

**For discussion
on 11 April 2006**

LegCo Panel on Food Safety and Environmental Hygiene

Voluntary Surrender of Pig Farming Licences

INTRODUCTION

This paper seeks Members' views on the proposed package to encourage pig farmers to surrender voluntarily their pig farming licences and cease operation in Hong Kong on a permanent basis.

BACKGROUND

Problems Arising from Pig Farming

(a) Pollution to Streams and Rivers

2. There are 265 pig farms in Hong Kong rearing about 330,000 pigs while the total rearing capacity is about 430,000 pigs. These farms generate an estimated 520 tonnes of excrement each day. Part of the excrement is disposed of as solid waste. As a licensing condition, farms are required to install waste treatment facilities to properly treat farm wastewater to a specified standard before discharge. Nevertheless, indiscriminate discharge of waste from pig farms remains one of the main causes of pollution in streams and rivers in the New Territories. Prosecution of such offenders is difficult as polluting farms must be caught red-handed. Besides, the penalty awarded by the courts is usually far lower than the maximum penalty, thus failing to serve as a deterrent.

(b) Indiscriminate Dumping of Dead Pigs

3. Indiscriminate dumping by pig farmers of dead or dying pigs in public places constitutes a major environmental problem and attracts repeated complaints from the public and adverse media coverage. In the past two years, the Food and Environmental Hygiene Department has recorded over 120 such complaints. Despite setting up over 42 designated Animal Carcass Collection Points and deploying extra resources to mount

pre-dawn operations resulting in 12 successful prosecutions during the period, the deterrent effect is still not effective.

(c) *Illegal pig slaughtering*

4. All live pigs in Hong Kong must be slaughtered in three licensed slaughtering plants. Privately slaughtered pigs are not subject to testing for the presence of prohibited chemical residues and meat inspection and thus pose a threat to public health. Such illegal slaughtering activities usually take place under extremely unhygienic conditions in remote parts of the New Territories during small hours of the day in a makeshift pattern. In view of the high costs and difficulty of enforcement, reducing the number of pig farms will help alleviate the problem.

(d) *Threat of Japanese Encephalitis to humans*

5. Japanese encephalitis (JE) is spread between animals by mosquitoes. Pigs are a main amplifying host for JE resulting in the virus multiplying in large amount thereby posing health risks to humans. Given that JE is endemic in pigs in Hong Kong, there has been much public concern over the threat posed by the close proximity of pig farms and residential areas in Yuen Long and North Districts. Experts from the Centre for Health Protection (CHP), Department of Health consider it undesirable to have pig farms in close proximity to human habitation.

Policy Review on Pig Farming

6. Pig farming has a long history in Hong Kong and was not subject to any regulation or control until the mid 1980s. The Government's policy on pig farming at that time was to provide technical advice to farmers on the choice of pigs to be raised, prevention of swine diseases and emergency relief after natural disasters. At a later stage when there was increasing public concern about public health and environmental problems associated with pig farming, a livestock licensing regulatory framework, incorporating various environmental control measures, was introduced to improve waste control in livestock production.

7. With the rapid urbanization of Hong Kong, particularly in the New Territories, pig farming activities have generated considerable complaints

from nearby residents. Past outbreaks of avian influenza and SARS have made the community more sensitive to public health issues, particularly zoonotic diseases. More recently, the outbreak of Japanese encephalitis (JE), which is endemic in pigs, has heightened public concern about the management and sanitary conditions of pig farms in Hong Kong. In the light of these incidents and the problems mentioned above, the Health, Welfare and Food Bureau (HWFB) and the Environmental Protection department (EPD) have concluded that the sustainable development of pig farming is no longer a realistic long-term policy option. The Administration should therefore freeze the number of pig farms, by stopping the issue of new pig farm licences and freeze the current rearing capacity to restrict the number of pigs in Hong Kong. In parallel, the Government should tighten up the existing livestock licensing regulatory regime by ensuring strict compliance with the licensing conditions. Under the circumstances, both HWFB and EPD consider it appropriate that a voluntary surrender scheme for pig farmers should be introduced for those who do not wish to continue to operate under an increasingly stringent regulatory regime.

THE PROPOSAL

Voluntary Surrender Scheme for Pig Farm Licences

EGP to pig farmers who choose to surrender their livestock keeping licences and to cease pig rearing on a permanent basis

8. The objective of the proposed voluntary surrender scheme is to reduce the number of pig farms in Hong Kong thereby reducing associated public health and environmental pollution problems. To encourage participation, we propose that an EGP be offered to pig farmers. The major considerations, principles and criteria that we have adopted in arriving at an equitable basis for the EGP are set out as follows -

- (a) The EGP calculation will broadly follow the current formula for calculating ex-gratia allowance for pig farmers and pig farm buildings affected by land resumption and clearance for public work projects, as approved by the Finance Committee of the Legislative Council. The EGP will be calculated using the prevailing rates at the time when an application is approved. There are two major

components in the formulation of the EGP, namely the EGP for farm operation and EGP for farm buildings, such as pig sheds and agricultural stores, etc. The amount of EGP for these two components is to be calculated using details recorded in the livestock keeping licence valid as at the date when the voluntary surrender scheme is promulgated;

- (b) To provide a better incentive for the pig farmers to surrender their licences, we consider it reasonable to adopt more lenient factors for calculating the EGP. We will assume that all farm structures are fully enclosed so that a higher rate for fully (as compared with partially) enclosed farm structures would apply in calculating the EGP. Furthermore, we will assume that farm structures are new so that the lowest depreciation factor (i.e. 0.75), as currently adopted in public development clearance, could be used for calculating EGP for pig farms;
- (c) In addition, as pig farming has existed in Hong Kong for a long period, the majority of the licensees is relatively elderly and may not wish or be able to change to other businesses. We therefore consider it necessary to provide an additional incentive to encourage them to cease operation permanently. In this regard, we propose an extra lump sum to local pig farm licensees in accordance with the scale of operation to encourage them to surrender their livestock keeping licences. Farmers will receive an additional lump sum of \$150,000, \$300,000 or \$450,000 if their licensing capacities are below 1,000 pigs, between 1,000 to 2,999 pigs and 3,000 pigs or above respectively.
- (d) Local pig farms largely adopt the “wet-muck-out” (WMO) waste treatment method, which is capital intensive. To encourage pig farmers to surrender their licences, we propose to include in the EGP a component taking into account the farmers’ capital investment in WMO facilities, after necessary depreciation. Under the Livestock Waste Control Scheme launched in the late 1980s, capital grants of an amount equivalent to half of the estimated installation cost were made to eligible farmers by the Government up until 1996, as a means of encouraging farmers to install livestock waste treatment facilities. To forestall double benefit, the element of the capital

grant needs to be deducted from the amount of EGP. Only pig farms with WMO facilities would be eligible for this component in the EGP. For farms which have received capital grants, the licensees would only be eligible to receive half of the amount of the component in the EGP. For farms with WMO facilities but which did not receive capital grants, the licensees would be eligible to receive the full amount. To reflect the market value of the WMO facilities, the latest available rate will be increased by 14.17% to take into account inflation in the cost of construction materials since 1996. This rate will remain unchanged throughout the implementation period of the scheme. The financial implication of this component is about \$159.1 million;

- (e) To encourage smaller pig farms to close down and surrender their licences, the minimum EGP payable to pig farmers will be set at \$300,000 per licence, excluding the additional lump sum set out in (c). In view of the voluntary nature of the scheme and in order to be consistent with the voluntary surrender scheme for poultry farm licences where an EGP ceiling of \$4.15 million was set, a maximum EGP ceiling of \$25 million will be set, again, excluding the additional lump sum set out in (c).

9. The total package payable to pig farmers will range between \$450,000 to \$25.45 million depending on the size of their farms and, to a lesser extent, their farm licensing capacity in the following distribution.

(a)	(b)	(c)
EGP Payable per Farm (\$'million)	Number of Recipient Farms	Financial Implications (\$'million)
Up to 1M	28	19.2
Above 1M – 4M	156	383.3
Above 4M – 8M	67	363.4
Above 8M – 25.45M	14	154.9
Total	265	920.8

10. To dovetail with the launch of the proposed scheme, our long term policy goal is to designate the sites of those pig farms which have ceased operation under the proposed scheme and all other areas not currently occupied by livestock farms as livestock waste prohibition areas under the Waste Disposal Ordinance (Cap. 354) to better control the keeping of livestock in such areas. AFCD will endeavour to provide technical support to pig farmers who would like to opt out of the pig farming business for other agricultural activities. We will also explore the feasibility of assisting local pig farmers to set up operation in the Mainland, subject to discussion with the Mainland authorities.

Assistance for affected workers

11. To assist local pig farm and transport workers who may become unemployed as a result of their employers ceasing operation under the proposed scheme, we propose to provide a one-off grant of \$18,000 to each of the affected local worker to meet their immediate financial needs. Imported workers will not be eligible to receive the one-off grant. It is estimated that 800 workers will be affected.

12. Local workers with further financial hardship would then come under the Government's general protection for the unemployed. The Labour Department will also accord priority to assisting them in finding alternative employment. For those pig farm licensees who are also workers, since they would receive the EGP, they would not be eligible for the one-off grant under the same scheme.

13. The total amount of funding required for providing the one-off grants is estimated to be about \$14.4 million.

Loans to pig transporters to upgrade/convert their vehicles for other alternative business opportunities

14. We expect that the voluntary surrender scheme will have a significant impact on the livelihood of the live pig transporters whose sole business is to transport live pigs from local farms to slaughterhouses. We estimate that there are about 130 vehicles in the trade. We therefore propose to set aside \$6.5 million to provide a low-interest loan of \$50,000 per vehicle to the owners whose business is severely affected by the

proposed voluntary surrender scheme for them to upgrade/convert their vehicles for any other alternative business opportunities that they may seek to pursue. Transporters receiving the loan will not be entitled to further financial assistance, if any, from the Government for the live pig trade. To avoid possible abuse, we would adopt the same cut-off date as the voluntary surrender scheme for pig farmers after which any new transporters joining the trade will not be eligible for the loan. Local transport workers who are affected by their employers' decision to leave the live pig transportation trade permanently would be eligible for the one-off grant mentioned in paragraph 11 above.

Review of Licensing Regime For Pig Farming

15. In order to freeze the number of pig farms, and as a corollary to the introduction of the voluntary surrender scheme for pig farm licences, we also propose to introduce legislation to stop the issue of new pig farm licences thereby gradually reducing the public health and environmental pollution problems caused by existing pig farms.

16. To encourage as many pig farmers as possible to leave the business, we will make it clear to the trade when introducing the voluntary surrender scheme that we will step up enforcement action in respect of breaches of licensing conditions. To address public health and environmental protection concerns, existing licensing conditions will be re-examined one year after the commencement of the scheme to ensure that those pig farms which choose to remain in business adopt standards and practices which minimize the risks to public health and the environment.

Consultation with Pig Farmers

17. During the negotiations with the pig farmers on the terms of the voluntary surrender scheme, it appeared that many were prepared to surrender their licences for a reasonable package. In this regard, HWFB received over 190 written submissions, representing nearly half of all pig farms, urging the early launch of the voluntary surrender scheme. Following further discussions both within the Administration and with the pig farmers, we now propose to offer an enhanced package and, as a result, expect that about 60% to 70% of the local pig farms will choose to surrender

their licences and cease operations permanently. As a result, the number of local pig farms would be reduced substantially, thus achieving the target of reducing the risks to public health and the environment arising from pig farming in Hong Kong.

ADVICE SOUGHT

18. Members are invited to comment on the proposed voluntary surrender scheme for pig farm licensees and to note the Administration's intention to seek funding approval from the Finance Committee at its meeting on 28 April 2006.

Health, Welfare and Food Bureau
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