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For Discussion on the Special Meeting on 22 October 2008

LegCo Panel on Food Safety and Environmental Hygiene

POULTRY SUPPLY IN HONG KONG

Purpose

This paper briefs Members on the supply of chickens in Hong Kong.

Existing Preventive Measures Against Avian Influenza

2. Since 1998, the Administration has progressively put in place a comprehensive preventive and surveillance programme with a series of preventive measures to reduce the risk of avian influenza outbreaks in Hong Kong. These measures include the introduction of a registered farm system in the Mainland for live poultry supplied to Hong Kong, the adoption of a stringent import protocol, the implementation of various measures implemented in local farms, the wholesale market and retail outlets in Hong Kong and the ban on backyard poultry keeping. Besides, we launched voluntary surrender schemes (VSS) for live poultry farmers, wholesalers, transporters and retailers in 2004 and 2005, which substantially reduced the local on-farm population and the number of retail outlets over the territory.

3. Although the comprehensive preventive and surveillance programme adopted over the years has hitherto proved to be highly effective in preventing the spread of avian influenza, the measures adopted have not completely eliminated such risk, as seen from the repeated avian influenza incidents in the past ten years including the detection of H5N1 virus in four local markets in June 2008 and in a dead house crow found in Sham Shui Po Park in October 2008. Recent avian influenza outbreaks in the Mainland, Southeast Asia and other countries, such as Vietnam and Pakistan, further indicates an increasing threat of the avian influenza virus in the region. As at 10 September 2008, the World Health Organization reported 124 cases of human infection of H5N1

around the world since January 2007, of which 87 cases were fatal. There is therefore an imminent need for us to address the problem squarely and take all practicable precautionary measures to prevent avian influenza outbreaks in Hong Kong.

The Buyout Scheme in 2008

4. Following the avian influenza incidents in June 2008, we introduced new measures at all levels of the supply chain, including the banning of overnight stocking of live poultry at all retail outlets beginning from 2 July 2008 to further improve our current surveillance system and enhance our ability to arrest any possible future spread of avian influenza virus in Hong Kong. In reaction to the “no overnight stocking of chickens” arrangement, majority of the poultry retail traders considered that it would be very difficult for them to adapt to the new operating environment and expressed their strong wish for the Government to buy out their business. We therefore launched a buyout scheme for the farmers, wholesalers, retailers and transporters of the live poultry trade to take up and leave the trade. For local workers of the above live poultry sectors, each of them is provided with a one-off grant if he/she is affected as a result of cessation of business of his/her employer, irrespective whether he/she has received any grant under VSS before.

5. By the deadline of application for the scheme on 24 September 2008, we have received 29 applications from farmers (including 27 chicken and two pigeon farmers, representing about 56 per cent of the total number of farmers), 50 applications from wholesalers (representing about 70 per cent of the total number of wholesalers), 333 applications from retailers (representing about 72 per cent of the total number of retailers), 199 applications from transporters (representing about 80 per cent of the total number of transporters) and 835 applications from affected local workers.

Supply of Chickens in Hong Kong

6. Past experience and incidents have shown that the principal mode of transmission of the avian influenza virus from poultry to humans is through contact with infected live poultry or their faeces. Hence, the

most effective way to minimize the health risk posed by avian influenza is to reduce as much as possible the contact between humans and live poultry. In this regard, the Administration will continue to implement central slaughtering through the development of a poultry slaughtering plant to accomplish the ultimate goal of segregating humans from live poultry.

7. Through the buyout scheme in 2008, the numbers of retail outlets have been reduced from 469 to 131 and chicken farms are expected to be reduced from 50 to 23. Given the substantial decrease in retail capacity, it is also necessary to reduce the overall daily chicken supply to an appropriate level in a bid to control the density of live chicken population at the retail outlets. As over 70% of retailers have chosen to leave the trade for good by accepting the buyout package, the retail capacity is estimated to drop from 36 000 (daily average before the avian influenza in June 2008) to around 10 000 chickens per day, split equally between Mainland and local supply. The trade was made aware of this anticipated reduction in the overall supply of live chickens when the buyout scheme was launched and was given ample time to consider whether to take up the scheme, including the extension of the buyout deadline for retailers.

8. The current market situation largely tallies with our forecast. There is no indication of shortage of live chicken supply at the retail level. From 25 September to 20 October 2008, the average total daily supply of imported and local live chickens amounts to around 11 700, with 9 100 available at the retail outlets and 2 600 left overnight at the wholesale market.

9. On the other hand, the consumption trend of chickens demonstrates that the market demand for imported chilled chickens have gradually increased in the past years and have largely substituted of the live chicken demand. This can be reflected by the acute increase in the combined market share of chilled and frozen chickens from 58% in 2003 to 85% in 2008 (as of 31 August). The annual consumption figures of live, chilled and frozen chickens from 2003 to 2008 are as follows -

Chicken Types	2003		2004		2005		2006		2007		2008 (as of 31 August)	
	Qty (tonnes)	%	Qty (tonnes)	%								
Live	58 310	42%	28 973	24%	38 790	26%	29 224	21%	26 633	18%	13 968	15%
Chilled	6 248	5%	22 759	19%	34 418	24%	40 295	28%	33 630	22%	18 408	20%
Frozen	73 729	53%	68 350	57%	74 057	50%	73 471	51%	90 774	60%	60 946	65%
Total	138 286	100%	120 083	100%	147 265	100%	142 990	100%	151 037	100%	93 322	100%

Given the increased supply and improved quality of imported chilled and frozen chickens, we believe the market demand on these types of chickens will continue to rise.

Supply of Day-old Chicks in Hong Kong

10. The supply of day-old chicks to local poultry farms has all along been supported by importation as well as local hatcheries. The importation of day-old chicks has resumed since 3 August 2008 and its volume depends very much on the demand from local farms as well as the supply from local hatcheries. We understand that over 20,000 Mainland day-old chicks are due to be transported to Hong Kong within this week. Since 25 September 2008, the average number of day-old chicks produced by local hatcheries has reached around 5 000 per day, using up only a small proportion of the total capacity of the local hatcheries. In other words, should there be further demand on local day-old chicks, the local hatcheries should have the potential to increase their supply to meet the market demand.

Way Forward

11. The Secretary of Food and Health met with the representatives of the live poultry trade on 20 October 2008 to listen to their concerns about the supply of live chickens after the conclusion of the buyout scheme. We fully understand their requests and are exploring practicable ways to address their concerns while keeping the risk of avian influenza at a manageable level.

Food and Health Bureau
October 2008