National Farmers Union

UNITED TO GROW FAMILY AGRICULTURE

July 19, 2013

The Honorable Jacob J. Lew
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, DC 20220

Cc: Members of the Committee on Foreign Investment in the United States

Dear Secretary Lew,

On behalf of the family farmer, rancher and rural members of National Farmers Union (NFU), I ask that you, in your capacity as chairman of the Committee on Foreign Investment in the United States (CFIUS), oppose the proposed acquisition of Smithfield Foods, Inc., by Shaunghui Holdings International. This purchase would be the largest takeover in history of an American company by a Chinese firm and poses serious threats to American agriculture.

The proposed buyout of Smithfield by a Chinese interest is extremely alarming to NFU members across the country. If the sale is permitted to move forward, Shuanghui would take control of a very large portion of the U.S. pork industry. Smithfield currently controls 15 percent of domestic pork production and 26 percent of pork processing in the United States. The pork industry, just like the rest of the food sector, is already highly concentrated. According to figures from the University of Missouri in 2012, the top four pork companies, including Smithfield, account for nearly 65 percent of market activity.

Uncompetitive markets in pork and beef have had a dampening effect on the ability of family farmers and ranchers to stay in business. In 1980, there were 660,000 hog farms. Today there are only 67,000. In 2011 alone, approximately 2,300 hog producers went out of business.

While the proposed acquisition would not immediately increase consolidation of the pork market, as Shuanghui does not presently have a presence in the United States, the purchase puts the full economic force of China into a single pork company in the United States. No longer will other firms in the pork industry simply be competing against each other – instead, they will be in direct competition with the Chinese government. Smithfield will be highly capitalized and have access to unlimited credit from the Chinese state bank. This will result in great consolidation and less competitive markets for hog producers to access.

Concerns about the competitive impact of Shuanghui's purchase of Smithfield are especially poignant given that China is not a market economy. The Chinese command economy encourages or orders consolidation in its own industrial and agricultural sectors, and similar efforts are likely

National Farmers Union

UNITED TO GROW FAMILY AGRICULTURE

to be pursued in the United States through a Chinese-controlled Smithfield. A valid question to ask is if the tables were turned and Shuanghui were to be purchased by Smithfield, would Chinese regulators allow such a sale? The answer is most certainly no.

Furthermore, the acquisition of Smithfield will result in the transfer of American innovation to our Chinese competitors. Technologies used by Smithfield have often been largely funded by U.S. taxpayers. Nearly 200 U.S. Department of Agriculture (USDA) research grants for swine genetics, worth close to $100 million, were awarded to Smithfield in the last twelve years. Given the already low production costs in China, these technologies will help Chinese pork producers to undercut U.S. pork export markets.

The Senate Agriculture Committee raised grave concerns with the proposed Smithfield sale during a hearing last week, and rightly so. The costs of the acquisition far outweigh the benefits to Americans, and the security of our domestic food system is threatened by foreign control. I urge CFIUS to set a bold precedent – that the administration values our farms, our food, and our rural economies so much that the federal government will stand up to a takeover of a large swath of our agriculture industry. Our nation's food security, economic power, competitive agricultural market, and technological advances are threatened by this and future cross-border purchases of major agricultural companies.

Thank you for your consideration to this very important matter.

Sincerely,

Roger Johnson

Roger Johnson
President