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## China's Quest for World Pork Domination

A Chinese company is buying our biggest bacon and ham producer. What are they really after?

by Ben Terris

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(AP Photo/J. Scott Applewhite)

Bacon has become an issue of national security.

The transition from delicious domestic product to topic of a Congressional hearing last week began in May when China's largest meat producer purchased the United States' biggest pork company, Smithfield Foods (a company most-famous for its former-spokeswoman and racist [ham magnate](#) Paula Deen). For a price of almost \$5 billion (making it the biggest acquisition of an American company by a Chinese one) Shuanghui International would control approximately one-quarter of the American pork market.

It's a big deal for China, a place that truly loves its pigs. Here is a place that consumes more than half of the world's pork, and even has it's own [strategic pork reserve](#) to keep prices steady. If the deal goes through—and there are still obstacles—the Chinese company would become the proud owner of 460 farms, more than 30 processing plants, and 28 percent of our country's hogs. But some folks in Washington have been wondering aloud: Is that all that they're getting?

"The end game from the Chinese point of view is to ultimately dominate our domestic pork market," Daniel Slane, a commissioner at the U.S.-China Economic and Security Review Commission, said at the hearing. "They will take our technology and they will integrate it into China."

In Slane's view, this isn't about our pork, it's about the U.S.'s unparalleled production ability. Slane said they will use our technology for "manure handling, for genetics, for meat cutting. The history is, once they digest all of this and they get the their industry up, they'll start to try to export their pork to us."

If this is really just some sort of attempt at agricultural espionage, would that qualify as a threat to the country's wellbeing? That's a question for the Committee on Foreign Investment in the United States, a secretive group chaired by the Treasury Secretary. The CFIUS process is notoriously secretive, and we may never know exactly what goes into their decision.

Matthew Slaughter, a former member of CFIUS, says he understands the worry surrounding China's habit of stealing this country's intellectual property. But at least in this case they would be paying for

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it.

"In this context it is important to see that the Smithfield transaction offers Exhibit A of the ideal solution to this grave problem," he said at the hearing. "An American company being paid by a Chinese company billions of dollars for its ideas in a transparent market based deal."

There's even a question about whether Smithfield is really even in possession of any secrets.

"There's a boogeyman in a lot of this," said Kirk Feller, a former lobbyist for the National Pork Producers Council. "The thought is there some way China could steal something away from the American pork producer and capitalize on it in China and overtake the world. It's the boogeyman behind every tree scenario.... Everything Smithfield has is commercially available. It doesn't make sense to me, everyone has access to these technologies."

And even if China ends up with more than just our hogs, Slaughter doesn't see how this rises to the level of a national security threat.

"Suppose there is special technology about hog raising or slaughtering, that China is able to get it's hands on, that doesn't concern national security," he told National Journal. "It's not like there are men and women in uniform that need that kind of pork to be soldiers."

But Usha Haley, a professor and Director of the Robbins Center for Global Business and Strategy at West Virginia University sees it different. For her, it could be the start of handing off control of large swaths of our food supply.

"Even if they are extremely benevolent now, their intentions could change," she told National Journal. "We do not want a resource on which we are crucially dependent to be in the hands of somebody else. That's what national security is all about."

Haley also points out that there is cause for concern about the quality of our food supply. China, she notes, has had a poor record of food safety (recent examples include thousands of [pigs rotting](#) in China's drinking water supply and [rat meat](#) passed off as mutton), and if the company ends up selling back into the United States, our country food-consumers could suffer.

Smithfield CEO Larry Pope maintains that this deal will not affect products in the United States at all. China, he says, with its water shortage and growing appetite for protein is in need of this country's product. All this will do, he says, is increase the amount of exports from the United States.

"It'll be the same old Smithfield, only better," he told the committee. For him anyway, he [could make](#) \$46 million in merger-related payments.

