

html

Star-Telegram

Senate committee wary of U.S., China pork producers' merger

Posted Wednesday, Jul. 10, 2013

BY TREVOR GRAFF

McClatchy Washington Bureau

WASHINGTON — --A Senate committee on Wednesday criticized a major merger of U.S. and Chinese agricultural interests, saying the combination of two major pork producers could have negative impacts on U.S. food and economic security.

The hearing before the Senate Committee on Agriculture, Nutrition & Forestry was exploring the impact of a proposed merger between Smithfield Foods, the leading pork producer in the U.S., and Shuanghui, China's largest pork producer.

The \$7.1 billion acquisition is the largest purchase of a U.S. company by Chinese business interests. The merger sparked skepticism from committee members who were concerned about Smithfield's ability to maintain compliance with food-safety standards expected in the U.S.

"Smithfield might be the first acquisition of a major food and agricultural company by China, but I doubt it will be the last," said Sen. Debbie Stabenow, D-Mich., the committee's chairwoman. "In the short term, I know this deal looks good to our producers. But this also has to be a good deal in the long term."

Shuanghui intends to maintain Smithfield's management, existing plants and employees at its more than 400 hog farms. The combined company would honor its more than 2,000 contracts with American farmers, the company said.

Smithfield's president and CEO, Larry Pope, said the merger represents a major opportunity for U.S. farmers to access the growing Chinese market, in which pork is the leading protein.

"This is a wonderful opportunity for the U.S. to do what it does best," Pope said. "To produce agricultural products and ship those around the world. This creates jobs. This creates opportunities for American commerce to grow. This is all of the good things American business is trying to do."

With the merger, U.S. producers would gain access to a market that consumes 20 pounds more pork per capita than does the American market. Although the deal provides Smithfield producers access to the Chinese market, at the same time it could give China considerable control over global pork prices.

Usha Haley, a business professor at West Virginia University, said China isn't buying Smithfield for the pork but for its brand name and its genetic technology.

"For China, the Smithfield acquisition provides the benefits of American land, water brands and technology," Haley said. "For U.S. consumers, competitors and society, the risks are clearer than any long-term benefits. Our regulations do not protect us adequately from this brave new world."

Daniel Slane, commissioner of the U.S.-China Economic and Security Review, told the committee that China has very specific plans to wield control over the price of pork, to gain access to Smithfield's genetics and management, and to take advantage of profits gained with a value-added processor rather than importing hogs.

Approving the deal opens the door for more Chinese purchases within the U.S. food industry, Slane said. These purchases contribute to concerns for food safety because of the different standards set by the different countries, he said.

Smithfield emphasized its focus on maintaining the safety of its product through the merger.

"The integrity of our brands, our record of safety, the safety of the U.S. food supply chain and the recognized effectiveness of U.S. food safety standards are key drivers of the value that Shuanghui places on Smithfield," Pope said.

Smithfield is still under the watchful eye of U.S. Department of Agriculture inspectors and will be held to the same food safety standards, regardless of the merger, Pope said.

The company voluntarily sought a review from the Committee on Foreign Investment in the United States, an inter-agency panel headed by the U.S. Treasury, which will consider the details of the merger; Stabenow said the legal power of that committee remains unclear.

Smithfield management believes this merger not only will uphold the advantages of the U.S. pork industry, but enhance them.

"U.S. pork producers are the best and most efficient in the world, and that competitive advantage will not be upended, but rather enhanced, by this merger," Pope said.

Smithfield announced its merger on May 29. The transaction is under review and would close in the second half of 2013 after approval and a vote by its shareholders.

Email: tgraff@mclatchydc.com

[Looking for comments?](#)