

**Business**

Chinese-owned company qualifies for Trump's anti-China farm bailout

By [Jeff Stein](#)

October 23 at 8:16 AM

A Chinese-owned pork producer is eligible for federal payments under President Trump's \$12 billion farm bailout, a program established to help U.S. farmers hurt by Trump's trade war with China.

Smithfield Foods, a Virginia-based pork producer acquired in 2013 by a Chinese conglomerate now named WH Group, can apply for federal money under the bailout program created this summer, said Agriculture Department spokesman Carl E. Purvis.

JBS, a subsidiary of a Brazilian company by the same name, is also eligible to apply for the federal money. The two companies are the biggest pork producers in the United States, according to the National Pork Board, a quasi-government agency.

The Agriculture Department said in August that, as part of a broader bailout, it will buy \$1.2 billion of surplus food from farmers for distribution in food banks across the country, including about \$560 million in planned pork purchases. The administration has [billed the plan](#) as an effort to shield farmers from retaliatory tariffs from China.

But the possibility of money flowing to foreign-owned firms underscores the difficulty of trying to craft government programs that benefit only domestic firms. The international reach of companies makes it hard to ensure that federal dollars stay in U.S. hands, regardless of their intended target.

The bailout program has also angered smaller hog producers, who expressed frustration that it appears likely to help large, international farms that already dominate the U.S. pork market.

"It's just going to help the big boys, like JBS and Smithfield," said Chris Petersen, 63, who owns a few hundred hogs on a farm in north-central Iowa. "I'm very concerned because of the political power and the power of money and big corporations. The taxpayers should be up in arms over this."

In a statement, Smithfield Foods declined to say whether it has applied to participate in the purchase program. Keira Lombardo, senior vice president of corporate affairs at Smithfield, said in an email that the company meets the U.S. Agriculture Department's eligibility standards and that "any approved vendor that can supply the requested product can bid for the contract."

Lombardo also said that Smithfield is a U.S.-based company that employs thousands of Americans and that its U.S. meat products are made in its nearly 50 domestic facilities.

WH Group, Smithfield's owner, said in its 2017 annual financial statement that its American operations account for about 60 percent of its overall revenue, as well as close to half of its profits.

Lawmakers have probed apparent ties between WH Group and the Chinese government. The company, then named Shuanghui, received a \$4 billion loan from a state-run bank to take over Smithfield in 2013, a move in alignment with the government's objectives, according to the Center for Investigative Reporting. WH Group did not respond to a request for comment about its relationship with the Chinese government.

A JBS spokesman also did not respond to multiple requests for comment.

The USDA's Agricultural Marketing Service, which is administering the purchase program, said the products it will be purchasing are "100 [percent] American produced."

In a separate statement, the USDA's central communications office said the agency could not control whether federal funding given to American subsidiaries would increase the profitability of its Chinese owners.

"USDA does not have the ability to police whether money will eventually 'filter to the Chinese,'" a USDA spokesman said in an email. "The Department goes to great lengths to ensure we have registered, approved U.S. vendors that work closely with the Agricultural Marketing Service."

The USDA expects to "soon" announce some of the partners for the purchases, which will be spread over the course of the year, Purvis said. The bailout was authorized under a rarely used farm program from the Great Depression and did not require congressional approval.

After the administration announced tariffs on a host of Chinese goods this spring, Beijing responded with levies on U.S. products. Those have included 62 percent tariffs on U.S. pork products, according to the U.S. Meat Export Federation, an industry group.

The Trump administration announced the bailout in July amid pressure from farm-state lawmakers over the trade war's consequences for farmers, billing the bailout as a temporary measure that would help farmers while the administration negotiated better deals.

But critics say the potential payments to a Chinese-owned firm speaks to the inadequacy of the bailout.

"Framing this as support for farmers has always been problematic because only the biggest meatpackers, like Smithfield, can deliver pork to food banks, school lunches or other USDA feeding programs," said Patrick Woodall, research director of Food & Water Watch, an advocacy organization focusing on

corporate and government accountability related to agriculture issues. “Smithfield is the biggest subsidiary of WH group: All Smithfield revenues are WH Group revenues.”

The purchase program is part of a larger aid program for farmers. Most of the \$12 billion is slated to be given in direct cash payments, particularly to producers of soybeans. These checks began going out in September.

The direct cash payment program has an income cap, meaning that farmers earning more than \$900,000 annually cannot receive federal assistance under this program. But there is no such cap for applicants seeking the \$1.2 billion authorized for the Food Purchase and Distribution Program. The list of applicants and recipients of the direct cash payments has not been made public.

(The third prong of the bailout is a \$200 million program to promote U.S. trade in new markets.)

The \$559 million for pork producers represents a substantial influx of government cash. The federal government typically purchases between \$30 million and \$50 million in pork commodities every year, according to the National Pork Producers Council.

Smithfield's exports to China have fallen by close to 20 percent since the start of the tariff spat with Beijing, said Usha Haley, a professor at Wichita State University who has studied Smithfield closely for years and testified to Congress about its acquisition by WH Group.

Some farmers urged the federal government to change the purchase program's eligibility rules to exclude firms owned by foreign conglomerates.

“We know we have to get our trade imbalance in order, but any bailout should not support the very companies who are owned by the very countries causing us the pain,” said Joe Maxwell, who owns a small pig farm in southern Missouri and is the executive director of the Organization for Competitive Markets, a farm advocacy organization.

Lombardo, the vice president of Smithfield, said the awards do not amount to federal assistance, since the government is buying a product rather than handing companies a check.

“This is not a solicitation to receive ‘federal assistance’ — it is to supply the USDA with requested domestically produced products,” Lombardo said. “Any business can become a vendor if it meets certain requirements from USDA and is approved to supply products to USDA. As an American pork company, Smithfield meets these requirements and has been an approved vendor for many years.”

Both companies already receive regular federal money. In 2017, USDA purchased \$11 million worth of goods from Smithfield, as well as \$12 million from JBS, according to Tony Corbo, senior lobbyist with Food and Water Watch. These goods are purchased and delivered to schools, food banks and households

under the USDA's "Commodity Procurement" program, which aims to "support American agriculture by encouraging the consumption of domestic foods," according to USDA's website.

Larry Kudlow, the president's top economic adviser, said in an interview that he was unaware of the possibility that money from the federal bailout could end up helping a Chinese company.

Danny Lewis, 69, runs a small farm in the eastern Missouri town of Curryville, where he owns about 1,200 hogs. Lewis, who supports Trump and typically votes for Republicans, said the bailout program could do some good if the pork bought by the government helps hungry Americans.

But he also expressed concern that federal money would go to enormous foreign conglomerates that do not need it.

"I don't think the government buying a large volume of pork from JBS or Smithfield is going to substantially change the profit position of the independent pork producer's pocket," Lewis told The Washington Post. "But you should mention I'm still a supporter of Trump."



Jeff Stein

Jeff Stein is a policy reporter on The Washington Post's Wonkblog team. Before joining The Post, Stein was a congressional reporter for Vox, where he wrote primarily about the Democratic Party and the left. In 2014, he founded the local news nonprofit the Ithaca Voice in Upstate New York. [Follow](#)

The Washington Post

The story must be told.

Your subscription supports journalism that matters.

Try 1 month for \$1

Reporting the facts for over 140 years.

Try 1 month for ~~\$10~~ \$1

Send me this offer

Market Watch

Dow 25,317.41

Today  0.5%

S&P 2,755.88

Today  0.43%

NASDAQ 7,468.63

Today  0.26%

Last Updated:10/22/2018