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Smithfield Says Pork Won't Change, But Some Aren't Buying It

by [MARILYN GEEWAX](#)

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LM Otero/AP



Americans will get the same ham slabs and bacon slices they have enjoyed for generations, even after Smithfield Foods becomes a Chinese subsidiary, Smithfield CEO Larry Pope told Congress on Wednesday.

"It will be the same old Smithfield, only better," Pope said at a [Senate Agriculture Committee hearing](#).

But several senators weren't buying the bacon-will-be-unbroken story once Hong Kong-based Shuanghui International Holdings owns Smithfield.



From 'Morning Edition': [John Ydstie Reports On The Smithfield Hearing](#)

Worried about the impact on the U.S. consumer, farmer and even the taxpayer, they expressed qualms about Chinese intentions.

"Is Shuanghui focused on acquiring Smithfield's technology, which was developed with considerable assistance by U.S. taxpayers?" asked Debbie Stabenow, the Michigan Democrat who chairs the Senate committee.

Those technologies include certain genetic strains of hogs, manure-management systems and meat-processing equipment.

"Can we expect that after the company has adopted Smithfield's technology and practices, they will increase exports to Japan, our largest export market, in competition with U.S. products?" she asked.

Throughout the 90-minute examination of the \$4.7 billion deal, Stabenow peppered the pork executive with questions about:

- Fairness. "Can we really expect increased access for our pork products in China?"
- Consumers. "Will we see volatility in prices?"
- Precedent. "One pork company alone might not be enough to affect our national security, but it's our job to be thinking about the big picture."



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The sharpest exchanges involved the fairness issue, with both Democrats and Republicans wondering whether U.S. companies would be free to purchase a major food producer in China.

"Could Smithfield purchase Shuanghui?" Stabenow asked.

"I'm not sure," Pope said. "I'm not an expert."

Then an expert, Usha Haley, director of West Virginia University's Robbins Center for Global Business and Strategy, answered. "No, it wouldn't happen," she said. Pork is "a strategically important industry for China."

The deal is being reviewed by the [Committee on Foreign Investment in the United States](#), known as CFIUS, which monitors and reviews foreign investments.

Pope deflected Stabenow's questions with upbeat assessments. Having Shuanghui purchase Virginia-based Smithfield would "provide enormous benefits for our two companies," he said. "It is a partnership that is all about growth."

For one thing, the transaction would generate a windfall for Smithfield shareholders. Pope said Shuanghui is offering \$34 per share in cash, a 31 percent premium over the company's closing stock price on May 28, the last trading day before the deal was announced.

But Haley disagreed.

The transaction will indeed provide "short-term benefits to Smithfield's managers, shareholders and pension funds," Haley said. "However, the medium- and long-term benefits to U.S. consumers, industry and society are highly questionable."

Haley said China has a poor reputation for food purity. "Shuanghui's and China's food-industry culture exudes outrageous food-safety violations and a history of food adulteration," she said.

"Shuanghui apologized in March 2011 over illegal additives found in its meat and halted output after a CCTV report that farmers in Henan province fed the additive to their pigs and then sold them to a Shuanghui slaughterhouse," Haley said.

But Pope said nothing will change in this country. Shuanghui "is committed to maintaining Smithfield's operation, staff and management," he said.

Another witness stuck up for Pope's viewpoint. "There is nothing inherently worrisome or unusual" about the deal with Shuanghui, said Matthew Slaughter, a professor at the Dartmouth business school.

Smithfield, founded in 1936, has 46,000 U.S. workers, more than half of whom belong to the United Food and Commercial Workers union.

"Shuanghui will honor the collective bargaining agreements in place with Smithfield's union-represented employees," Pope said.

He said the transaction would "drive growth ... for the entire U.S. pork industry" because China has a rapidly growing middle class.

Those wealthier Chinese consumers have a hunger for "more and better-quality protein in their and their family's diets," he said. "And pork is what is on the menu for Chinese consumers."

For the Chinese, pork is the No. 1 source of protein, while in this country, it's only No. 3 and "pork demand in the U.S. has been declining for

almost 15 years," he said.

Stabenow recently led a group of senators in [writing to the White House](#), urging the Obama administration to toughen the CFIUS review. Pope said Smithfield volunteered for the CFIUS review.

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