47 hectares in area were in progress (i.e. a total of about 6.95 hectares in area yet to be handed over to AFCD, comprising 2.89 hectares of farmland and 4.06 hectares for infrastructure (including the access road)). According to CEDD, as of January 2024, the anticipated completion date for the remaining works was mid-2024 (i.e. about 6 months later than the target completion date of 2023 as reported to LegCo in May 2021 — see para. 2.5); and
- (c) as of October 2023, the actual construction cost for the establishment of the Agri-Park Phase 1 was about \$125 million, which was about \$5 million (or 4%) higher than the original contract sum of \$120 million. According to CEDD, as of March 2024, the estimated construction cost would be about \$167 million.

2.7 Upon enquiry, AFCD and CEDD informed Audit in March 2024 that:

- (a) **CEDD.** Regarding the construction works of the Agri-Park Phase 1:
 - (i) as of January 2024, the anticipated completion date was mid-2024 and extension of time would be granted under the contract for unforeseeable events (i.e. about 6 months later than the target completion date of 2023 — see para. 2.6(b));
 - (ii) the delay was due to various reasons. During construction, CEDD maintained close liaison with green groups and additional enhancement works were implemented to further protect the in-situ top soil of the farmland taking into account their suggestion. The delay was also due to the outbreak of the COVID-19 epidemic, during which the progress of construction was adversely affected by the shortfall of labour and materials, as well as the late delivery of necessary machinery from overseas for farming rehabilitation; and

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- (iii) the main reasons for the increase in the estimated cost (see para. 2.6(c) and Note 13) included enhancement works to further facilitate the operation of the Agri-Park, enhancement works on the construction of the haul roads, design changes to suit the actual site condition (such as replacing unsuitable materials (silty clay soils) below the formation level of the access road with rockfill materials), and additional provisional sum required for price adjustment for inflation due to extension of the contract period; and
- (b) **AFCD.** The delay in development was due to the multiple factors detailed in (a)(ii) above including shortfall of labour and materials and delay of material delivery due to the COVID-19 epidemic.

2.8 In Audit's view, AFCD and CEDD need to closely monitor the works progress and cost for the establishment of the Agri-Park Phase 1, and ensure the completion of works according to schedule and within the approved project estimate.

Room for improvement in leasing out farmland

2.9 The site for the first stage of the Agri-Park Phase 1 was handed over to AFCD in November 2022, which included 3.11 hectares of farmland. According to AFCD, as of November 2023, the farmland was demarcated into 16 farms. Audit noted that:

- (a) as of November 2023, AFCD had entered into 15 lease agreements (Note 14) for 15 farms. The 15 agreements commenced by stages between 21 December 2022 and 1 July 2023. According to AFCD, amongst the sites handed over to the department on 30 November 2022, only 13 farms were fully ready for leasing, and the remaining 2 farms were ready for leasing after fixing the irrigation system on the sites in March and June 2023. For the 15 farms, the time lapse between the dates when the

Note 13: *According to CEDD, as of March 2024, no increase in the approved project estimate was anticipated.*

Note 14: *For the 15 lease agreements, the lease periods ranged from 1 year to 5 years, the rented areas ranged from 578 to 4,879 square metres, and the total fees (including fees for renting farmland, storage unit and lodging unit (if any)) ranged from \$748 to \$9,862 per year.*

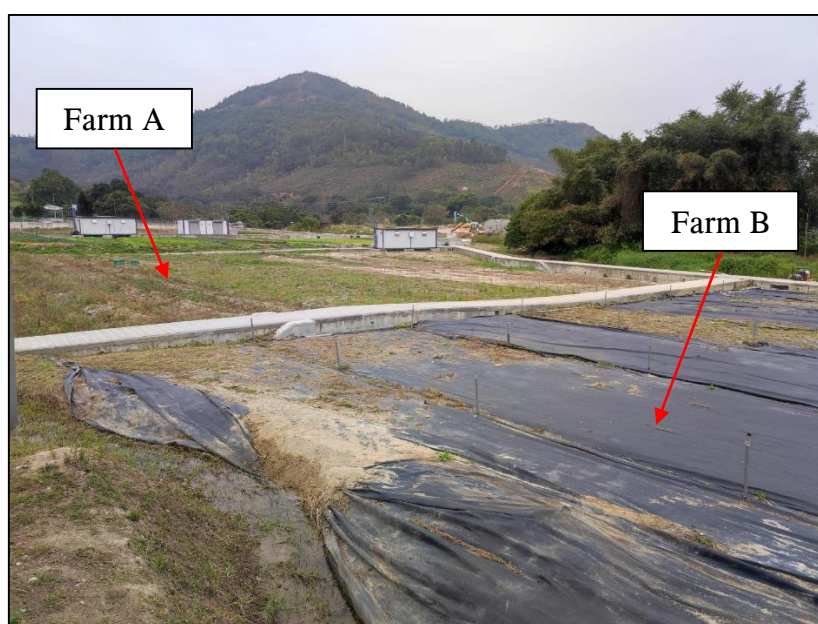
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farms were ready for leasing and lease commencement ranged from about 1 month to 4 months (averaging about 2 months);

- (b) for one of the 15 farms (Farm A), while the lease had commenced in December 2022, flooding problem was identified in May 2023 and repeated flooding resulted in severe damages in the wet season. Although several flood mitigation measures had been carried out, the problem was not yet solved as of December 2023 (when the lease was early terminated) (see Photograph 4); and
- (c) the remaining farm (Farm B) had not been rented out as of January 2024 (about 14 months after handover of the site to AFCD). According to AFCD, this was due to flooding problem (see Photograph 4).

Photograph 4

Farms with flooding problem



Source: Photograph taken by Audit staff in January 2024

Planning and development of agricultural areas

2.10 Upon enquiry, AFCD and CEDD informed Audit in February and March 2024 that:

- (a) **AFCD.** Regarding the leasing of farmland in the Agri-Park Phase 1:
 - (i) for 12 of the 15 farms under lease agreement (see para. 2.9(a)), the time lapse between the dates when the farms were ready for leasing and lease commencement was about 1 to 2 months. For the remaining 3 farms, the lease agreements were made within 3 to 4-month-time owing to specific circumstances, including that a lessee was sick and two lessees were forced to stay in the Mainland due to the COVID-19 restriction measures; and
 - (ii) for Farm A and Farm B (see para. 2.9(b) and (c)), AFCD had carried out several mitigation measures (including installation of flood barrier and improving the drainage ditches) and sought the help of relevant government departments. For Farm A, CEDD suggested addressing the flooding problem through implementation of additional measures so as to reduce the flooding risk such as lifting up the weir gates at the existing stream. For Farm B (with minor flooding problem), AFCD would closely monitor the farmland condition in the coming wet season before leasing out the farmland; and
- (b) **CEDD.** As of November 2023, 14 of the 15 leased farms (see para. 2.9(a) and (b)) were in good conditions. For Farm A and Farm B:
 - (i) drainage outlets were constructed to divert rain water to the existing stream adjacent to the farmland, in addition, de-silting works of the existing natural stream course were carried out under the Agri-Park Phase 1. Following some major raining events, in particular the extreme weather condition in September 2023, it was observed that the flooding problem was mainly due to the overflow of the existing stream adjacent to the farmland, which was caused by the existing weir gate panels downstream of the existing natural stream course (its purpose was to control the water level of the existing stream for catching irrigation water) not being timely removed at the time of heavy rainfall; and

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- (ii) to mitigate the overflowing situation, CEDD suggested removing the existing weir gate panels (for catching irrigation water) at the existing stream course during heavy rains. With the implementation of the above measures, the risk of flooding would be alleviated.

2.11 According to AFCD and CEDD, as of November 2023, the remaining area of the Agri-Park Phase 1 (to be handed over to AFCD by mid-2024) would include 2.89 hectares of farmland (to be demarcated into 5 farms). In Audit's view, AFCD needs to strengthen measures to ensure the timely leasing of farmland in the Agri-Park. AFCD and CEDD also need to closely monitor the drainage conditions of the farms in the Agri-Park Phase 1 with flooding problem and take further measures to address the problem as appropriate with a view to leasing out the farms as soon as practicable.

Need to ensure timely commencement of crop production and improve related follow-up actions

2.12 ***Need to ensure timely commencement of crop production.*** According to the lease agreement of the Agri-Park, the lessee shall from the lease commencement date commence and thereafter continue to use and/or operate the premises for the purpose of crop production. For the 15 farms under lease agreements as of November 2023 (see para. 2.9(a)), Audit examined the inspection reports (December 2022 to November 2023) (see para. 2.17(b)) and noted that:

- (a) 13 farms had commenced crop production as of November 2023 (see Photograph 5 for the status of one of the farms as of January 2024). The time lapse between the commencement of lease and commencement of crop production ranged from 0 to about 7 months (averaging about 2 months). Of the 13 farms, according to AFCD's inspection reports of November 2023:
 - (i) 3 farms were in full production; and
 - (ii) 10 farms only had crop production in part of the leased areas. The remaining areas (ranging from about 14% to 93% of the total leased area, averaging about 66%) were laid fallow (e.g. a farm with 67% of the leased area laid fallow — see Photograph 6 for the status of the farm as of January 2024); and

Photograph 5

Farm with crop production



Source: Photograph taken by Audit staff in January 2024

Photograph 6

Farm laid fallow



Source: Photograph taken by Audit staff in January 2024

Remarks: According to AFCD, the lessee had used incompatible farming method (see para. 2.13(c)).

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- (b) the remaining 2 farms had been laid fallow for about 8 and 9 months since lease commencement and up to 24 November 2023. According to AFCD, the 2 farms commenced crop production in late November 2023 and January 2024.

2.13 Upon enquiry, AFCD informed Audit in March 2024 that:

- (a) it closely monitored the use of farmland in the Agri-Park by conducting inspections at least once bi-weekly. If the lessee was found not fully utilising the farmland, AFCD would look into the matter and provide appropriate assistance or take appropriate lease enforcement actions. To start crop production on a newly rehabilitated farmland, farmers would generally face a lot of challenging production problems such as weed, pest and disease control, soil infertility and field drainage. As a result, AFCD needed to provide them with prompt technical support and some farmers' production in the first production year on a completely new production environment might not be able to meet their planned production targets;
- (b) it strictly handled the lessees who had failed to cultivate the farmland, particularly those who had left the farmland fallow without reasonable cause. AFCD would follow the inspection guidelines and issue them with verbal advice, advisory letter or warning letter depending on the severity of the matter. As of 24 November 2023, for the farm which had been laid fallow for about 9 months since lease commencement (see para. 2.12(b)), AFCD had issued 3 verbal advices to the lessee in May, September and November 2023 and a warning letter in December 2023. Since then, significant improvement was observed with farming activities (i.e. removing the grass) in December 2023 and commencement of crop production in January 2024. For the farm which had been laid fallow for about 8 months, the lessee had submitted production plans which were not financially viable. AFCD had urged the lessee to revert to conventional production and in response, the lessee started farm operation in late November 2023; and
- (c) it took immediate actions when finding the lessee's production fell way behind the target for avoidable mistakes such as incompatible farming method. For the farm with 67% of the leased area laid fallow in November 2023 (see para. 2.12(a)(ii) and Photograph 6), the lessee tried various farming methods (e.g. using recycled materials such as soil cover

and wood debris). All along the course of the lessee's trials, AFCD had not revealed any major merits in terms of the crop yield and had given the lessee verbal advice to step up production in December 2023. In January 2024, the lessee started removing all the recycled materials and plant cover on the farmland for resuming normal production.

2.14 In Audit's view, AFCD needs to strengthen measures to ensure that lessees of the Agri-Park timely commence and fully utilise the farms for crop production.

2.15 *Room for improvement in following up non-compliances.* According to AFCD guidelines, upon identification of a non-compliance activity, AFCD may give a verbal advice, issue an advisory letter (after giving 3 verbal advices) and a warning letter (after issuing 3 advisory letters) to request the lessee to rectify the non-compliance within a reasonable timeframe, and consider terminating the lease (after 3 warning letters issued during the same lease period). Audit noted that:

- (a) the definition of reasonable timeframe and the criteria for taking different follow-up actions for farms with partial crop production (e.g. percentage of area laid fallow and the period of the area being laid fallow) were not specified in AFCD guidelines. Besides, while 2 farms had been laid fallow for about 8 and 9 months since lease commencement and up to 24 November 2023 (see para. 2.12(b)), AFCD had only issued a warning letter to one lessee but not the other one. In addition, AFCD guidelines did not state the timeframe for the lessee to take improvement actions after receiving verbal advice from AFCD; and
- (b) for the warning letter issued in December 2023 to the lessee with fallow farmland (see (a) above), prior to the issue of the warning letter, while 3 verbal advices had been given (in accordance with the requirement), no advisory letter had been issued (instead of 3 as required).

2.16 In Audit's view, AFCD needs to specify the criteria and timeframes for taking follow-up actions for non-compliances with leases of the Agri-Park in its guidelines. AFCD also needs to take measures to ensure that non-compliances with leases of the Agri-Park are followed up in accordance with the requirements specified in its guidelines.

Room for improvement in monitoring farm operation

2.17 According to AFCD, it monitors the farm operation of the Agri-Park through various measures, including:

- (a) ***Annual production plan.*** To ensure reasonable production output, lessees of the Agri-Park are required to submit annual production plans for assessment of their farming modes and overall productivity. The lessees are required to submit the annual production plans before commencement of the lease agreements and review the agreed annual production plans annually;
- (b) ***Farm inspection.*** According to AFCD guidelines, AFCD officer conducts regular farm inspections to assess and record activities of leased farmland (e.g. land use, modernisation and marketing), and inspection report should be prepared on a monthly basis; and
- (c) ***Annual review on farm production.*** According to AFCD guidelines, AFCD officer initiates annual review on farm production to assess if the lessee has met the production requirement under relevant clause in the lease agreement. A notification letter on annual production review will be issued to the lessee for the results of the review.

2.18 As of November 2023, 15 farms in the Agri-Park Phase 1 were under lease agreements, including 13 farms with crop production commenced (see paras. 2.9(a) and 2.12(a)). Audit examined the annual production plans, monthly inspection reports (December 2022 to November 2023) and annual review on farm production for the farms and noted the following:

- (a) ***Need to maintain proper sales records.*** The Agri-Park is intended for commercial crop farming, and the inspection report includes a marketing section for providing information such as sales channel and price. Audit noted that no information was provided in the marketing section of all inspection reports for the 13 farms with crop production, and the documentation on sales records of the farms was also not available. Upon enquiry, AFCD informed Audit in March 2024 that:

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- (i) the primary focus of AFCD in the first year was to assist farmers in building up technical capacity to prepare their new farmland for long-term production use by ways of use of different farm machinery and protective structures, as well as to minimise production obstacles through resolving problems encountered (such as plant pest and disease and field drainage); and
- (ii) following establishment of stable farm production, AFCD was assisting lessees with ways to facilitate them to save, manage and provide sales records for inspection and with a view to building up their capacity in agro-business management. AFCD had drawn up a reference template for keeping sales records which had been sent to lessees in January 2024. Two lessees had already started to use or made reference to the template. AFCD had also collected the sales receipts of one lessee, which had been included in the inspection report of December 2023.

In Audit's view, AFCD needs to take measures to ensure that lessees of the Agri-Park maintain proper sales records and its officers record sales information in inspection reports for monitoring purpose;

- (b) ***Some farms not meeting target production volume.*** According to AFCD, the estimated annual production volume of the Agri-Park Phase 1 would be about 340 tonnes. For the 15 farms, the estimated annual production volume stated in the annual production plans (i.e. target production volume) was about 121 tonnes (i.e. about 36% of total estimated production volume, while the 15 farms accounted for about 45% of the farmland in the Agri-Park Phase 1). In December 2023, AFCD conducted annual review on farm production for the 10 farms with the first anniversary of the lease agreements falling in the period from 21 December 2023 to 31 January 2024. Audit noted that:
 - (i) according to AFCD, 9 (90%) of the 10 farms did not meet the target production volume, with shortfall ranging from 15% to 97% (averaging 65%); and
 - (ii) while AFCD had verbally advised the 9 lessees about the shortfall in target production volume in December 2023, the notification letter on annual production review (see para. 2.17(c)) had only been

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issued to the lessees on 23 February 2024. Audit also noted that AFCD had not specified the timeframe for issuing notification letters.

Upon enquiry, AFCD informed Audit in March 2024 that as it was the first time to conduct annual production review, time was required to integrate and examine the comments from lessees so as to provide the most suitable and appropriate support to them (each with different difficulties and needs). While noting AFCD's explanations, Audit considers that AFCD needs to continue to closely monitor the achievement of target production volume by lessees of the Agri-Park and provide assistance as appropriate. AFCD also needs to specify the timeframe for issuing notification letters on annual production review to lessees of the Agri-Park in its guidelines; and

- (c) ***Need to ensure accuracy of information in farm inspection reports.*** For 2 (13%) of the 15 farms, the size of the farmland areas as stated in 3 inspection reports was larger than the leased areas specified in the lease agreements (by 30 and 50 square metres or 3% and 2% of the leased areas respectively). Upon enquiry, AFCD informed Audit in March 2024 that the size of the farmland areas was the same as the leased areas and there were typographical errors in the related inspection reports. In Audit's view, AFCD needs to take measures to ensure accuracy of information in farm inspection reports of the Agri-Park.

Need to make continued efforts to ensure that Agri-Park serves its intended purposes

2.19 As of November 2023, according to AFCD, the Agri-Park Phase 1 would provide about 6 hectares of farmland, including a total of 21 farms (see paras. 2.9 and 2.11), of which 15 farms were under lease agreements (see para. 2.9(a)). Audit examined the annual production plans and monthly inspection reports (December 2022 to November 2023), and noted that:

- (a) ***Open application.*** According to AFCD, as of January 2024, all pieces of farmland in the Agri-Park Phase 1 (except Farm A and Farm B — see para. 2.9(b) and (c)) had been catered for the farmers affected by the development of the Agri-Park Phase 1 and other government development

projects. Hence, open application was not available in Phase 1 (see para. 2.2(c) and (d));

- (b) ***Farm modernisation.*** The Agri-Park aims to encourage the adoption of modern farming practices and development of new agricultural technology (see para. 2.2(a)). Audit noted that farm machines (such as a cultivator tiller — see Photograph 7) were only used in 4 (31%) of the 13 farms with crop production (see para. 2.12(a)) as stated in the inspection reports. Upon enquiry, AFCD informed Audit in March 2024 that:
- (i) AFCD actively provided technical training to the farmers on farm mechanisation and technical skills and knowledge such as pest prevention and control as well as use of quality crop varieties with a view to enhancing farm modernisation, production quality and productivity; and
 - (ii) of the 15 lessees, 14 lessees had already adopted manpower saving irrigation systems and 13 lessees had learnt how to use cultivation machinery. In 2023, 12 lessees had borrowed farm machinery (including cultivator tiller, brushcutter and bug-sucking machine) from AFCD to ease cultivating the land. Protected structure, reflective mulching or drip irrigation had also been adopted by 3 lessees; and

Photograph 7

Farm machine: cultivator tiller



Source: Photograph taken by Audit staff in January 2024

- (c) ***Farming operations.*** While the Agri-Park was intended to accommodate different types of farming operations (including conventional, organic and modern technological farming — see para. 2.2(b)), all 15 lessees had indicated in the annual production plans that they would adopt conventional farming. Upon enquiry, AFCD informed Audit in March 2024 that upon completion of works in the remaining part of the Agri-Park Phase 1, the farmland would be leased to two lessees practising organic farming and one lessee practising modernised greenhouse crop production.

2.20 In Audit's view, AFCD needs to keep under review the operation of the Agri-Park and make continued efforts to ensure that the Agri-Park serves its intended purposes (e.g. requiring the adoption of modern farming practices and technology as far as practicable).

Need to keep in view development progress of Agri-Park Phase 2

2.21 The Agri-Park Phase 2 covers an area of about 82 hectares of land. In June 2022, the Government informed the North District Council that the funding approval for the establishment of Phase 2 was planned to be sought from LegCo in 2023 and the works were expected to commence in 2024. In November 2022, the roads and sewerage works for Phase 2 were gazetted.

2.22 However, in September 2023, the Government informed the North District Council that a new phased developmental approach for development of the Agri-Park Phase 2 would be adopted. In October 2023, the original scope of Phase 2 was de-gazetted. According to the Blueprint, to expedite the development of Phase 2, under the new phased developmental approach:

- (a) the Government will proceed with the first stage of Phase 2, which covers about 19 hectares of land (Note 15); and
- (b) at the same time, the Government will facilitate the establishment of a “Modernised Techno-Agricultural Park” (about 11 hectares), led by an agricultural organisation through a public-private partnership model, within the other part of Phase 2.

2.23 According to AFCD, as of March 2024, the development progress of the Agri-Park Phase 2 was as follows:

- (a) for the works of the first stage of Phase 2 (see para. 2.22(a)), CEDD was carrying out the detailed design and site investigation work for the infrastructure; and
- (b) for the “Modernised Techno-Agricultural Park” (see para. 2.22(b)), the Government would facilitate the establishment of the park within 2024.

Note 15: *According to LandsD, it is responsible for resumption and clearance of land for establishment of the Agri-Park in accordance with the programme set by AFCD/CEDD in consultation with the relevant government departments.*

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2.24 In this connection, Audit noted that in June 2022, the Members of the North District Council had expressed concerns about the removal of rare plants not recorded in the register for preservation of plants during the road works of the Agri-Park Phase 1, and enquired how similar situations could be prevented in the Agri-Park Phase 2 development. In response, AFCD advised that a comprehensive investigation on the rare plants would be conducted by the consultant by drawing on the experience of the Agri-Park Phase 1, and AFCD would conduct site inspections together with the consultant to ensure that rare plants would be under adequate protection against damage.

2.25 In Audit's view, AFCD and CEDD need to, in collaboration with the relevant government department, keep in view the development progress of the Agri-Park Phase 2 to ensure its timely establishment, taking into account the experience gained in developing Phase 1.

Audit recommendations

2.26 **Audit has recommended that the Director of Agriculture, Fisheries and Conservation should:**

- (a) **strengthen measures to ensure the timely leasing of farmland in the Agri-Park;**
- (b) **strengthen measures to ensure that lessees of the Agri-Park timely commence and fully utilise the farms for crop production;**
- (c) **specify the criteria and timeframes for taking follow-up actions for non-compliances with leases of the Agri-Park in AFCD guidelines;**
- (d) **take measures to ensure that non-compliances with leases of the Agri-Park are followed up in accordance with the requirements specified in AFCD guidelines;**
- (e) **take measures to ensure that lessees of the Agri-Park maintain proper sales records and AFCD officers record sales information in inspection reports for monitoring purpose;**

- (f) **continue to closely monitor the achievement of target production volume by lessees of the Agri-Park and provide assistance as appropriate;**
- (g) **specify the timeframe for issuing notification letters on annual production review to lessees of the Agri-Park in AFCD guidelines;**
- (h) **take measures to ensure accuracy of information in farm inspection reports of the Agri-Park; and**
- (i) **keep under review the operation of the Agri-Park and make continued efforts to ensure that the Agri-Park serves its intended purposes (e.g. requiring the adoption of modern farming practices and technology as far as practicable).**

2.27 Audit has also *recommended* that the Director of Agriculture, Fisheries and Conservation and the Director of Civil Engineering and Development should:

- (a) **closely monitor the works progress and cost for the establishment of the Agri-Park Phase 1, and ensure the completion of works according to schedule and within the approved project estimate;**
- (b) **closely monitor the drainage conditions of the farms in the Agri-Park Phase 1 with flooding problem and take further measures to address the problem as appropriate with a view to leasing out the farms as soon as practicable; and**
- (c) **in collaboration with the relevant government department, keep in view the development progress of the Agri-Park Phase 2 to ensure its timely establishment, taking into account the experience gained in developing Phase 1.**

Response from the Government

2.28 The Director of Agriculture, Fisheries and Conservation agrees with the audit recommendations in paragraph 2.26. He has said that:

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- (a) although the outbreak of the COVID-19 epidemic has inevitably slowed down the construction works of the Agri-Park Phase 1, AFCD will strive to ensure timely leasing of the remaining farmland, strengthen technical support, training and facilitation measures to assist lessees to work on newly rehabilitated farmland through mechanisation, modernised farming practice and adoption of suitable agro-technology with a view to fully utilising the farmland, meeting the annual production target, improving farm productivity, and ensuring that the intended purposes of the Agri-Park are served. AFCD will also strictly require lessees to maintain sales records for monitoring purpose; and
- (b) AFCD updated the inspection and operation guidelines in March 2024 to specify the criteria as well as timeframes for taking actions against non-compliances and for issuing notification letters on annual production review. In the updated guidelines, measures are in place to ensure that inspection records are fully and accurately made so as to enhance monitoring and follow up non-compliances with leases of the Agri-Park in accordance with the specified requirements.

2.29 The Director of Agriculture, Fisheries and Conservation and the Director of Civil Engineering and Development agree with the audit recommendations in paragraph 2.27. They have said that AFCD and CEDD will:

- (a) closely work together to strive to ensure that the works of the Agri-Park Phase 1 will be completed according to schedule and within the approved project estimate;
- (b) closely work together to monitor the drainage conditions of the farms in the Agri-Park Phase 1 and take further measures as appropriate with a view to leasing out the farms as soon as practicable; and
- (c) through continued collaboration with the government departments concerned, keep in view the development progress to ensure timely establishment of the first stage of the Agri-Park Phase 2, taking into account the experience gained in developing Phase 1.

Designation of Agricultural Priority Areas

2.30 According to the New Agriculture Policy announced in 2016, the Government would explore the feasibility of designating APAs. In 2018, to revitalise fallow agricultural land and apply farming practices successfully developed or tested in the Agri-Park on a larger scale, the Government commissioned a consultancy study on APAs to identify relatively large areas of quality agricultural land, explore the feasibility of designating them as APAs, and recommend suitable policies and measures to provide incentives to encourage landowners to put fallow agricultural land into long-term agricultural use so as to support the development of local agriculture.

2.31 The consultancy study on APAs includes gathering baseline information on the study area, formulating a set of criteria for assessing the potential of the areas to be designated as APAs, assessing the site characteristics and suitability of the potential areas and recommending suitable areas for designation as APAs, assessing the merits, impacts and feasibility of designating the recommended areas as APAs, proposing implementation mechanism for APAs and conducting public engagement exercises.

2.32 A Steering Committee, co-chaired by EEB and DEVB and with members including AFCD, the Planning Department (PlanD) and LandsD, has been set up for overseeing the consultancy study on APAs. The progress of the study is also monitored through progress meetings (chaired by AFCD) between the relevant government bureaux/departments (B/Ds) and the consultant.

Delay in completion of consultancy study on APAs

2.33 AFCD and the consultant entered into the consultancy agreement on APAs in October 2018 with a fee of about \$16.51 million. According to the agreement, the consultancy services must be completed within 46 months from commencement date of the agreement (i.e. August 2022). Audit noted that the estimated completion date of the consultancy study had been revised a number of times, as follows:

- (a) in May 2021, the Government informed the LegCo Panel on Food Safety and Environmental Hygiene that as the consultancy study on APAs covered a significant amount of agricultural land and the issues involved were more

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complex than anticipated, the study would take at least two to three more years to complete;

- (b) in October 2022, the Government informed the LegCo Panel on Development that it would strive to complete the consultancy study on APAs within 2023; and
- (c) in November 2023, the Government informed the LegCo Panel on Food Safety and Environmental Hygiene that it planned to consult stakeholders on the recommendations of the consultancy study on APAs within 2024.

2.34 According to AFCD, as of January 2024 (i.e. about 1.5 years after the original target completion date of August 2022), the consultancy study on APAs was expected to be completed in 2024 (i.e. a delay of about two years). Audit also noted that there was an increase in the consultancy fee. In the consultancy agreement of October 2018, the consultancy fee was about \$16.51 million. Subsequently, the fee was increased by about \$1.55 million (or 9%) to \$18.06 million mainly due to change in scale and scope of the study in 2019 and 2023 (see para. 2.35(a) and (c)). As of December 2023, the total amount of fee paid was about \$10.44 million.

2.35 Upon enquiry, AFCD informed Audit in March 2024 that the reasons for the delay in completion of the consultancy study included the following:

- (a) in 2019, there was a great expansion of study area, which caused delay of work for about 8 months (from February to October 2019);
- (b) the black-clad violence in 2019 and 2020, followed by the onset of the COVID-19 epidemic since 2020 had inevitably slowed down the work progress of the consultancy study on APAs;
- (c) in 2021, the Northern Metropolis Development Strategy was released. Some potential APA clusters close to the potential New Development Areas in Yuen Long and North Districts were excluded from further examination for APA designation. In early 2023, upon firming up the boundaries of the New Development Areas in the Northern Metropolis, a few areas outside the New Development Areas were released for re-examination under the study. As the study moved on, some areas were affected by government

development projects, and might be committed or reserved for other development purposes. They were required to be removed from the potential APA clusters; and

- (d) despite the unforeseen changes, AFCD had been closely working out solutions with the consultant and discussing with the relevant B/Ds. The timetable for the study had been revised in a timely manner so as to reflect the changes and to keep the consultant's progress under monitoring.

2.36 As of January 2024, the completion of the consultancy study on APAs had already been delayed for about 1.5 years. In view of changes in sites included in the study and the corresponding fee increase, Audit considers that EEB and AFCD, as assisted by DEVB and the departments under its purview, need to closely monitor the progress of the consultancy study on APAs through various appropriate means, including the Steering Committee and the progress meetings, to ensure its timely completion. The relevant B/Ds also need to draw on the experience gained in this study in planning similar studies related to agriculture in future.

Scope for improving timeliness in submission of deliverables

2.37 According to the consultancy agreement, the consultant is required to submit various deliverables at different stages of the consultancy study on APAs to report the progress and result of the work performed, including bi-monthly progress reports, a draft for each deliverable (e.g. interim/final report on baseline review, initial finding and assessment of potential sites) and a final form of each deliverable. The submission schedule of the deliverables is stipulated in the agreement. For the deliverables submitted in the period from commencement of the consultancy agreement in October 2018 and up to January 2024, Audit noted delay in submission of some deliverables, as follows:

- (a) for 31 bi-monthly progress reports, 28 (90%) were submitted late, with delay ranging from 2 to 82 working days (averaging 22 working days);
- (b) for 15 draft deliverables, all were submitted late, with delay ranging from 2 to 37 days (averaging 24 days); and

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- (c) for 10 final deliverables, 8 (80%) were submitted late, with delay ranging from 54 to 300 days (averaging 219 days).

2.38 According to AFCD, the submission dates for the final deliverables (see para. 2.37(c)) refer to the dates when the Government Representative (i.e. AFCD)'s comments have been incorporated and the deliverables are ready for circulation to B/Ds for comment. Accordingly, only 6 (60%) of the 10 final deliverables were submitted late, with delay ranging from 4 to 138 days (averaging 71 days). However, according to the consultancy agreement, the final deliverables should take into account the Government's comments and include a summary of comments received from the Government and other consulted parties on the draft report. In this connection, Audit noted that AFCD had provided the deliverables to other B/Ds (e.g. EEB, DEVB, PlanD and LandsD) for comments and their comments had been incorporated in the final deliverables by the consultant.

2.39 Upon enquiry, AFCD informed Audit in March 2024 that:

- (a) the delay in submission of some deliverables was due to various factors which were mainly unforeseeable and out of control (see para. 2.35); and
- (b) it had been reminding the consultant to submit the deliverables before the specified timeframes. In addition, AFCD had requested the consultant to send a reminder to B/Ds to provide comments, and urged them to provide comments to facilitate the consultant to finalise the reports.

2.40 In view of the delay in submission of some deliverables by the consultant and the fact that AFCD is responsible for administering the consultancy agreement, Audit considers that AFCD needs to take measures to ensure that the deliverables of the consultancy study on APAs are submitted within the specified timeframes.

Audit recommendations

2.41 **Audit has recommended that the Secretary for Environment and Ecology and the Director of Agriculture, Fisheries and Conservation, as assisted by the Secretary for Development and the departments under DEVB's purview, should:**

- (a) **closely monitor the progress of the consultancy study on APAs through various appropriate means, including the Steering Committee and the progress meetings, to ensure its timely completion; and**
- (b) **draw on the experience gained in the consultancy study on APAs in planning similar studies related to agriculture in future.**

2.42 **Audit has also *recommended* that the Director of Agriculture, Fisheries and Conservation should take measures to ensure that the deliverables of the consultancy study on APAs are submitted within the specified timeframes.**

Response from the Government

2.43 The Secretary for Environment and Ecology and the Director of Agriculture, Fisheries and Conservation agree with the audit recommendations in paragraph 2.41. They have said that they will continue to work with the Secretary for Development and the departments under DEVB's purview to closely monitor the progress of the consultancy study on APAs and draw on the experience for planning similar studies related to agriculture in future.

2.44 The Secretary for Development and the departments under DEVB's purview agree with the audit recommendations in paragraph 2.41.

2.45 The Director of Agriculture, Fisheries and Conservation agrees with the audit recommendation in paragraph 2.42. He has said that AFCD will ensure that the deliverables of the consultancy study on APAs are submitted within the specified timeframes.

PART 3: FINANCIAL SUPPORT MEASURES

3.1 This PART examines the financial support measures for agricultural industry, focusing on the following areas:

- (a) SADF (paras. 3.2 to 3.25); and
- (b) emergency relief (paras. 3.26 to 3.34).

Sustainable Agricultural Development Fund

3.2 SADF was launched in December 2016 with a commitment of \$500 million to provide financial support for the modernisation and sustainable development of local agriculture. In December 2022, a further \$500 million was injected into SADF (i.e. total approved commitment amounted to \$1 billion). Under SADF, as of October 2023, there were three types of applications:

- (a) ***General application.*** General applications are for programmes, projects and research that would facilitate the development of modern and sustainable agriculture, thereby enhancing the overall competitiveness of the agricultural industry as a whole. The applicants may be legal entities, academic and research institutions in Hong Kong. The funding covers innovative projects, application projects and support services projects which may be partially or fully funded (Note 16). There is no pre-set level of maximum funding for projects under general application;

Note 16: *The government funding basis is as follows:*

- (a) *innovative projects involving commercial elements are funded on a maximum of a two-dollar-for-a-dollar matching basis (which was on a dollar-for-dollar matching basis before the implementation of the enhancement measures on 28 February 2023 — see para. 3.3);*
- (b) *application projects (new category since 28 February 2023) involving commercial elements are funded on a maximum of a dollar-for-dollar matching basis; and*
- (c) *support services projects (new category since 28 February 2023) with no commercial elements may be fully funded.*

- (b) ***Farm Improvement Scheme (FIS)***. FIS aims to provide direct grants to local farmers for acquisition of farming equipment and materials for improving their productivity. The maximum grant limit for an applicant is \$50,000 for a production unit (an applicant who owns more than one production unit may apply for two grants at most) on a reimbursement basis up to 90% of the cost (Note 17); and
- (c) ***Pilot Scheme***. The Pilot Scheme (launched on 18 February 2022 with application period up to 17 February 2024) aimed to promote the application of modern agricultural techniques, technologies or practices for providing financial support to projects with commercial elements. The applicants might be legal entities, academic and research institutions in Hong Kong. The ceiling of the total amount of grant to be approved under the Scheme was \$135 million and the projects were funded on a dollar-for-dollar matching basis.

3.3 Upon injection of the additional \$500 million into SADF, coverage of the fund has also been expanded and a series of enhancement measures have been implemented, including:

- (a) increasing the Government's maximum funding ratio for commercial projects which are innovative and pilot in nature, and introducing new subsidies for "application projects" and "support services projects" for general application (see Note 16 to para. 3.2(a));
- (b) raising the grant ceiling and ratio for FIS (see Note 17 to para. 3.2(b));
- (c) setting up a Task Force to assist potential applicants in refining their project proposals and preparing the necessary documents for their applications; and
- (d) expediting the financial assessment process and, without compromising the vetting requirements, minimising seeking information/documents from applicants as far as possible.

Note 17: *Before the implementation of the enhancement measures on 28 February 2023 (see para. 3.3), the maximum grant limit for an applicant was \$30,000 (regardless of the number of production units owned by the applicant) on a reimbursement basis up to 80% of the cost.*

Financial support measures

AFCD (i.e. the Secretariat of SADF) has started accepting new applications under the enhanced mechanism with effect from 28 February 2023.

Need to keep under review measures in encouraging applications for SADF

3.4 In April 2016, in seeking the approval of FC of LegCo in setting up SADF with \$500 million commitment, the Government mentioned that while the actual cash flow would depend on the number of applications received and approved, for planning and budgetary purpose, the estimated cash flow was \$100 million each year for 2017-18 and 2018-19, and \$50 million for the ensuing six years (i.e. used up by 2024-25).

3.5 In December 2022, in seeking the approval of FC of LegCo to increase the approved commitment of SADF by \$500 million, the Government mentioned that, depending on the number of applications to be received, it was roughly estimated that the annual expenditure would be around \$50 million after about three years, and as more applications would be attracted gradually with the expansion of the coverage of the fund, the annual expenditure afterwards would further increase to about \$100 million.

3.6 According to AFCD, since the launch of SADF in December 2016 and up to October 2023, the total amount of approved grant was about \$187 million (involving 485 applications — Note 18), including \$173.6 million (93%) (involving 18 applications) under general application, \$13.4 million (7%) (involving 467 applications) under FIS and nil under the Pilot Scheme (Note 19) (see Appendix B for the yearly figures). As of October 2023, the total amount of grant paid was about \$132 million. Audit noted that:

Note 18: *The amount of approved grant for each application ranged from:*

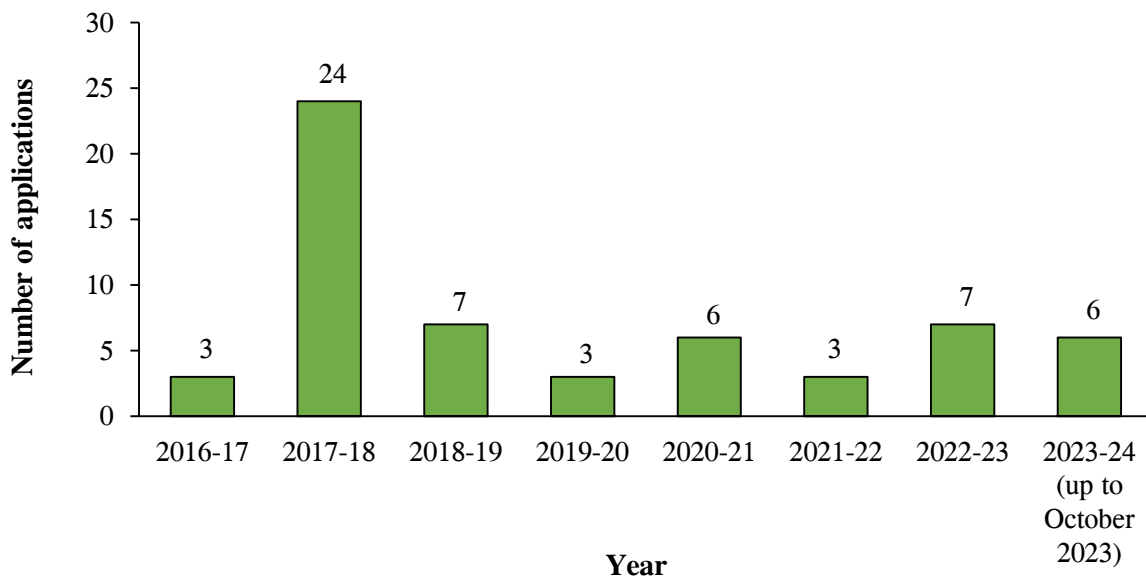
- (a) *\$604,000 to about \$15 million (averaging about \$9.6 million) for general application; and*
- (b) *\$5,600 to \$50,000 (averaging \$28,721) for FIS.*

Note 19: *For the Pilot Scheme, only 1 application was received, which was subsequently withdrawn by the applicant.*

- (a) **Approved grant less than estimates.** Over the nearly 7-year period, the total amount of approved grant was about \$187 million and the average amount of approved grant was about \$27 million each year. The average amount of approved grant was about 46% to 73% less than the original estimated cash flow of \$50 million to \$100 million each year (estimated in April 2016 — see para. 3.4); and
- (b) **Decrease in numbers of applications and low approval rates for general application.** For general application, since the launch of SADF in December 2016 and up to October 2023, a total of 59 applications was received. Audit examination revealed that:
- (i) of the 59 general applications, a total of 27 (46%) applications was received in 2016-17 and 2017-18 (see Figure 2). From 2018-19 to 2022-23, the annual number of applications received was only 3 to 7. Since the implementation of the enhancement measures on 28 February 2023, 6 general applications were received (all were received in 2023-24 (up to October 2023)); and

Figure 2

**Number of general applications received under SADF
(2016-17 to 2023-24 (up to October 2023))**



Source: AFCD records

Remarks: SADF was launched in December 2016.

Financial support measures

- (ii) as of October 2023, 4 of the 59 general applications received were under processing. Of the 55 processed applications, 18 (33%) applications were approved, 23 (42%) applications were rejected and 14 (25%) applications were withdrawn (see Table 1). Specifically, for the 5 applications received and processed after the implementation of the enhancement measures on 28 February 2023, only 1 (20%) application was approved.

Table 1

**Number of processed general applications under SADF
(2016-17 to 2023-24 (up to October 2023))**

Enhancement measures (Note)	No. of processed applications			
	Approved (a)	Rejected (b)	Withdrawn (c)	Total (d) = (a) + (b) + (c)
Application received before implementation (December 2016 to 27 February 2023)	17 (34%)	21 (42%)	12 (24%)	50 (100%)
Application received after implementation (28 February 2023 to 31 October 2023)	1 (20%)	2 (40%)	2 (40%)	5 (100%)
Overall	18 (33%)	23 (42%)	14 (25%)	55 (100%)

Source: AFCD records

Note: SADF was launched in December 2016 and the enhancement measures for the fund have been implemented since 28 February 2023.

3.7 Upon enquiry, AFCD informed Audit in January to March 2024 that:

- (a) SADF was officially launched at the end of 2016 and drew attention and interest from the local agricultural industry. Therefore, the number of SADF applications was high at the start in 2017-18. Some applications did not fulfill the objectives and principles of SADF as they failed to bring

overall benefits to the local agricultural industry and thus were rejected. In light of the high number of rejected cases, AFCD had adopted different measures since 2017-18 to enable potential applicants to clearly understand the objectives and principles of the fund (e.g. arranging briefing sessions and meetings with potential applicants). Consequently, the numbers of both applications and rejected cases had dropped and recently remained stable (Note 20);

- (b) some applicants had decided to withdraw the applications during the application process because they considered that their applications did not fulfill the objectives and principles of SADF, had found other funds more suitable and appropriate for their projects, or might have difficulty in allocating sufficient resources and manpower to deliver their proposed projects;
- (c) the number of SADF applications was subject to the demand of the agricultural sector. Regarding the low approval rate, a special Task Force had been set up (see para. 3.3(c)) to provide applicants with technical and financial advice to facilitate their application process. For the 5 applications received after the implementation of the enhancement measures (see Table 1 to para. 3.6(b)(ii)), only 1 application was approved as the applicants of the other 4 applications had not approached AFCD for advice before submission and the proposals were found incomplete or fell outside the scope of the fund; and
- (d) since the establishment of SADF, AFCD had deployed various means to promote the fund, including establishing an informative and dedicated official website and uploading all necessary information, documents and templates to facilitate potential applicants to make applications, sharing promotion videos via various channels (e.g. AFCD official website and social media platforms), and organising briefing sessions to introduce SADF to the local agricultural sectors and related trade associations. Since the implementation of the enhancement measures on 28 February 2023, AFCD had updated the website and promotion videos regarding the enhancement measures, and kept on organising briefing sessions and talks to publicise the enhancement measures.

Note 20: *From 2016-17 to 2017-18, of the 27 applications received and processed, 12 (44%) applications were rejected. From 2018-19 to 2022-23, of the 23 applications received and processed, 9 (39%) applications were rejected.*

Financial support measures

3.8 Audit noted that since the implementation of the enhancement measures on 28 February 2023 and up to October 2023, 6 general applications were received, of which the processing for 5 applications had been completed with only 1 (20%) application approved (see para. 3.6(b)). To foster the sustainable development of the agricultural industry, AFCD needs to keep under review the measures in encouraging applications for SADF and take follow-up actions as appropriate, including enhancing the prospective applicants' understanding of the enhancement measures.

Scope for improving timeliness in processing general applications

3.9 According to AFCD, upon receiving a general application under SADF, AFCD officers conduct initial screening and technical and financial assessments, and prepare an assessment summary of the application for consideration by SADF Advisory Committee. A recommendation will be provided by SADF Advisory Committee to the Director of Agriculture, Fisheries and Conservation for approval (for a grant not exceeding \$15 million — see para. 1.9). AFCD will then notify the applicant of the result.

3.10 *Need to update internal guidelines on timeframes for processing general applications.* In July 2022, in discussing the proposed additional injection of \$500 million into SADF, AFCD informed the LegCo Panel on Food Safety and Environmental Hygiene that following the implementation of the proposed enhancements, the average processing time was expected to be shortened, with vetting of an application to be completed within 6 months. Audit noted that:

- (a) according to SADF application guidelines (available on AFCD website as of January 2024), the processing of a general application with all necessary information provided would be completed within 6 months (i.e. the updated timeframe), but a longer time may be required for processing should there be a large number of applications or the applications involve issues that require more time to consider; and
- (b) according to AFCD internal guidelines, it would take about 6 months at the earliest to process a general application from receipt of the application with all necessary information to vetting of the application by SADF Advisory Committee.

As such, there were inconsistencies between the timeframes for processing general applications stated in SADF application guidelines and those in AFCD internal guidelines. In Audit's view, AFCD needs to timely update and clearly specify the timeframes for processing SADF general applications in its guidelines.

3.11 ***Long processing time for some general applications.*** According to both SADF application guidelines and AFCD internal guidelines, the compliance with the processing timeframe is assessed from the date of receiving the general application with all necessary information (see para. 3.10). However, as of January 2024, the date of receiving all necessary information was not readily available. Regarding the processing of general applications:

- (a) for the 9 general applications received and approved in the period from 2018-19 to 2023-24 (up to October 2023), Audit analysed the time lapse between receipt of applications and the approval and noted that:
 - (i) 7 applications were approved before the implementation of the enhancement measures (i.e. from 1 April 2018 to 27 February 2023). For 5 (71%) applications, the time lapse was more than 6 months and up to about 18 months (averaging about 13.7 months); and
 - (ii) 2 applications were approved after the implementation of the enhancement measures (i.e. from 28 February to 31 October 2023). The time lapse for 1 (50%) application was about 12.3 months;
- (b) as of October 2023, 4 applications were under processing, of which 3 applications had been received for more than 6 months and up to about 14 months (averaging about 11.8 months); and
- (c) Audit further examined the records of the application under processing which had been received for the longest time as of October 2023 (i.e. about 14 months), and noted that since receipt of the application in August 2022 and up to January 2024 (i.e. about 17 months), AFCD had requested the applicant to provide clarifications and supplementary information for 9 times. For 2 times, there was a time lapse of about 2.7 months and

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4.8 months between the applicant's replies and AFCD's subsequent follow-up actions (Note 21).

3.12 Upon enquiry, AFCD informed Audit in March 2024 that:

- (a) some applications were technically complicated and the applicants needed more time to seek professional advice from AFCD or other government departments; and
- (b) some applicants had taken more time to respond to AFCD's comments and to submit all the required information and supporting documents before AFCD could finish the assessment.

3.13 In Audit's view, AFCD needs to strengthen measures to ensure that SADF general applications are processed within the specified timeframes, and enhance monitoring of the compliance with the timeframes, including regularly compiling relevant management information for monitoring purpose.

Need to improve monitoring of projects under general applications

3.14 Upon approval of a project under general application for SADF, AFCD and the successful applicant (i.e. the grantee) enter into an agreement. Under the agreement, the grantee is required to submit progress reports, annual reports, a final report, financial statements and audited accounts within specified timeframes. The reports include information such as progress of implementation, interim results and evaluation of the project. AFCD officers vet the reports and prepare assessment summaries to SADF Advisory Committee. Upon acceptance of the reports by SADF Advisory Committee and approval by the Assistant Director (Agriculture), AFCD will issue acceptance letters to the grantee and arrange payment as necessary (Note 22).

Note 21: *According to AFCD guidelines, the processing time for initial vetting of the general application and the supplementary information should be 4 weeks and 2 weeks respectively.*

Note 22: *Payment for the project is disbursed in one-off lump sum or by instalments in accordance with the schedule of payment as set out in the agreement, on condition that the project has met the prescribed milestones.*

3.15 *Scope for improving timeliness in submitting and processing of reports.* According to AFCD guidelines (effective since 19 July 2021), the processing of reports submitted by grantees should generally be completed within 24 weeks. For the approved general applications, there were 8 projects with expected completion dates in 2022 and 2023. Audit noted that for the 8 projects, a total of 21 reports had been submitted by grantees on or after 19 July 2021 (i.e. after the timeframe for processing of reports was effective). Audit examination of the submission and processing of 21 reports revealed the following:

- (a) *Delay in submission of some reports.* The grantee is required to submit various reports to AFCD within specified timeframes (Note 23). Audit examined the submission dates of the 21 reports and noted that 14 (67%) reports were not submitted within the specified timeframes, with delay ranging from 7 to 107 days (averaging about 50.4 days); and

- (b) *Long time taken in processing some reports.* For the 21 reports, as of October 2023, the processing for 8 reports and 13 reports was completed and in progress respectively. Audit examined the processing time of the 21 reports and noted that:
 - (i) for the 8 reports, the processing time (i.e. from submission date of report to issue date of acceptance letter) for all reports was longer than 24 weeks, ranging from about 26 weeks to about 69 weeks (averaging about 41.8 weeks or 9.8 months);

Note 23: *According to SADF application guidelines, the reports are required to be submitted within specified timeframes, including:*

- (a) *a quarterly progress report and a financial statement (for a project lasting less than six months) to be submitted three months after the commencement of the project;*

- (b) *a progress report and a financial statement to be submitted within two months following the end of each 6-month reporting period;*

- (c) *an annual report and audited accounts to be submitted within two months following the end of each 12-month reporting period; and*

- (d) *a final report and audited accounts to be submitted within four months following the project completion date.*

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- (ii) for the 13 reports, as of 31 October 2023, 11 (85%) reports had been submitted for more than 24 weeks and up to 100 weeks (averaging about 49.4 weeks or 11.5 months); and
- (iii) further audit examination of the records of the report under processing which had been submitted for the longest time (i.e. 100 weeks or 1.9 years — see (ii) above) revealed that AFCD had taken about 4 months to review the progress report. Subsequently, AFCD requested the grantee to provide clarifications and supplementary information for 6 times. For 3 times, there was a time lapse of about 5 months to 7 months between the grantee's replies and AFCD's subsequent follow-up actions (Note 24).

3.16 Upon enquiry, AFCD informed Audit in March 2024 that:

- (a) the COVID-19 epidemic had hampered the progress and monitoring of some projects, including restrictions on carrying out on-site inspections and holding of activities and sharing sessions on project outcomes; and
- (b) some grantees had requested to postpone submission of progress reports and financial statements because more time was required to prepare for and respond to AFCD's comments.

3.17 In Audit's view, AFCD needs to take measures to ensure that reports for SADF projects are submitted and processed within the specified timeframes and enhance monitoring of the compliance with the timeframes, including regularly compiling relevant management information for monitoring purpose.

3.18 *Delay in completion of some projects.* According to AFCD, to enhance transparency and to allow the agricultural sector to share the experience and information arising from the funded projects, the final reports together with audited accounts of all projects (excluding commercially sensitive information) will be made

Note 24: *According to AFCD guidelines, clarifications with the grantee should generally be limited to 2 times and the processing time for reviewing the report and the supplementary information should be about 23 days and 16 days respectively.*

available for public inspection. These reports will also be uploaded onto AFCD website for easy public access. Since the launch of SADF in December 2016 and up to October 2023, there were 18 approved general applications (i.e. 18 projects — Note 25). As of October 2023, 10 projects were completed, of which:

- (a) 7 (70%) projects were completed about 3 months to 16 months (averaging about 8.6 months) later than the original expected completion date stated in the agreements; and
- (b) the final reports and the audited accounts of only 2 (20%) projects were available on AFCD website. For the remaining 8 projects, 6 projects had been completed for more than 10 months (i.e. the expected time for submission of final reports and completion of vetting) and up to about 2.3 years (averaging about 1.5 years), but the vetting of the related documents was still in progress (see also para. 3.15).

3.19 Upon enquiry, AFCD informed Audit in March 2024 that some grantees had requested for project extension in order to catch up the originally planned work schedule. In Audit's view, AFCD needs to enhance monitoring of projects under SADF to ensure their timely completion and sharing of project results to the agricultural sector as soon as practicable.

Scope for improving timeliness in processing applications for FIS

3.20 Since the launch of SADF in December 2016 and up to October 2023, a total of 500 applications under FIS was received. Of the 500 applications, 467 (93%) applications were approved (with approved funding of about \$13.4 million), 3 (1%) applications were rejected, 8 (2%) applications were withdrawn and 22 (4%) applications were under processing. Upon notification of approval of FIS

Note 25: *The 18 projects included 12 projects for crop farming (e.g. an organic certification system for crops and its promotion, and branding of local agricultural produce) and 6 projects for livestock farming (e.g. improvement on the health and production of livestock, and a consultancy study on building design guidelines for multi-storey livestock farms).*

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applications, the grantees can purchase the approved farming equipment or materials and apply for reimbursement (Note 26).

3.21 *Need to specify timeframe for processing FIS applications in guidelines.* According to AFCD guidelines, upon receiving an application for FIS with all necessary information, AFCD officers will normally conduct a farm inspection within 28 working days to assess the eligibility of the applicant. According to AFCD website, the processing of an application with all necessary information provided would be completed within 8 weeks. However, such timeframe was not specified in AFCD guidelines. In Audit's view, AFCD needs to clearly specify the timeframe for processing FIS applications in its guidelines.

3.22 *Need to improve timeliness in conducting farm inspections and processing applications for FIS.* According to AFCD, the compliance with the timeframes for conducting farm inspections and processing FIS application is assessed from the date of receiving the application with all necessary information (see para. 3.21). However, as of January 2024, the date of receiving all necessary information was not readily available. Regarding the processing of FIS applications:

- (a) *Delay in conducting farm inspections.* Audit analysed the time lapse between receipt of FIS applications and conduct of farm inspections, and noted the following:
 - (i) 98 applications were received in the period from 2022-23 to 2023-24 (up to October 2023) and approved as at 4 January 2024. For 23 (23%) applications, the farm inspections were conducted more than 28 working days and up to 95 working days (averaging about 57 working days) after receipt of the applications;
 - (ii) for the 22 applications under processing, as of October 2023, while 14 (64%) applications had been received for more than 28 working

Note 26: *According to AFCD, for FIS, its officers vet the reimbursement applications, conduct farm inspections and issue cheques for reimbursement upon approval of the reimbursement applications. All funded applications are subject to monitoring for two years from the date of issue of cheque for reimbursement to ensure the proper use of the farming equipment or materials.*

days and up to 127 working days (averaging about 67 working days), farm inspection had not yet been conducted; and

- (iii) Audit further examined the records of the 5 approved applications with the longest time lapse in conducting farm inspections (i.e. ranging from 70 to 95 working days — see (i) above) and the 5 applications under processing which had been received for the longest time (i.e. ranging from 73 to 127 working days — see (ii) above). For 5 (50%) of the 10 applications, no documentation was available showing the reasons for the long time lapse in conducting farm inspections (Note 27). Further audit examination of the records of the 2 applications (i.e. 1 approved and 1 under processing) with the longest time lapse revealed that the applicants had already provided all necessary information upon application submission; and

- (b) *Scope for improving timeliness in processing applications.* For the 98 applications received in the period from 2022-23 to 2023-24 (up to October 2023) and approved as at 4 January 2024, the processing time (i.e. from receipt dates of applications to dates of approval) for 65 (66%) applications was more than 8 weeks and up to about 23 weeks (averaging about 14.2 weeks or 3.3 months).

3.23 Upon enquiry, AFCD informed Audit in March 2024 that in 2022-23 and 2023-24, it needed to re-prioritise the manpower to conduct farm inspections for processing urgent assignments (including applications for Anti-epidemic Fund and ERF), which resulted in the delay in conducting farm inspections and processing applications for FIS. In Audit's view, AFCD needs to strengthen measures to ensure that FIS applications are processed and farm inspections are conducted within the specified timeframes, and enhance monitoring of the compliance with the timeframes, including regularly compiling relevant management information for monitoring purpose.

Note 27: *For the remaining 5 applications, according to AFCD records, the main reason for the long time lapse between the receipt of applications and the conduct of farm inspections was due to unavailability of applicants for inspections.*

Audit recommendations

3.24 **Audit has *recommended* that the Director of Agriculture, Fisheries and Conservation should:**

- (a) **keep under review the measures in encouraging applications for SADF and take follow-up actions as appropriate, including enhancing the prospective applicants' understanding of the enhancement measures;**
- (b) **timely update and clearly specify the timeframes for processing SADF general and FIS applications in AFCD guidelines;**
- (c) **strengthen measures to ensure that SADF general and FIS applications are processed and farm inspections of FIS applications are conducted within the specified timeframes, and enhance monitoring of the compliance with the timeframes, including regularly compiling relevant management information for monitoring purpose;**
- (d) **take measures to ensure that reports for SADF projects are submitted and processed within the specified timeframes and enhance monitoring of the compliance with the timeframes, including regularly compiling relevant management information for monitoring purpose; and**
- (e) **enhance monitoring of projects under SADF to ensure their timely completion and sharing of project results to the agricultural sector as soon as practicable.**

Response from the Government

3.25 The Director of Agriculture, Fisheries and Conservation agrees with the audit recommendations. He has said that AFCD:

- (a) will keep on actively promoting SADF through the dedicated official website, briefing sessions, stakeholder meetings, and promotion videos uploaded onto social media. AFCD will continue conducting such promotional activities and exploring more channels to improve prospective applicants' understanding of the enhancement measures;

- (b) updated the SADF Internal Procedures and FIS Internal Procedures in March 2024 to clearly specify the timeframes for processing applications;
- (c) will ensure that all officers involved in processing SADF applications comply with the guidelines, and clearly inform applicants of the deadlines for submission of supplementary information in support of their applications. AFCD will compile regular management information reports for monitoring purpose; and
- (d) will continue to enhance the monitoring of SADF projects and ensure compliance with the relevant requirements, including the specified timeframes and sharing of project results to the agricultural sector upon completion.

Emergency relief

3.26 AFCD is responsible for approving and paying primary producer grants under ERF (Note 28) for loss of crops, livestock or cultured fish as a result of fire, flooding, tempest, landslide, typhoon or other natural disasters (Note 29). In 2023, 1,967 applications were approved (with approved grant of about \$23.5 million (Note 30)).

Note 28: *As at 31 March 2023, the capital of ERF was about \$136 million.*

Note 29: *According to AFCD, in general, small full-time farmers adversely affected by a natural disaster may apply for the rehabilitation grants under the primary producer grants for loss of crops or livestock. The grant amount varies depending on the types of loss (e.g. as of February 2024, the maximum grant level for vegetables and other crops is \$12,960 for 6 dau chung (one dau chung is equal to 674.5 square metres) and livestock is \$11,400 for 10 pigs and \$6,500 for 400 birds). No grant will be given under certain circumstances, including applicants with at least half of whose income not coming from farming, or less than one-third of the whole farm is damaged.*

Note 30: *The amount of approved grant for each application ranged from \$810 to \$23,460 (averaging \$11,963).*

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Scope for improving processing of applications for ERF

3.27 According to AFCD guidelines, upon receiving an application for ERF, site investigation would be arranged as soon as possible and in any case should not be longer than 7 working days. Audit noted that:

- (a) for 766 (39%) of the 1,967 applications approved in 2023, site investigations were conducted more than 7 working days after receipt of applications, with delay ranging from 1 to 21 working days (averaging about 5.2 working days); and
- (b) further audit examination of the records of the 5 applications with the longest delay (i.e. ranging from 17 to 21 working days) revealed that the reasons for the delay in conducting site investigations were not documented for all applications.

3.28 According to the performance standard published on AFCD website, processing of an ERF application would normally be completed within 30 working days upon receipt of an application with all necessary information and supporting documents provided. Audit noted that:

- (a) as of January 2024, for the 1,967 applications, the dates of receiving the applications with all necessary information and the completion dates of application process (i.e. the approval dates) were not readily available; and
- (b) management information on achievement of the performance standard was not regularly compiled for monitoring purpose.

3.29 Upon enquiry, AFCD informed Audit in March 2024 that:

- (a) the delay in processing ERF applications in 2023 was mainly due to Typhoon Saola and the subsequent heavy rainstorm within a week. The unprecedented 16-hour black rainstorm resulted in territory-wide flooding and substantial damage to crops on the affected farmland. The number of applications reached a record high of 1,967; and

- (b) site investigations and assessments were delayed due to adverse weather conditions, poor/damaged road access, farmers' availability, and manpower shortage. These factors made it challenging for AFCD to conduct site visits, reach remote areas, review applications thoroughly, and process all site investigations within the specified timeframe.

3.30 In order to provide emergency relief to affected farmers in a timely manner, Audit considers that AFCD needs to take measures to ensure that site investigations for ERF applications are conducted within the specified timeframe. AFCD also needs to monitor the achievement of the performance standard on processing ERF applications, including regularly compiling relevant management information for monitoring purpose.

Scope for improving spot checks on applications for ERF

3.31 According to AFCD, after approving an application for ERF, an AFCD officer other than the one who conducted the assessment for the application should conduct spot checks to the farms of the applicant to re-assess the eligibility. The spot checks should be conducted for 5% of the approved applications. For the 1,967 approved applications, Audit noted that:

- (a) AFCD conducted spot checks on 101 (5%) approved applications; and
- (b) about 80% (i.e. 1,571 of 1,967) of applications (or about 82% of grant value) approved in 2023 involved the farms in Yuen Long and North District, and AFCD only conducted spot checks to farms in these two districts but not other districts (see Table 2).

Table 2

**Spot checks on approved ERF applications
(2023)**

Location of farms	No. of applications	
	Approved	With spot check
Yuen Long	812 (41%)	51 (50%)
North District	759 (39%)	50 (50%)
Tai Po	208 (11%)	– (0%)
Tuen Mun	81 (4%)	– (0%)
Lantau Island	53 (3%)	– (0%)
Sai Kung	31 (1%)	– (0%)
Tsuen Wan	23 (1%)	– (0%)
Total	1,967 (100%)	101 (100%)

Source: *Audit analysis of AFCD records*

3.32 Audit noted that AFCD had not specified the selection method of ERF applications for conducting spot checks in its guidelines. In light of the audit findings in paragraph 3.31, Audit considers that AFCD needs to enhance the sample selection method (e.g. covering more districts), lay down the relevant requirements in its guidelines and take measures to ensure compliance with the requirements.

Audit recommendations

3.33 **Audit has recommended that the Director of Agriculture, Fisheries and Conservation should:**

- (a) **take measures to ensure that site investigations for ERF applications are conducted within the specified timeframe;**
- (b) **monitor the achievement of the performance standard on processing ERF applications, including regularly compiling relevant management information for monitoring purpose; and**

- (c) **enhance the sample selection method of ERF applications for conducting spot checks (e.g. covering more districts), lay down the relevant requirements in AFCD guidelines and take measures to ensure compliance with the requirements.**

Response from the Government

3.34 The Director of Agriculture, Fisheries and Conservation agrees with the audit recommendations. He has said that:

- (a) ERF operates under a set of established guidelines that are designed to ensure the efficacy and fairness of the fund's distribution. AFCD will re-prioritise its manpower to conduct the required site investigations within the specified timeframe in situations where immediate relief is required; and
- (b) AFCD will keep on compiling daily situation report to closely monitor the progress on processing applications in each ERF exercise, and set forth in the guidelines by the end of June 2024 the appropriate requirements and selection method of districts for spot checks.

PART 4: OTHER SUPPORT MEASURES

4.1 This PART examines other support measures for agricultural industry, focusing on the following areas:

- (a) technical and training support (paras. 4.2 to 4.24);
- (b) support for agricultural land rehabilitation (paras. 4.25 to 4.33); and
- (c) promotion and marketing services (paras. 4.34 to 4.43).

Technical and training support

4.2 AFCD conducts adaptive and technical studies, and introduces modern technology and practices to local farmers to facilitate their efficient production and improve the quality of their products (Note 31). Technical and training support is provided by AFCD to local farmers through various means, including the Local Vegetable Farm Voluntary Registration Scheme, the Accredited Farm Scheme and OFSS, and provision of hydroponics support and training courses.

Scope for enhancing information in central database of Local Vegetable Farm Voluntary Registration Scheme

4.3 Under the Local Vegetable Farm Voluntary Registration Scheme, AFCD provides technical assistance and agricultural services to registered farms to enhance their awareness of safe production, good farming techniques and produce quality. According to AFCD, a central database (in the form of a spreadsheet) has been set up under the scheme for keeping farmers' particulars, farm sizes, locations and horticultural details, to facilitate the provision of support services to farmers. Audit examination of the scheme revealed that:

Note 31: *AFCD operates a crop experimental farm in Sheung Shui, namely the Tai Lung Experimental Station, where AFCD conducts studies to search for and put on trial production methods and crop varieties that suit the local environment, thereby supporting local agriculture. For example, an organic demonstration farm has been set up in the station and AFCD also studies the suitability of various types of controlled-environment greenhouses for adaptation in Hong Kong.*

- (a) the number of registered farms decreased by about 3% from 1,967 in 2018 to 1,911 in 2023 (as of October) (see Table 3);

Table 3

**Number of registered farms
under Local Vegetable Farm Voluntary Registration Scheme
(2018 to 2023 (as of October))**

Year	No. of registered farms
2018	1,967
2019	1,936
2020	1,943
2021	1,943
2022	1,950
2023 (as of October)	1,911

Source: AFCD records

Remarks: For 2018 to 2022, the number of registered farms represented the position as of December in respective year.

- (b) while there was a field “registration date” in the central database, the registration dates of 12 registered farms were not input; and
- (c) there was no dedicated field for capturing the date of de-registration and reasons for withdrawal from the scheme.
- 4.4 Upon enquiry, AFCD informed Audit in March 2024 that:
- (a) the decrease in the number of the registered farms in the Local Vegetable Farm Voluntary Registration Scheme was due to the Government’s land resumption and development programmes in the New Territories;
- (b) the scheme was launched in 2006, and the data was digitised from previously used paper forms. The registration dates of the 12 registered

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farms (see para. 4.3(b)) were not properly cross-checked against the paper forms during the input process; and

- (c) the de-registration dates and the primary reasons for withdrawal from the scheme were separately maintained. Typically, the reasons include land resumption or developments and the retirement of farmers.

4.5 According to AFCD, the central database has been set up under the Local Vegetable Farm Voluntary Registration Scheme to facilitate the provision of support services to farmers. However, some information for monitoring the registered farms was not maintained in the database (see para. 4.3(b) and (c)). In Audit’s view, AFCD needs to enhance the information maintained in the central database for monitoring purpose.

Room for improvement in conducting farm visit under Accredited Farm Scheme

4.6 The Accredited Farm Scheme aims at promoting the adoption of good horticultural practice and environmental friendly production. Integrated pest management and proper use of pesticides are emphasised with a view to ensure production of quality vegetables that are safe for consumption. Accredited farms are strictly monitored and supervised on uses of pesticides and produce is further checked for pesticide residues before selling at accredited retail outlets (under the registered brand name of “Good Farmer” — see Figure 3). As of October 2023, there were 312 accredited farms (comprising 287 local farms and 25 farms operated by Hong Kong farmers in the Mainland).

Figure 3

“Good Farmer” logo



Source: AFCD records

4.7 According to AFCD, its staff or authorised body (for farms in the Mainland) conduct regular visits to the accredited farms and take samples of vegetables, soil, irrigation water and pesticides for relevant laboratory testing. According to AFCD guidelines, farm visit (with samples taken) for extending the accredited status should be conducted half-yearly for local farms and once/twice a year for farms in the Mainland. Audit examination of the farm visit records (from 2022 to 2023 (up to October)) (i.e. 22 months) for the 312 accredited farms (involving 2,480 hectares of cultivated area) revealed that:

- (a) for the 287 accredited local farms (involving 84 hectares of cultivated area), the number of visits (with samples taken) to 190 (66%) farms did not meet the required frequencies, including:
 - (i) 133 (46%) farms with no visit conducted; and
 - (ii) 35 (12%) and 22 (8%) farms with only 1 and 2 visits conducted respectively (the required number was 3); and
- (b) for the 25 accredited farms operated by Hong Kong farmers in the Mainland (involving 2,396 hectares of cultivated area), the number of visits (with samples taken) to 8 (32%) farms did not meet the minimum required frequency (i.e. once a year), with no visit conducted during the 22-month period. Besides, while AFCD guidelines stated that farm visit for extending

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the accredited status should be conducted once/twice a year for farms in the Mainland, the criteria for determining the required number of farm visits were not clearly specified in the guidelines.

4.8 Upon enquiry, AFCD informed Audit in March 2024 that:

- (a) the number of visits to accredited farms was reduced during the first half of 2022 due to the Government's work-from-home arrangement in response to the COVID-19 epidemic. As a result, the services for conducting technical farm visits and biochemical analysis were scaled down. Additionally, various ad-hoc tasks to fight the epidemic required prompt completion (including processing applications for the Anti-epidemic Fund and ERF);
- (b) throughout the majority of 2022, which was marked by the COVID-19 epidemic, some farmers were reluctant to meet with AFCD officers or allow them to visit the farms due to concerns about the health risk. There were instances where farmers were infected or placed under quarantine or isolation orders. Furthermore, some farmers resided in the Mainland or overseas and were unable to return to Hong Kong because of the restriction measures of the COVID-19 epidemic;
- (c) for the 190 accredited local farms with the number of visits (with samples taken) not meeting the required frequencies (i.e. 3 times) from 2022 to 2023 (up to October) (see para. 4.7(a)), AFCD officers had actually visited 86 farms for 3 times or more for providing technical support (Note 32). During these visits, technical support on good horticultural practices and the proper use of pesticides was provided. However, according to the professional judgment of field officers, there were no suitable and sufficient pre-harvest samples available for laboratory testing (i.e. mostly because the farms which were severely affected by the epidemic had just resumed cultivation). Additionally, 52 farms were not visited as they were

Note 32: *According to AFCD guidelines, monitoring visits to accredited farms should be conducted once every two months. According to AFCD, in the 22-month period from 2022 to 2023 (up to October), the number of visits to the 86 farms ranged from 3 to 12 times (averaging about 6 times).*

operationally inactive (i.e. land left fallow without commercial production) (Note 33) during the above-mentioned period; and

- (d) for the 8 accredited farms in the Mainland with no farm visit from 2022 to 2023 (up to October) (see para. 4.7(b)), the farms had suspended production/operation for various reasons (such as the COVID-19 epidemic). Thus, AFCD could not conduct the inspections (which aimed at examining farm operation, delivering technical advice and collecting samples of pre-harvest vegetables for test).

4.9 While noting AFCD's explanation in paragraph 4.8, Audit noted that AFCD had not regularly compiled management information for monitoring the compliance with the requirements in conducting farm visits to accredited farms (e.g. the number of visits conducted and the reasons for not taking samples as mentioned in para. 4.8(c) and (d)). In Audit's view, in order to ensure the quality of the vegetables, AFCD needs to take measures to ensure that visits to farms for extending their accredited status under the Accredited Farm Scheme are conducted in accordance with the timeframes and frequencies specified in its guidelines, and enhance monitoring of the compliance with the requirements (including regularly compiling relevant management information for monitoring purpose). AFCD also needs to specify clearly the criteria for determining the required number of visits to accredited farms in the Mainland for extending the accredited status in its guidelines.

Room for improvement in conducting farm inspections and issuing approval letters for OFSS

4.10 Under OFSS (see para. 1.11(c)), AFCD provides various support services to participating farmers, including sampling of soil and irrigation water for testing and on-site organic assessment, regular farm visits to provide technical advice and suggestions, technical input and advisory for organic certification application (Note 34), and introduction of organic pest control techniques and cultivation practices. As of October 2023, 353 farms joined OFSS.

Note 33: *According to AFCD guidelines, for accredited farms with applications submitted for suspension of production, monitoring visits may be conducted once every six months.*

Note 34: *Organic farmers who wish to apply for organic certification have to contact certification companies and pay a fee for the service.*

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4.11 *Need to improve timeliness in conducting farm inspections.* According to AFCD guidelines (Note 35), AFCD officers inspect each farm joining OFSS once every year for regular farm monitoring. During the visit, the officers will record farmers' growing and pesticide practice and provide technical advice. As of October 2023, 324 (92%) of 353 farms had joined OFSS for more than a year. Audit examined AFCD's latest inspection to the 324 farms and noted that, as of October 2023, inspection to 68 (21%) farms did not meet the requirement, with no farm inspection conducted for more than 1 year and up to about 2.3 years (averaging about 1.2 years).

4.12 Upon enquiry, AFCD informed Audit in March 2024 that as the Organic Farming Section (under Crop Development Division) was short-staffed in recent years (e.g. as a result of delay in recruitment exercises due to the COVID-19 epidemic) and tasked with other urgent and important assignments (e.g. processing applications for the Anti-epidemic Fund and ERF), inspection to farms under OFSS could not be conducted in accordance with the timeframes and frequencies specified in the guidelines.

4.13 In Audit's view, for regular farm monitoring and provision of timely technical advice, AFCD needs to take measures to ensure that inspections to farms under OFSS are conducted in accordance with the timeframes and frequencies specified in its guidelines, and enhance monitoring of the compliance with the requirements (including regularly compiling relevant management information for monitoring purpose).

4.14 *Room for improvement in issuing approval letters.* According to AFCD guidelines, upon receiving an application from a farmer for joining OFSS, AFCD officer will conduct a farm inspection which involves taking samples of soil, irrigation water and vegetable for testing. A letter of approval will be provided to the applicant within one week after reviewing the results of sample tests and technical visits. However, as of January 2024, the dates of reviewing the test results and issuing the approval letters were not readily available. Audit analysed the time lapse between receipt of test results and approval of applications (based on the approval dates in the file records) of 26 applications approved in 2023 (up to October) and noted that:

Note 35: *The guidelines for work procedures for OFSS were first issued in January 2023. According to AFCD, the procedures in the guidelines were established practices which had been followed by AFCD officers.*

- (a) for 2 (8%) applications, the approval dates were 1 and 29 days earlier than the dates of receiving the test results;
- (b) for the remaining 24 (92%) applications, the approval dates were 21 days and up to about 1.7 years (averaging about 2.7 months) after receiving the test results; and
- (c) for 25 (96%) applications, the approval letters were dated 1 to 23 days (averaging about 9.4 days) earlier than the approval dates.

4.15 Upon enquiry, AFCD informed Audit in February 2024 that:

- (a) for the 2 applications with approval dates earlier than the dates of receiving the testing results (see para. 4.14(a)), the procedures were not duly followed in granting the approval. AFCD would update the procedures accordingly to include spot checking of applications by division head; and
- (b) the delay in granting approval for some applications (see para. 4.14(b)) was partly due to manpower shortage (e.g. during the COVID-19 epidemic and surge of other applications received). Besides, the details of some applications were only finalised by the applicants after receiving the test results. If counted from the dates of finalising the application details to the approval dates, the approval time for some applications would be in order.

4.16 Audit noted that in assessing the compliance with the timeframe for issuing approval letters, AFCD would take into account the dates of finalising the application details as appropriate (see para. 4.15(b)), which had not been specified in AFCD guidelines (see para. 4.14). In Audit's view, AFCD needs to update the relevant guidelines. AFCD also needs to strengthen measures to ensure that approval letters are issued within the specified timeframe, and enhance monitoring of the compliance with the timeframe. Besides, AFCD needs to take measures to ensure that approval letters are dated and issued after obtaining approval for the applications.

Scope for enhancing support for hydroponic farms

4.17 The Hydroponic Centre is established to study and demonstrate the advanced techniques and facility involved in order to showcase its merits for the easy reference of the trade and other interested investors. Modern hydroponic farms may be set up indoor (such as in industrial building units) or on agricultural land. The Hydroponic Centre also arranges regular visits to different hydroponic farms to provide them with technical support. Table 4 shows the number, total output and value of production of hydroponic farms as well as the number of visits to the farms from 2018 to 2023 (up to October). As shown in the table:

- (a) while the number of hydroponic farms increased by about 13% from 40 farms in 2018 to 45 farms in 2022, the total output of hydroponic farms decreased by about 53% from 650 tonnes in 2018 to 307 tonnes in 2022. The total value of production by hydroponic farms also decreased by about 68% from \$122 million in 2018 to \$39 million in 2022; and
- (b) from 2018 to 2022, the number of visits to hydroponic farms ranged from 8 to 26 visits each year. While the number of visits in 2023 (up to October) increased to 16 visits, it was still below the level in 2020 and did not cover all hydroponic farms.

Table 4

**Hydroponic farms
(2018 to 2023 (up to October))**

Year	Hydroponic farms (Note 1) (No.)	Total output (Tonnes)	Total value of production (\$ million)	Visit to hydroponic farms (No.)
2018	40	650	122	11
2019	43	465	75	17
2020	50	360	57	26
2021	49	400	52	10
2022	45	307	39	8
2023 (up to October)	(Note 2)			16

Source: AFCD records

Note 1: The number of hydroponic farms represented the position as of December in respective year.

Note 2: According to AFCD, as of February 2024, the figures for 2023 were not available.

4.18 Upon enquiry, AFCD informed Audit in January and March 2024 that:

- (a) the decrease in total output by hydroponic farms could be attributed mainly to the impact of the black-clad violence in 2019 and the outbreak of the COVID-19 epidemic, which had adversely affected the demand for the produce. Business of the hydroponic industry with airlines, hotels and restaurants had been severely affected as well. As a result, some farms ceased operation while some reduced their production scale. Closure of some farms was also caused by land resumption and other land issues;
- (b) in recent years, some new hydroponic farms had opted to cultivate high-value and lightweight crops, such as edible flowers, herbs, and microgreens, resulting in a decline in total output (in tonnes); and

Other support measures

- (c) the conduct of farm visits to hydroponic farms in recent years was adversely affected by the COVID-19 epidemic.

4.19 The setting up of modern hydroponic farms and stalls on suitable rooftops of public markets is one of the priority measures in promoting the sustainable development of agriculture as announced in the 2023 Policy Address. In view of the drop in output and value of the production, AFCD needs to enhance support for hydroponic farms as appropriate, including conducting more farm visits.

Scope for improving evaluation of training courses

4.20 To boost technology and knowledge transfer and attract the young generation to join the agricultural industry, the Hydroponic Centre launched the Hydroponic Cultivation Pilot Attachment Programme in 2022. The programme provides professional knowledge in operating indoor controlled environment hydroponic farms and opportunities for hands-on experience to potential investors, start-up farmers or local tertiary students who are interested in joining the hydroponic agricultural sector. Each class of the programme normally lasts for six days and has six participants. Up to October 2023, a total of 7 classes was organised with 42 participants. Audit noted that 21 (50%) evaluation forms had been received from the participants for evaluating the programme.

4.21 AFCD also organises various technical seminars and workshops for local agriculture, such as those about organic farming and greenhouse technology. According to AFCD, in the period from 2022 to 2023 (up to October), a total of 19 training courses (involving 900 participants) was held. Audit noted that evaluation of the 19 training courses by the participants had not been conducted. Upon enquiry, AFCD informed Audit in December 2023 and February 2024 that participants had been invited to complete evaluation forms for training courses since December 2023, and the response rate for the two courses held in December 2023 was about 69% on average.

4.22 In Audit's view, AFCD needs to take measures to further improve the response rate of the evaluation forms of the Hydroponic Cultivation Pilot Attachment Programme to enhance the information collected for evaluation purpose. AFCD also needs to take measures to ensure that its staff collect feedback from participants of all training courses with a view to identifying room for improvement.

Audit recommendations

4.23 **Audit has *recommended* that the Director of Agriculture, Fisheries and Conservation should:**

- (a) **enhance the information maintained in the central database of the Local Vegetable Farm Voluntary Registration Scheme for monitoring purpose;**
- (b) **take measures to ensure that visits to farms for extending their accredited status under the Accredited Farm Scheme and inspections to farms under OFSS are conducted in accordance with the timeframes and frequencies specified in AFCD guidelines, and enhance monitoring of the compliance with the requirements (including regularly compiling relevant management information for monitoring purpose);**
- (c) **specify clearly the criteria for determining the required number of visits to accredited farms in the Mainland under the Accredited Farm Scheme for extending the accredited status in AFCD guidelines;**
- (d) **regarding the issue of approval letters under OFSS:**
 - (i) **update AFCD guidelines for issuing approval letters;**
 - (ii) **strengthen measures to ensure that approval letters are issued within the specified timeframe, and enhance monitoring of the compliance with the timeframe; and**
 - (iii) **take measures to ensure that approval letters are dated and issued after obtaining approval for the applications;**
- (e) **enhance support for hydroponic farms as appropriate, including conducting more farm visits;**
- (f) **take measures to further improve the response rate of the evaluation forms of the Hydroponic Cultivation Pilot Attachment Programme to enhance the information collected for evaluation purpose; and**

Other support measures

- (g) **take measures to ensure that AFCD staff collect feedback from participants of all training courses with a view to identifying room for improvement.**

Response from the Government

4.24 The Director of Agriculture, Fisheries and Conservation agrees with the audit recommendations. He has said that:

- (a) the information currently stored in the central digitalised database of the Local Vegetable Farm Voluntary Registration Scheme will be expanded so as to enhance the monitoring efficiency;
- (b) AFCD will update the relevant guidelines for the Accredited Farm Scheme by the end of June 2024 to provide clearer guidance on the purpose of the farm visits and the technical advice to be provided to farmers. Farm visits will be conducted in accordance with the timeframes and frequencies specified in the updated guidelines;
- (c) the guidelines concerning the criteria for determining the required number of visits to accredited farms in the Mainland under the Accredited Farm Scheme for renewal of accredited status were updated in March 2024;
- (d) the guidelines concerning the issuance of approval letters under OFSS were updated in March 2024 and measures are in place to ensure compliance with the guidelines; and
- (e) AFCD staff will conduct more farm visits to hydroponic farms to provide technical support, and will strive to ensure that participants return the evaluation forms to AFCD by the completion of Hydroponic Cultivation Pilot Attachment Programme and all training courses to identify room for improvement.

Support for agricultural land rehabilitation

4.25 To promote the development of local agriculture, AFCD encourages landowners to lease their land for farming in order to rehabilitate fallow farmland.

AFCD operates ALRS through bringing owners of agricultural land and interested farmers together to work out leasing agreements for the agricultural land. The arrangements are as follows:

- (a) AFCD matches farmland with landowners and potential tenants on the waiting list, and serves as a witness for the contracting procedure; and
- (b) the landowners/tenants have found their own potential tenants/landowners and AFCD will provide contract signing services as a witness.

Long time taken to match landowners with tenants

4.26 In the period from 2018 to 2023 (up to October), there were 156 successful matching cases (involving area of about 18 hectares) under ALRS. Audit examination revealed that the matching for 21 (13%) and 135 (87%) successful cases were carried out by AFCD, and landowners and tenants respectively. Audit also noted that:

- (a) for the 21 successful cases arranged by AFCD, the average waiting time ranged from 2.8 years to 5.6 years (see Table 5); and
- (b) as of October 2023, there were 507 applications (involving area of about 74.8 hectares) on the waiting list, with average waiting time of about 4.4 years (the longest waiting time was about 18.8 years) (Note 36).

Note 36: *As of October 2023, there were 12 applications received from the landowners for renting out their agricultural land which were yet to be matched with potential tenants by AFCD. Upon enquiry, AFCD informed Audit in February 2024 that of the 12 applications, 3 applications were withdrawn by the landowners, 7 applications were put on hold (due to reasons such as improvement of water source or environment of the land was required) and the matching for the remaining 2 applications was in process.*

Other support measures

Table 5

**Average waiting time and the number of applications on the waiting list
under ALRS
(2018 to 2023 (up to October))**

	2018	2019	2020	2021	2022	2023 (up to October)
No. of successful cases arranged by AFCD	3	6	4	1	4	3
Average waiting time (years)	3.2	3.8	4.2	2.8	5.3	5.6
No. of applications on the waiting list (as at year/month end) (Note)	413	445	517	525	516	507

Source: AFCD records

Note: From 2018 to 2022, the annual number of new applications ranged from 52 to 88, and the annual number of applications withdrawn/removed from the waiting list (see para. 4.27(b)) ranged from 3 to 93. In 2023 (up to October), there were 34 new applications and 40 applications withdrawn/removed from the waiting list.

4.27 Upon enquiry, AFCD informed Audit in December 2023 that:

- (a) under ALRS, AFCD played a facilitative role by matching prospective tenants with landowners who were willing to rent out their agricultural land for farming use. Ultimately, it was for the landowners to decide whether or not to rent out their land for agricultural use. It was quite common that some landowners would prefer leaving their farmland fallow rather than leasing out for farming use because of the relatively low rental return and the potential difficulty or delay if they later wished to terminate the tenancy and re-possess the land for other alternative uses. More and more landowners, particularly since 2020, had been unwilling to lease out their agricultural land after the announcement that large-scale public development projects would continuously be launched in the New Territories;

- (b) AFCD had strived to keep the waiting list updated and realistic. According to the existing procedures, if the applicant on the waiting list could not be reached by phone repeatedly over a year, a notification letter would be sent to the applicant. If the applicant failed to respond within the specified timeframe, the applicant would be removed from the waiting list; and
- (c) the implementation of the Agri-Park, designation of quality agricultural land as APAs and fostering of urban farming were the measures to increase supply of leasable farmland/farming sites which would in turn reduce the average waiting time and number of applicants on the waiting list.

4.28 According to AFCD, in order to keep the waiting list updated, the applicants on the list would be contacted by phone regularly (see para. 4.27(b)). Audit examined the contact records (in 2022 and 2023) for 10 applicants on the waiting list as of October 2023, and noted that 3 (30%) applicants were not contacted every year as required. In view of the long waiting time, AFCD needs to keep under review the measures for shortening the waiting time of applications under ALRS and strengthen actions as appropriate, including ensuring compliance with the requirement of contacting applicants on the waiting list.

Need to enhance guidelines for processing ALRS applications

4.29 According to AFCD guidelines (Note 37), landowners who wish to rent out their farmland for agricultural purpose through ALRS can approach AFCD. AFCD will obtain land registers and copies of the land documents to verify land ownership. The land leasing application will be declined if the ownership of the land is uncertain.

4.30 For landowners/tenants having found their own potential tenants/landowners, AFCD guidelines only specifies that supporting documents might include application forms for witness service and proof of land ownership. In the period from 2018 to 2023 (up to October), there were 135 successful cases arranged by landowners and tenants. Audit examination of the 135 cases revealed that:

Note 37: *The guidelines for processing ALRS applications were first issued in November 2023. According to AFCD, the procedures in the guidelines were established practices which had been followed by AFCD officers.*

Other support measures

- (a) for 77 (57%) cases, the application forms for witness service were not available. Besides, for 4 (3%) cases, the dates of signing the application forms were later than the dates of signing the tenancy agreements (with delays ranging from 21 to 170 days, averaging 62 days); and
- (b) for 105 (78%) cases, the proof of land ownership was not available.

4.31 Audit noted that for cases arranged by AFCD under ALRS, the land leasing application would be declined if the ownership of the land was uncertain (see para. 4.29). However, such requirement was not clearly specified in AFCD guidelines for cases arranged by landowners/tenants (see para. 4.30). As AFCD serves as a witness in the contracts, Audit considers that AFCD needs to enhance its guidelines to clearly specify the documents required for supporting the application (e.g. application form and proof of land ownership) under ALRS, and take measures to ensure compliance with the requirements.

Audit recommendations

4.32 **Audit has *recommended* that the Director of Agriculture, Fisheries and Conservation should:**

- (a) **keep under review the measures for shortening the waiting time of applications under ALRS and strengthen actions as appropriate, including ensuring compliance with the requirement of contacting applicants on the waiting list; and**
- (b) **enhance AFCD guidelines to clearly specify the documents required for supporting the application (e.g. application form and proof of land ownership) under ALRS, and take measures to ensure compliance with the requirements.**

Response from the Government

4.33 The Director of Agriculture, Fisheries and Conservation agrees with the audit recommendations. He has said that AFCD will:

- (a) regularly contact applicants on the waiting list under ALRS and remove unresponsive applicants, so as to ensure accuracy and up-to-date status of the waiting list with a view to shortening the waiting time; and
- (b) update the application guidelines by the end of June 2024 to specify all necessary documents required under ALRS before AFCD provides the witness service. AFCD will take appropriate measures in drawing the applicants' attention to the specific requirements so as to ensure compliance.

Promotion and marketing services

Scope for improving evaluation of FarmFest

4.34 AFCD organises FarmFest jointly with VMO and the Fish Marketing Organization (Note 38). The annual FarmFest is the largest outdoor farmers' market in Hong Kong and local producers can directly promote their products to consumers at the event. The FarmFest normally runs for three consecutive days in January to showcase a variety of local agricultural and fisheries products and other goods. In 2024, the number of visitors to the FarmFest was 163,360.

4.35 According to AFCD, no evaluation forms were issued to the visitors or local producers participating the FarmFest from 2018 to 2023. For the FarmFest in 2024, the local producers and visitors were randomly invited to complete an evaluation form (Note 39). Audit noted that:

Note 38: *The Fish Marketing Organization is a self-financing, non-profit-making organisation established under the Marine Fish (Marketing) Ordinance (Cap. 291) to provide the local fishing industry and fisheries trade sector an orderly and efficient wholesale marketing system and facilities for marine fish. The Fish Marketing Organization is headed by the Director of Marketing, who is also the Director of Agriculture, Fisheries and Conservation.*

Note 39: *According to AFCD, 25 and 100 evaluation forms were prepared for distribution to local producers and visitors respectively.*

Other support measures

- (a) there were 402 stalls (including 142 vegetable stalls) in the FarmFest in 2024. AFCD only collected 25 evaluation forms from the local producers. Besides, only 100 evaluation forms were collected from the visitors. The average score of overall satisfaction level rated by the local producers and visitors were 7.56 and 7 (full score was 10) respectively; and
- (b) the evaluation form was in manual form. No Quick Response code (QR code) was available for completing the survey online.

4.36 In Audit's view, AFCD needs to take measures to collect feedback from more visitors and local producers of FarmFest, such as making use of QR code technology for online completion of evaluation forms.

Need to enhance dissemination of information on leisure farming

4.37 A number of local farms are open for public visits and offer agriculture-related leisure activities for visitors, such as pick-your-own produce, unique farming experience and education programmes. To promote leisure farming, AFCD has developed a mobile application (app) "Hong Kong Leisure Farms" (hereinafter referred to as the Leisure Farms App) to provide information of these farms to facilitate the public to make a visit.

4.38 The Leisure Farms App, launched in October 2014, provides a list of leisure farms and information of each farm includes contact and transport information, activities offered, whether the farms are certified organic farms, and whether visits are available for individuals and/or groups. Audit noted that:

- (a) since launch of the app and up to October 2023, the cumulative number of downloads was 11,813, and the annual number of downloads decreased over the years. In particular, the annual number of downloads only ranged from 280 to 554 from 2018 to 2022, and was 88 in 2023 (up to October); and
- (b) the annual usage of the app was not available. According to AFCD, this was because the app was a downloadable version, thus allowing users to view and search information off-line.

4.39 Audit examined the download methods and information in the Leisure Farms App as of January 2024 and found issues including the following:

- (a) the Leisure Farms App could only be found in the app stores of mobile phones for download by using Chinese name but not English name;
- (b) there were discrepancies between the information shown in the English and Chinese versions of the Leisure Farms App. For example, the number of farms shown in the list of leisure farms in the English and Chinese versions were 84 and 115 respectively; and
- (c) users could search farms by selecting multiple farm activities (such as “Pick-your-own”, “Leasing of farm plots” and “Handicrafts”). The search results showed a list of farms meeting any one of the selection criteria but not all selection criteria. Besides, the selection criteria for searching did not include some key information such as whether the farms were certified organic farms, and whether visits were available for individual and/or group.

4.40 Upon enquiry, AFCD informed Audit in March 2024 that:

- (a) the annual download rate of the Leisure Farms App had decreased, likely due to the limited number of individuals interested in leisure farms, and it was possible that all potential users had already downloaded the app; and
- (b) it was essential to explore other strategies to effectively engage with users and provide them with the desired information. AFCD would explore developing a webpage that would offer a more accessible and user-friendly platform, and information would be readily available to a wider audience, regardless of their device or operating system.

4.41 According to the Blueprint, AFCD will promote leisure farming activities held by farms engaged in commercial agricultural production through the development and updating of the Leisure Farms App to facilitate public visits to these farms. In Audit’s view, AFCD needs to take measures to improve the utilisation and services of the Leisure Farms App (including enhancing the information and functions of the

Other support measures

app as well as stepping up promotion for the app), and implement other measures to enhance the dissemination of information of leisure farming as appropriate.

Audit recommendations

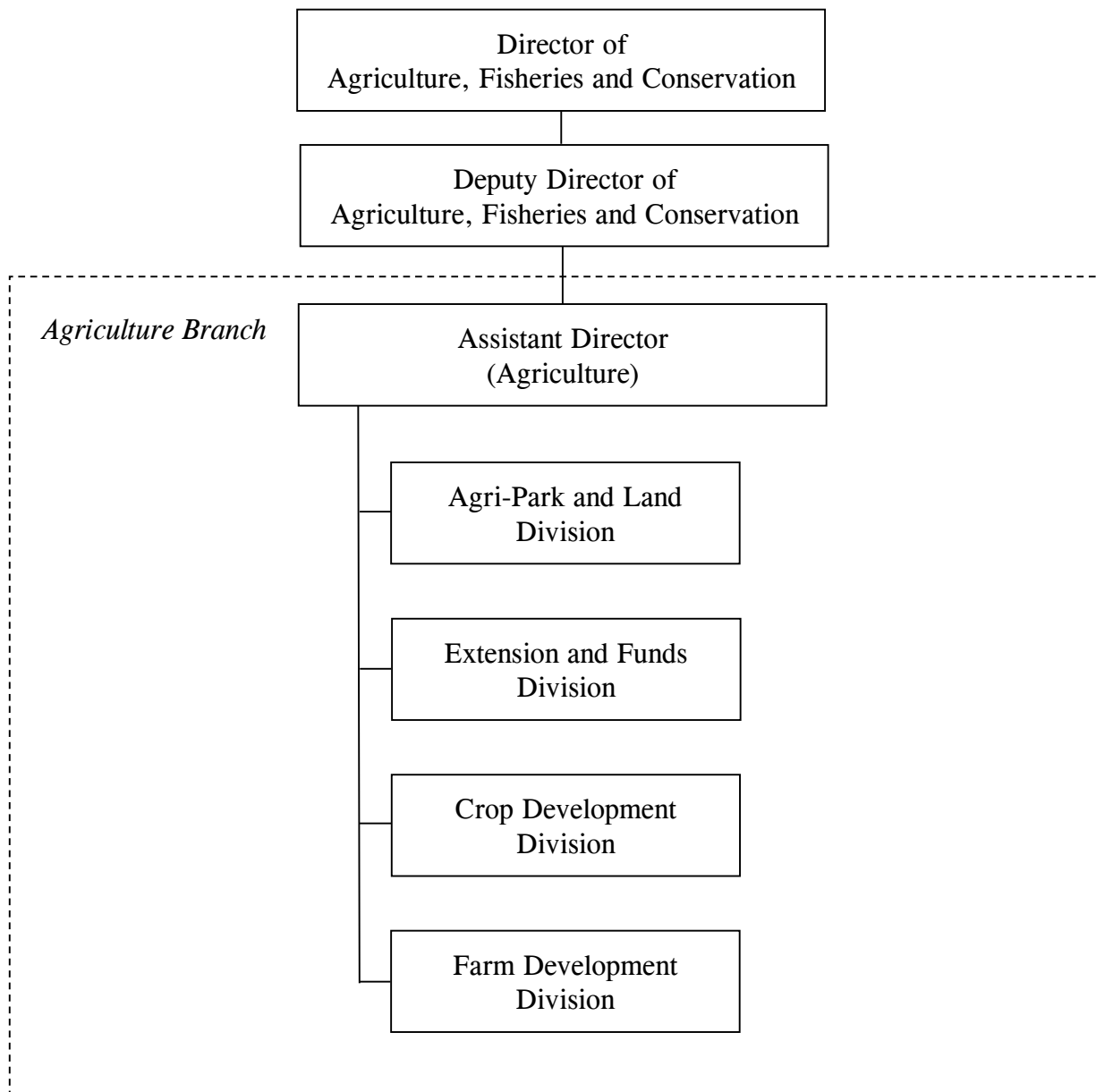
4.42 **Audit has *recommended* that the Director of Agriculture, Fisheries and Conservation should:**

- (a) **take measures to collect feedback from more visitors and local producers of FarmFest, such as making use of QR code technology for online completion of evaluation forms; and**
- (b) **take measures to improve the utilisation and services of the Leisure Farms App (including enhancing the information and functions of the app as well as stepping up promotion for the app), and implement other measures to enhance the dissemination of information of leisure farming as appropriate.**

Response from the Government

4.43 The Director of Agriculture, Fisheries and Conservation agrees with the audit recommendations. He has said that AFCD will strive to collect feedback from more participants of upcoming FarmFest and adopt QR code technology for online completion of evaluation forms, and will step up promotion of commercial crop farms engaging in leisure farming and consider the best channel to enhance dissemination of farm information.

**Agriculture, Fisheries and Conservation Department:
Organisation chart (extract)
(31 December 2023)**



Source: AFCD records

Remarks: Only the branch/divisions responsible for the provision of support measures for agricultural industry are shown.

**Number and grant amount of applications approved
under Sustainable Agricultural Development Fund
(2016-17 to 2023-24 (up to October 2023))**

Year of application (Note 1)	No. of applications approved			Amount of grant approved (\$ million)		
	General application (a)	FIS (b)	Total (c) = (a) + (b)	General application (d)	FIS (e)	Total (f) = (d) + (e)
2016-17 (Note 2)	1	85	86	2.8	2.4	5.2
2017-18	8	94	102	87.4	2.8	90.2
2018-19	1	70	71	6.5	2.1	8.6
2019-20	—	48	48	—	1.4	1.4
2020-21	4	44	48	45.2	1.3	46.5
2021-22	—	28	28	—	0.8	0.8
2022-23	3	17	20	31.1	0.7	31.8
2023-24 (up to October 2023)	1	81	82	0.6	1.9	2.5
Total	18	467	485	173.6	13.4	187.0

Source: AFCD records

Note 1: According to AFCD, the applications may not be approved in the year of application, as the processing of the applications may not be completed within the same year.

Note 2: SADF was launched in December 2016.

Acronyms and abbreviations

AFCD	Agriculture, Fisheries and Conservation Department
Agri-Park	Agricultural Park
ALRS	Agricultural Land Rehabilitation Scheme
APAs	Agricultural Priority Areas
Audit	Audit Commission
B/Ds	Government bureaux/departments
CEDD	Civil Engineering and Development Department
DEVB	Development Bureau
EEB	Environment and Ecology Bureau
ERF	Emergency Relief Fund
FC	Finance Committee
FIS	Farm Improvement Scheme
LandsD	Lands Department
LegCo	Legislative Council
OFSS	Organic Farming Support Service
PlanD	Planning Department
QR code	Quick Response code
SADF	Sustainable Agricultural Development Fund
VMO	Vegetable Marketing Organization