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## Farmers raise concerns on Smithfield buyout



Staff photo by Andrew Craft

Tom Butler, owner of Butler Farms in Harnett County, is among the farmers who are skeptical about the sale of Smithfield Foods to a Chinese company. 'We have a little bit of mistrust for what their intentions are,' Butler says of the Chinese buyers.

By John Ramsey

Staff writer

As Tom Butler says, he and many other farmers who raise hogs for Smithfield Foods are nervous about the company's \$4.7 million buyout last month by a Chinese pork producer.

Butler, who raises 8,000 hogs on a farm in southwest Harnett County, said farmers fear the unknown - whether the Chinese industry will honor its commitment to leave North Carolina's hog operations unchanged, and for how long.

"We're used to the Chinese culture, and we have a little bit of mistrust for what their intentions are," Butler said. "If we thought it was a good thing and we were going to make more money and the industry was going to stay viable, we'd feel OK. But we just don't know."

Smithfield Foods and Shuanghui International Holdings

Limited say nothing will change for North Carolina's hog farmers or the more than 5,000 workers at the company's processing plant on N.C. 87 just north of Tar Heel.

A plant union representative said he is confident there will not be any changes in the near term because the union's collective bargaining agreement is in place through 2017.

Shuanghui has 13 facilities in China that employ 46,000 workers and produce more than 2.7 million tons of meat a year. Smithfield's Tar Heel slaughtering plant is the largest in the world, with a capacity to process 36,000 hogs a day.

Smithfield employs about 46,000 people worldwide and has annual revenues of about \$13 billion.

Smithfield and Shuanghui say the merger will give U.S. growers more opportunity to export pork - China consumes half the world's hogs - and give Shuanghui access to Smithfield's technology to increase the efficiency of its operations there.

"I believe that the impact of this purchase will be expanded opportunities for the U.S. pork industry, for our company, certainly, and we believe it will result in increased exports to China," said Don Butler, a spokesma



Staff photo by Raul R. Rubiera

Smithfield Foods' slaughtering plant in Tar Heel is the largest in the world, with a capacity to

for Murphy-Brown LLC, the hog-raising subsidiary of Smithfield. "Any time you create more demand for the product, that's good for the people who produce it."

#### **Safety concerns**

But many Eastern North Carolina hog farmers and environmental groups are skeptical of the company line, a best. One expert on Chinese business says the purchase is likely to have disastrous effects here.

Usha Haley, a professor and director of the Robbins Center for Global Business and Strategy at West Virginia University, has studied Chinese markets for the past 15 years. Haley told the Senate Agriculture Committee in a hearing this summer that the purchase could undermine the American hog industry and bring potentially contaminated pork to this country bearing a Smithfield label.

More than 16,000 dead pigs were found in Chinese rivers earlier this year. And in 2011, Shuanghui apologized for using the illegal substance clenbuterol in its hogs.

Clenbuterol accelerates hog growth and increases the proportion of lean meat. China began using it in pig feed in the late 1980s, causing hundreds of people to suffer from nausea, dizziness, hypertension and hyperglycemia. The substance was banned in 2002.

Haley said there are no guarantees that similar safety issues won't surface.

"Chinese citizens routinely deal with food safety violations. This is a part of their life," Haley said. "Our regulations are structured so that any food that is processed does not have to be labeled with the country of origin. It will still be selling under the Smithfield brand, but it will not be American pigs. I think we are the only major developed nation that does not view food security as part of national security."

The sale of Smithfield will remove the company from public trading, meaning information about its operations will be more scarce. The Chinese government often subsidizes large industries, Haley said, so it could undercut prices much like it did with solar panels.

"Taxpayers in the United States will be incurring negative externalities, which includes pollution, but not reaping any of the benefits of high-value manufacturing," she said. "And that's why I expect in three to five years, China will control United States agriculture. I'm going to go that far."

#### **Possible benefits**

North Carolina experts who closely follow the hog industry are not as worried as Haley is.

Kelly Zering, an associate professor at N.C. State University's Department of Agricultural and Resource Economics, has researched swine production and economics for nearly three decades.

Zering said any short-term effect of the merger will likely be minimal until it becomes clear what decisions the management will make. Zering said the move could actually boost North Carolina's pork industry.

"If anything, I would see Chinese production becoming a lot more like North Carolina production rather than the other way around," Zering said. "China produces about half the pork in the world and consumes about half of it. Any gain in efficiency they can produce in China pays huge dividends for the company."

Deborah Johnson is the chief executive of the N.C. Pork Council, an advocacy group for the state's hog farmers. Johnson went with a group of Department of Agriculture officials to China for a week in July and toured some of Shuanghui's plants. She met with the company's chairman, Wan Long.

Johnson said the Pork Council does not take a formal position on the merger, but she came back from China feeling good about it.

"I was very encouraged by (Long's) comments that the Smithfield brand would stay the same, the management team would stay in place and there would not be any farm closures," Johnson said. "I also think this is really an affirmation for the great job our pork producers do."

Environmentalists are not convinced.

Gary R. Grant, director of the N.C. Environmental Justice Network, said China's track record of unsafe production, whether in food or children's toys, worries him.

"We must reiterate that these facilities are in primarily people-of-color communities - low-wealth communities where people have very little political power," Grant said. "The environmental justice world is very nervous about what has just happened."

#### **Lawsuit challenges**

North Carolina raises about 10 million hogs a year, mostly in Sampson, Bladen and other eastern counties.

While farmers fear the unknown, they also are nervous about more than two dozen lawsuits being filed against Smithfield and its farmers this summer.

The lawsuits, signed by more than 900 plaintiffs, are tied to a group called the Center to Expose and Close Animal Factories. The lawsuits allege that odor and pollution from hog operations are a nuisance that decrease neighbors' quality of life and harm their ability to enjoy their property.

Smithfield has vowed to forego any settlements and fight the cases in court. Last month, Smithfield filed a motion to dismiss them. On Sept. 31, farmers were dropped from the lawsuits, but their properties remain, said Butler, the Murphy-Brown spokesman.

Butler calls the lawyers in the cases "ambulance chasers" trying to make a "money grab."

But Smithfield is taking the lawsuits seriously, Butler said, because they threaten the existence of North Carolina's hog operations.

"Their intent is to extinguish this business and animal agriculture as we know it," Butler told a group of hog farmers at a recent meeting. "These are serious people. They have prevailed in other cases and received millions of dollars in settlements."

Butler said the hog operations have done nothing wrong.

"We don't intend to roll over for these guys," he said.

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