China's Top Butcher Tries to Sell U.S. on Takeover

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LUOHE, China (AP) — At an age when most Chinese executives are long retired, the country's top hog butcher is taking on a daunting new job persuading Americans to allow him to complete China's biggest takeover of a U.S. company.

Shuanghui International's $4.7 billion bid for Smithfield Foods Ltd. has the endorsement of the American company's board. But facing anxiety over food safety scandals in China and complaints about Chinese cyber spying, 72-year-old chairman Wan Long has launched a charm offensive to reassure Americans they have nothing to fear and possibly much to gain from the tie-up.

"We want to be vigilant that Smithfield's brand doesn't change, its team doesn't change, its production sites don't change, it doesn't cut jobs," said Wan in an interview at Shuanghui's 15-story headquarters in this eastern Chinese city.

As for reassuring American consumers about quality, Smithfield "already has a very good food safety control system," Wan said. "With our support, they will do better in quality and safety controls."

Wan's strategy of talking to reporters and inviting them to visit Shuanghui's packing plants is an unusual approach in China, where companies are secretive and corporate bosses rarely speak in public.

As Chinese companies expand abroad, those habits have hurt some when the United States, Australia and other countries balked at acquisitions by unfamiliar buyers in oil, mining and technology industries. Shuanghui's approach appears to reflect an understanding that success requires not just money but winning over politicians and consumers.

"There are plenty of examples of Chinese companies that made the largest offer but were not ultimately accepted," said Kenneth Jarrett, an expert on government relations for consulting firm APCO Worldwide in Shanghai. "For any Chinese company looking at any investment in the United States, they want to be aware of the political dynamic."

Shuanghui's bid for Smithfield represents a big step up on the global stage for Chinese entrepreneurs who are emerging from the shadow of state-owned corporate giants. Foreign acquisitions often are aimed at obtaining brands and skills to help cash-rich but inexperienced Chinese buyers set themselves apart from rivals and speed their development.

In an effort to defuse American concern, Shuanghui took the unusual step for a food company of announcing in advance it would submit the proposed acquisition for a U.S. government security review.

The Chinese acquisition of the biggest U.S. pork processor "is a bit concerning," said U.S. Sen. Chuck Grassley in a statement last week. He said regulators should look closely at the deal.

Wan, dubbed "China's Chief Butcher" by his country's press, stressed that selling pork loin and sausage is very different from the oil and high-tech companies that have run afoul of U.S. security objections.

"Ours is a food industry. It shouldn't be subject to controls," he said, sitting at a desk decorated with porcelain pig figurines. "I believe this will go through without a hitch."

Most Chinese acquisitions in the United States are completed uneventfully, but the few that have failed and the disclosures required to obtain regulatory approval have made companies skittish.

The Chinese state press frequently invokes the memory of state-owned oil company CNOOC Ltd.'s failed attempt in 2005 to buy American oil and gas producer Unocal Corp. CNOOC offered more money than rival Chevron Corp. and promised to retain Unocal's workforce but withdrew after some American lawmakers objected the deal might jeopardize national security.

Business consultants said CNOOC, little known abroad until then, stumbled by launching a surprise bid for Unocal without spending time to explain itself to American legislators and the public.

Technology giant Huawei Ltd., a major producer of telecom equipment, has faced business setbacks abroad due to concern it might be a security risk and the lack of public information about who controls the company. It is trying to dispel its image of secrecy and its founder, Ren Zhengfei, talked to reporters for the first time last month in New Zealand.

Acting as a high-profile spokesman is a new role late in life for Shuanghui's Wan, who might be the oldest full-time corporate boss in China, where some executives retire as early as their 50s. Last month, the founder of e-commerce giant Alibaba Group, Jack Ma, stepped down as CEO at age 48, saying he was "a bit too old for the Internet."

Born in 1940, Wan exemplifies the first generation of entrepreneurs who scrambled to seize opportunities after then-supreme leader Deng Xiaoping launched market-style economic reforms in 1979.

A former soldier, he already was in his 40s when his coworkers elected him manager of a struggling slaughterhouse in 1985. He is credited with turning around the facility with such radical innovations for the time as operating three shifts around the clock, every day of the year.

The government's share in the company dwindled as Wan brought in other investors. It became fully private in 2006 after the remaining state stake was bought by foreign investors including Goldman Sachs and Singapore government investment company Temasek Holdings Ltd.

Today, Shuanghui has 70,000 employees and annual sales in excess of 50 billion yuan ($8 billion). A sign on its headquarters proclaims it, "The Biggest Meat Processing Base in China."

The company dominates Luohe, an agricultural city of 300,000 people on the broad central China plain where traffic on major thoroughfares pauses to let farmers herd goats across the street. The city is dotted with the company's sprawling meat-packing plants, truck depots and other facilities.

At its flagship slaughterhouse, a long, two-story white building surrounded by neat lawns, up to 10,000 pigs a day pass through what Shuanghui says is China's biggest meat cutting operation.

In a cavernous hall chilled to 10 degrees centigrade (50 degrees Fahrenheit), dozens of employees in hooded white overalls and face masks working assembly line-style at six automated conveyor belts slice and pack slabs of fresh pork. In an adjacent room, employees operate machines the size of cars that stuff ground pork into sausage casings.

Shuanghui's reputation was battered in 2011 when state television revealed its pork contained clenbuterol, a banned chemical that makes pork leaner but can be harmful to humans. The company promised to tighten quality enforcement.

Smithfield, with about 46,000 employees, reported revenue of $13 billion in its latest fiscal year.

The American company has said the acquisition isn't about importing Chinese pork into the U.S. Instead, it says this is a chance to export into new markets with its brands, such as Smithfield, Armour and Farmland.

"Our acquisition of Smithfield should be a 'win-win' development," said Wan.

"We want to support it to continue to become bigger and stronger, and to realize its expansion abroad," he said. "Smithfields has a good (management) team, good brands and good technology. Regardless of whether it is directed at the Chinese market or at the world market, all of that is very attractive."

A key market will be China, where pork is the staple meat. This country consumes half the world's pork and demand growth is strong at a time when consumption is leveling off or falling in the United States and other Western markets.

For Smithfield, the deal "provides an enhanced platform for future growth," said Fitch Ratings analysts in a report.

According to his aides, Wan keeps up a grueling schedule that includes visiting supermarkets and Shuanghai packing plants each day on his way to the office. They say he makes the 14-hour flight to the United States at least once a year to meet with equipment suppliers and business contacts.

Wan told the Chinese business magazine Caixin in 2010 he might consider retiring in 2015, the year he turns 75.

"To make this enterprise bigger contributes to society. This is the responsibility of entrepreneurs like us," Wan said.

"Smithfield also needs to make contributions to the American people," he said. "I hope this acquisition can help improve Chinese-U.S. relations and broaden trade between the two countries and bring more benefits to their people."