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For discussion
on 9 December 2014

Legislative Council
Panel on Food Safety and Environmental Hygiene

Supply Chain of Powdered Formula

Purpose

This paper aims to report to Members on the work of the Food and Health Bureau (FHB) in monitoring the supply and price levels of powdered formula, as well as efforts of the trade in improving the powdered formula supply chain.

Background

2. On 10 June 2014, we reported to this Panel on the aforesaid issues relating to the supply of powdered formula. We advised at that Panel meeting that we would continue to commission a consultancy firm to conduct regular surveys on the supply and price levels of powdered formula at the local retail level, so as to allow us to get a good grasp of the market situation. We also indicated that we would continue to encourage suppliers to promote their various pre-order services, including the Coupon Scheme[1] (the Scheme) and order placement through suppliers' hotlines for home delivery or collection from chain stores, through channels including the media and internet. We are of the view that through separating local demand from non-local demand, pre-order services can act as a "dedicated supply chain" for local infants and young children. They can play an effective role in ensuring sufficient supply for local infants and young children when powdered formula is in shortage. As such, in the face of tight

[1] Under the Coupon Scheme, parents of local infants and young children aged under 36 months can apply for coupons from seven major powdered formula suppliers (i.e. Abbott, Cow & Gate, Friso, Mead Johnson, Nestle, Snow Brand and Wyeth). Coupon holders are entitled to order powdered formula by presenting the coupons at designated pharmacies under the Hong Kong General Chamber of Pharmacy Limited (HKGCPL).

market situation, purchasing powdered formula through pre-order services is a preferred approach. Continuous promotion of these services can help tackle the issue of powdered formula supply in the long run. The Scheme, as one of the pre-order channels, is complementary to other pre-order services and can serve as an additional option of pre-order service for parents of local infants and young children.

3. We informed this Panel that since pre-order services are effective in alleviating the pressure on the demand when powdered formula is in shortage at the retail level, we have commissioned a consultancy firm to conduct surveys to gauge the experience of parents of local infants and young children in purchasing powdered formula and their attitude towards using various pre-order channels. The survey results will enable us to better assess the level of acceptance of parents of local infants and young children towards various pre-order services (including the Scheme) and assist the Committee on Supply Chain of Powdered Formula[2] (the Committee) in effectively advising the trade on ways to further promote the use of pre-order services by parents of local infants and young children.

4. We also advised that the Committee should continue its operation to follow up on and monitor the improvements of powdered formula supply chain undertaken by suppliers. The Committee convened a meeting in July 2014, during which we briefed members on the progress of the two aforementioned surveys as well as their results. The trade also reported the latest situation of the implementation of the measures to improve the powdered formula supply chain (please see paragraphs 23 to 25 for details).

Supply and Price Situation of Powdered Formula

5. As we reported to the Panel in June 2014, the Import and Export (General) (Amendment) Regulation 2013 (the Amendment Regulation) to a certain extent has struck a balance among the supply, local demand and non-local

[2] In July 2013, the Government appointed a Committee on Supply Chain of Powdered Formula to study and recommend to the Government measures to improve the supply chain of powdered formula. The Committee comprises 14 non-official members, including major powdered formula suppliers, retailers, parents, representatives from the logistics sector, relevant academia and those representing consumer interests.

demand of / for powdered formula. It has catered for the needs of parents of local infants and young children for powdered formula while safeguarding free trade and commerce.

Trade Figures of Powdered Formula

6. We note that since the Amendment Regulation came into effect, there has been a continued expansion in the volume of import, re-export and retained import of powdered formula. According to the figures from March to September 2014 (**Annex 1**):

(a) import of powdered formula was 31.68 million kg, representing a growth of 11% and 28% over the same period in 2013 and 2012 respectively;

(b) re-export of powdered formula was 4.73 million kg, representing a growth of 17% and 223% over the same period in 2013 and 2012 respectively; and

(c) retained import of powdered formula was 26.95 million kg, representing a growth of 10% and 15% over the same period in 2013 and 2012 respectively.

As at 31 October 2014, the Trade and Industry Department has issued about 15 000 powdered formula export licences.

Retail Supply and Prices of Powdered Formula

7. Since the implementation of the Amendment Regulation, the supply of powdered formula at the retail outlets has become sufficient when compared with the situation early last year, though we noted from results of the regular surveys on the supply and prices of powdered formula that shortage of some popular brands of powdered formula is still observed at times.

8. At the June 2014 Panel meeting, we reported the results of the surveys conducted from January to May 2014. We have subsequently conducted surveys in different districts in Hong Kong on a regular basis to collect

information on powdered formula relating to changes in supply and prices, as well as whether there are any unusual fluctuations, during the period concerned (including the National Day Golden Week which is traditionally a peak demand period). For focused resource deployment and better survey efficiency, the surveys covered two brands with more serious shortages observed during the stress test conducted last year, namely Friso and Mead Johnson. The latest survey results are set out in the press release at **Annex 2**.

9. The surveys revealed that shortages of the products of Friso were quite serious between June and August. Although the situation improved in September and onwards, the brand's products, particularly its Stage 3 products, still experienced a certain degree of shortage. The overall shortage rate of Friso Stage 3 products in Yuen Long and Sha Tin was both 33 per cent between October 29 and November 2. The shortage rate for Mead Johnson products was lower (less than 20% in general) and has remained stable.

10. The survey findings also revealed that during this year's National Day Golden Week and the days immediately before and after it, there was no significant increase in the overall shortage rate in the five districts for the products of the relevant brands. It is believed that this was because the Amendment Regulation has struck a balance among the supply, local demand and non-local demand after its implementation, and suppliers have adopted improvement measures for the powdered formula supply chain in response to the call from the Government.

11. Regarding retail prices, the surveys revealed no price fluctuation in major chain stores or pharmacies. The prices remained stable during the survey periods. The retail prices in major chain stores were more or less the same as the suppliers' recommended retail prices, while the average retail prices in pharmacies were close to or lower than those in major chain stores.

12. We have passed the survey results to the relevant suppliers and urged them to actively follow up on the findings to ensure stable and sufficient supply of powdered formula for local infants and young children. The survey results have also been submitted to the Committee to seek their views on how to improve the supply chain. The consultancy firm will continue to conduct the surveys on

a regular basis before the Lunar New Year in 2015. The survey results will also be announced.

Usage of Pre-order Services of Powdered Formula

13. As mentioned at the June 2014 Panel meeting, we noted from the information submitted by suppliers that with their promotional efforts, there has been a considerable increase in the usage of pre-order services during the peak demand period from Christmas in 2013 to the run-up to the Lunar New Year in 2014. We believe that the slight easing of the shortage of powdered formula supply at the local level in that period as compared to that in the previous year was, to a certain extent, attributable to the use of various forms of pre-order services by an increasing number of eligible parents of local infants and young children.

14. From the latest information submitted by the seven major powdered formula suppliers (**Annex 3**), we note the usage of pre-order services of powdered formula has continued to decrease since the Lunar New Year in 2014. The number of cans of powdered formula sold by the seven major suppliers through pre-order services for home delivery or collection at retail outlets dropped from nearly 26 000 in February to about 14 000 in October, representing a decrease of 46%. Compared with the two pre-order services, even fewer parents of local infants and young children made use of the Scheme. During the period from March to October 2014, only a total of about 6 000 cans of powdered formula were sold through the Scheme.

15. Overall, the percentage of parents of local infants and young children who use pre-order services is still quite low. This situation tallies with the findings of the surveys to gauge the experience of local consumers in purchasing powdered formula and their intention to use pre-order services (see paragraph 17(a) below).

Surveys to Gauge the Experience of Local Consumers in Purchasing Powdered Formula and Their Intention to Use Pre-order Services

16. As mentioned in paragraph 3 above, we have commissioned a consultancy firm to conduct the captioned surveys to gauge the experience of parents of local infants and young children in purchasing powdered formula such as the purchase channels most frequently used and the reasons for their choices. Through the surveys, we also hope to ascertain whether parents are currently using various pre-order services and their intention to use or increase the use of such services in the future. Each of the surveys is conducted in ten districts in the territory. At least 400 parents or other carers of local infants and young children (hereinafter referred to as "respondents") who are consuming powdered formula of the seven major brands are successfully interviewed in each survey.

17. The consultancy firm completed the first two rounds of surveys in June and after the Golden Week in October respectively and a total of 826 respondents have been successfully interviewed. The findings of the two surveys are summarised below (please also see **Annex 4** for details):

(a) only a very small number of respondents (47 respondents or 6% of the total number of respondents) usually purchased powdered formula by using pre-order services. Among them, the majority would place orders through suppliers' hotlines for home delivery, while some opted for order placement through suppliers' websites or mobile applications, purchasing via the Scheme or placing orders through suppliers' hotlines for collection from retail stores, etc. An overwhelming majority of respondents (775 respondents or 94% of the total number of respondents) usually purchased powdered formula directly from pharmacies or major chain stores (see Table 1.1 in **Annex 4**);

(b) as for knowledge about pre-order services, 278 respondents (i.e. 34% of the total number of respondents) had no knowledge of any kind of the pre-order services, while 548 respondents (i.e. 66% of the total number of respondents) had knowledge of at least a kind of pre-order services (see Table 2.1 in **Annex 4**);

(c) among the 548 respondents (i.e. 66% of the total number of respondents) in item (b), 307 (i.e. 37% of the total number of respondents) indicated they had never used any pre-order services, 193 (i.e. 23% of the total number of respondents) said that they did not usually use pre-order services, and 47 (i.e. 6% of the total number of respondents) were frequent users[3] (see Table 2.2 in **Annex 4**); and

(d) the consultancy firm also asked the 500 respondents (i.e. 61% of the total number of respondents) who had knowledge of the pre-order services but had never used or did not usually use the services regarding their intention to use pre-order services in the future. Among them, 180 (i.e. 22% of the total number of respondents) did not indicate they would increase the use of various pre-order services in the future while 320 (i.e. 39% of the total number of respondents) said that they would do so (see Table 2.3 in **Annex 4**).

18. For respondents who had knowledge of pre-order services and who indicated they would not increase the use of individual pre-order services or not consider doing so, the consultancy firm has asked about the reasons. Generally speaking, the complicated procedures and higher prices (except through the Scheme) were the main considerations. There were also respondents who attributed their decision not to increase the use of the relevant pre-order services to the failure of hotlines to handle their purchase orders immediately.

19. Among the respondents who indicated they would make use of more pre-order services in the future, most would use order placement through suppliers' hotlines for home delivery, followed by the Scheme and order placement through suppliers' hotlines for collection from retail stores. The reasons for their increased use of various pre-order services varied, including no need to go out (in the case of home delivery), convenient locations (in the case of pre-order services for collection at retail stores and the Scheme), lower prices (in the case of the Scheme) and simple procedures (in the case of order placement through websites or mobile applications).

Analysis and Suggestions

20. The survey results indicated that 34% of the respondents were not aware of any kind of pre-order services (see paragraph 17(b) above). Thus, the trade should continue to promote pre-order services and make greater efforts to inform the public of these services.

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[3] One respondent did not provide information in this regard.

21. On the other hand, while 66% of the respondents (548 respondents) were aware of pre-order services, more than half (307 respondents) have never used these services (see paragraph 17(c) above). When there is a serious shortage at the retail level, they may not know how to use pre-order services that suit their needs to meet the needs of their infants and young children. The trade should encourage these local consumers to try using these services to fully understand their operation, thus enhancing their awareness of and confidence in these services. Many respondents are of the view that the procedures of the pre-order services are complicated (see paragraph 18 above). Consideration should be given to simplify the procedures and better inform the public to alleviate their worries. The trade should also continue to ensure the smooth operation of its hotlines and increase the manpower of hotline services when necessary to respond to calls from customers within 24 hours, so as to enhance their confidence in these services.

22. The survey results further revealed that local consumers would choose different pre-order services for various reasons (see paragraph 19 above). Thus, promotion of these services should be geared towards meeting the demands of different consumers. In doing so, the trade should consider the consumption pattern and expectations of individual consumers, as well as the advantages of different pre-order services. Despite the relatively small number of users of the Scheme (see paragraph 14 above), many respondents indicate their intention of increasing the use of the coupons (see paragraph 19 above). It is thus imperative that the trade continues with promotion of the Scheme.

Committee on Supply Chain of Powdered Formula

23. The Committee held a meeting on 3 July 2014 to follow up on and monitor the efforts of suppliers in improving the supply chain. The Committee discussed the survey results on the supply and price levels of powdered formula between April and June 2014 and the findings of the first survey on the experience of local consumers in purchasing powdered formula and their intention on using pre-order services conducted in June.

24. Following the announcement of the review on the improvement measures for the supply chain put forward by the powdered formula trade[4] in December 2013, we have urged the trade to actively follow up on the recommendations of the consultancy firm and improve considerably the supply chain of powdered formula to ensure sufficient and stable supply. The trade reported the latest progress of their follow-up of the improvement measures proposed by the consultancy firm to the Committee in July 2014. According to the trade, individual suppliers put in place a direct online payment system in early 2014 to facilitate parents in placing orders for powdered formula through the internet. Some suppliers have also introduced an auto-prompt service and undertook to activate the service when necessary to remind parents of replenishing their stock. To enhance parents' awareness of the Scheme, suppliers would reach out to provide them with information on the Scheme upon receipt of enquiries. Furthermore, suppliers have sought the views of parents on the Scheme through HKGCPL to conduct regular review and make improvements when necessary.

25. Members opined that the trade should continue to promote pre-order services with a view to relieving the tight supply at the retail level. The trade should also seek to enhance the awareness of parents about pre-order services and formulate targets in this regard. FHB also advised the trade to make targeted promotional efforts to parents in light of the findings of the survey on local consumer intentions, and to devise a detailed strategy on how to promote pre-order services (including the Scheme) in future, including an implementation timetable and performance indicators, etc.

The Way Forward

26. With the approach of the peak period of demand for powdered formula in the run-up to Christmas and Lunar New Year, we would urge the trade to make full preparation to ensure sufficient supply of powdered formula for local infants and young children during this period. Suppliers have earlier on undertaken to

[4] The improvement measures were proposed by the Hong Kong Infant and Young Child Nutrition Association (membership of which includes Abbott, Cow & Gate, Friso, Mead Johnson, Nestle and Wyeth), Snow Brand and HKGCPL.

respond to calls from customers within 24 hours, and that parents of local infants and young children who have placed orders through pre-order channels would receive powdered formula within three working days (excluding Saturdays and public holidays). We will urge suppliers to stand by their undertaking, as well as to actively promote various pre-order services to parents of local infants and young children.

27. In the next few months, we will continue to commission the consultancy firm to conduct the two surveys mentioned above, and to follow up on and monitor the work of improving the supply chain by suppliers through the Committee. We will continue to listen to the views of both the Committee and this Panel and take into account the progress on the improvements of powdered formula supply chain, before deciding on the Government's position in respect of the Amendment Regulation

Advice Sought

28. Members are invited to note the content of this paper.

Food and Health Bureau
December 2014

Annex 1

Imports, Re-exports and Retained Imports of Powdered Formula (January 2012 to September 2014)

Year	Month	Imports (a) (kg)	Exports (b) (kg)	Retained Imports (a)-(b) (kg)
2012	January	3 261 523	130 609	3 130 914
	February	3 726 536	258 902	3 467 634
	March	3 511 711	142 247	3 369 464
	April	4 074 856	161 251	3 913 605
	May	3 955 038	298 042	3 656 996
	June	3 259 768	157 493	3 102 275
	July	2 674 227	233 624	2 440 603
	August	3 884 954	213 604	3 671 350
	September	3 482 528	256 184	3 226 344
	October	4 189 875	213 819	3 976 056
	November	4 162 563	218 103	3 944 460
	December	4 127 174	292 346	3 834 828
2013	January	4 683 142	377 294	4 305 848
	February	2 760 311	455 679	2 304 632
	March	3 677 706	461 991	3 215 715
	April	4 340 899	601 200	3 739 699
	May	5 073 673	726 750	4 346 923
	June	4 944 289	583 821	4 360 468
	July	3 989 216	623 999	3 365 217
	August	3 226 642	658 374	2 568 268
	September	3 224 475	380 319	2 844 156
	October	3 442 600	592 875	2 849 725
	November	4 945 160	442 650	4 502 510
	December	4 553 279	482 128	4 071 151

Year	Month	Imports (a) (kg)	Exports (b) (kg)	Retained Imports (a)-(b) (kg)
2014	January	5 383 776	529 611	4 854 165
	February	2 614 628	579 183	2 035 445
	March	4 434 835	692 036	3 742 799
	April	4 555 809	689 098	3 866 711
	May	4 427 059	611 108	3 815 951
	June	4 020 936	490 865	3 530 071
	July	4 319 703	625 376	3 694 327
	August	4 909 033	742 916	4 166 117
	September	5 011 220	879 497	4 131 723

Source: Trade Analysis Section of the Census and Statistics Department

Growth Rate

	Imports (kg)	Exports (kg)	Retained Imports (kg)
March to September 2014 (a)	31 678 595	4 730 896	26 947 699
March to September 2013 (b)	28 476 900	4 036 454	24 440 446
Growth Rate (%) (a)-(b)/(b)	11.24%	17.20%	10.26%

	Imports (kg)	Exports (kg)	Retained Imports (kg)
March to September 2014 (c)	31 678 595	4 730 896	26 947 699
March to September 2012 (d)	24 843 082	1 462 445	23 380 637
Growth Rate (%) (c)-(d)/(d)	27.51%	223.49%	15.26%

Annex 2

Press Releases

Results of surveys on supply and prices of powdered formula at retail level announced
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To monitor the progress and effectiveness of measures implemented to improve the powdered formula supply chain in Hong Kong, the Food and Health Bureau (FHB) commissioned a consultancy firm to conduct surveys on the supply and prices of powdered formula at the retail level in different districts in Hong Kong on a regular basis. The latest survey results were announced today (November 26).

For focused resource deployment and better survey efficiency, the surveys covered two brands with more serious shortages observed during the stress test conducted last year, namely Friso and Mead Johnson.

The consultancy firm has conducted nine surveys on the above brands from late June to early November to collect information on powdered formula relating to changes in supply and prices, as well as whether there are any unusual fluctuations, during the period concerned (including the National Day Golden Week which is traditionally a peak demand period). Each survey lasted for five days, covering three stages of the aforesaid brands. The surveys were carried out in four districts known to have experienced more serious shortages last year, namely North District, Yuen Long, Sha Tin and Tuen Mun. The surveys also covered Central and Western District, where shortage of a particular brand was quite serious during the survey periods. A summary of the results is shown in the Annex.

The surveys revealed that the shortage of Friso products was quite serious between June and August. Although the situation improved in September and onwards, the brand's products, particularly its Stage 3 products, still experienced a certain degree of shortage. The overall shortage rates of Friso Stage 3 products in Yuen Long and Sha Tin were both 33 per cent between October 29 and November 2. The shortage rate for Mead Johnson products was lower and has remained stable.

There was no significant increase in the overall shortage rate of both brands during the National Day Golden Week as well as the days immediately before and after it. It is believed that this was because the Import and Export (General) (Amendment) Regulation 2013 has struck a balance among the supply, local demand and non-local demand after its implementation, and suppliers have adopted improvement measures for the powdered formula supply chain in response to the call from the Government.

Regarding retail prices, the surveys revealed no price fluctuation in major chain stores and pharmacies. The prices remained stable during the survey periods. The retail prices in major chain stores were more or less the same as the suppliers' recommended retail prices, while the average retail prices in pharmacies were close to or lower than those in major chain stores.

The survey results have been submitted to the Committee on Supply Chain of Powdered Formula to seek their further views on how to improve the supply chain. Such surveys will continue to be conducted in different districts of Hong Kong on a regular basis, and the survey results will also be announced regularly.

A spokesman for the FHB said, "The shortage of certain brands is still of concern. As the peak demand period in the run-up to Christmas and Lunar New Year is approaching, the FHB will urge the trade to be fully prepared to ensure sufficient supply of powdered formula for local infants and young children during the period."

The FHB will continue to encourage the seven major powdered formula suppliers to actively promote pre-ordering services through various channels, including placing orders through suppliers' hotlines for home delivery or collection at chain stores, as well as the Coupon Scheme. Through separating local demand from non-local demand, these channels can act as a "dedicated supply chain" to ensure sufficient supply of powdered formula for local infants and young children. The seven major suppliers have pledged that parents placing orders through the above channels will receive powdered formula within three working days (excluding Saturdays and public holidays) after confirmation of the orders.

"We will continue to closely monitor the supply of powdered formula and maintain close liaison with the trade to ensure sufficient supply of powdered formula for local infants and young children," the spokesman added.

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Annex

Survey Results of the Supply Situation at Retail Level

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	Overall Shortage Rate of All Stages in Five Districts		
Survey Period	**1**	**2**	**3**
21 - 25 June	49%	68%	61%
12 - 16 July	45%	65%	53%
2 - 6 August	51%	56%	61%
4 - 8 September	23%	35%	39%
19 - 23 September	23%	37%	42%
24 - 28 September	18%	29%	33%
29 September - 3 October	15%	26%	29%
4 - 8 October	17%	25%	31%
29 October - 2 November	21%	16%	26%

	Shortage Rate between 21 - 25 June					
Stage	**North District**	**Yuen Long**	**Sha Tin**	**Tuen Mun**	**Central & Western**	**Overall**
1	37%	43%	43%	53%	70%	**49%**
2	60%	63%	63%	73%	80%	**68%**
3	57%	63%	70%	43%	70%	**61%**

	Shortage Rate between 12 - 16 July					
Stage	**North District**	**Yuen Long**	**Sha Tin**	**Tuen Mun**	**Central & Western**	**Overall**
1	33%	43%	50%	40%	57%	**45%**
2	77%	67%	57%	63%	63%	**65%**
3	47%	63%	43%	60%	50%	**53%**

	Shortage Rate between 2 - 6 August					
Stage	**North District**	**Yuen Long**	**Sha Tin**	**Tuen Mun**	**Central & Western**	**Overall**
1	37%	57%	37%	53%	70%	**51%**
2	43%	60%	57%	57%	73%	**56%**
3	57%	67%	63%	60%	57%	**61%**

Stage	Shortage Rate between 4 - 8 September					
	North District	Yuen Long	Sha Tin	Tuen Mun	Central & Western	Overall
1	23%	20%	27%	13%	33%	**23%**
2	43%	27%	40%	43%	23%	**35%**
3	47%	37%	37%	47%	37%	**39%**

Stage	Shortage Rate between 19 - 23 September					
	North District	Yuen Long	Sha Tin	Tuen Mun	Central & Western	Overall
1	23%	23%	23%	23%	23%	**23%**
2	33%	43%	30%	33%	43%	**37%**
3	27%	43%	40%	53%	47%	**42%**

Stage	Shortage Rate between 24 - 28 September					
	North District	Yuen Long	Sha Tin	Tuen Mun	Central & Western	Overall
1	17%	13%	20%	7%	33%	**18%**
2	20%	27%	23%	33%	40%	**29%**
3	30%	27%	30%	43%	37%	**33%**

Stage	Shortage Rate between 29 September - 3 October					
	North District	Yuen Long	Sha Tin	Tuen Mun	Central & Western	Overall
1	10%	23%	10%	13%	17%	**15%**
2	13%	37%	23%	27%	30%	**26%**
3	20%	37%	17%	37%	33%	**29%**

Stage	Shortage Rate between 4 - 8 October					
	North District	Yuen Long	Sha Tin	Tuen Mun	Central & Western	Overall
1	10%	27%	17%	17%	17%	**17%**
2	17%	40%	20%	17%	33%	**25%**
3	33%	37%	37%	23%	27%	**31%**

Stage	Shortage Rate between 29 October - 2 November					
	North District	Yuen Long	Sha Tin	Tuen Mun	Central & Western	Overall
1	13%	33%	20%	20%	17%	**21%**
2	10%	23%	10%	17%	20%	**16%**
3	17%	33%	33%	23%	23%	**26%**

Mead Johnson

	Overall Shortage Rate of All Stages in Five Districts		
Survey Period	**1**	**2**	**3**
21 - 25 June	17%	18%	19%
12 - 16 July	9%	13%	13%
2 - 6 August	9%	15%	18%
4 - 8 September	9%	8%	13%
19 - 23 September	11%	14%	21%
24 - 28 September	3%	14%	15%
29 September - 3 October	11%	13%	21%
4 - 8 October	7%	17%	23%
29 October - 2 November	7%	10%	16%

	Shortage Rate between 21 - 25 June					
Stage	**North District**	**Yuen Long**	**Sha Tin**	**Tuen Mun**	**Central & Western**	**Overall**
1	20%	20%	13%	17%	17%	**17%**
2	33%	17%	20%	10%	10%	**18%**
3	23%	17%	17%	23%	13%	**19%**

	Shortage Rate between 12 - 16 July					
Stage	**North District**	**Yuen Long**	**Sha Tin**	**Tuen Mun**	**Central & Western**	**Overall**
1	3%	17%	10%	17%	0%	**9%**
2	17%	13%	13%	17%	3%	**13%**
3	10%	17%	10%	23%	7%	**13%**

	Shortage Rate between 2 - 6 August					
Stage	**North District**	**Yuen Long**	**Sha Tin**	**Tuen Mun**	**Central & Western**	**Overall**
1	10%	20%	3%	7%	3%	**9%**
2	30%	20%	7%	13%	3%	**15%**
3	23%	23%	17%	17%	10%	**18%**

	Shortage Rate between 4 - 8 September					
Stage	**North District**	**Yuen Long**	**Sha Tin**	**Tuen Mun**	**Central & Western**	**Overall**
1	3%	13%	17%	7%	3%	**9%**
2	10%	13%	3%	10%	3%	**8%**
3	17%	10%	23%	10%	3%	**13%**

	Shortage Rate between 19 - 23 September					
Stage	**North District**	**Yuen Long**	**Sha Tin**	**Tuen Mun**	**Central & Western**	**Overall**
1	10%	3%	17%	17%	7%	**11%**
2	13%	17%	17%	13%	10%	**14%**
3	30%	40%	10%	20%	7%	**21%**

	Shortage Rate between 24 - 28 September					
Stage	**North District**	**Yuen Long**	**Sha Tin**	**Tuen Mun**	**Central & Western**	**Overall**
1	3%	3%	3%	0%	7%	**3%**
2	10%	17%	10%	17%	17%	**14%**
3	17%	20%	7%	20%	13%	**15%**

	Shortage Rate between 29 September - 3 October					
Stage	**North District**	**Yuen Long**	**Sha Tin**	**Tuen Mun**	**Central & Western**	**Overall**
1	0%	20%	13%	17%	3%	**11%**
2	10%	13%	13%	27%	0%	**13%**
3	27%	27%	13%	30%	7%	**21%**

	Shortage Rate between 4 - 8 October					
Stage	**North District**	**Yuen Long**	**Sha Tin**	**Tuen Mun**	**Central & Western**	**Overall**
1	7%	13%	10%	7%	0%	**7%**
2	23%	27%	10%	10%	13%	**17%**
3	40%	33%	20%	13%	7%	**23%**

	Shortage Rate between 29 October - 2 November					
Stage	**North District**	**Yuen Long**	**Sha Tin**	**Tuen Mun**	**Central & Western**	**Overall**
1	7%	13%	7%	3%	3%	**7%**
2	10%	23%	3%	7%	7%	**10%**
3	27%	13%	10%	20%	10%	**16%**

Survey Results of Retail Prices

Friso

Stage	Survey Period	Average Retail Price at Pharmacies ($) (a)	Price at Chain Stores / Recommended Retail Price ($) (b)	Difference (%) ((a)-(b))/(b)
1	21 - 25 June	282	293	-4%
	12 - 16 July	281	293	-4%
	2 - 6 August	279	293	-5%
	4 - 8 September	270	293	-8%
	19 - 23 September	266	293	-9%
	24 - 28 September	267	293	-9%
	29 September - 3 October	263	293	-10%
	4 - 8 October	261	293	-11%
	29 October - 2 November	259	293	-12%
2	21 - 25 June	263	262	0%
	12 - 16 July	262	262	0%
	2 - 6 August	259	262	-1%
	4 - 8 September	251	262	-4%
	19 - 23 September	245	262	-6%
	24 - 28 September	246	262	-6%
	29 September - 3 October	242	262	-8%
	4 - 8 October	242	262	-8%
	29 October - 2 November	239	262	-9%
3	21 - 25 June	237	231	+3%
	12 - 16 July	236	231	+2%
	2 - 6 August	231	231	0%
	4 - 8 September	226	231	-2%
	19 - 23 September	223	231	-3%
	24 - 28 September	223	231	-3%
	29 September - 3 October	221	231	-4%
	4 - 8 October	220	231	-5%
	29 October - 2 November	219	231	-5%

Mead Johnson

Stage	Survey Period	Average Retail Price at Pharmacies ($) (a)	Price at Chain Stores / Recommended Retail Price ($) (b)	Difference (%) ((a)-(b))/(b)
1	21 - 25 June	289	299	-3%
	12 - 16 July	288	299	-4%
	2 - 6 August	285	299	-5%
	4 - 8 September	284	299	-5%
	19 - 23 September	284	299	-5%
	24 - 28 September	284	299	-5%
	29 September - 3 October	284	299	-5%
	4 - 8 October	284	299	-5%
	29 October - 2 November	283	299	-5%
2	21 - 25 June	266	285	-7%
	12 - 16 July	269	285	-6%
	2 - 6 August	268	285	-6%
	4 - 8 September	269	285	-6%
	19 - 23 September	269	285	-6%
	24 - 28 September	269	285	-6%
	29 September - 3 October	269	285	-6%
	4 - 8 October	269	285	-6%
	29 October - 2 November	270	285	-5%
3	21 - 25 June	242	253	-4%
	12 - 16 July	242	253	-4%
	2 - 6 August	240	253	-5%
	4 - 8 September	240	253	-5%
	19 - 23 September	242	253	-4%
	24 - 28 September	240	253	-5%
	29 September - 3 October	242	253	-4%
	4 - 8 October	243	253	-4%
	29 October - 2 November	245	253	-3%

Annex 3

Usage of Pre-order Services of 7 Major Suppliers of Powdered Formula

	Number of Cans sold	
Month	**Home delivery and collection from retail stores**	**Coupon Scheme**
January 2014	68 837	1 943
February 2014	25 955	932
March 2014	21 774	596
April 2014	18 378	545
May 2014	18 236	688
June 2014	20 311	805
July 2014	17 851	1 432
August 2014	15 390	1 180
September 2014	14 069	517
October 2014	14 026	278

Source: 7 major suppliers of powdered formula

Annex 4

Survey on the Experience of Local Consumers in Purchasing Powdered Formula and their Intention on Using the Pre-order Services

Results of the First Two Surveys[1]

1. Respondents' Experience In Purchasing Powdered Formula

1.1 Channels that Respondents Usually Use For Purchasing Powdered Formula

<table>
<tr><th colspan="2">Channels that Respondents Usually Use</th><th colspan="2">Number of Respondents (percentage)</th></tr>
<tr><td colspan="2">Direct purchase from pharmacies</td><td colspan="2">531
(64%)</td></tr>
<tr><td colspan="2">Direct purchase from major chain stores</td><td colspan="2">244
(30%)</td></tr>
<tr><td rowspan="5">Pre-order services</td><td>Order placement through suppliers' hotlines for home delivery</td><td rowspan="5">47
(6%)</td><td>27
(3%)</td></tr>
<tr><td>Order placement through suppliers' websites or mobile applications</td><td>8
(1%)</td></tr>
<tr><td>Coupon scheme</td><td>7
(1%)</td></tr>
<tr><td>Order placement through suppliers' hotlines for collection from retail stores</td><td>3
(*)</td></tr>
<tr><td>Order placement through major chain stores</td><td>2
(*)</td></tr>
<tr><td colspan="2">Others / Did not Answer</td><td colspan="2">4
(*)</td></tr>
</table>

*Less than 0.5%

[1] Figures may not sum up to the total due to rounding.

2. Knowledge about Pre-Order Services and Intention to Use Pre-Order Services in Future

2.1 Knowledge about Pre-Order Services

Knowledge about pre-order services	Number of Respondents (percentage)
Had no knowledge about pre-order services	278 (34%)
Had knowledge about pre-order services[2]	548 (66%)

2.2 Experience of Respondents (548 in Total) who Had Knowledge about Pre-Order Services in Using the Services

Experience in Using Pre-order Services	Number of Respondents (percentage among all respondents)
Never used pre-order services (a)	307 (37%)
Used pre-order services but did not usually use them (b)	193 (23%)
Used pre-order services frequently	47 (6%)
Did not Provide Information	1 (*)

*Less than 0.5%

[2] Had knowledge of at least one kind of pre-order service.

2.3 Intention of Respondents who Had Knowledge of the Pre-order Services but Have Never Used or Did Not Usually Use the Services (500 in Total)((a) and (b) of Table 2.2 above) to Use Pre-order Services in Future

	Number of Respondents (percentage among all respondents)
Indicated that they would use more pre-order services	320 (39%)
Did not indicate that they would use more pre-order services	180 (22%)