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## Senate to scrutinize Chinese purchase of pork producer Smithfield

Matt Haldane

Reuters

8:55 AM CDT, July 10, 2013

WASHINGTON (Reuters) - Chinese plans to buy America's Smithfield Foods - the world's biggest pork producer - will face intense scrutiny on Wednesday when U.S. senators question Smithfield's chief executive about food safety and foreign ownership.

The proposed \$4.7 billion purchase by Shuanghui International would be the largest acquisition ever of a U.S. company by a Chinese concern. Experts on the U.S. review process expect the deal to be approved despite opposition from farmers, food-safety groups and rural communities.

Smithfield chief executive Larry Pope has vigorously defended the deal since it was announced in May and said it would not harm U.S. security or food safety.

"Shuanghui recognizes Smithfield's best-in-class operations, outstanding food safety practices and 46,000 hard working employees," Pope said in May. "There will be no impact on how we do business operationally in America and around the world as a result of this transaction."

Approval ultimately lies with the Committee on Foreign Investment in the United States (CFIUS), the interagency panel headed by the U.S. Treasury that reviews foreign investments for national security threats.

Senators have raised questions about the company's future compliance with food safety and biosecurity standards and safeguarding of intellectual property if the deal goes ahead. Concerns have also been raised about foreign ownership of the U.S. food supply.

CFIUS experts largely believe the deal will be approved. Smithfield would still be subject to U.S. food safety requirements, and the company has said the merger is driven by growing pork demand in China, not a strategy to export pork to the United States.

"Investors should view (the committee hearing) as a political exercise that is not likely to have a substantive impact on the transaction itself," Mark McMinimy, an analyst at Guggenheim Securities, wrote in a research note. "Congressional hearings have not derailed these kinds of transactions in the past."

### CHINA FOOD SCANDALS

Recent scandals in China have fueled food safety concerns. Among the problems have been thousands of pig carcasses found floating down a river and milk tainted with the industrial chemical melamine that killed six and sickened thousands. In June, a fire at a chicken-processing plant in northeast China killed 120 people.

Usha Haley, a professor at West Virginia University who has researched business in China, opposes the deal and will be one of the witnesses at Wednesday's hearing.

She wrote in USA Today that Shuanghui has had "outrageous food-safety violations and a history of food adulteration." She also said that Shuanghui is highly subsidized by the Chinese government and the deal would have negative implications for the stock market and valuations of other food producers.

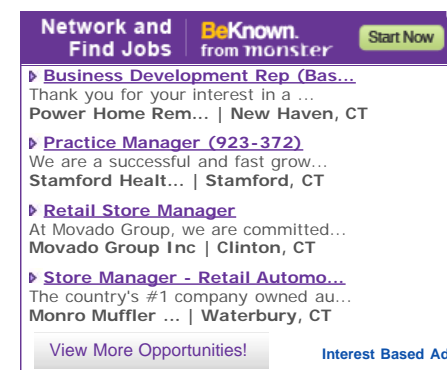
On Tuesday, a coalition of 17 organizations representing farmers, rural communities and food safety groups, urged rejection of the Smithfield deal in a 12-page letter to members of CFIUS and others, including USDA Secretary Tom Vilsack.

They fear Shuanghui will seek to export pork to the United States and said the deal "facilitates risky meat exports from China." Shuanghui has not expressed an interest in exporting to the United States.

Smithfield Foods closed at \$32.86 on the New York Stock Exchange on Tuesday, up 0.2 percent.

(Reporting by Matt Haldane, editing by Ros Krasny and Cynthia Osterman)

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