

# Survey on the Impact of Soaring Food Prices on Poor Families in Hong Kong

## Executive Summary

### 1. Introduction

In 2011, food prices reached record highs around the world, causing more people to fall into poverty. According to the Food and Agriculture Organization of the United Nations (FAO), the food price index<sup>1</sup> recently exceeded its 2008 peak. In particular, the prices of dairy, wheat, sugar, oils and fats, and meat reached a record high. Under these conditions, 44 million people have fallen into extreme poverty in low-and middle income countries<sup>2</sup>. According to the Oxfam report *Growing a Better Future: Food justice in a resource-constrained world*<sup>3</sup>, the number of hungry people now exceeds one billion for the first time in history. It also indicates that more poor people eat less or eat less nutritious food in the face of this global food crisis.

Hong Kong is no exception; poor people are being hit hard by rising food prices. The persistent inflation adversely affects the living conditions of poor families, particularly those with children. In the first half of 2011, the year-on-year rate of change in overall consumer prices in Hong Kong has risen from 3.4% to 5.6%. In particular, in June, the year-on-year food price has risen by 10.5% and the housing rent by 6.5%. As food and housing costs constitute the bulk of poor people's total expenditure (at 41% and 28% respectively, according to HKSAR Government statistics<sup>4</sup>), Oxfam Hong Kong anticipates that poor families with children suffer the most during periods of spiraling inflation. Against this background, Oxfam Hong Kong commissioned the study to gauge the impacts of soaring food prices and rents on the lives of poor families with children.

This summary presents the research methodology, sample characteristics, and key findings on households' food security, food expenses, changing diet, coping strategies, use of food bank assistance, impacts of rental payment and the issue of public rental housing.

### 2. Research Methodology

#### 2.1 Sample and Response Rate

The survey was conducted from 26 May to 13 July 2011. The total sample was 600 low income families with children aged 15 and under. This sample represents the 144,400<sup>5</sup> low income households in Hong Kong who have children aged 15 and under, for a total population of 534,100. Low income families refer to those families with a monthly household income which is less than 50% of the median household income of corresponding household sizes.

The response rate was 75%.

#### 2.2 Questionnaire and Definition of Food Insecurity

The questionnaire was designed to measure whether the diet and food expenditure of low income households has been affected during a period of soaring inflation and whether other expenditure items such as housing costs have affected food expenditure.

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<sup>1</sup> The FAO Food Price Index is a measure of the monthly change in international prices of a basket of food commodities, including meat, dairy, cereals, oil and fat, and sugar.  
“<http://www.fao.org/worldfoodsituation/wfs-home/foodpricesindex/en/>”

<sup>2</sup> Food Price Watch. February 2011. The World Bank.

<sup>3</sup> Oxfam. (<http://www.oxfam.org.hk/filemgr/1556/GrowingaBetterFutureFullReportENGLISH.pdf>)

<sup>4</sup> 2009/10 Household Expenditure Survey and the Rebasing of the Consumer Price Indices. Census and Statistics Department. The Government of the Hong Kong Special Administrative Region

<sup>5</sup> The number of low income households with child(ren) aged 15 and below whose household income is below 50% of median household income of corresponding household size is collected from the 1<sup>st</sup> Quarter General Household Survey in 2011.

In particular, 18 core food security questions widely used in the United States<sup>6</sup> and Canada<sup>7</sup> are adopted to measure whether households are able/unable to acquire enough food to meet their basic needs. Through this measurement tool, we can construct three types of households, 1.) food security; 2.) low food insecurity; 3.) high food insecurity.

“Food Security” is defined as the status of being able to acquire enough food for meeting the basic needs. “Low Food Insecurity” refers to the status under which households are uncertain of having enough food, and occasionally unable to acquire enough food for meeting their basic needs. “High Food Insecurity” is defined as the status of being frequently unable to acquire enough food for meeting the basic needs because of limited resources, and thus repeatedly experiencing hunger.

### 3. Weighted Sample Characteristics

The target respondents of this survey were parents with child(ren) aged 15 and under in low income families, with a household income below 50% of median household income of corresponding household size.

The samples are adjusted proportionally with reference to household size, type of housing, and the ratio of CSSA and Non-CSSA recipients. In the following sections, the weighted percentages are presented.

#### 3.1 Demographic and Socio-Economic Characteristics of Respondents

**Sex:** Most respondents were women (and mothers), accounting for 77.2%, while 22.8% were men (and fathers). (See Report 3.1)

**Age:** Half of respondents (50.6%) were aged 31-40 and about one-third (31.3%) were aged 41-50. The average age is 40. (See Report 3.2)

**Educational attainment:** Most of the respondents (72.7%) attained secondary / sixth-form education while 25.8% attained primary education or below. (See Report 3.3)

**Economic activity status:** About 70.8% of respondents were economically inactive, while 28.5% were economically active. Among those who were economically active, about 40.7% of respondents were working as service workers and shop sales workers and 33.5% were employed in elementary occupations. (See Report 3.4, 3.5)

**Household Composition:** About 75.9% of respondents were living with both spouse and children while 24.1% with children but no spouse. (See Report 4.10)

**Number of Children:** About 45.9% of the surveyed low income families had two children and 41.9% had one child. (See Report 4.3)

**Household Income:** 59.3% of respondents earned \$6,000 to \$9,999 monthly while 28.0% earned \$10,000 - \$13,500. The average monthly income is \$8,428. (See Report 5.3-5.4)

**Household Expenditure:** The three major items of expenditures were expenses on meals; rental payment (or mortgage) for their place of residence (including management fee and rates); and payment for water, electricity, gas, telephone and internet. On average, households had to pay \$3,132, \$1,877 and \$1,093 per month respectively. (See Report 5.8)

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<sup>6</sup> Guide to Measuring Household Food Security. Revised 2000. United States Department of Agriculture.

<sup>7</sup> Household Food Insecurity in Canada, 2007-2008: Key Statistics and Graphics. (<http://www.hc-sc.gc.ca/fn-an/surveill/nutrition/commun/insecurit/key-stats-cles-2007-2008-eng.php#fi> m)

### 3.2 Housing and Welfare Status

**Housing Type:** 59.6% of respondents lived in public rental housing and 40.4% in private housing. Out of those who lived in private housing, 67.0% were tenants and 33.0% owned a flat. (See Report 8.1)

**Welfare Status:** About 62.9 % of low income families were receiving CSSA while about 37.1% did not receive CSSA . (See Report 5.1)

## 4. Key Findings

### 4.1 Food Insecurity

- 45.9% of all poor households with children were food insecure.
- Among this 45.9%, 15.9% were in a state of “high food insecurity” in the sense that they suffered from hunger because they frequently could not afford to acquire enough food during the year. (See Report 6.9). In other words, one in six low-income households with children failed to acquire enough food.
- The other 30.0% were in a state of “low food insecurity” in the sense that they were uncertain of having, and occasionally unable to acquire, enough food to satisfy their basic food needs during the year. (See Report 6.9)
- Of the total households, 44.6% indicated that they could not afford to eat a balanced diet; and 40.5% reported they were worried that food would run out, with no money to buy more. (See Report 6.7).
- Among the parents, 38.8% indicated that they could not feed their children a balanced diet because they could not afford it; 38.7% reported that their children only ate a few kinds of low-cost food; and 26.2% reported that their children were not eating enough this year due to a lack of money. (See Report 6.7)

### 4.2 Rising Food Costs

- Food expenditure represents the largest expenditure for a low income family. The survey indicated that food accounted for 39.9% of the total household expenditure for low income families. (See Report 5.11) In comparison, government statistics<sup>8</sup> show that food only accounts for 21% of total household expenditure among the highest income bracket groups in Hong Kong.
- For households receiving CSSA, food expenditure was 42.5% of total household expenditure, which is higher than for non-CSSA households (35.4%). (See Report 5.11)
- Owing to the soaring food prices, about 79.4% of respondents reported that they spent more on their monthly household expenditure than last year. Specifically, 77.6% of respondents reported that their monthly household expenditure on food was 24.8% higher than the previous year. However, 33.9% of this group of respondents reported that the amount of food they could buy was less than last year – on average, 15.3% less. (See Report 5.13, 6.11, 6.12)

### 4.3 Changing Diet

- During the past year, 49.2% of respondents reported that they bought lower priced food

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<sup>8</sup> 2009/10 Household Expenditure Survey and the Rebasings of the Consumer Price Indices. Census and Statistics Department. The Government of the Hong Kong Special Administrative Region.

to replace the food they normally purchased. (See Report 6.1)

- 81.0% of parents reported that they ate leftover food, while 18.5% ate almost expired or already expired food. On average, they ate leftover food over 3 times per week and ate almost expired or already expired foods 2 times per week. (See Report 7.6, 7.7)
- 72.4% of their children also ate leftover food, while 14.8% ate almost expired or already expired foods. On average, children ate leftover food 3.5 times per week and ate expired food 2 times per week. The situation was worse in CSSA households, where 81.7% of children ate leftover food; these children, on average, ate leftover food 3.6 times a week. (See Report 7.6, 7.7)
- Alarming, 6.1% of respondents reported that they had experienced food poisoning, vomiting or diarrhoea in the past year from eating leftover food or nearly or already expired food. (See Report 7.8)

#### **4.4 Coping Strategies**

- To counter rising food costs, poor parents have adopted a variety of strategies, some of which have reduced the variety and quality of their food over the past 12 months. For instance, they chose to reduce the frequency of dining out (71.4%), not to consume expensive meats (e.g. beef) (68.8%), to eat a bowl of soup for 2 days, a dish for several meals (62.9%), switch to frozen meat instead of fresh meat (52.5%), reduce food consumption by adults in order to save money for children's food expenses (52.4%), switch to eating porridge and rice noodles (48.6%), visit fast food restaurants to eat lower priced food (42.4%), reduce the number of meals by one (24.7%), buy cheaper canned food that has almost expired (21.9%) and consume food that has almost expired (19.2%) (See Report 6.3).
- Apart from controlling food consumption, poor people also reduced other expenditures in order to cope with food inflation. For instance, they reduced expenses on clothing (77.4%) and reduced gathering activities with relatives and friends (71.4%). (See Report 6.4, 6.5)
- In addition, respondents tended to buy products on promotion from supermarkets (83.2%) and visited a number of shops or markets for price comparison (66.4%) in order to save money and tackle the rising food costs. (See Report 6.6)

#### **4.5 Use of Food Bank Assistance**

- The food bank service is a short-term food assistance project aimed at providing free food for deprived groups, such as unemployed people, low-income earners and poor elderly people. The survey showed that 57.7% of respondents reported that they had not heard of food bank services. Of the 42.2% who had heard of the food bank, the majority (84.9%) had not applied for the assistance. For those who did not apply, 27.9% reported they do not know how to apply for it. (See Report 7.9, 7.10)
- For those who have received assistance from food banks, respondents expressed that "the food offered by food banks is neither fresh nor nourishing" (90.5%), "the arrangement of the maximum collection period of up to 6 weeks was too short" (74.0%), "food banks lacked hot food services (71.3%)", "the collection of food directly from food banks had a labeling effect that deterred application of people in need (67.6%) and "the number of food delivery locations is very limited" (39.5%). Thus it implies that the food banks services need to be improved. (See Report 7.11-7.16)

#### **4.6 Impacts of Rental Payment and Issues of Public Rental Housing**

- The most significant expenditure item which affects expenditure on food was rental

payment (or mortgage for self-owned premises): 35.2% of poor households reported that their housing expenses caused them to cut back on food expenditure. The second top item which was perceived to lead to the reduction of food expense was children's education expenses (32.8%). (See Report 6.2)

- On average, rental payment (or mortgage for self-owned premises) represents 19.6% of the total expenditure for all low income households; 33.9% of expenditure for those living in private rental housing, and 16.3% of expenditure for those in public rental housing. (See Report 5.11)
- Facing soaring rent, many CSSA families who live in private rental housing did not receive sufficient rental allowance to pay for their rent. The survey indicated that 30.8% of CSSA recipients who live in private rental housing reported that rental allowance under CSSA was insufficient to cover their rental costs. The problem is less severe for public housing tenants: 13.2% of CSSA recipients who live in public rental housing reported that rental allowance was less than the actual rent. (See Report 8.6)
- In Hong Kong, one of the important methods for a poor family to improve their residential conditions is to apply for public rental housing. Yet, 83.7% of respondents now living in private rental housing indicated that the situation and eligibility criteria of the application for public rental housing should be enhanced. (See Report 8.5)
- The respondents were most concerned about the length of the waiting time for public rental housing. The survey shows that the major suggestions for enhancing the situation and eligibility criteria of the application for public rental housing pertain to "waiting time" (65.9%), "limitation of living in Hong Kong for 7 years" (47.5%), "area selection" (28.9%), "income limit" (25.7%) and "assets value limit" (17.1%) (See Report 8.5)

## **5. Oxfam Hong Kong's Policy Recommendations**

Oxfam Hong Kong believes that all people, in every society, should have full access to affordable food for sustaining a basic living for themselves and their families. The rising food and rent prices have severely increased the financial hardship of poorer families in Hong Kong. The adverse situation in Hong Kong is largely due to the inadequate welfare policy and measures currently in place for poor adults and children. In order to alleviate people's poverty, Oxfam Hong Kong recommends that the Hong Kong SAR Government urgently consider the following policy suggestions.

### **1. Food Banks**

#### **1.1. Increase the accessibility to food bank assistance and extend the food bank assistance period**

The Hong Kong SAR Government should more actively promote the food bank service to the public and should increase the number of locations of food banks so that needy people know where and how to access the free food.

The food bank assistance period should also be extended from 6 weeks to 6 months for needy families during this long period of high inflation. This will require increasing the resources for all food banks from an estimated HK\$20 million to about HK\$80 million per year.

In order to reduce the financial hardship of poor people and to provide them with continuous assistance, we recommend that food banks arrange re-assessments for recipients as early as possible *before* the completion of the existing service.

We also recommend the Hong Kong SAR Government to turn the food bank into a regular service so as to provide food assistance for poor people in the long run.

### **1.2. Provide poor people with fresh food and hot meals**

Currently, food banks do not provide nutritious foods for poor people. It is suggested that the Hong Kong SAR Government should help food banks to liaise with the Link REIT's markets and other government-managed markets to provide fresh food for food bank users. Food vouchers could be a way to enable poor people to purchase fresh food at wet markets or to buy hot meals. This approach will also benefit those low income earners as their working places normally have no refrigerator provided for them to store food.

It would also be worthwhile to explore the feasibility for various kinds of district-based hot meal services, such as community kitchens. Simultaneously, the Hong Kong SAR Government needs to increase funding support to food banks and their collaborators in order to compensate service providers for the administration costs of managing food vouchers and other hot meal services.

## **2. Food for Poor Children**

### **2.1. Increase Meal Allowances for Children Aided under CSSA and Community Care Fund**

Student meal allowances under CSSA scheme should be increased from HK\$225 to HK\$384 (HK\$16 per meal for 24 school days per month), and should be reviewed annually. A similar scheme for non-CSSA students aided under Community Care Fund should also be adjusted; it is recommended that the amount be increased from HK\$225 to around HK\$384 per month and should be provided on a long-term basis.

### **2.2. Review to increase the Level of Standard Rate for Children under CSSA**

The Hong Kong SAR Government should review the level of the standard rate for children under CSSA so as to ensure that poor children have an adequate, nutritious diet.

## **3. Better services and more diversified economies in outer districts**

We recommend the HKSAR Government explore the feasibility of setting up vendor areas in various districts, especially in outer areas, for selling less expensive basic necessities such as food. This would also create job opportunities for local residents. The Government should also set up public markets in public housing estates, especially those in outer districts. This could help improve access to lower-priced food and other basic goods, and could enhance market competitiveness.

## **4. Better Assistance for Poor People living in Private Rental Housing**

Many low-income families in private housing have to sacrifice food in order to cover their higher rents, and a rental assistance scheme similar to the one for people in public housing should be considered. The scheme should apply to non-CSSA private housing tenants who are on the public housing waiting list. The level of assistance for these tenants can take reference from the allowance under the CSSA scheme.

## **5. Raising the Maximum Level of Rent Allowance (MRA) under the CSSA scheme**

The maximum level of rent allowance for different household sizes should be increased by the median of the difference between the actual rent and the maximum level of rent allowance for different household sizes (Table 1), meaning an increase of up to 26.8 per cent. In summary, the increase in rent allowance for corresponding family sizes should range from 13 to 27 per cent, and the rate should be reviewed annually in the SSAIP Index.

*Table 1: The median amount of rent payment on top of the MRA in CSSA cases with the actual rent exceeding the MRA, by the number of family members eligible for CSSA in 2010-11*

Number of	2010-11 (as at the end of December 2010)			
	Maximum levels of	Median of the	<b>Suggested</b>	% increase

eligible members	rent allowance (MRA) (a) (HK\$)	amount paid on top of MRA (b) (HK\$)	level of MRA (a)+(b) (HK\$)	
1	\$1,265	\$236	<b>\$1,501</b>	18.7
2	\$2,550	\$450	<b>\$3,000</b>	17.6
3	\$3,330	\$670	<b>\$4,000</b>	20.1
4	\$3,545	\$755	<b>\$4,300</b>	21.3
5	\$3,550	\$950	<b>\$4,500</b>	26.8
6 or above	\$4,435	\$565	<b>\$5,000</b>	12.7

Source: Social Welfare Department, Census and Statistics Department, 2011

## 6. Increase the Supply of Public Rental Housing

The HKSAR Government should provide sufficient public rental housing so as to ensure that applicants on the waiting list can be allocated a flat no longer than 3 years. Due to the recent relaxation of the eligibility for public housing, the total number of applicants on the waiting list will soon exceed 84,700 (on top of the 60,300 non-elderly singletons). The HKSAR Government should increase the building of public rental housing flats from 15,000 to 30,000 flats per year so as to ensure that applicants do not have to wait more than 3 years for their unit.

To conclude, these trends of hunger and poverty in Hong Kong mirror trends around the world; and the situation is becoming even more bleak for poor people as food prices reach record highs. It is thus incumbent on the HKSAR government to urgently consider policy measures such as those recommended above, for both the short- and long-term.