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Smithfield Foods CEO testifies at Senate hearing

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WASHINGTON—Smithfield Foods CEO Larry Pope on Wednesday sought to soothe concerns relating to a Chinese meat processor's attempted acquisition of his company of a panel of U.S. senators.

Again and again and again after that, Pope told members of the Senate Agriculture Committee that the deal's approval wouldn't trigger Chinese pork imports into America.

While such assurances didn't satisfy all the committee members, Pope did muffle one potential area of controversy, by saying Smithfield has "no objection" to the Department of Agriculture being included on a list of federal agencies reviewing the proposed acquisition by Shuanghui International.

Nevertheless, the recurring theme of the hearing was the issue of the international flow of pork.

Sen. Sherrod Brown, D-Ohio, asked Pope directly, is Chinese pork "export to the U.S. possible?"

"I was very clear in my testimony that this is all about exports (to China). This is not about imports," he said.

In fact in Pope's seven-page prepared statement provided to committee members just one word, "exporting" is underlined. The sentence reads "This transaction is about exporting high-quality meat products from the U.S. to China to meet the growing global demand for pork and increase global food safety standards."

Still the members, and the committee's chairwoman, Sen. Debbie Stabenow, D-Mich., grilled Pope on the issue. Stabenow asked if the deal give China the ability to displace U.S. pork processors as a major importer to Japan.

Pope said, the acquisition would not do anything in the near term that would allow Chinese hog farms to compete with U.S. farmers in terms of efficiency and price. As a result, the ability to supply Japan would not change, he said.

"The thing that gives me comfort is the economics," Pope said. "Pork is substantially more expensive to produce in China than in America... because they don't have the grain."

"There's a high protein deficit in that part of the world," he said.

After a string of pointed questions, one senator resorted to sarcasm to give Pope a bit of a break.

"Did you realize you were a victim of a Chinese Communist plot?" joked Kansas Republican Sen. Pat Roberts.

Roberts then alluded to pork producers and hog farmers who've publicly supported the acquisition.

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Pork producer associations in Indiana, Michigan, and North Carolina and the North American Meat Association have gotten behind the deal.

Uneven playing field

The issues raised at the hearing were not purely focused on exports and imports.

Sen. Mike Johanns, R-Nebraska, said he's comfortable that the deal won't turn China into a pork exporter, but he's uncomfortable with a double-standard under which Chinese companies can gobble up American companies and brands but not the other way around.

"The Chinese regulators would laugh at you if you just said, 'Well, I'll buy Shuanghui'" Johanns told Pope.

His views were echoed by another witness at the hearing, Daniel M. Slane, an appointee on the congressionally chartered U.S.-China Economic and Security Review Commission.

"It offends me that they can buy our companies and we can't buy their companies," Slane said.

And he said that the deal's approval would spawn many more similar acquisitions of U.S. agriculture companies.

"In my view the purchase of Smithfield by China is the first of what I expect to be many forays into rural America," he said.

Johanns for his part indicated he's open to being convinced that the Shuanghui-Smithfield acquisition is a winner.

"How do I go home and tell Nebraskans, 'This'll be a good transaction for you?'" he asked Pope.

Pope responded that Shuanghui is trying to buy Smithfield in large part because of Smithfield's reputation for quality. As a result, he said, Shuanghui and Smithfield officials will do everything in their power not to let quality slip.

"We're going to protect these brands and we're going to protect these businesses," he said.

He later told North Dakota Sen. John Thune that his personal reputation is also on the line.

"I have an enormous investment emotionally in this company," he said. "I'm going to have a hand in the future on the way this company continues to operate. I understand we'll be held accountable."

The remaining witnesses were split over whether the Smithfield-Shuanghui deal should be approved.

Usha Haley, a professor at West Virginia University and expert on global business and China, said such an acquisition would make it considerably harder for consumers to understand how Smithfield operates.

"We'll be dealing with a Chinese Smithfield that's as inscrutable as any Chinese company," she said.

Matt Slaughter, who runs Dartmouth College's Center for Global Business and Government, said deals like the one on the table represent an opportunity America would be foolish to dismiss.

"Most of the growth in the world is outside the United States," he said. "There are almost 22 million under and unemployed people in America today ... a lot of those jobs are going to come from connecting America to the developing world."

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