

Provincial support to encourage investment and growth in salmonid aquaculture industry

Trevor Taylor, Minister of Fisheries and Aquaculture, and Kathy Dunderdale, Minister of Innovation, Trade and Rural Development and Minister responsible for the Rural Secretariat, announced today that the Government of Newfoundland and Labrador is funding a new initiative that will promote the continued development of the province's salmonid aquaculture industry. The Aquaculture Working Capital Loan Guarantee Initiative will facilitate access for qualified companies to working capital to continue their development.

"The Aquaculture Working Capital Loan Guarantee Initiative is another example of this government's commitment to making strategic investments with limited resources," said Minister Taylor. "Our aquaculture industry remains one of the areas that presents the best economic and job opportunities for rural Newfoundland and Labrador. Salmonid aquaculture has been a significant contributor to the economies of Bay d'Espoir and Fortune Bay, already employing 200 people with an export value of over \$13 million. Aquaculture is one of the fastest growing food production sectors globally, and it holds incredible potential for becoming an even greater contributor to our rural economy.

"A significant challenge to the further growth of the aquaculture industry is the need for working capital financing. This capital is needed by aquaculture operators because of the up-front costs and risks associated with a developing industry. As in other jurisdictions such as New Brunswick, financial institutions are hesitant to provide this capital without government guarantees. To ultimately help grow the industry, we are introducing a new government initiative that will improve access to working capital for qualifying members of the salmonid aquaculture sector."

Minister Dunderdale emphasized the need for companies to meet a set of criteria to qualify for a loan guarantee. "This initiative will provide an investment tool that has been integral in the development of salmonid industries elsewhere but, until now, has not been available in our province. The Aquaculture Working Capital Loan Guarantee Initiative will only be available to companies that can demonstrate strength in all aspects of their business. Qualifying companies must demonstrate to us that they know how to grow fish, how to sell those fish and how to turn a profit."

A consistent challenge in the aquaculture sector has been financing of working capital, and this remains the major constraint to development. Typically, a salmonid enterprise requires \$2 to \$3 million in capital funding and access to \$3 to \$8 million in working capital, primarily for feed which comprises 70 per cent of working capital costs. Through the Aquaculture Working Capital Loan Guarantee Initiative, existing or prospective companies that are financially and technically sound will have a greater chance of success. To qualify for support under the initiative, companies must meet eligibility requirements.

Minister Taylor believes that aquaculture will be a major component in future global seafood production and that this province is ideally suited for fish farming. "The aquaculture industry in Newfoundland and Labrador is strengthened by today's announcement," he said. "The worldwide demand for aquaculture products is rapidly increasing due to declines in traditional fish stocks. This industry is clearly one of the foundations for economic renewal in our province's rural areas. Qualifying operators will now have the government support that they need to attract additional investment."

The province's investment recognizes the significant economic importance of the aquaculture industry, particularly in rural areas, says Minister Dunderdale. "Our government is committed to providing strong conditions for the growth of rural areas of our province," she said. "Our commitment to the development of the aquaculture industry, through initiatives such as this one, will result in increased employment and increased economic return in the rural communities of our province."

Prospective applicants to the Aquaculture Working Capital Loan Guarantee Initiative should contact Brian Meaney of the Department of Fisheries and Aquaculture at (709) 729-3710.

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BACKGROUNDER

Aquaculture Working Capital Loan Guarantee Initiative

Eligibility Criteria

The salmonid aquaculture industry in Newfoundland and Labrador has great potential for further growth; however, financing of working capital has been the major constraint to development. To address this, the provincial government has introduced the Aquaculture Working Capital Loan Guarantee Initiative, a new loan guarantee initiative that will improve the salmonid aquaculture industry's ability to access working capital from traditional financial institutions. The initiative will be administered by the Departments of Finance; Fisheries and Aquaculture; and Innovation, Trade and Rural Development.

At the discretion of the provincial government, consideration for an aquaculture loan guarantee shall be given to persons or bodies corporate who meet the following criteria:

1. An applicant must be involved in the commercial-scale production and harvesting of finfish at a Newfoundland and Labrador site approved by the Department of Fisheries and Aquaculture.
2. An applicant must provide a business plan which includes all information as requested by government in its Business Plan Guidelines.
3. An applicant must clearly demonstrate through its business plan a strong potential for sustainable employment opportunities, for increase in sales and for long-term commercial viability.
4. An applicant must clearly demonstrate to the satisfaction of government a need for government financial assistance by way of guarantee.
5. An applicant must have all necessary approvals from regulatory authorities to the satisfaction of government.
6. An applicant will have a minimum equity position of 20 per cent of the total assets based on the last fiscal year, externally prepared, financial statements updated to the date of application.

7. An applicant must demonstrate that management has the required technical, financial, marketing and managerial expertise for the operation of a commercial scale aquaculture enterprise.
8. An applicant must provide security to the value of the guarantee at the margin using 75 per cent for those accounts receivable due in not more than 60 days, and 50 per cent for all fish inventories independently verified. Also, this may include personal and corporate cross-guarantees.
9. An applicant must provide written confirmation that a lending institution is willing to provide the required operating loan based upon a maximum government guarantee of 80 per cent of the amount to be advanced on terms and conditions satisfactory to government.
10. An applicant must provide written confirmation that a lending institution is willing to accept guarantee support for a maximum term of seven years with reductions to be made according to pre-established financial targets approved by all partners to the guarantee agreement.

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