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## Smithfield Foods CEO defends sale to Chinese company

**'We will be the same old Smithfield, only better,' Smithfield Chief Executive C. Larry Pope tells a Senate panel.**

By Alexei Koseff, Washington Bureau

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WASHINGTON — The chief executive of Smithfield Foods Inc. sought to quell concerns about the proposed purchase of the world's leading pork producer by a Hong Kong-based meat processor while others raised questions about food security during a hearing Wednesday by the Senate agriculture committee.

The \$4.7-billion acquisition by Shuanghui International Holdings, announced in May, would be the largest purchase of a U.S. company by a Chinese firm. Shuanghui is the majority owner of China's primary pork producer.

Smithfield Chief Executive C. Larry Pope said that the transaction would provide an opportunity for American exports to fill China's booming demand for meat and that individual pork producers the Virginia-based company works with had expressed support for the combination.

"We will be the same old Smithfield, only better," Pope said.

But an official from a congressional panel on U.S.-China relations said the historic acquisition could be China's bid to take over the global pork industry.

"This is all about trying to control the price of pork," said Daniel Slane, a businessman and member of the U.S.-China Economic and Security Commission. "It is the first of what I expect to be many forays into rural America."

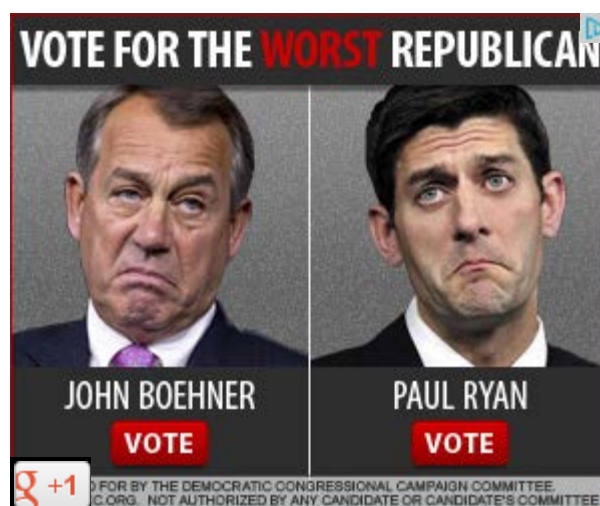
Slane said Shuanghui has extensive ties to the Chinese government, which might be using the deal as a way to increase domestic production of pork in the long term.

Several members of the committee asked why China couldn't simply open its border to let individual American producers sell their pork. In 2010, Chinese ate 51.1 million metric tons of pork, about half of all pork consumption worldwide and five times more than Americans, according to the U.S. Census Bureau.

Usha Haley, a global business professor at West Virginia University, compared the proposed transaction to trends that have emerged in industries such as steel, glass, paper and auto parts. With deep government subsidies, China has quickly gone from a net importer of these products to a large manufacturer and exporter.

"I don't think China is buying Smithfield for its pork," she said, but rather its valuable brand name and more advanced technology.

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By incorporating these into production, China could quickly improve its output and begin selling pork to nearby countries such as South Korea and Japan, the largest importer of American pork in the world.

China imports only about 1% of the pork it consumes each year, which would be covered by Smithfield's annual production of 1.2 million tons, Haley said.

Committee Chairwoman Debbie Stabenow (D-Mich.) questioned the economic motivations of the acquisition, as well as the implications for supply and safety for American consumers.

She has asked that the deal between Smithfield and Shuanghui undergo a national security review by the Committee on Foreign Investment in the United States. Under a 1988 law, President Obama has limited authority to prohibit the foreign acquisition of a U.S. company on national security grounds.

"Food security is part of our national security," Stabenow said.

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