



中華人民共和國香港特別行政區政府總部食物及衛生局  
Food and Health Bureau, Government Secretariat  
The Government of the Hong Kong Special Administrative Region  
The People's Republic of China

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電話號碼 Tel nos. : (852) 3509 8968  
傳真號碼 Fax nos. : (852) 2136 3281

13 March 2013

Clerk to Subcommittee on  
Import and Export (General)(Amendment) Regulation 2013  
Legislative Council  
Legislative Council Complex  
1 Legislative Council Road  
Central  
Hong Kong  
(Attn: Mr Raymond LAM)

Dear Mr LAM,

I refer to your letter dated 8 March. Our reply to the questions raised by Hon Vincent FANG is as follows -

The Government has been promoting the merits of breastfeeding in order to encourage its adoption by parents. Where breastfeeding is not feasible, powdered formula is the only processed foodstuff which wholly fulfils the nutritional requirements of infants during the first months of life until the introduction of complementary feeding<sup>1</sup>. For young children above six months of age, we understand that some parents still rely heavily on powdered formula for young children as the diet for their children under the age of 36 months. To protect the health of infants and young children under the age of 36 months, it is necessary to ensure that powdered formula is safe for consumption and has an adequate and stable supply.

<sup>1</sup> Complementary feeding is normally introduced at six months of age.

- (1) Hong Kong relies on the importation of powdered formula for infants and young children under 36 months (powdered formula) to meet all local demands. The total amount of import of products concerned was largely steady at the level of 15 million kg per annum from 2006 to 2008. Since then, demand has shot up, with the amount of import reaching over 44 million kg in 2012 representing a 193% increase. During the same period, the amount of re-export was about 2 million kg per annum, while the growth in the number of births in Hong Kong was only about 16%. On the basis of these figures, we believe that, over the past years, a large amount of powdered formula has been consistently diverted through parallel trading activities to satisfy the demand of Mainland parents.

Starting from January 2013, we have noted a serious shortage of certain brands of powdered formula at some retail outlets. Since then, the Government has been closely monitoring the development of the matter. We noted that even though major suppliers of powdered formula had already enhanced their services, emphasised they had sufficient stock in hand, and put in place stringent measures to combat the malpractices of some retailers<sup>2</sup>, many local parents still complained that individual brands of powdered formula were still out of stock at the retail level, that calls to hotlines of certain suppliers were unanswered and that response of certain suppliers was relatively slow.

In the meantime, we also received complaints from many members of the public and some LegCo Members concerning the shortage of powdered formula in the market. From these complaints, and through other channels, such as media reports, contacts with importers, and the concern expressed by individual LegCo Members, we observed that the shortage of powdered formula had become more and more acute, and that parallel trading activities of powdered formula had been spreading from areas in the New Territories, including Sheung Shui, Fanling and Tai Po, to urban areas. The community at large was extremely concerned about the situation. From the above channels, we were also aware that the shortage had occurred in more than two

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<sup>2</sup> In January 2013, major suppliers of powdered formula issued 77 warnings to these retailers and restricted supply to 27 retailers. Besides, supply to 11 retailers has been suspended.

brands of powdered formula which had a market share of over 60% in Hong Kong, and that in certain areas where shortage was particularly serious, there had been a significant rise in the retail price of these brands of powdered formula.

We considered that the huge demand of parallel traders had led to the supply chain failure in relation to powdered formula, resulting in the serious shortage of powdered formula available for purchase by local parents at the retail level. We could not look on the problem with folded arms as it had caused stress and anxieties to parents.

- (2) As far as we understand, some economies (e.g. Bulgaria, Czech Republic, Hungary, Macedonia, Moldova, Poland and Ukraine) have also implemented measures such as temporary prohibition order on export, export quota system or export licence system on certain products (e.g. barley, feed corn, oats, wheat and wheat flour), so as to prevent serious shortage of these products in their local market.
- (3) According to information provided by the Census and Statistics Department (C&SD), the number of births in Hong Kong in the past three years is as follows:

	Number of Live Births
2010	88 584
2011	95 451
2012	91 636 <sup>#</sup>

<sup>#</sup> Provisional figures

The C&SD does not keep statistics on the demand of infant and young children for powdered formula no. 1, 2 and 3 as well as import quantity of each type of these formula products.

- (4) Lately we have asked major suppliers of powdered formula to provide the information mentioned in the Question. So far, official replies have been received from a few suppliers, of which the majority expressed reservations about sharing the information for reasons of internal confidentiality.

(5) & (6)

With regard to the enforcement of the Import and Export (General)(Amendment) Regulation 2013 (Amendment Regulation), the Customs and Excise Department (C&ED) will adopt the same practice as in other enforcement work. C&ED will conduct investigation on the cases detected, and shall initiate legal proceedings when there is sufficient evidence that the arrestee has breached the Amendment Regulation.

Since the commencement of the Amendment Regulation on 1 March and up to 12 March 2013, eleven cases have been dealt with by the Court and were fined from \$500 to \$5,000.

There is no provision on the detention or bail of suspected persons under the Amendment Regulation. Generally speaking, police bail would be granted to persons arrested by C&ED. Nonetheless, C&ED officers may, on individual merits (including the likelihood of the arrestee to abscond or whether he/she can provide a reasonable amount of bail money), consider whether or not to detain the arrestee for handing over to the Police to bring him/her before a magistrate at the earliest possible time.

Between 1 and 6 March 2013, 137 persons were arrested by C&ED under the Amendment Regulation. Among these offenders, seven were refused bail due to their likelihood to abscond or failure to provide a reasonable amount of bail money. They were brought before a magistrate by the Police on the next day.

The restriction on the export of powdered formula under the Amendment Regulation is only a measure taken as a last resort. The purpose is not to target travellers from the Mainland or other places, but simply to ensure the adequate supply of powdered formula for infants and young children of local parents.

- (7) To cater for the enforcement work, C&ED has worked out deployment plans and adopted multiple-pronged strategies before the Amendment Regulation comes into effect. On enforcement side, C&ED has stepped up export control at all boundary control points and adopted risk-based approach on passenger and cargo inspection. At the same time, C&ED has enhanced intelligence

collection, continued to keep close contact with the Mainland Customs and conducted joint operations if necessary.

For manpower arrangement, C&ED has deployed around 200 officers, including retired C&ED officers employed under non-civil service contracts, to strengthen Customs clearance on outbound passengers and vehicles. In addition, a task force comprising over 70 officers has been established to handle and investigate cases effected under the Amendment Regulation. C&ED will review the latest development and flexibly deploy officers to reinforce frontline enforcement operations.

For inspection equipment, C&ED has installed 14 X-ray checkers, baggage examination counter, digital scales, together with other inspection tools at the departure halls of the nine boundary control points to facilitate and expedite baggage inspection by Customs officers.

C&ED will regularly review the above-mentioned measures with a view to devising its short-term and long-term strategies. The additional funding would be met in 2013-14 by envelope provision of the relevant Director of Bureau.

- (8) We consider that the supply chain failure in relation to powdered formula has a major bearing on the serious shortage of powdered formula in Hong Kong recently. As such, we are of the view that strengthening the supply chain in relation to powdered formula in Hong Kong is the most important means to prevent a recurrence of the problem.

We consider that powdered formula suppliers need to step up their efforts to improve the supply chain operation to ensure an adequate, stable and timely supply of powdered formula for Hong Kong people. We will continue to urge local suppliers of powdered formula to increase the efficiency of stock replenishment from places outside of Hong Kong, as well as the capacity for distribution and delivery of goods, so that in case of a resurgence of the shortage problem, they are able to replenish the stock at retail outlets effectively and expediently, thereby ensuring the adequate and stable supply of powdered formula at local retail outlets for Hong Kong's infants and young children.

We will also request powdered formula suppliers to commit additional resources to boost the number of hotlines for taking purchase orders so as to facilitate local parents in purchasing powdered formula directly via this channel when the need arises.

We will continue to closely monitor the situation of the powdered formula market in Hong Kong, and review the relevant measures from time to time. In doing so, we will maintain close liaison with suppliers on the above issues and ensure that the supply chain operation is effectively improved to cater for the needs of Hong Kong's infants and young children for powdered formula.

- (9) The Government has set up this hotline to serve as a safety net. Local parents of infants and young children under 3 years of age who are unable to purchase 7 major brands of powdered formula at the retail level or via the suppliers' hotlines may call this hotline.

Since the special hotline started operation at 6pm on 1 February 2013 up to midnight on 10 March 2013, the total number of calls received was 6 124, of which 3 323 were for making purchase orders and the remaining were for enquiries (including calls to follow up on the purchase orders).

Details of the purchase orders are as below -

<b>Brands</b>	<b>The number of purchase order referrals by the special hotline</b>	
Mead Johnson	2 183	(65.7%)
Friso	477	(14.3%)
Cow & Gate	424	(12.8%)
Nestle	80	(2.4%)
Snow Brand	59	(1.8%)
Abbott	55	(1.7%)
Wyeth	45	(1.3%)
<b>Total</b>	<b>3 323</b>	<b>(100%)</b>

Staff manning the special hotline will refer all purchase orders and follow-up enquiries on purchase orders to the relevant suppliers. The special hotline is operated by staff of 1823 of the Efficiency Unit and no additional expense is incurred in the operation.

- (10) We have been promoting the merits of breastfeeding in order to encourage its adoption by parents. To this end and as part of the comprehensive strategy to promote, safeguard and support breastfeeding, we have formulated the Hong Kong Code of Marketing and Quality of Formula Milk and Related Products, and Food Products for Infants and Young Children.

Nevertheless, we have also noted that for various reasons, many parents are not able or have not made a choice to breastfeed. For the infants and young children of these parents, powdered formula is their only or essential foodstuff. Thus, the adequate and stable supply of powdered formula is of utmost importance to these parents and infants/young children. As a responsible Government, we cannot dismiss the problem of the serious shortage of powdered formula and the stress and anxieties of parents.

We have been closely monitoring the supply of powdered formula in local markets. Since January 2013, despite the fact that major suppliers of powdered formula have enhanced their services, emphasised the sufficiency of their stock, and taken stringent measures to combat the malpractices of certain retailers, many local parents still complained that individual brands of powdered formula are still out of stock at the retail level, that calls to hotlines set up by certain suppliers to facilitate local parents in ordering powdered formula were unanswered and that response of certain suppliers was relatively slow.

In view of this, the Government has set up a special hotline as a safety net to provide assistance to local parents who, for various reasons, are unable to purchase powdered formula. It will refer the purchase orders to the suppliers so as to meet the needs of the infants and young children and alleviate the worries of local parents. It is only in the face of the supply chain failure in the market that we have resorted to this short-term measure. We will review the effectiveness of the hotline from time to time to decide on when to call off the service.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'P. P. Chan', with a long, sweeping horizontal line extending to the right.

P. P. ( Philip CHAN )  
for Secretary for Food and Health