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Panel on Food Safety and Environmental Hygiene

**Background brief prepared by the Legislative Council Secretariat
for the meeting on 9 July 2013**

Supply of live cattle in Hong Kong

Purpose

This paper summarizes the concerns of the members of the Panel on Food Safety and Environmental Hygiene ("the Panel") on the supply of live cattle in Hong Kong.

Background

2. At present, all live cattle in Hong Kong are supplied from the Mainland through Ng Fung Hong Limited¹ as the export agent. The export agent is responsible for sourcing and transporting live cattle from the registered farms on the Mainland² to Hong Kong for slaughtering, and then for sale to local buyers for subsequent distribution to local retail outlets or restaurants for sale or consumption. The Ministry of Commerce is the authority approving the export agent for the supply of live cattle to Hong Kong.

¹ The Ministry of Commerce ("MOC") under the State Council appoints the main agents for the supply of Mainland livestock to Hong Kong. Prior to October 2007, Ng Fung Hong Limited was appointed as the sole agent supplying Mainland live pigs and live cattle to Hong Kong. Subsequent to the agreement between the Food and Health Bureau of the Hong Kong Special Administrative Region and MOC on opening up the market for supplying live pigs to Hong Kong in October 2007, the number of agents for supplying Mainland live pigs to Hong Kong has increased from one to three. Ng Fung Hong Limited is currently the sole agent for importing Mainland live cattle into Hong Kong.

² To ensure the quality of food animal supplied to Hong Kong, all incoming live cattle are sourced from the farms on the list of registered farms for supplying live food animals to Hong Kong and Macao approved by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China.

3. According to media reports, the wholesale price of fresh beef has been raised several times since November 2010, driving the retail price to new heights. These price increases have made the business difficult and driven many small businesses and retailers out of business. There are also calls for the Government to open up the live cattle market in order to bring down the price of fresh beef. To better understand the market situation, the Administration commissioned a consultant to conduct a market survey to compare the price, quality and costs of fresh beef in Hong Kong and nearby Mainland cities. According to the consultant, the price index of beef in Hong Kong was 30.9% higher than that in February 2012, while the price index of beef in the Mainland recorded an increase of 34.6% for the corresponding period. Based on the findings of the survey, the consultant was of the view that the rates of increase in the prices of fresh beef in Hong Kong and the Mainland in 2012 were comparable.

Deliberations of the Panel

4. The Panel discussed the supply of live cattle at its meeting on 28 May 2013. Members were deeply concerned about the surge in the price of fresh beef. Many members were of the view that the current arrangement of supplying all live cattle to Hong Kong through a single agent had rendered the supply and wholesale price of fresh beef susceptible to manipulation. The frequent increases in the wholesale price of fresh beef had also driven many small businesses to despair. They urged the Administration to take measures to break the monopoly and stabilize the price and supply of fresh beef. The Panel passed a motion at the meeting, urging the Government to expeditiously open up the market of imported live cattle and draw up an implementation timetable as soon as possible.

5. While noting that the Administration's earlier attempt to introduce Mainland chilled beef to the local market was not successful, some members remained of the view that consideration could be given to promoting chilled beef to supplement consumers' demand for fresh beef. They considered that such arrangement not only provided more food choices for the general public, but also helped maintain food prices at a reasonable and stable level. They urged that more trade facilitation measures should be developed to encourage more eligible processing plants to apply for supplying chilled beef to Hong Kong.

6. According to the Administration, it was equally concerned about the recent surge in the price of fresh beef. It was the policy of the Government to maintain a stable and adequate supply of foodstuffs from diverse sources, in addition to ensuring food safety. While the Administration was open-minded about the opening up of the market, the authority to approve the export agent for the supply of live cattle to Hong Kong rested with the Ministry of Commerce. The Administration had already liaised with the relevant Mainland authority to explore the feasibility of opening up the market. That said, the Administration cautioned that if the upward trend in the price of live cattle was mainly attributable to the tight supply and high demand in the market, an increase in the number of distributing agents might not help ameliorate the situation.

Relevant papers

7. A list of the relevant papers on the Legislative Council website is in the **Appendix**.

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Legislative Council Secretariat
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Relevant papers on supply of live cattle in Hong Kong

Committee	Date of meeting	Paper
Panel on Food Safety and Environmental Hygiene	28.5.2013 (Item IV)	Agenda CB(2)1182/12-13(04) CB(2)1182/12-13(05)

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