

Warning! Brazil's Overlooked Threat to America's Beef Industry

China's economic war against the U.S. gets headlines so it's easy to miss what Brazil is seeking to do to America's cattle market

by [Bill Bullard](#) | Updated 01 May 2018 at 8:33 AM

When a Chinese firm purchased the world's largest pork producer, Smithfield Foods, for nearly \$5 billion in 2013, there was considerable concern over the impact it would have on U.S. pork production.

The U.S. Senate subsequently held a hearing on the issue of "food security." And when a China-backed investment group attempted to buy a US semiconductor firm last fall, President Donald Trump blocked the move on the basis of national security.

Washington has become increasingly vigilant of late when it comes to the prospect of key U.S. assets being sold to China. Such concerns are understandable, noting Beijing's systematic efforts to dominate global industry through state-sponsored enterprises, massive subsidies, intellectual property theft, and currency manipulation.

But while the US is now focused on China's manufacturing challenge, Washington seems oblivious to a parallel problem for America's agricultural producers. And this time, it's coming from Brazil.

Here's the issue: The two largest meat processing companies in the world, JBS and Marfrig, are both Brazilian-owned—with JBS currently the second-largest meat processor in the United States. The pair are now poised to exercise a major hold over US beef production following Marfrig's recent announcement that it will buy another major US meatpacker, National Beef.

The takeover raises anti-trust concerns since the two companies can favor Brazilian beef imports over domestic cattle production. But Marfrig will also gain broader access to the US market less than a year after the US Department of Agriculture (USDA) halted imports of Brazilian fresh beef due to safety issues.

In many ways, Brazil's agricultural moves mirror China's own drive to gain market share in manufacturing. Where China has brazenly funded state-owned steel companies to drive global overcapacity, Brazil has wantonly boosted beef production by skimping on food safety.

In March, Brazil's federal law enforcement revealed that meat companies had paid government officials to overlook inspections and ignore health violations. Notably, JBS was one of the companies accused of paying bribes to cover up the sale of tainted meat.

Seemingly obscure a decade ago, JBS has swiftly risen to become the second-largest of the United States' four dominant beef packers that together control roughly 80 percent of the US cattle market. JBS' rise began with the purchase of American-owned beef packer Swift & Company.

What followed was a buying spree that included beef packing plants, cattle feeding operations, and poultry processing firms. Recently, attorneys

general from 17 states filed an antitrust action to block JBS from purchasing National Beef.

Despite such vigilance regarding JBS, Marfrig—the recipient of favorable treatment for government loans according to a Brazilian judge—will now be purchasing National Beef.

If Marfrig's acquisition of National Beef is cleared, nearly 40 percent of all the beef produced by America's farmers and ranchers will fall under the control of Brazilian-owned firms.

Why are two Brazilian companies overtaking domestic firms in America's cattle industry? According to the Institute for Agriculture and Trade Policy (IATP), much of it has to do with Brazil's so-called "National Champions" policy, implemented by the Brazilian National Development Bank (BNDES).

IATP says that subsidized loans and purchases of debentures and company shares have been used to transform select exporters into major revenue producers for Brazil. JBS and Marfrig are key parts of this strategy, and have been amply subsidized in the quest to swallow up smaller businesses and amass power in key meat-producing countries.

US agriculture has been in the news of late, since China has responded to President Trump's tariff actions with threats targeting US pork, beef, and farm producers. But while the president is looking to defend America's agricultural interests, he needs to recognize that China is not the only problem.

There's now the simmering threat posed by Brazil's predatory focus on US beef production. Marfrig's purchase of National Beef raises troubling safety and anti-trust issues, given Brazil's deliberate targeting of the US cattle

industry. While Washington is justifiably concerned about China, it's time to recognize the threat to US agriculture posed by Brazil's aggressive tactics.

Bill Bullard is CEO of Ranchers-Cattlemen Action Legal Fund United Stockgrowers of America (R-CALF USA).