

LCQ4: Grain flour supply from the Mainland

Following is a question by the Hon Frederick Fung and a reply by the Secretary for Commerce and Economic Development, Mr Frederick Ma, in the Legislative Council today (January 23):

Question:

To stabilise grain supply and prices on the Mainland, the Ministry of Commerce ("MOFCOM") has imposed quota control and a tariff up to 25% on the export of grain flour (such as wheat flour) with effect from the first of this month, causing a short supply and soaring prices of flour in Hong Kong early this month and, as a result, a rise in retail prices of foodstuffs of which the raw material is flour (e.g. bread and noodles). However, officials of the State Council clarified on the eighth of this month that the said tariff measure was not applicable to grain flour exported to Hong Kong, Macau and Taiwan. In this connection, will the Government inform this Council whether:

(a) it knew the aforesaid export control and tariff measures before the relevant announcement by MOFCOM; if so, whether it has formulated measures to deal with the situation; if not, whether it has assessed if this reflects inadequate communication between the relevant authorities of the Mainland and Hong Kong, and if it is necessary to review the relevant communication mechanism;

(b) it has assessed the impact of the aforesaid export control on the trades concerned and the people in Hong Kong; of the long-term measures to deal with the situation, such as whether it will consider implementing a system of keeping reserves of staple food; and

(c) it knows what other measures which the mainland authorities will soon introduce to stabilise food supply and prices on the Mainland; if so, whether it has assessed the impact of such measures on inflation in Hong Kong?

Reply :

Madam President,

(a) To ensure the supplies in the domestic market and the stability of prices in the Mainland, the Central Government has introduced a series of measures, including –

(i) the Ministry of Finance and the State Administration of Taxation announced on December 18, 2007 that the export tax rebate (5% or 13%) for grains such as wheat, rice, corn and soybean, and their flour products would be abolished with effect from December 20.

(ii) the Ministry of Commerce and the General Administration of Customs announced on December 29, 2007 that with effect from January 1, 2008, grain flour including wheat flour, corn flour and rice flour would be subjected to export quota licence administration.

(iii) the Ministry of Finance announced on December 30, 2007 that with effect from January 1, 2008, a temporary export tariff of 5% to 25% would be levied on grains such as wheat, corn, rice and soybean, and their flour products. But the tariff was not applicable to products for the consumption of Hong Kong, Macau and Taiwan.

The HKSAR Government was not informed of the contents of the above measures before their announcement by the Mainland authorities. However, once the HKSAR Government was aware of the situation of grain flour supply from the Mainland to Hong Kong after the New Year, we promptly liaised with the Ministry of Commerce, other ministries of the Central Government and the trade, and reflected the situation to the relevant Mainland authorities. Subsequently, the Ministry of Commerce issued export licences to individual enterprises to export grain flour to Hong Kong.

The HKSAR Government and the Central Government communicate from time to time on matters of mutual concern, and will review the effective functioning of the communications mechanism and make improvements.

(b) The Ministry of Commerce has just announced this Monday (January 21) the implementation details of the quota system. The HKSAR Government has informed the trade, and will reflect their responses on these arrangements to the Mainland authorities. We will continue to keep close liaison with the Mainland authorities, and avoid shortage in the supply of grain flour. We will maintain liaison with the trade in respect of the new measures with a view to assessing and considering whether it is necessary to adopt measures to deal with the situation.

(c) We have not been informed whether the Mainland authorities will soon introduce other measures to stabilise food supply and prices in the Mainland. We will continue to liaise closely with the Ministry of Commerce and other ministries of the Central Government. According to our past experience, the Mainland authorities have placed much

importance in maintaining a stable food supply to Hong Kong, and have taken care of the needs of Hong Kong. Both sides have established a good liaison mechanism, which has been functioning well for maintaining a stable food supply for Hong Kong - for example, the liaison mechanism has been working well in respect of the daily supply of live chickens, the increase in supply of live chickens in important festive seasons, and the supply of live pigs and cattle, satisfying the needs of the public. When difficulties were encountered, upon requests raised by the HKSAR Government, the Mainland authorities have responded proactively. For instance, in respect of the recent fluctuations in the price of live pigs supplied to Hong Kong, the Ministry of Commerce has promptly worked with us to formulate effective measures to raise the transparency of the market, thus restoring the stability of supply in the market of live pigs. In the incident of the supply of flour, the Mainland authorities have acted promptly to address the problem upon knowing the situation in Hong Kong.

Ends/Wednesday, January 23, 2008