

# The Salt Lake Tribune

## Utah hog farm part of \$7.1 billion Chinese deal

Milford • Operation raises and markets 1.2 million hogs annually.

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Circle Four Farms, a massive hog operation in Milford, is part of a \$7.1-billion buyout that would be the largest-ever Chinese takeover of a U.S. firm.

The southwestern Utah farm each year raises and markets 1.2 million hogs — a number that is about 185 times larger than Beaver County's human population.

Its parent company is the Virginia-based Smithfield Farms, whose chief executive the Senate Agriculture Committee questioned about the Chinese deal this week.

The acquisition by the Hong Kong-based meat processor Shuanghui International would give it control of the world's largest pork supplier, which contracts with 2,000 U.S. producers and operates 460 farms, including Circle Four, which is Smithfield's largest hog operation.

Utah officials echo concerns raised by Senate committee members that the takeover poses risks to the U.S. food supply.

"It's a huge concern that we have foreign people owning and controlling a significant portion of our food supply," said Jed Christenson, marketing director for the Utah Department of Agriculture and Food. "No one is more sophisticated in efficiency and profitability than Smithfield. The Chinese not only are buying great access to pork, but also the intellectual property that comes with it."

Smithfield CEO Larry Pope has said the buyout and China's growing demand for pork will be a boon for American agriculture and Smithfield's 46,000 employees in 25 states (including 450 in Utah) and four countries.

"There will be no noticeable impact on how we do business in America and around the world, except that we will do more of it," Pope told the Senate committee on Wednesday. "This is a wonderful opportunity for the U.S. to do what it does best, which is to produce agricultural products and ship those around the world."

The proposed purchase is subject to federal and shareholder approvals, and could close later this year.

Circle Four is a division of the North Carolina-based Murphy-Brown LLC, which in turn is the livestock production subsidiary of Smithfield Foods. In 2012 the company reported sales of more than \$13.1 billion, producing food products under about 50 brand names.

Don Butler, spokesman for Murphy-Brown, said that with the proposed transaction, "it's business as usual."

The company's Utah payroll is more than \$17 million annually, and has helped put Beaver County in the No. 1 spot for highest farm income in the state, totaling \$209 million for 2010, according to the most recent figures released by the Agriculture Department.

Dave Warner, spokesman for the Washington D.C.-based National Pork Producers Council, said the purchase creates "a huge potential for increased exports of pork to China, and that would be good for U.S. producers."

This year, China is projected to pass Canada to become the biggest buyer of U.S. agricultural goods at \$22 billion, according to the U.S. Department of Agriculture.

"I don't think China is buying Smithfield for its pork," said Usha Haley, a global business professor at West Virginia University, but rather its valuable brand name and more advanced technology. 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.

The deal also could change the way American farmers feed hogs.

China bans the import of hogs that have been fed the growth-promoting drug ractopamine.

In February, Smithfield Foods said it was "well positioned" to meet rising demand for ractopamine-free pork, following announcements that China and Russia will require third-party certification that pork exports are ractopamine-free.

In 1992, Smithfield, Murphy Family Farms, Carrol's Foods and a third North Carolina company developed Circle Four Farms at the invitation of Milford and Beaver cities and Iron County. In the early 2000s, Smithfield bought out Murphy Farms and Carrol's Foods, and took over ownership of Circle Four Farms under its Murphy Brown division. The Utah facility, spread over 35 miles, is called a concentrated animal feeding operation, where animals are kept and raised in confined situations. Most of its products are shipped to California.

Local communities began complaining about noxious odors and contaminated drinking water and questioned whether the economic benefits were worth the environmental risks, according to the Michael O. Leavitt Center for Politics & Public Service at Southern Utah University. In 2001 Iron County instituted odor abatement and animal



Tribune file photo Circle Four Farms, a massive hog operation in Milford, is a part of a \$7.1 billion buyout that would be the largest ever Chinese takeover of a U.S. firm.

separation distance ordinances and by 2008 the public clamor diminished.

The Associated Press contributed to this story.

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#### Utah's Circle Four Farms

What • Hog farm is among Utah's largest agricultural firms.

Where • Produces 1.2 million hogs per year near Milford; employs 450 people.

Parent firm • Virginia-based Smithfield Foods, Utah farm under its Murphy Brown division.

Buyout • Shuanghui International's \$7.1 billion deal would be largest Chinese takeover of a U.S. company

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#### Virus deadly to piglets spreads

Pork prices could rise in the next few months because of a virus that has migrated to the U.S., killing piglets in 15 states at an alarming rate in facilities where it has been reported.

Utah officials are monitoring the situation but say the virus has not been detected in the state.

Colorado Department of Agriculture official Nick Striegel says the Porcine Epidemic Diarrhea Virus was thought to exist only in Europe and China.

Colorado and 14 other states began reporting the virus in April, and officials have confirmed its presence in about 200 hog facilities around the nation.

Striegel says it's unclear how many pigs have died from the virus that causes severe diarrhea, vomiting and dehydration, but it has been devastating for pork producers where it has been diagnosed.

He says the disease is not harmful to humans and there is no evidence that it affects pork products.

The virus has been confirmed in Arkansas, Colorado, Iowa, Illinois, Indiana, Kansas, Michigan, Minnesota, Missouri, North Carolina, New York, Ohio, Oklahoma, Pennsylvania, and South Dakota.

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