

Council meeting of 18 May 2011

Motion on “Alleviating the impact of food price inflation on the public”

Progress Report

Purpose

At the Legislative Council meeting on 18 May 2011, the motion “Alleviating the impact of food price inflation on the public” as moved by Hon WONG Yung-kan as amended by Hon WONG Kwok-hing, Dr Hon PAN Pey-chyou, Hon Vincent FANG Kang and Hon Ronny TONG Ka-wah was carried. The motion as amended is at [Annex](#). This paper aims to report on the follow-up work undertaken by the Administration on Members’ proposals.

Expanding the sources of food supply and enhancing market transparency

2. Diversifying the sources of food supply will alleviate the impact of food price inflation on the public and reduce the risks brought about by unstable conditions in individual places. Also, further enhancing market transparency facilitates the dissemination of information.

3. The Government has endeavoured to open up more food sources and to diversify food types with a view to ensuring a stable and ample supply of food. As such, we urge the trade to explore new food sources and establish a global network of food suppliers from various parts of the world. We also encourage the public and the trade to widen the range of food, for example, to consider chilled and frozen meat as alternative to fresh meat. Hong Kong started to import chilled pork from the Mainland since 2006. About 18 200 tonnes of chilled pork were imported from the Mainland last year, representing an increase of 17% over 2009. Since the introduction of chilled beef from the Mainland in end 2010, 11 consignments totalling 139 tonnes of chilled beef have been imported and sold in the market after passing the necessary food test. Chilled beef from the Mainland, which serves as an alternative to fresh and frozen beef, has been well received in Hong Kong. In response to our request for more registered processing plants eligible to export chilled beef to Hong Kong to cater for the market demand, the State General

Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) has recommended five processing plants located in inner Mongolia, Heilongjiang and Congqing. Staff of the Food and Environmental Hygiene Department (FEHD) have visited these plants and are liaising with AQSIQ and the relevant processing plants to follow up on matters relating to the audit and rectification.

4. The Administration has been keeping a close dialogue with the Ministry of Commerce regarding the supply of live pigs and cattle. The Mainland and Hong Kong are now under an inflation cycle. Due to the continued increase in feed prices and wages, coupled with rising demand and falling throughput of live pigs, as well as the appreciation of Renminbi, the price of live pigs in the Mainland has been rising significantly which leads to the increase in the price of fresh pork in Hong Kong. Last year, we reached a consensus with the Ministry of Commerce on the annual number of live poultry and livestock to be exported to Hong Kong. This would ensure a stable supply of live pigs, cattle and chickens to meet market demand.

5. The supply of live chickens, Mainland imports together with local farm production, is generally sufficient in meeting market demand and there are many occasions when left-over live chickens are kept overnight at the wholesale markets. We understand that some wholesalers and retailers hope to increase the number of chickens imported from the Mainland on the eve of the traditional festivals. However, in June 2008, after the Government had decided to temporarily increase the number of imported live chickens from the Mainland a few days before the Tuen Ng Festival to 50 000 per day, avian influenza viruses were subsequently found in four wet markets. The Government must adopt a cautious approach in protecting public health. Furthermore, during the traditional festivals from 2009 till now, although the number of imported live chickens had not increased, the overall supply remained generally sufficient. At the same time, there has been an adequate supply of chilled and frozen chickens. In addition, with people gradually changing their eating habits, we consider it not appropriate to increase the number of imported live chickens in the run-up to festivals, in order to avoid a drastic worsening of the overstocking situation at the wholesale level and consequent increase of the risk of avian influenza.

6. We will continue to provide assistance to the industry to explore new sources of food supply, such as discussing with Chile and Brazil to increase the supply of meat and other foods to Hong Kong. We will continue to adopt hygiene and safety standards that are clear and in line

with international standards. We will also maintain an open and competitive market to facilitate the import of food from places around the world.

7. Increasing the transparency of food supply and prices can facilitate market information flow. As such, the Agriculture, Fisheries and Conservation Department (AFCD) collects and monitors data of the supply and prices of fresh food items, upload relevant statistics to its website and broadcast to the public by radio everyday. The Vegetable Marketing Organisation (VMO) and Fish Marketing Organisation (FMO) also upload to their websites everyday the latest and past statistics of average wholesale prices of major marine fish, marine products (including chilled and live marine products) and vegetables which they marketed. In addition, the existing mechanism of publishing live pig supply and auction prices also exhibits a considerable extent of transparency. Market operators and members of the public can browse FEHD's website to get a full picture of live pig supply and auction prices. On the retail side, the Consumer Council releases its Market Price Study from time to time to help consumers make smart choices.

To support the local agriculture and fisheries industry so as to supplement food supply in Hong Kong

8. Supporting the sustainable development of the local agriculture and fisheries industry can supplement food supply in Hong Kong. The Government will continue to promote the local agriculture and fisheries industry to capitalise on the advantages of Hong Kong's natural resources and quality reputation. However, needs of our population can hardly be fully met by local agriculture and fisheries production. Our main source of food supply still relies on import. The aim of developing the local agriculture and fisheries industry is to increase production and enhance product quality through upgrading the techniques, and hence offer the general public with alternative local products which are fresh and of high quality.

9. AFCD has been actively assisting the industry in developing organic farming and controlled-environment greenhouse techniques, and bringing in improved produce varieties with a view to enhancing the quantity and quality of local agriculture produce. Quality varieties developed in recent years included organic strawberry, small-fruited tomato, pumpkin, red flesh watermelon and green flesh rock melon. With the implementation of the Organic Farming Support Scheme by

AFCD, the number of organic farms in the territory has increased from 71 to 170 over the past five years. Daily supply of organic produce in the market has also grown from around 2.5 tonnes to 4.5 tonnes, representing a growth of an estimated two to three-fold in average production. VMO will continue to assist the industry to open up new markets.

10. As for fisheries, AFCD and FMO set up an Accredited Fish Farm Scheme to promote the quality and safety of local aquaculture products. Fish farms participating under the Scheme are required to implement a set of Good Aquaculture Practices. AFCD will sample cultured fish for quality assurance tests, including the testing of drug residues and heavy metals present in the samples before the fish are put on the market in order to ensure that they meet food safety standards. All aquaculture products certified under the Scheme will carry a label of Accredited Fish Farm Scheme for easy identification. At present, 101 fish farms have been registered under the Scheme.

11. Regarding the promotion of fisheries technology development, AFCD continues to identify new species suitable for local culturing and with good marketing potential so as to give more choices to fish farmers. After introducing the Jade Perch to local fish farmers, AFCD has also successfully hatched Jade Perch fry and established an experimental hatchery to provide quality fish fry to fish farmers at lower costs.

To enhance testing on food imported from the Mainland and Japan, so as to restore public confidence and increase food choices available on the market

12. Since the massive earthquake and the subsequent tsunami in Japan on 11 March 2011, followed by the leakage of radioactive substances from the nuclear plant in Fukushima in Japan, the Centre for Food Safety (CFS) has stepped up surveillance since 12 March 2011 on all fresh food imported from Japan, including vegetables, aquatic products and milk. As at noon 5 August, CFS has tested 37 837 samples of imported food from Japan. All results were satisfactory except the three samples which were detected to contain iodine-131 with a level exceeding the standards laid down in Codex's Guideline Levels on 23 March 2011. While continuing our effort in food surveillance, we reckon that relaying to the public and the trade the surveillance work and measures taken by the Administration during emergencies in a highly transparent manner is crucial to allaying public concern.

13. The above incident also demonstrates that tracing the source of the food promptly to identify the root of the problem rapidly in any food incident helps much in restoring public confidence in food safety. This also helps to maintain a stable food supply and minimise the impact on food traders. The Food Safety Ordinance, which commenced on 1 August 2011, introduces a food tracing mechanism to help the Government trace the source of the problem food quickly and effectively and take appropriate action in the event of a food incident.

14. We have been maintaining close liaison with the trade when dealing with food safety issues. Take the nuclear incident in Japan as an example, CFS met with the importers and distributors supplying Japanese food on 14 March 2011 and briefed the trade again on an order issued by the Director of Food and Environmental Hygiene under section 78B of the Public Health and Municipal Ordinance (Cap. 132) on 23 March 2011, such that members of the trade could keep abreast of development and be prepared. Moreover, since 25 March 2011, CFS has been issuing a letter to the relevant importer stating that the concerned food consignments have passed CFS' radiation testing with satisfactory results. The trade welcomed this move and we would continue to closely communicate with the trade.

Promoting Healthy Diet

15. Apart from food safety, the public are increasingly conscious of the importance of maintaining a healthy diet and treasuring food resources. The government has been encouraging the public to adopt a healthy lifestyle with balanced diet and providing various healthy diet information through the "EatSmart@school.hk" Campaign targeting primary schools as well as through mass media including TV and the Internet. Examples include advising people to take heed of eating principles in accordance with the food pyramid in order to achieve optimal food intake.

16. Since 2008, the "EatSmart@restaurant.hk" Campaign launched by the Department of Health has been encouraging and assisting restaurants to provide healthier choices for customers, making it easier for them to follow the principles of healthy eating when eating out. The campaign has received favourable support from the public and the catering sector. There are now over 680 EatSmart Restaurants.

17. On the other hand, the Nutrition Labelling Scheme came into force on 1 July 2011, requiring all prepackaged food applicable to the Scheme to provide a nutrition label listing out the contents of “1+7” (i.e., energy and seven specified nutrients, namely protein, total fat, saturated fat, trans fat, carbohydrates, sugars and sodium). Nutrition claims must also comply with specified conditions. This encourages the trade to apply sound nutrition principles in the formulation of foods and assists consumers to make use of the information on the nutrition label to make informed food choice so as to develop good dietary habits. The Scheme has been implemented smoothly without undue impact on consumer choice or product price. The availability of prepackaged food products is ample with supply of healthier products into the Hong Kong market for consumers to choose.

Supply of Infant Formula

18. Since there were reports of shortage of infant formula, we have been proactive in liaising closely with major infant formula suppliers, the Hong Kong General Chamber of Pharmacy and major retailers. The major infant formula suppliers all agree that meeting the needs of local babies is their prime responsibility, and they have been closely monitoring the market situation. If necessary, arrangements will be made for increasing supply in Hong Kong to ensure a stable supply of infant formula in the local market. The major brands have already set up hotlines or purchase and delivery services to ensure that the needs of local babies are met.

19. Retailers have also been closely monitoring the sale situation, particularly those retail outlets in areas near the boundary and along the East Rail Line. They have actively approached the suppliers to discuss arrangements for increasing supply and delivery to expedite replenishment, so as to meet the demand of the market. Some retail outlets have set sale quota for certain brands of infant formula in order to cater for the demand of local citizens.

20. Hong Kong practises free trade. With an open and fair trading platform and transparent information, the stable and sufficient supply of infant formula by traders is ensured and a reasonable price for infant formula is maintained. The Consumer Council also releases information of major brands of infant formula through the CHOICE Magazine and its website, including the out-of-stock rate, prices, customer services information and hints for switching formula for babies, etc. Such

information will increase the market transparency and competition. Although there are shortages in the supply of particular brands at certain times, the overall supply of infant formula is still sufficient. We consider that the existing measures have helped stabilise the supply of infant formula. The Administration will continue to keep close liaison with the Consumer Council, major suppliers, importers and retailers of infant formula to jointly ensure the stable supply of infant formula in the local market.

Public Market

21. Public markets serve important social functions in that they are major sources of fresh provisions for the public at large and provide employment opportunities for the grassroots. All along, the Administration is committed to formulating and implementing various measures aimed at enhancing the business environment and competitiveness of public markets.

22. At present, the stall occupancy rate of the public markets managed by FEHD reaches 85%. We will continue to study other measures with a view to making public markets more competitive, thus further boosting tenants' business.

23. The stall rentals of public markets were reduced across-the-board by 30% in 1998 and have hitherto been frozen at that reduced level. The Administration has just announced further extending the rental freeze by 18 months, up to 31 December 2012. FEHD is now arranging tenancy renewal with the relevant public market stall tenants. We will continue to study the rental adjustment mechanism and the arrangements to recover air-conditioning charges for public markets. The affordability of tenants will be taken into account.

24. Members have mentioned whether there could be other arrangements or differential rentals. We will study measures to boost the business of public markets and ensure fair competition.

Various fees charged to the food trade

25. Fees are charged by the Government in accordance with the full cost recovery principle, subject to regular review. For example, when formulating the Food Safety Ordinance the Government had engaged

consultants to assess the impact of the new law on the business environment. According to its findings, the compliance costs would only have minimal impact on their operating costs. This is because the registration fee for three years is only \$195 and the renewal fee for the next three years is only \$180. We have exempted those food importers and food distributors who have already registered or obtained licence under other ordinances from the registration requirement.

To relax the eligibility of application for short term food assistance services and its service period, and support grassroots citizens to cope with the food price inflation through Community Care Fund

26. The short-term food assistance services have achieved satisfactory results since implementation. The Social Welfare Department will continue to closely monitor the demand for the services and the related arrangements. In his Budget this year, the Financial Secretary announced that an additional \$100 million had been reserved for the continuation of the services as and when needed.

27. As regards Members' suggestion of providing students from low-income families with lunch meals at low prices, the Community Care Fund (CCF) has earlier rolled out the assistance programme to provide subsidies for primary school students from low-income families to meet lunch expenses at schools. Starting from the new academic year commencing in September this year, the CCF will provide full-time Primary 1 to 6 students of Government, Aided and Direct Subsidy Scheme schools, who are receiving full level of assistance from the Student Financial Assistance Agency, with a subsidy to meet lunch expenses at schools for one academic year. The subsidy can help needy students attain a more adequate diet, and allow their families to redeploy resources for other purposes so as to alleviate their financial burden.

Conclusion

28. The Government will strive to open up more sources of food imports to address the problem of rising food prices. Stabilising food supply and diversifying food variety help keep prices at a reasonable level. On the other hand, the Government provides assistance to people in need to help them overcome the problem of food price inflation.

29. Various departments will continue to work together and adopt measures to cope with the problem of food price inflation and ease the pressure of rising food prices on the public.

Food and Health Bureau
August 2011

(Translation)

**Motion on
“Alleviating the impact of food price inflation on the public”
moved by Hon WONG Yung-kan
at the Legislative Council meeting
of Wednesday, 18 May 2011**

**Motion as amended by Hon WONG Kwok-hing, Dr Hon PAN Pey-chyou,
Hon Vincent FANG Kang and Hon Ronny TONG Ka-wah**

That inflation is fiercer than a tiger; given that the majority of foods in Hong Kong rely on import, and due to the impact of factors such as global fluctuations in food prices and Renminbi appreciation, etc., the local food prices have remained persistently high; besides, given Mainland residents' trust in foods which are sold in Hong Kong, particularly after the occurrence of melamine-tainted formula incidents involving Mainland milk products, their demand for infant and follow-up formulas which are sold in Hong Kong has soared, leading to an upsurge in the prices and shortage of stocks; in this connection, this Council urges the Government to adopt effective measures to alleviate the impact of food price inflation on the public; the relevant measures should include:

- (a) to conduct studies on bringing infant and follow-up formulas within the regulatory ambit of the Reserved Commodities Ordinance to ensure their stable supply and enable the Government to effectively monitor their stocks, and to formulate jointly with suppliers a code of sales for the industry as soon as possible, so as to ensure the supply of milk formulas to local users;
- (b) to rebuild the local agriculture and fisheries industry, so as to supplement food supply in Hong Kong;
- (c) to assist local food importers and food establishments, etc., in identifying a wider variety of food materials and expanding the sources of supply, so as to diversify the risks of unstable food supply from individual places;
- (d) to enhance the tests on Mainland and Japanese foods, and to actively seek to establish closer co-operation with the Mainland Government and the Japanese Government on food safety matters, so as to restore public confidence and increase the quantity of safe foods available on the market;

- (e) to make timely use of the rare 18-month period when the rental of all public markets in Hong Kong continues to be frozen, and set up a government-led working group comprising representatives of market tenants and groups, council representatives and academic representatives for conducting a comprehensive review of the policy on public markets as well as formulating long-term policies and measures which are conducive to the development of public markets; to abolish the unrealistic practice of charging market-level rental and rates, and on the basis of fully consulting the industries, formulate afresh a reasonable and feasible charging policy for rental, air-conditioning fees and electricity tariffs; to allocate additional resources for installing air-conditioning facilities in all public markets to further improve the business environment of public markets, thereby fundamentally enhancing the competitiveness of existing public markets as well as further increasing occupancy rates and reducing vacancy rates, so as to fulfill their function of providing the general public with fresh, inexpensive and quality foods and non-staple foods; on the other hand, the Government must construct public markets in new towns (for example, Yat Tung Estate in Tung Chung and Tin Shui Wai New Town, etc.), so as to assist new town residents in combating market monopolization and alleviate the heavy burden of goods prices on the grassroots in new towns; and under the programme for planning new development areas (for example, Hung Shui Kiu and Kwu Tung, etc.), reserve land for constructing public markets in advance, so as to enable new town residents to improve their basic living;
- (f) to further increase the transparency of essential food supply and price information, with a view to facilitating the dissemination of market information and preventing stockpiling and hoarding by unscrupulous traders;
- (g) to relax the eligibility requirements for short-term food assistance service projects and the period of receiving assistance, consider providing Comprehensive Social Security Assistance households, low-income persons and poor elderly persons, etc., with additional food subsidies or food vouchers, and to conduct studies on providing support to the grassroots through the Community Care Fund, etc., in coping with the food price inflation problem;
- (h) through various media such as the radio, television and the Internet, etc., as well as through professionals such as dieticians, etc., to promote inexpensive but nutritious foods to the public, and to encourage the public to buy foods within their means, so as to avoid any public misconception that expensive foods will be exceptionally beneficial to their health;

- (i) to provide poor students with inexpensive lunch in school, so as to ensure students' intake of sufficient nutrients during their development and growth; and
- (j) to encourage and facilitate mutual co-operation among community groups, non-government organizations, merchants' associations and food suppliers for organizing short-term anti-inflation bargain bazaars for the public in the 18 districts in turn, with the Government providing venues and necessary support, so as to put together some non-staple foods, such as rice, cooking oil and canned food, etc., for sale at cost, with a view to assisting the public in combating inflation;
- (k) to step up negotiations with the Mainland authorities on how to ensure stable supply of foods to Hong Kong, especially for the stable supply of live and fresh foods such as live pigs and cattle, and to make efforts to enhance competition so as to avoid drastic fluctuations in food prices; and, on the premise of declining avian influenza risks, to appropriately increase the Mainland's supply of live chickens to Hong Kong according to market demand during major traditional Chinese festivals, so as to reduce the negative impact of food price inflation on the public;
- (l) to lower the various registration fees and application fees imposed on food industries by the Government, including the registration fees for applying for small volume exemption under the food nutrition labelling scheme and the registration fees for food importers and food distributors under the Food Safety Ordinance, etc., so as to reduce the extra administrative fees borne by these industries; and
- (m) to establish a mechanism for providing food industries with immediate assistance, such as providing certification for unpolluted foods, whenever there are any major food pollution emergencies such as those involving malachite green, melamine as well as nuclear radiation pollution in Japan, etc., so as to ensure that it will not affect the market supply; and
- (n) in respect of the supply of staple foods, to introduce more suppliers to increase competition, so as to prevent individual major merchants' associations from monopolizing the food market.