

NEWS AND ANALYSIS

## China's Pandemic Pork Haul

As U.S. producer Smithfield warned of meat shortages unless plants stayed open, workers contracted Covid-19 and exports to China surged.

BY ELI BINDER — JUNE 7, 2020



Products of Smithfield, acquired by WH Group, the largest pork company in the world.

Credit: REUTERS/Bobby Yip

A few of Smithfield Foods' massive pork-processing plants turned into Covid-19 hotspots soon after the virus reached the United States. Employees at the plants typically work in conditions that make it easy for the virus to spread: close quarters, cool temperatures, and constant air circulation. Social distancing measures are hard to implement without slowing down operations.

By mid-April, employees of Smithfield's Sioux Falls, South Dakota, plant accounted for half of its county's reported coronavirus cases. Smithfield, owned by China's WH Group, was initially reluctant to shut the plant, but gave in after pressure from the Sioux Falls mayor and South Dakota's governor, who feared endangering workers and spreading the contagion.

"It is impossible to keep our grocery stores stocked if our plants are not running," Smithfield Chief Executive Officer Kenneth Sullivan said in a company statement before the plant went dark. "The closure of this facility, combined with a growing list of other protein plants that have shuttered across our industry, is pushing our country perilously close to the edge in terms of our meat supply."

But as Sullivan warned of domestic shortages, Smithfield was sending pork in greatly increased volumes to China, the home of its corporate parent. In the U.S., other major pork producers were also seeing surging sales to China that only accelerated during the Covid-19 pandemic. Smithfield was purchased in 2013 by the WH Group, a former Chinese state-owned enterprise that went public and is now the world's biggest pork producer.

Smithfield soon closed four additional plants in Illinois, Missouri, and Wisconsin, as competitors also idled facilities. U.S. pork production was down over 20 percent in April from the previous year. Prices for some cuts went up dramatically: in the week ended June 4, average retail prices for boneless rib chops and loin roast was more than twice the average for 2019.

“We saw processing capacity drop 40 percent below where it needed to be to meet the demand,” as people staying home began stocking up, said Arlan Suderman, chief commodities economist at INTL FCStone, a financial services firm based in New York. “We did have shortages in the midst of this. We had retailers limiting how many packages of meat each consumer could purchase.”

Smithfield’s difficulties coping with Covid-19 illustrate the competing demands of its domestic and export markets and the worker safety issues that have arisen at a Chinese-owned company at a time of rising commercial tensions between the two nations.

“Workers are sacrificing themselves to provide that meat for export,” said Axel Fuentes, executive director of the Rural Community Workers Alliance, a labor-advocacy group based in Milan, Missouri, that works with Smithfield employees there. Fuentes said that jobs at the Milan plant got tougher and less rewarding after WH Group acquired Smithfield, with faster speeds on the conveyor belts, making the jobs more dangerous. He also said the company reduced benefits.

““ **Workers are sacrificing themselves to provide that meat for export.** ””

— *Axel Fuentes, executive director of the Rural Community Workers Alliance*

To keep processing plants open and meat on the supermarket shelves, President Trump invoked the Defense Production Act on April 28, declaring meat production plants critical infrastructure. The move makes it harder for health officials to close plants and limits companies’ liability if employees contract Covid-19 on the job. Smithfield applauded the decision, and over the next weeks reopened its closed plants.

The South Dakota Department of Health says there have been 853 confirmed cases of Covid-19 at Smithfield’s Sioux Falls site, which employed about 3,800 people prior to the outbreak. Local press reports said at least two employees died. Smithfield declined to comment on any cases at its plant or whether there were deaths.

But data about the meat processing industry suggests that workers in these plants are at high risk for contracting coronavirus. Three percent of workers in affected meat-packing plants tested positive for the disease by the end of April – a rate about ten times the general U.S. population at the time – according to a survey by the U.S. Centers for Disease Control and Prevention.

“We were worried that there would be an outbreak. We were worried that we would bring it home to our families” an employee at Smithfield’s Milan plant told *The Wire*. The employee asked to remain anonymous, saying she feared retaliation from Smithfield if her name was known. She sued Smithfield in federal court in late April under the name Jane Doe, seeking a court order to mandate a safe working environment. Fuentes’s group joined the suit.

Fuentes said Smithfield hadn’t taken any steps to protect workers from the virus after some of them sent a letter to management requesting protection, and added that the company began taking steps after the suit was filed. Smithfield would not comment on the timing of the measures it took. A spokesperson noted that sourcing personal protective equipment was difficult and that the CDC had told companies to reserve masks for health-care workers until it reversed course in early April.

The court dismissed the case last month, saying that the U.S. Occupational Safety and Health Administration was the appropriate venue for the complaint. OSHA inspected the plant in late May but has yet to take any action, according to a lawyer who helped bring the suit. The agency also has an open investigation into a Smithfield plant in Cudahy, Wisconsin.

Shuanghui International, which was later renamed WH Group, purchased Smithfield for about \$7 billion, including debt, making the deal, at the time, one of the largest Chinese acquisitions of an American company. The acquisition was reviewed and approved by the Committee on Foreign Investment in the U.S., the federal board that weighs whether business transactions are a threat to national security. The WH Group did not respond to a request for comment.

WH Group, Smithfield's owner, grew from a small state-owned pork processor in China's central Henan Province to become the world's largest pork company, worth over \$12 billion today, with shares that trade on both on the Hong Kong Stock Exchange and in the U.S. over the counter market. Its chief executive, Wan Long, is a billionaire who served for 20 years in the National People's Congress, China's national legislature.

China is the world's largest pork market, accounting for about half the world's consumption. Smithfield offered WH Group geographic diversity and a new supply of pork when needed for a population that was eating more meat as it grew wealthier. Plus, after a series of food safety scandals in China, foreign meat was in demand.

Experts say that China did not plan to develop a reliance on foreign meat. "China is typically 96 percent self-sufficient in pork production, and they make it a high priority to keep it that way," said Joe Schuele, vice president of communications at the U.S. Meat Export Federation.

But things changed when the African Swine Fever hit China in August 2018. The highly contagious disease does not affect humans but decimates pig herds, and the government required farmers to cull hogs on a large scale to stop the spread. Within a year, China's pork production was down by nearly half and prices skyrocketed. The importance of pork to China is so great that the price increase pushed up China's inflation rate by one percentage point, estimates INTL FCStone.



African Swine Fever forced China to cull its swine herds, which has caused demand for U.S. pork imports to soar.  
Credit: Kansas State University Research and Extension, [Creative Commons](#)

With the recent trade war raging between the U.S. and China, Chinese tariffs on U.S. pork reached a high of over 70 percent, according to the U.S. Meat Export Federation. But as the "Phase One" trade deal between the countries came into sight in November 2019, U.S. pork exports to China exploded, and China eventually began granting tariff waivers for the product. Pork imports contribute to China's commitment to purchase additional agricultural products from the U.S. under the trade agreement.

U.S. pork exports to China jumped more than 500 percent the first quarter of 2020 compared to the year before, according to the export federation. The U.S. began sending

around one third of its pork exports – around 10 percent of total production – to China, Schuele added. Smithfield's pork exports to China by sea nearly doubled in the first four months of 2020 compared to that period the previous year, according to ocean-shipping data compiled by Panjiva, the research unit of S&P Global Market Intelligence.

"China is the hot market right now. It is buying pork wherever it can find it," Schuele said.

Even as production plants in the U.S. closed, exports to China from the three major U.S. pork producers jumped in April, led by Smithfield. The week that Smithfield's chief executive warned of pork shortages, the company sent more than 120 shipments of pork to China, according to records released by Food & Water Watch, an environmental advocacy group. The organization said it had obtained those records from the U.S. Department of Agriculture's food safety and inspection service through a Freedom of Information Act request. The weekly average for the year had been 93 shipments.

Smithfield told *The Wire* that meat shipped during the height of the pandemic was ordered months prior, before the coronavirus outbreak.

Despite possible further domestic shortages, Suderman said the U.S. shouldn't stop pork from leaving the country. "If you ban exports, you risk losing a major customer for a temporary problem," he said, adding that U.S. consumers always have had some meat options available.

Plus, stopping exports might not solve shortages. As U.S. producers began exporting more to China, they retooled factories to export whole pig carcasses because cutting and processing costs are cheaper abroad. If the pigs stayed in the country, but processing plants were shut because of the pandemic, it's not clear how much more meat could be sent to U.S. consumers, Suderman added.

Smithfield has said its processing plants are all back online with protections that exceed public health officials' recommendations. The worries of pork shortages have receded, at least for now.

But according to Doe, the danger hasn't passed. She said she has worked at the plant for over five years, pulling shifts on the meat cutting floor in temperatures below 50 degrees, sometimes 14 hours a day. She said the company let workers with symptoms stay at home with pay but required other members of their households without symptoms to come to work. "We're getting put in danger because we still don't know if there are people working" who have the virus, she added.

Around half of the Milan plant's employees are staying home from work, Doe estimated, because of Covid-19 symptoms or because they live with someone who tested positive. Smithfield offered a \$500 bonus to employees who continued to show up to work, which could possibly encourage people to come in even if they believed they might have the coronavirus, Doe noted, although the company later said employees who quarantine will receive it as well.

Smithfield called denied allegations that it used bonuses to incentivize employees who felt at risk to come into work.

Employees estimate that around 70 percent of the Milan's products are exported, and the cuts that meat workers are asked to produce haven't changed during the pandemic, indicating that the plant's customers have remained the same, Fuentes said.

Doe said the plant feels safe for now because so many of her coworkers are at home quarantining. But she expects many to come back soon, which could turn the facility into a coronavirus incubator, even though Smithfield has made efforts to give workers personal protective equipment. "I don't know if when people start coming back, crowding will be the same as before," she said.

The company has announced a range of measures to prevent the spread of the coronavirus, but it isn't making any promises about crowding. It has said it will increase social distancing, "wherever possible."



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BY EYCK FREYMAN

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