

For discussion  
on 10 June 2014

**Legislative Council Panel on Food Safety and Environmental Hygiene**

**Supply of Live Cattle in Hong Kong**

**Purpose**

This paper aims to brief Members on recent developments related to the supply of live cattle in Hong Kong and the progress of deliberations in following up the suggestion of opening up the live cattle market in Hong Kong by bringing in more import agents.

**Background**

2. In view of the concerns expressed by the community about the supply and price of fresh beef, we briefed the Legislative Council Panel on Food Safety and Environmental Hygiene (the Panel) on 28 May 2013 on the supply of live cattle in Hong Kong as well as the market survey, study and analysis conducted by the Government on the prices of fresh beef. We also attended the Panel meeting on 9 July 2013 and listened carefully to the concerns and views of Members and the trade about the supply of live cattle in Hong Kong.

3. Having regard to the request from different sectors of the community for opening up the live cattle market in Hong Kong, the Food and Health Bureau (FHB) relayed to the Ministry of Commerce (MoC) in early 2013 the relevant views as well as our analysis and assessment on the live cattle market in Hong Kong. Thereafter, the Secretary for Food and Health also met with the Minister of Commerce to exchange views on issues including the quality and safety of agricultural products supplied to Hong Kong from the Mainland, the decline in the supply of live cattle to Hong Kong and the price rises. Under the principle of giving due importance to safeguarding the food safety of live cattle supplied to Hong Kong, both sides set up a working group. The working group, comprising representatives of MoC, other relevant authorities in the Mainland and FHB, is tasked to solicit views from various trade associations on breeding, exporting, supplying, slaughtering, wholesaling, distributing etc. in relation to the supply of live cattle to Hong Kong, and to evaluate the existing operation and management system for the supply of live cattle to Hong Kong. To this end, MoC convened a fact-finding meeting in November 2013 to listen to the views of the industry in Hong Kong and the Mainland on the existing distribution system for the supply of live cattle to Hong Kong.

## **Recent situation on the supply of beef in Hong Kong**

### Supply of Live Cattle

4. At present, all live cattle in Hong Kong are supplied from the Mainland with Ng Fung Hong (NFH) as the import agent. It is the policy objective of the Government to maintain a stable and adequate supply of foodstuffs from diverse sources, in addition to ensuring food safety. The Government has been upholding the principle that food prices should be determined by forces of supply and demand in a free market. The role of the Government lies in enhancing market transparency with a view to facilitating the effective operation of the market. In this regard, we have been working to ensure the stable supply and food safety of live cattle in the market.

5. On supply, between 2009 and 2011, the supply of live cattle to Hong Kong remained stable, with the market taking in 78 heads of live cattle on average each day. In the first half of 2012, the daily supply of live cattle was 75 heads on average. However, with supply getting increasingly tighter in the second half of the year, the average daily supply of live cattle went down to 68 heads. In 2013, the local market took in 53 heads of live cattle on average each day. Between January and May 2014, the average daily supply of live cattle was 49 heads.

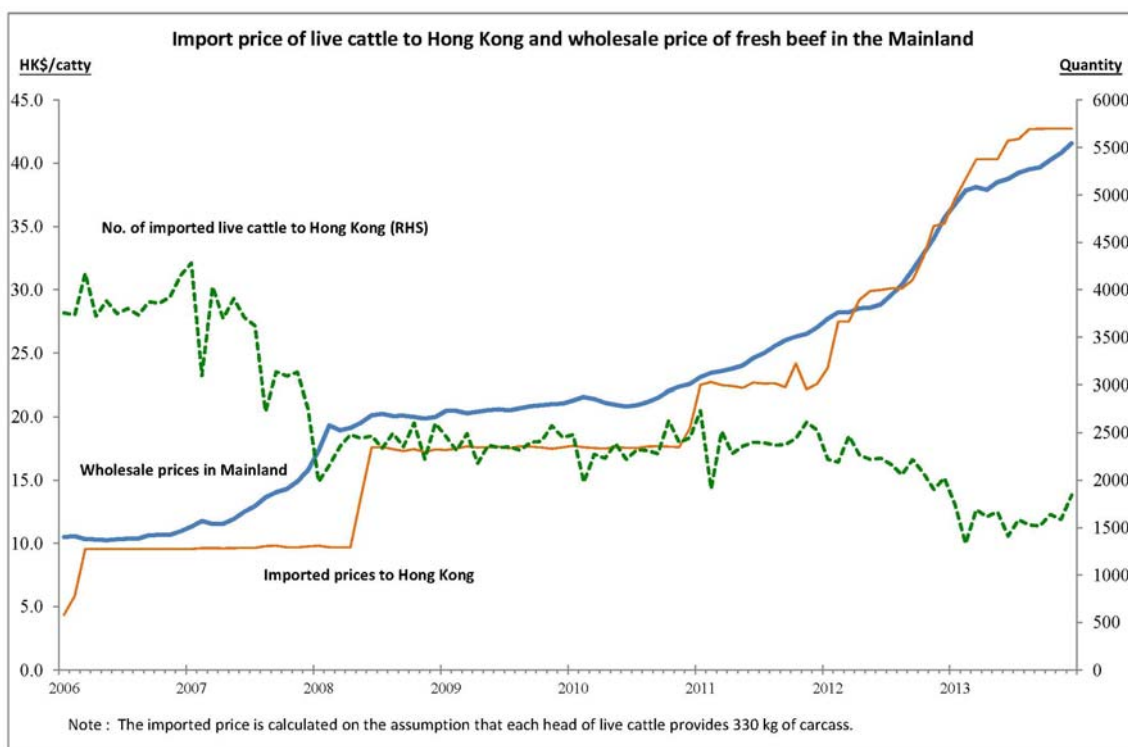
6. In terms of price, since NFH adjusted the wholesale price of live cattle in May 2013, the wholesale prices of marbled beef and breeding beef have remained at HK\$4,690/picul and HK\$4,070/picul respectively up to the present. Corresponding to the wholesale price in the Mainland over the same period, based on the information we obtained from MoC<sup>1</sup>, the wholesale price of fresh beef in the Mainland went up from 50.31 Renminbi (RMB)/kilogramme (kg) on average in May 2013 (as at 23 May 2013) to 53.96 RMB/kg in May 2014 (as at 23 May 2014), representing an increase of approximately 7.3%.

7. In fact, the wholesale price of fresh beef in the Mainland has gone up steadily in recent years. Over the same period, the import price of live cattle in Hong Kong has also recorded a rise. According to statistical information of MoC<sup>2</sup>, the wholesale price of fresh beef in the Mainland increased from HK\$10.5/catty on average in 2006 to HK\$39.1/catty on average in 2013, while the import price of live cattle in Hong Kong rose from HK\$8.8/catty on average in 2006 to HK\$41.2/catty on average in 2013. The import price of live cattle and wholesale price of fresh beef in the Mainland are shown in the graph below.

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<sup>1</sup> Reference is made to the data on “National Trend of Fresh Beef Wholesale Prices” available on the website of “Commercial Information Forecast” of MoC.

<sup>2</sup> Reference is made to the data on “National Trend of Fresh Beef Wholesale Prices” available on the website of “Commercial Information Forecast” of MoC.



### Other choices of beef

8. Apart from fresh beef, chilled and frozen beef are also available in the local market to provide choices for the general public. In recent years, many consumers have opted for chilled and frozen beef. In 2013, the share of frozen and chilled beef in the local market was 95% and 2.5% respectively, while fresh beef took up 2.5%. Even though the supply and consumption of fresh beef has been declining, the consumption of other types of beef in the market is on the rise. As could be seen from the figures in the following chart, the market of Hong Kong consumed about 259 540 metric tons of beef in 2013. This represents an increase of 94% over 2012, and is more than twice the amount consumed five years ago. This shows that the overall supply of beef in the market is relatively abundant, and that the consumers may choose different types of beef based on their needs and preferences.

**Consumption of different types of beef between 2006 and 2013<sup>3</sup>**

Year	Fresh beef <sup>4</sup>		Chilled beef <sup>5</sup>		Frozen beef <sup>5</sup>		Total	
	Metric ton	%	Metric ton	%	Metric ton	%	Metric ton	%
2006	14 682	22%	3 617	5%	50 185	73%	68 484	100%

<sup>3</sup> Consumption is calculated by deducting the amount of re-exports from the total imports.

<sup>4</sup> Data is compiled based on information provided by NFH. The total weight of fresh beef is calculated by multiplying the average weight of cattle carcass and the amount of slaughtered cattle.

<sup>5</sup> Data is compiled with reference to the Hong Kong Merchandise Trade Statistics of the Census and Statistics Department.

Year	Fresh beef <sup>4</sup>		Chilled beef <sup>5</sup>		Frozen beef <sup>5</sup>		Total	
	Metric ton	%	Metric ton	%	Metric ton	%	Metric ton	%
2007	13 142	19%	4 447	7%	50 688	74%	68 277	100%
2008	9 036	11%	3 849	4%	72 960	85%	85 845	100%
2009	9 369	9%	4 614	4%	92 023	87%	106 006	100%
2010	9 382	9%	5 541	5%	87 475	86%	102 398	100%
2011	9 275	11%	5 338	6%	70 617	83%	85 230	100%
2012	8 505	6%	5 451	4%	120 101	90%	134 057	100%
2013	6 552	2.5%	6,320	2.5%	246 668	95%	259 540	100%

### **Progress on the follow-up on the suggestion to open up the live cattle market in Hong Kong by bringing in more import agents**

9. Since we relayed to MoC the concerns of the Hong Kong community about the supply of live cattle in Hong Kong, MoC and the relevant authorities in the Mainland have proceeded to evaluate and analyse the current situation in respect of the system on the supply of live cattle to Hong Kong. We have also been maintaining liaison and communication with MoC to further examine and discuss whether there is a need to improve the operation and management system for the supply of live cattle to Hong Kong.

10. Given that the supply of live cattle to Hong Kong and the price rise are closely related to the development of the live cattle market in the Mainland, MoC and the relevant authorities in the Mainland have studied the current system for the supply of live cattle in the Mainland. On the whole, with rapid economic growth in the Mainland and the rising standard of living on the part of Mainland consumers, there has been a corresponding upsurge in the demand for fresh beef. However, taking into account the rising price of breeding feed, the surge in breeding cost, the relatively long breeding cycle, low cost-effectiveness of cow breeding, as well as reduced interest of cattle farmers in cattle breeding, the breeding stock of cattle has dwindled and the growth in production has been slow, leading to a tight market situation and an imbalance between demand and supply in the Mainland. Based on the information that we have obtained from various channels, the breeding stock of cattle in the Mainland plunged by 30% during the ten-year period from 2000 to 2010, while the number of cows in the Mainland fell by around 15% to 20% in recent years.

11. The shortage of cattle supply, coupled with the rise in commodity prices and operating costs, has created pressures for cattle farmers and enterprises in the Mainland and also driven up the prices of beef in the Mainland. In view of this, the Central Government is focusing its efforts on addressing the decline in the supply of live cattle by striking a balance between the demand and supply in the beef market on the one hand, and taking care of the eating habit and needs of ethnic minorities in the Mainland to ensure the beef supply for their consumption on the other. The National Development and Reform Commission promulgated the State Development Plan for Beef and Mutton Production (2013-2020) in September 2013,

which aims to, through enhanced policy support and market regulation, improve the facilities and equipment of large-scale cattle, sheep and goat breeding farms and encourage the development of beef and mutton production industries in the Mainland, with a view to boosting the beef and mutton production. The Central Government would also explore more channels for importing beef so as to ensure a stable supply of beef.

12. The suggestion of opening up the live cattle market in Hong Kong by bringing in more import agents mainly aims to increase the supply and lower the price of live cattle to Hong Kong. Since the suggestion is interrelated with the overall situation of beef supply in the Mainland, MoC and we considered that the two issues should be dealt with together. At present, the supply of live cattle in the Mainland remains at a low level and there is a shortage of beef supply in the Mainland market. It would take time for the Central Government's development plan for beef production to realise the effect of stabilising the supply of live cattle. Both MoC and FHB thus considered it more appropriate to observe and examine the overall situation at this stage. Both sides may proceed further with the discussion to improve the operation and management system for the supply of live cattle to Hong Kong as and when the overall supply of live cattle in the Mainland is stabilised.

13. Having regard to the concerns of the Hong Kong community about the live cattle market, MoC advised that they have requested the import agent of live cattle to make every effort to ensure a stable supply of live cattle to Hong Kong and to maintain the quality. They have also asked the registered farms supplying live cattle to Hong Kong and the inspection and quarantine authorities in the Mainland to uphold quality control. In addition, MoC has asked the import agent and enterprises to set up a 24-hour communication mechanism at the time when there is a relatively strong demand (such as the run-up to the Lunar New Year etc.), in order to ensure that effective and prompt contingency measures can be taken to maintain a stable supply of live cattle and beef products to Hong Kong in case of emergencies (for instance, natural disasters and outbreaks of diseases etc.).

14. The Government would continue to closely monitor the situation of the supply of live cattle in Hong Kong and maintain close liaison and communication with MoC. When the overall supply in the Mainland is stabilised, we would resume discussing with MoC on the suggestion of opening up the live cattle market in Hong Kong by bringing in more import agents. In the meantime, the Government would continue its efforts to ensure a stable, diversified and adequate food supply (including beef), and to safeguard food safety. Besides, we would also continue to encourage and assist the trade in broadening the sources of beef supply so as to provide sufficient choices (including chilled or frozen meat) for the general public, whilst leaving the prices of beef to be adjusted freely in accordance with the free market principle.

## **Advice Sought**

15. Members are invited to note recent developments related to the supply of live cattle in Hong Kong and the progress of deliberations in following up the suggestion of opening up the supply of live cattle market in Hong Kong by bringing in more import agents. Members are also invited to give views on the matters discussed above.

**Food and Health Bureau**  
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