

ITEM FOR FINANCE COMMITTEE

HEAD 22 – AGRICULTURE, FISHERIES AND CONSERVATION DEPARTMENT

Subhead 700 General non-recurrent

New Item “Financial Commitment for Culling of Pigs due to African Swine Fever”

Members are invited to approve the creation of a new commitment of \$333 million for providing statutory compensation and ex-gratia payments to affected pig owners on a timely basis in case of culling operations due to African Swine Fever.

PROBLEM

As pig samples collected in Sheung Shui Slaughterhouse (SSSH) were tested positive for African Swine Fever (ASF) virus separately on 10 May and 31 May 2019, the Director of Agriculture, Fisheries and Conservation (DAFC) declared SSSH as an infected place under the Public Health (Animals and Birds) Regulations (Cap. 139A) in order to prevent the virus from spreading from SSSH. All the pigs in SSSH were culled, followed by thorough cleansing and disinfection of SSSH. A total of 10 675 heads of pigs were culled on these two occasions. In view that the culling operations caused direct economic loss to the pig owners concerned¹, we consider that we should provide ex-gratia payments on top of statutory compensation. In addition, there is currently neither vaccine nor medication available for preventing or treating ASF; and as there are various means of transmission, the situation of ASF is complex and volatile. We consider it necessary to earmark a provision for providing the statutory compensation and ex-gratia payments to pig owners affected by culling operations as soon as possible in case of similar situations.

/PROPOSAL

¹ Referring to people owning the pigs before the culling operations, who are usually live pig buyers or licensed local farm owners.

PROPOSAL

2. We propose creating a new non-recurrent commitment of \$333 million under Head 22 Agriculture, Fisheries and Conservation Department (AFCD) Subhead 700 General non-recurrent for providing statutory compensation and ex-gratia payments to affected pig owners on a timely basis in case of culling operations due to ASF.

THE PROPOSED COMPENSATION AND EX-GRATIA PAYMENTS**Statutory compensation**

3. Under the Public Health (Animals and Birds) Ordinance (Cap. 139) (the Ordinance), the Government has to make statutory compensation to owners for the pigs slaughtered by order of DAFC. According to the Ordinance, the value of a pig slaughtered shall be determined by DAFC but shall not exceed \$300 per head. We propose providing the affected pig owners with the statutory compensation of \$300 per head for the culling operations due to ASF.

Ex-gratia payments

4. In addition to the statutory compensation for pigs culled, we also propose providing ex-gratia payments to owners to cover the difference between the market value of the type of pig and the statutory limit in order to alleviate the owners' direct financial loss caused by culling. As to the two culling operations due to detection of ASF cases on 10 May and 31 May in SSSH, we will calculate the market value of pigs culled according to their types (i.e. Mainland porkers, local porkers, Mainland roasters and porkers of special breed). Generally speaking, the market value of a pig is the multiplication of its price per picul (i.e. 100 catty) on the day when it was sent to slaughterhouse by the average weight of its type. The price per picul of imported pigs from the Mainland is reflected by the average auction price on the day of auction, while the price per picul of local pigs is reflected by their wholesale price on the day they are sold. Having considered the difference between the transaction procedure of imported pigs and that of local pigs, as well as their daily price fluctuation, we recommend taking the average of the prices recorded on the three days prior to the day of detection with a view to more reasonably reflecting the market value of the pigs culled. The value of pigs will vary according to their types and sizes, and the average auction/wholesale price of each pig approximately ranges from \$1,500 to \$5,000.

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FINANCIAL IMPLICATIONS

5. The statutory compensation and ex-gratia payments for the two culling operations in SSSH mentioned above will be calculated with the method in paragraphs 3 and 4 above, and are estimated to be about \$40 million in total, including \$3 million of statutory compensation and \$37 million of ex-gratia payments.

6. In addition, in view of the complexity and volatility of the spreading of ASF, we consider it necessary to earmark a provision of about \$263 million to cover the statutory compensation and ex-gratia payments in case all or part of local pigs and pigs to be slaughtered in slaughterhouses are to be culled. There are currently 43 local farms in Hong Kong with about 65 000 live pigs. In local slaughterhouses, apart from local pigs, there are also pigs imported from the Mainland.

7. In the event that pigs in local farms have to be culled due to infection of ASF in future, AFCD will calculate their market price according to their breed (i.e. porkers of conventional breed, porkers of special breed, boars and sows) and their breeding stage, taking into account the rearing situation and average selling price of farm pigs in the past three months². The statutory compensation and ex-gratia payments for future culling operations in slaughterhouses will be calculated in accordance with the method mentioned in paragraph 4 above. According to the latest figures gathered by the relevant departments, the breakdown of the estimated provision is set out as follows –

Types	Estimated Number	Market Value (\$million)
<u>Local pigs</u>		
Porkers of conventional breed	50 000	125
Porkers of special breed	3 800	12
Boars	400	6
Sows	10 800	82
<i>Sub-total</i>	65 000	225
<u>Pigs to be slaughtered in slaughterhouses</u>		
Mainland porkers	10 000	31
Local porkers	1 000	4
Mainland roasters	500	1
Porkers of special breed	400	2
<i>Sub-total</i>	11 900	38
Total	76 900	263

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² As some local pig farms of small to medium size do not release pigs to market for sale every month and having consulted the trade, using the average selling price of farm pigs in the past three months as the benchmark level for compensation could more fairly reflect the value of local pigs.

8. A total sum of \$333 million is required to provide for the expenditure for the statutory compensation and ex-gratia payments for the culling operations already conducted and prepare for possible future culling operations. The details are as follows –

Items	\$ (million)
Statutory compensation to owners for the pigs culled in SSSH on the two occasions according to DAFC's orders	3
Ex-gratia payments to owners for the pigs culled in SSSH on the two occasions in accordance with the pig type	37
Earmarked provision for statutory compensation and ex-gratia payments for future culling operations	263
Contingency (10%)	30
Total	333

PUBLIC CONSULTATION

9. The relevant government departments have been maintaining close liaison with the trade regarding the arrangements on statutory compensation and ex-gratia payments for culling pigs. Pig owners generally accept the aforementioned principle and method of market price calculation. We also consulted the Legislative Council Panel on Food Safety and Environmental Hygiene at its meeting on 11 June 2019 where Members generally supported the proposal.

IMPLEMENTATION PLAN

10. Subject to the funding approval by the Finance Committee of the Legislative Council, we will immediately provide the proposed statutory compensation and ex-gratia payments to those pig owners affected by the culling operations. For future culling operations due to ASF, we will follow the aforementioned principle to provide the statutory compensation and ex-gratia payments to pig owners with the earmarked provision.

BACKGROUND

11. ASF is a highly contagious disease in pigs, which is caused by ASF double-stranded DNA virus. ASF is not a zoonotic disease and will not be transmitted to human, hence posing no food safety risk. However, ASF virus

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demonstrates an extremely high potential for transborder spread and the mortality rate of pigs infected with ASF could be as high as 100%. In addition, there is currently neither vaccine nor medication available for preventing or treating ASF. ASF poses a severe threat to the pig rearing sector and relevant industries in any places in the world, as well as the overall live pig supply.

12. At present, the Mainland supplies over 90% of live pigs in Hong Kong. Since the first case occurred on the Mainland in August 2018, the relevant Mainland authorities have been implementing strict quarantine management and control at the source. The Government has also been implementing a series of preventive measures with the trade, with a view to minimising the risk of spreading ASF and ensuring sufficient supply of live pigs for consumption by the public in Hong Kong. Owing to the ASF cases in Hong Kong, preventive measures have been further strengthened. Among others, the Government has reached agreement with the trade to implement the daily clearance arrangement in the two slaughterhouses in Sheung Shui and Tsuen Wan starting from 6 June 2019, i.e. all live pigs entering the slaughterhouses will be slaughtered within 24 hours. Under the new arrangement, the lairages in different locations in the slaughterhouses will be cleared for thorough cleansing and disinfection on a daily basis, thereby minimising the chance for pigs to get infected in the slaughterhouses.

Food and Health Bureau
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