

**For discussion
on 10 June 2014**

LegCo Panel on Food Safety and Environmental Hygiene

Study on Wholesale Markets

Purpose

At the meeting of this Panel on 13 May 2014, Members requested that the captioned subject should be advanced for discussion at the meeting scheduled for 10 June 2014. This paper briefs Members on the progress of actions being taken by the Administration to study the functions and purpose of wholesale markets in Hong Kong.

Consultancy Study

2. The Government has commissioned a consultancy to study the present-day functions and purpose of the wholesale business in the sale of fresh food produce, and analyse the geographical spread of the wholesale markets from the perspective of land use and food safety.

3. In the 1970s, the Government decided to relocate the then largely on-street fresh food wholesale activities to purpose-built wholesale complexes to improve environmental hygiene, and to make way for urban development. Nevertheless, it has not been the Government's policy to require all fresh food commodities (except live poultry and chilled marine fish) to be distributed through wholesale markets. On the contrary, in line with the overall economic policy in Hong Kong, fresh food importers and wholesalers are free to choose the best way to distribute their goods.

4. At present, approximately 80% of imported fresh foods are distributed to various wholesale markets, with the remaining 20% by direct sales. After wholesaling at wholesale markets, imported and local fresh foods are further channelled downstream to retail outlets and restaurants. Most of the wholesale markets are operated either by the Government or the non-Government but

statutory Fish Marketing Organization and Vegetable Marketing Organization.

5. The conventional role of the wholesale business is to source a wide range of fresh produce for retailers and restaurateurs. As the production of fresh produce depends on climate, geographic location as well as season, one of the major functions of the wholesale trade is to ensure continuous supply of good quality produce by developing business links with large number of farmers, fishermen and exporters in both the Mainland and overseas countries. In addition, production from any farm or fishing vessel is always in huge bulk quantities which may be too big for any individual retail operators. Retail operators therefore have to rely on the wholesale trade to purchase fresh produce in bulk, bring to the market and sell to them in smaller quantities just enough for their daily use to ensure freshness and quality. In the process, the wholesale trade also extends credit to retailers for the produce purchased, which greatly facilitates cash flow, particularly for small operators.

6. In recent years, the wholesale trade seems to be taking on a new function. The rapid pace of life in Hong Kong and increased competition in the catering industry lead to the need for other value added services from the wholesale trade like supplying “ready to cook” fresh produce to retailers and restaurateurs. As a result, most vegetable wholesalers now carry out pre-cooking food preparation such as washing, trimming, cutting to size, grading, repackaging and labeling for their retailing customers.

7. Apart from patronising wholesale markets, some retailers choose to source their fresh food supply direct from importers or Mainland and overseas suppliers, thus bypassing the wholesale markets and the associated expenses in wholesale transactions. Large supermarket and catering chains in particular may find significant savings due to their economy of scale. For these retailing chains, fresh produce is channelled direct from importers or Mainland and overseas suppliers to in-house processing warehouses in Hong Kong, before they are distributed downstream to outlets within the chains. In comparison, individual wet market retailers who opt to bypass local wholesale markets usually have to place their orders in advance with importers specialising in fresh produce, and take daily deliveries from across the border.

8. The current footprint of the wholesale markets is considered by some to be wide compared with the size of the territory and it tends to be concentrated in the urban area. Others question whether the existing location of some wholesale

markets in the urban area, namely the Cheung Sha Wan Wholesale Food Market, the Cheung Sha Wan Temporary Wholesale Poultry Market, the Cheung Sha Wan Wholesale Vegetable Market, the Yau Ma Tei Fruit Market and the Western Wholesale Food Market, is the most appropriate for present-day purpose.

9. The consultancy study focuses on the abovementioned five wholesale markets. Specifically, the scope of the study covers four areas: to capture the evolution of the wholesale business in the last two decades and ascertain the current situation in terms of its role and function; to compare and contrast relevant overseas experience with the local situation and draw lessons for Hong Kong; to compare and contrast the operation modes of wholesale versus direct purchase, and evaluate if more synergy can be achieved should there be changes to the location of some of the wholesale markets; and to recommend ways to improve provision of wholesale market facilities and service with a view to bringing enhanced efficacy and benefit to the Hong Kong community as a whole.

10. The study is currently underway. The Administration plans to brief the Panel when the outcome of the consultancy study is ready.

Advice Sought

11. Members are invited to note the paper.

**Food and Health Bureau
Agriculture, Fisheries and Conservation Department
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