

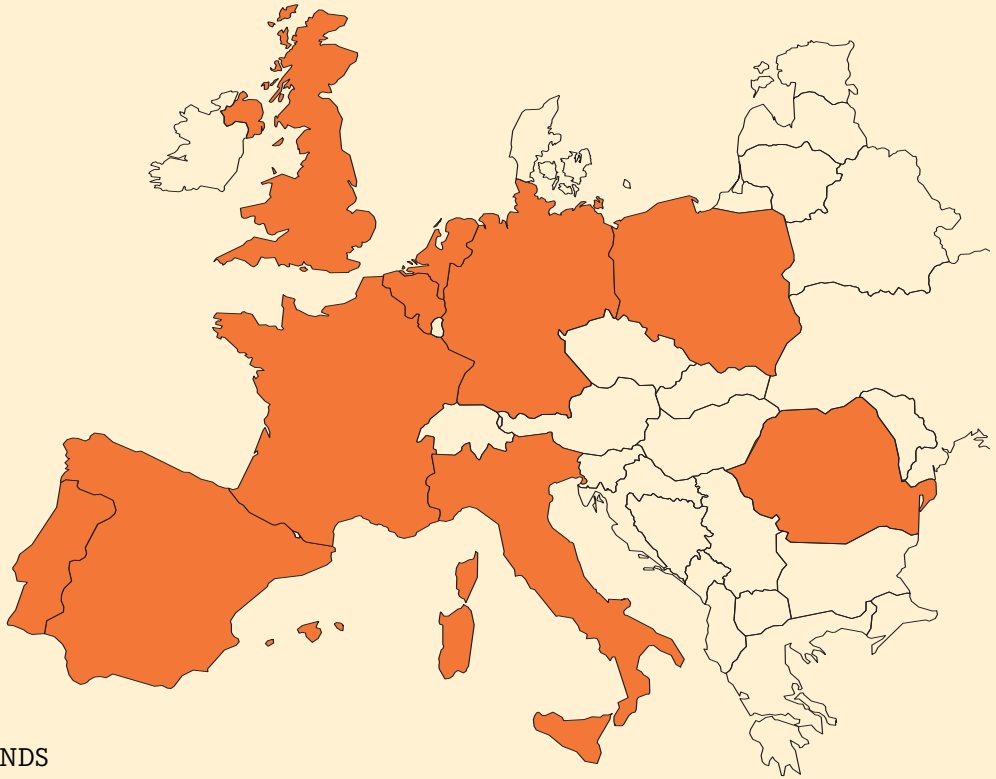


Smithfield

Good food. Responsibly.™

EUROPE

BELGIUM
FRANCE
GERMANY
ITALY
POLAND
PORTUGAL
ROMANIA
SPAIN
THE NETHERLANDS
UNITED KINGDOM



ASIA

CHINA



Smithfield Foods participates in joint ventures that include Butterball, LLC, in the United States, Norson in Mexico, and Maverick Food Co. in China. The Groupe Smithfield joint venture operates in Belgium, France, Germany, Italy, Portugal, and The Netherlands. In Spain, Smithfield Foods owns a 24 percent stake in Campofrío.

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FINANCIAL HIGHLIGHTS

Fiscal years ended (in millions, except per share data)	April 30, 2008	April 29, 2007	April 30, 2006
Sales	\$ 11,351.2	\$ 9,359.3	\$ 8,828.1
Income from continuing operations	139.2	211.9	206.2
Net income	128.9	166.8	172.7
Income from continuing operations per diluted share	1.04	1.89	1.84
Net income per diluted share	0.96	1.49	1.54
Weighted average diluted shares outstanding	134.2	111.9	112.0
Additional Information			
Capital expenditures	\$ 460.2	\$ 460.5	\$ 362.3
Depreciation expense	258.0	261.0	181.3
Working capital	2,174.0	1,795.3	1,597.2
Total debt ¹	3,883.4	3,092.9	2,558.3
Shareholders' equity	3,048.2	2,240.8	2,028.2
Total debt to total capitalization ²	56.0%	58.0%	55.8%

¹ Total debt is equal to notes payable and long-term debt and capital lease obligations including current portion.

² Computed using total debt divided by total debt and shareholders' equity.

>> ABOUT THIS REPORT

Welcome to Smithfield Foods' Corporate Social Responsibility (CSR) report. This is our third CSR report and builds on our experience publishing annual environmental reports from 2001 to 2004.

This report discusses our performance in environmental stewardship, animal welfare, food safety, community engagement, and employee well-being—the CSR areas we consider important to our company and its stakeholders. We also include a section on governance, which underpins all of our CSR performance. The order of discussion in the report is not meant to emphasize one issue over another.

To help determine the focus and communications objectives of this year's reporting, we considered stakeholder feedback from a number of sources, including Ceres, the Nathan Cummings Foundation, Environmental Defense Fund, and Business for Social Responsibility.

This year, we have even more closely aligned the report with the Global Reporting Initiative (GRI) G3 Guidelines, which provide a recommended sustainability reporting framework and indicators. We are reporting at a GRI-checked application level of "B." More information on the G3 Guidelines and application levels is available at the following Web address: www.globalreporting.org/GRIReports/ApplicationLevels/.

We used the GRI G3 Guidelines to help focus the boundaries of the qualitative and quantitative information in this report. With the exception of the "About Smithfield Foods" section, and unless otherwise indicated, the information and metrics within this report pertain to Smithfield Foods' independent operating companies and investments in which we have a controlling (51 percent or more) interest.¹ Changes in the scope of reporting or reclassifications of data previously reported are noted in the relevant data sections. The financial data in this report has been audited by a third-party firm. Other data and information have been subject to internal review but not external, third-party assurance.

The content focuses primarily on calendar year 2007 but includes fiscal year (FY) 2008 financial information and discussion of some key developments that occurred in early 2008. Smithfield's fiscal year runs from May through April. We also provide discussion on our management approach to contract farming, primarily in the areas of environment and animal welfare. We do not report on the environmental performance of our contract growers because they are independent businesses.

Throughout this report, Smithfield Foods is referred to as Smithfield. The name "Smithfield" is also sometimes utilized for ease of reference to indicate one or more independent operating companies. Smithfield should not be confused with The Smithfield Packing Company, Inc., which is a subsidiary.

Forward-Looking Information

This publication may contain forward-looking statements within the meaning of federal securities laws. In light of the risks and uncertainties involved, we invite you to read the Risk Factors and Forward-Looking Information sections of Smithfield Foods, Form 10-K for FY 2008.

¹ Smithfield Foods, Inc., is a holding company with a number of independent operating companies. For the purposes of this report, the term "independent operating company" and "subsidiary" are used interchangeably to refer to various entities of the Smithfield Foods family of companies.

Dear Smithfield Foods Stakeholder:

Good Food. Responsibly. These words are much more than a slogan. They are a way of life for us at Smithfield Foods. It's not enough to simply make good food; we must make it in a responsible manner.

More than six years ago, we started a systematic process to address several issues that are commonly referred to today as Corporate Social Responsibility (CSR). Today's consumers are paying closer attention to their food—where it comes from, how it is made. They, in turn, are influencing wholesalers, supermarkets, and restaurant chains—our direct customers—to source products from companies that take CSR issues seriously. These customers routinely ask us what we are doing to protect the environment and address broader societal concerns. They aren't just encouraging their suppliers to produce products responsibly; they are insisting upon it.

“It's not enough to simply make good food; we must make it in a responsible manner.”

Nongovernmental organizations (NGOs) and other interest groups are focusing more intently on the safety of food, on the treatment of the animals, and on the environmental impacts of food production. Our employees, meanwhile, want to be part of a company that shares their values. And investors recognize the influence of CSR issues on a company's markets and reputation. Issues like these are what drive our work every day.

Years ago, CSR was considered by many companies as an add-on that might divert attention from the bottom line. At Smithfield, we see it as an integral part of our mission and our plans for growth. Proactively addressing CSR issues has positioned us to respond to rising societal interest and will continue to advance our goal of becoming the most trusted, respected, and ethical food industry leader. We believe we will see long-term financial benefits to our organization as a result of our CSR emphasis.

We are pleased to share with you our Smithfield Foods Corporate Social Responsibility Report 2007/08, which highlights those areas we believe are most important to us and to our stakeholders: environmental stewardship; employee well-being; animal welfare; food safety; and community engagement.

Over this reporting period, we have made strong progress in advancing our CSR goals as follows:

- We began the process of replacing individual gestation stalls for pregnant sows with group housing.
- We implemented training and performance programs, resulting in fewer Notices of Violation (NOVs) received across the company.
- We kicked off Helping Hungry Homes, our new initiative to provide food for low-income families across the country.
- We implemented new policies on Human Rights and Food Safety, and formed a Diversity Advisory Committee.
- We expanded our Learners to Leaders program to include more schools and individuals, and we augmented the Smithfield-Luter Foundation scholarship program to include three historically black colleges.



Many have acknowledged our leadership efforts. We consistently rank among *Fortune's* annual list of America's Most Admired Companies. And we get steady recognition from animal welfare experts for our willingness to adapt and improve our methods of raising and transporting live animals.

These are challenging times for the agricultural industry, and for pork producers in particular. With record-level grain and fuel costs, many producers are losing money on each market hog. The difficult economic environment is forcing us to think more strategically and creatively to maximize value for our shareholders.

In the face of tough economic times, we remain committed to demonstrating CSR leadership in our industry. While we are proud of what we have already accomplished, we recognize that our work is far from over. The bar for leadership continues to rise, and with it, the challenge of meeting our pledge to produce good food, responsibly.

C. Larry Pope
President and Chief Executive Officer

June 15, 2008

“Proactively addressing CSR issues has positioned us to respond to rising societal interest and will continue to advance our goal of becoming the most trusted, respected, and ethical food industry leader.”

Dear Smithfield Foods Stakeholder:

We are pleased to share our corporate social responsibility progress in this report, which highlights our commitments, improvements, and goals. We believe we have taken significant steps over the past year and demonstrated our commitment to acting responsibly on important issues.

The modern meat industry has dramatically reformed since the days of the Industrial Revolution, when it earned a negative reputation. Today, Smithfield Foods is leading the industry toward even greater improvement.

Despite the progress reflected in this report, we want to do more to enhance our role as a good global citizen. We are talking openly about our performance and have acknowledged our mistakes. And we are setting our sights on continued progress.

In an industry as heavily regulated as ours, we established a goal of 100 percent compliance, 100 percent of the time. We also looked to move beyond compliance and lead our industry in several primary areas.

Over the last few years, we have developed systematic approaches to managing these key issues. We built environmental management systems based on and certified to the ISO 14001 standards. When we found that this improved our environmental performance, we developed parallel management systems approaches to employee health and safety, animal well-being, and food safety. These systems incorporate policies, targets, training, and auditing to drive improved performance. The data presented in this report reflects the results of this systematic approach, with positive trends in a number of areas, including employee safety, solid waste generation, recycling rates, and water use.

We also took a closer look at our community programs and accelerated our efforts to focus on education and hunger relief. As a global food company, it seemed only natural to enhance charitable giving programs that nourish the body as well as the mind.

This year, we kicked off our Helping Hungry Homes 10-city tour, providing one million servings of meat to hungry families around the nation. This is just part of our larger commitment to work with food banks, schools, and other groups that support families struggling to put food on their tables. Efforts like these are coming at a pivotal time as the cost of food rises.

“We are pleased to have been ranked seventh out of 44 global food companies in 2007 for environmental performance by the reputable research firm Innovest Strategic Value Advisors, Inc.”

Companies that raise animals for food will always be subject to varying degrees of criticism. Yet we believe we have distinguished ourselves as a responsible leader within the food production industry by improving our accountability to our stakeholders, employees, and consumers, and to society at large. We are pleased, for example, to have been ranked seventh out of 44 global food companies in 2007 for environmental performance by the reputable research firm Innovest Strategic Value Advisors, Inc., and to be listed in the FTSE4Good Index of socially responsible companies.

Our commitments to CSR will strengthen, particularly as demand grows for more sustainable products. If we want to continue to provide value to shareholders, we must proactively meet these demands and demonstrate, in quantifiable terms, that we are responsible corporate citizens. We are doing so head-on, and are proud to point our customers to new policies and procedures that exceed our customers' expectations.

One example is our recent pledge to phase out individual stalls for pregnant sows and replace them with group housing, which is viewed by many of our customers as the more animal-friendly solution. This is not a simple undertaking; converting our farms will be costly over the coming decade. But we see group housing as a positive development, and we see the shift to this method as further evidence of our responsiveness to our constituents and our leadership within our industry.

We believe this report demonstrates our commitment to increased transparency. We made a number of changes to improve our reporting and align it more closely with the guidelines of the Global Reporting Initiative (GRI). On the environmental side, for example, we have included new baseline data on the greenhouse gas emissions from our facilities.

We hope you find this report a useful account of our progress and challenges. We welcome your feedback on how we can improve it.



Dennis H. Treacy
Vice President, Environmental and Corporate Affairs

June 15, 2008

“We believe this report demonstrates our commitment to increased transparency. We made a number of changes to improve our reporting and align it more closely with the guidelines of the Global Reporting Initiative.”

KEY DATA SUMMARY

	ENVIRONMENT	CY 2006	CY 2007
	Air Emissions		
	NO_x¹		
	Processing Facilities (tons)	381	N/A
	SO_x¹		
	Processing Facilities (tons)	562	N/A
	Greenhouse Gas Emissions		
	Carbon Dioxide [CO₂]²		
	Processing Facilities (metric tons CO ₂ e)	N/A	1,150,346
	Methane [CH₄]²		
	Processing Facilities (metric tons CO ₂ e)	N/A	200
	Nitrous Oxide [N₂O]²		
	Processing Facilities (metric tons CO ₂ e)	N/A	3,088
	Total Direct & Indirect GHG Emissions²	N/A	1,153,250
	Compliance		
	Notices of Violation (NOVs)	64	50
	Monetary Value of Significant Fines	\$ 183,952	\$ 266,446
	Solid Waste Generation		
	Processing Facilities (thousand tons)	84.60	87.50
	First Processing Efficiency (tons/animal unit)	0.0038	0.0014
	Further Processing Efficiency (tons/100 lbs.)	0.0020	0.0018
	Cardboard Recycling (thousand tons)	24.34	48.20
	EMPLOYEES	CY 2006	CY 2007
	Health and Safety Rates (per 100 employees)		
	Total Injury and Illness Frequency (TIFR) Rate	8.74	6.76
	Days Away, Restricted, Transferred (DART) Rate	5.83	4.04
	Days Away from Work (DAW) Rate	1.49	1.27
	Compliance		
	OSHA Notices of Violations	32	12
	OSHA Penalties	\$ 41,404	\$ 11,037
	ANIMAL WELFARE	FY 2007	FY 2008
	Transportation		
	Accidents—Market Hogs	3	6
	Hog Fatalities	83	243
	Antibiotics Use^{3,4}	Nov '05-Oct '06	Nov '06-Oct '07
	Feed-Grade Medications Purchased (lbs./100 lbs. sold)	0.155	0.151
	COMMUNITIES	FY 2007	FY 2008
	Corporate Giving		
	Smithfield-Luter Foundation Scholarships (Total \$ Value)	24 (\$ 282,256)	50 (\$ 349,979)
	Learners to Leaders ⁵	\$ 277,490	\$ 383,385
	Food Donations		
	Overall Food Donations (lbs. of food)	1.76 Million	3.3 Million

¹ CY 2007 data scheduled for release in mid-2008.

² GHG emissions data were not recorded prior to 2007.

³ Feed-Grade antibiotic data supplied by AgProvision.

⁴ Analysis does not include Premium Standard Farms, purchased in 2007.

⁵ FY 08 Learners to Leaders figure was year-to-date. At least one more payment was expected for FY 08.



Smithfield Foods' focus on corporate social responsibility (CSR) takes many forms, from working hard to reduce our environmental footprint to funding education programs, feeding the hungry, and enhancing worker safety. The pages that follow outline our achievements as well as our plans for further improvement across the CSR spectrum.

Smithfield Foods donated 10,000 pounds of meat in January 2008 to Philadelphia-based Philabundance, the region's largest hunger-relief organization, as part of the 10-city Helping Hungry Homes tour. Forty student volunteers from two Philadelphia high schools pitched in to help with the unloading.

SMITHFIELD KEY COMMITMENTS

The table below highlights some of our goals, commitments, results, and future plans in several important CSR areas. We have a number of overarching goals for our company. Our

CSR FOCUS AREA	OVERALL GOAL(S)	2006-07 COMMITMENTS
ENVIRONMENT	<p>100% compliance, 100% of the time</p> <p>Continuously review and reduce environmental impacts</p> <p>Work toward quantifiable, corporate-level environmental performance targets</p>	<p>Reduce NOVs</p> <p>Reduce emissions and waste generation</p> <p>Improve the efficiency of our use of raw materials and energy</p> <p>Communicate environmental performance and policies to the public</p>
ANIMAL WELFARE	<p>Adhere to sound animal welfare practices</p>	<p>Integrate audits with Pork Quality Assurance (POA) Plus program</p> <p>Phase out individual gestation stalls at all company-owned sow farms</p> <p>Improve hog handling and transportation safety, reducing transport time and limiting injuries and fatalities</p> <p>Enhance slaughter methods</p>
FOOD SAFETY	<p>Maintain excellent food safety record</p>	<p>Standardize food safety training</p> <p>Ensure compliance with internal and government standards</p> <p>Maintain high standards in product and service labeling</p>
COMMUNITIES	<p>Nourish the minds and bodies in the communities where our employees live, work, and raise their families</p>	<p>Support ongoing education efforts</p> <p>Provide educational scholarships for employees' offspring</p> <p>Provide food to those in need</p> <p>Support local environmental stewardship efforts</p>
EMPLOYEES	<p>Treat our employees with respect, while protecting their health and safety</p>	<p>Promote diversity and cultivate a U.S. work force that is representative of society</p> <p>Comply with federal and state immigration legislation by strengthening our hiring practices</p> <p>Maintain active employee engagement</p> <p>Offer opportunities for further education and advancement within our company</p> <p>Improve employee retention</p>
HUMAN RIGHTS	<p>Ensure fair treatment of our employees throughout the company and all our subsidiaries</p>	<p>Implement a new Human Rights Policy</p>
HEALTH & SAFETY	<p>Foster continuous improvement and a culture of safety as a core value</p>	<p>Enhance employee safety management</p> <p>Implement Employee Injury Prevention Management System (EIPMS)</p> <p>Maintain highest training standards</p> <p>Improve safety reporting results</p> <p>Achieve external recognition for our efforts</p>

ABOUT SMITHFIELD FOODS

A DIVERSIFIED FOOD PRODUCTION AND MARKETING COMPANY

Smithfield Foods, Inc., is a global company committed to providing good food, responsibly. We are the world's largest hog producer and pork processor, with more than 50 brands of pork and turkey products as well as more than 200 gourmet foods.

Headquartered in Smithfield, Virginia, we have operations in 13 countries through wholly-owned subsidiaries and joint ventures. The majority of our facilities and our approximately 52,300 employees are in the United States. Internationally, we have controlling interests in meat production, packaging, and distribution operations in Poland, Romania, and the United Kingdom, along with joint ventures and minority interests in Belgium, China, France, Germany, Italy, Mexico, The Netherlands, Portugal, and Spain.

Each of our operating companies and joint ventures operates independently and maintains its individual identity. Some of our popular brands include Smithfield®, John Morrell®, Farmland®, and Butterball®.

Our sales for FY 2008 reached \$11.4 billion, up from \$9.4 billion in FY 2007.¹ More detailed information can be found in our annual report, available on our Web site at investors.smithfieldfoods.com/annuals.cfm. Our products are sold to more than 4,000 customers in the United States and internationally, including supermarket and hotel chains, wholesale distributors, restaurants, hospitals, and other institutions. We also sell to companies that further process our meats into consumer food products.

We consistently appear on *Fortune's* list of Most Admired Companies, ranking fourth among all U.S. food production companies in 2008.

ACQUISITIONS

Over the years, we have completed a series of acquisitions that have made us a global company and a leading food producer. Most recently, in May 2007, we acquired Premium Standard Farms, Inc., the nation's second-largest pork producer and sixth-largest pork processor, with about 4,200 employees working at farms and processing facilities in Missouri, North Carolina, and Texas. The purchase price was approximately \$800 million, including the assumption of about \$125 million of net debt.

¹ In March 2008, Smithfield Foods agreed to sell Smithfield Beef Group, Inc., our beef processing and cattle feeding operation, to JBS S.A. Consequently, we classified the results of the beef processing and cattle feeding operations as discontinued operations beginning in the fourth quarter of FY 2008. Results for prior years have been restated to reflect the discontinued operations.

SMITHFIELD FOODS PRODUCTION

GENERAL	FY 2007	FY 2008
Employees (Domestic)	36,700	41,500
Brands	50+	50+
Products	200+	200+
Sales ¹	\$9.4 billion	\$11.4 billion
Customers	3,500	4,000

PORK		
Pounds of Fresh Pork Produced	3.1 billion	4.0 billion
Pounds of Packaged Meats Produced	2.9 billion	3.1 billion
Sales	\$ 7.9 billion	\$ 9.6 billion

HOG PRODUCTION		
Sows	888,000	1,100,000
Market Hogs Produced	13.9 million	19.4 million
Joint Venture Sows	114,000	98,000
Joint Venture Market Hogs Produced	1.5 million	1.5 million
Hog Production Sales	\$1.8 billion	\$2.4 billion

INTERNATIONAL		
Products Produced (lbs.)	758 million	870 million
Sales	\$ 955 million	\$1.2 billion

OTHER		
Turkey Production (heads)	43 million	54 million
Sales	\$ 132 million	\$149 million

¹ In March 2008, Smithfield Foods agreed to sell Smithfield Beef Group, Inc., to JBS S.A. Consequently, we classified the results of the beef processing and cattle feeding operations as discontinued operations beginning in the fourth quarter of FY 2008. Results for prior years have been restated to reflect the discontinued operations.

CHANGES IN OPERATIONS

Sow Production

In February 2008, we announced our intention to reduce our U.S. sow herd by 4 to 5 percent, or 40,000 to 50,000 sows. This is anticipated to result in production of 800,000 to 1 million fewer market hogs annually. The reduction allows us to improve the efficiencies of our live production operations during challenging economic times. Escalating grain costs in particular have added to the financial challenges facing the hog industry.

Smithfield Beef Group, Inc.

In March 2008, we announced an agreement to sell Smithfield Beef Group, Inc., our beef processing and cattle feeding operation, to JBS S.A. for \$565 million in cash. The transaction is subject to regulatory approvals, which are expected in the second half of FY 2009.

While outperforming the industry, Smithfield Beef had been a relatively minor player as compared to the largest beef producers and processors. It made sense to exit the beef

business and use the net proceeds from the sale to reduce debt and focus on our core business. At the time of the agreement, Smithfield Beef was the fifth-largest beef producer in the U.S., processing approximately 1.5 billion pounds of fresh beef annually.

Armour-Eckrich Meats, LLC

Also in March 2008, Armour-Eckrich Meats, a subsidiary of our John Morrell brand, permanently closed its Lufkin, Texas, plant, shifting its processed meat production to other facilities. The plant closure affected approximately 165 hourly and salaried employees.

Armour-Eckrich offered transfers to some salaried employees and provided assistance to help others find employment within their local communities. All employees were provided with a 60-day closure notification, as required under the federal Worker Adjustment and Retraining Notification Act.

STRUCTURE OF OUR MAIN BUSINESSES

Smithfield Foods conducts its business through five reporting segments: Pork; Hog Production; International; Other; and Corporate, each of which includes a number of subsidiaries.

Pork Segment

The Pork segment produces a wide variety of fresh pork and processed meats products in the United States and markets them nationwide and internationally. In FY 2008, we sold approximately 4.0 billion pounds of fresh pork and 3.1 billion pounds of packaged meats. Pork segment sales totaled \$9.6 billion in FY 2008.

Hog Production Segment

We operate numerous hog production facilities with approximately 1.1 million sows producing about 19.4 million market hogs annually worldwide. Through joint ventures, we have another 98,000 sows producing about 1.5 million market hogs a year. The Hog Production segment's Murphy-Brown, LLC is the world's largest hog producer with sales of \$2.4 billion in FY 2008.

International Segment

Smithfield Foods' International segment, which accounts for approximately 9,200 employees, produces a wide variety of fresh and packaged meats that are sold all over the world. In FY 2008, our international operations processed approximately 870 million pounds of meat products. Sales for this segment reached \$1.2 billion in FY 2008.

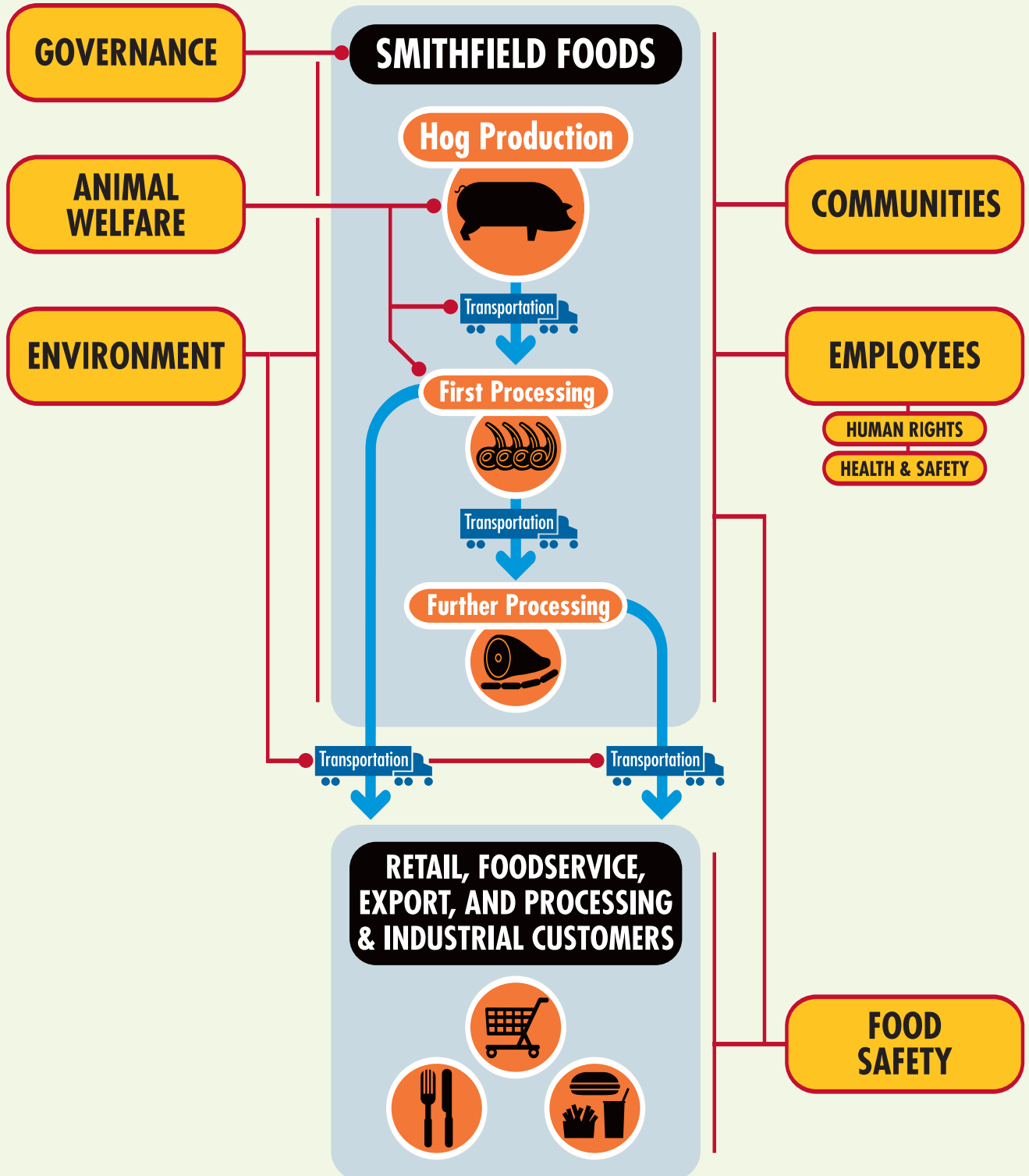
Other Segment

The Other segment includes Smithfield Foods' turkey production operations and our 49-percent interest in Butterball, LLC, the nation's largest turkey producer. This division processes 54 million turkeys annually, representing 22 percent of the U.S. market. Sales in our Butterball investment for FY 2008 were \$1.4 billion.

Read Smithfield Foods' Form 10-K for a detailed description of our businesses (on the Web at investors.smithfieldfoods.com/SEC.cfm).

CORPORATE SOCIAL RESPONSIBILITY ACROSS OUR BUSINESS

As the world's largest pork producer, the work we do has broad implications for the environment and for the communities in which we operate. We have focused this year's CSR report on the key topics highlighted below. The diagram illustrates the major components of our business and the stages of our value chain in which the key topics arise.



GOVERNANCE AND MANAGEMENT

Smithfield's mission is to be a trusted, respected, and ethical food industry leader that excels at bringing delicious and nutritious meat and specialty food products to millions every day while setting industry standards for corporate social responsibility. The company's core values state that we will constantly strive to produce safe, high-quality, nutritious food, to be an employer of choice, to advance animal welfare, to protect the environment, and to have a positive impact on our communities.

To uphold our mission and values, and maintain the trust of investors and other stakeholders, we have a strong framework of governance, management, and accountability for ethical behavior. In this section of our report, we discuss our governance structures, how we manage CSR issues, our ethical standards and programs, and stakeholder engagement.

CORPORATE GOVERNANCE

Our board of directors includes 11 members, seven of whom are independent (as determined by the board in accordance with guidelines by the New York Stock Exchange and other organizations). The Board has established five committees:

- Audit
- Compensation
- Executive
- Nominating and Governance
- Pension and Investment

We have an executive-level compliance committee, chaired by our chief legal officer, which oversees the full range of compliance issues for Smithfield. The chair of this committee regularly reports to the audit committee of the board of directors on risks and compliance issues related to the environment, animal welfare, and other CSR issues. The Smithfield Foods vice president for environmental and corporate affairs, who sits on the compliance committee, is responsible for informing the board about Smithfield's CSR issues and progress and is scheduled to brief the audit committee in August 2008. Additional corporate governance information, including our governance guidelines and committee charters, is available at investors.smithfieldfoods.com/governance.cfm and www.smithfieldfoods.com/pdf/governance-appendix.pdf.

CSR MANAGEMENT

Smithfield Foods traditionally has operated with a decentralized management structure and philosophy. Our subsidiaries have their own corporate functions and staffs, and manage many issues independently, within an overall corporate framework that establishes expectations for all our operations. Our Code of Business Conduct and Ethics, for example, applies to all our global operations.

In the early part of the decade, we identified several CSR issues that merited a more consistent management approach across the company in order to meet our goal to lead

the industry in our practices. The first such issue was environmental management. We implemented and certified environmental management systems at all of our U.S. farms and processing facilities and some overseas operations. Recognizing the value of applying structured, disciplined management systems to CSR issues, we have expanded that approach to animal welfare, employee health and safety, and food safety. Common elements of the management systems include policies, employee training, goal setting, corrective action, third-party auditing, and executive review.

As needed, we have formed corporate or cross-subsi­dary committees to develop and implement consistent approaches to these issues. For example, in 2003, Smithfield established a sustainability committee consisting of senior managers. The committee is responsible for helping the company address the integration of the financial, environmental, and social aspects of its business. Smithfield's vice president of environmental and corporate affairs, who is a corporate officer, manages the company's environmental programs, reviews recommendations from the sustainability committee, and directs strategies on environmental and social topics. This officer reports directly to the chief executive officer and executive vice president. Other committees include an animal welfare committee, a food safety committee, and a committee focused on hunger relief that coordinated food donations. Most recently, we formed a diversity committee to help the company identify opportunities for strengthening relationships with our customers, our employees, our suppliers, and our communities.

We have developed these approaches in our U.S. operations. Most of our international operations are relatively recent acquisitions or joint ventures in which we do not hold a controlling interest. The regulatory framework varies from country to country. Because of these factors, we, like many other companies, face a challenge in aligning our goals and approaches to important issues like environmental management with our international operations. Over time, we intend to phase in our management system approaches at our wholly-owned international subsidiaries, as well as address CSR issues unique to those regions.

Our environmental management expertise is available to the companies in which we hold a minority interest. We have worked with several of the companies to address particular environmental issues and we encourage them to utilize environmental compliance practices that are consistent with our own. We intend to expand these efforts with our joint ventures, including those in which we recently acquired an interest. In addition, we will continue to identify emerging CSR issues everywhere we operate and develop systematic approaches to managing them.

As part of each acquisition, we conduct various reviews, including assessing the company's practices related to employees, safety, and the environment. We also try to ascertain the facilities' current relationship with local regulators and the communities in which they are based. Following an acquisition, implementation of our environmental and health and safety management systems (described in the respective sections of this report) begins promptly and helps us determine practices already in place and gaps. We then use our corporate-level training programs and intranet sites to communicate Smithfield best practices.

ETHICS AND COMPLIANCE

Smithfield maintains a Code of Business Conduct and Ethics (the “Code”) applicable to all employees, officers, and directors. The purpose of the Code, which is available in the five major languages of the countries in which we have operations, is to convey the company’s policies and practices for conducting business in accordance with applicable law and the highest ethical standards. Any waiver of the Code for executive officers or directors can be made only by the board of directors or its audit committee and must be promptly disclosed.

A compliance committee chaired by the company’s chief legal officer administers the Code. All directors and executive officers are required to complete an annual certification relating to ethics and compliance with the law, the Code, and other company policies. The chair of the compliance committee reports periodically to the audit committee on the administration of the Code and is required to report promptly any violation of the Code by an executive officer or director to the Chairman of the audit committee. The board adopted the Code, which is reviewed periodically by the Nominating and Governance Committee. The Code is available for review on our Web site, www.smithfieldfoods.com, and the company posts any amendments to, or waivers from, the Code on that Web site.

In support of the Code, the company has provided employees with a number of avenues to report ethics violations or similar concerns, including an anonymous telephone hotline. The company reviews all complaints and concerns received and responds when appropriate.

STAKEHOLDERS

We define as stakeholders all persons or organizations who are impacted or believe they are impacted by the operations or practices of the company.

Internal stakeholders include company employees, facility management, and corporate management, among others. External stakeholders include: shareholders; the customers and suppliers with whom we do business; the end consumers of our products; federal, state, and local regulatory entities; nongovernmental organizations; and the communities in which our employees live and work. Interaction with diverse stakeholders allows us to engage with, monitor, and learn from these groups.

The company has made a practice of frank and timely communications with our stakeholders by listening, learning, and communicating openly. Stakeholders are typically engaged directly or as directed by and through the efforts of Smithfield’s vice president for environmental and corporate affairs. Many of our engagements occur around particular issues. For example, several actions discussed in the animal welfare section of this report resulted from stakeholder consultation:

- Following a review of research, as well as discussions with and input from NGOs and company customers, Smithfield announced plans to phase out the use of sow gestation crates on hog farms and replace them with group housing.
- In August 2005, Smithfield executed an agreement with Compass Group, one of the world's largest catering companies, and Environmental Defense Fund, a nonprofit advocacy group, to report and track our use of antibiotics. The agreement built upon an antibiotics policy that had been in existence at Murphy-Brown for some time.
- Smithfield responded to suggestions by animal welfare groups—a stakeholder segment with which the meat industry has had a sometimes-adversarial relationship—to revise its procedures for responding to road accidents involving the transportation of animals. The changes have resulted in improvements to the handling of accidents.

We are also trying to develop more systematic ways of engaging with stakeholders. For example, Smithfield is participating in the Facility Reporting Project, a multistakeholder initiative launched by Ceres and the Tellus Institute that seeks to provide a generally accepted facility-level economic, environmental, and social sustainability reporting framework. We are now in our second year of participation, and three facilities from different independent operating companies are piloting the framework. The project involves engaging with local community stakeholders and reporting on both a standard list of issues and indicators, and identifying and addressing issues of interest to stakeholders. A North Side Foods facility issued the first Smithfield Facility Reporting Project Report in 2006. Following the pilot projects at the three facilities, we hope to have additional U.S. facilities participate. For other examples of community engagement, please see the Helping Communities section of this report.

The following are additional examples of our interactions with stakeholders:

- Employees are one of our most important stakeholder groups. We continue initiatives to engage with employees on a range of issues including diversity (please see the Employees section of this report for more detail).
- Increasingly, our customers are hearing from their customers—the ultimate consumers—about CSR issues of concern to them. We participate in supplier CSR surveys and communicate directly with customers, including working with our customers to develop approaches to issues ranging from animal welfare to nutrition to environmental and health and safety practices. We are responding in numerous ways, including offering low-fat and low-sodium products. We have also engaged our sales force, which provides the primary customer point of contact, to communicate our approach to CSR so they can interact knowledgeably with our customers on these issues.

ABOUT THIS PHOTO

Glenn E. Dearing, Jr., the son of a retired Smithfield Packing employee, is a senior at Norfolk State University (NSU) and one of the school's four current Smithfield-Luter Foundation scholarship recipients. A total of 13 are expected on campus for 2008-09. He is pictured with NSU Director of Development Services Kisha Dodson (center) and Development Assistant Dominique Cotton.





Smithfield-Luter Foundation Expands Scholarship Reach

The Smithfield-Luter Foundation has been busy since 2004 awarding scholarships at Wake Forest, Iowa State, Virginia Tech, and Johnson & Wales, four universities located in areas of the country where at least one of Smithfield Foods' independent operating companies employs a significant number of people. During the past year, the philanthropic arm of Smithfield Foods and Chairman Joseph W. Luter, III, added three historically black universities to this list: Norfolk State, Virginia Union, and Fayetteville State.

Students at all seven schools can qualify for need-based financial assistance as long as they are dependent children or grandchildren of full-time or retired employees of any of Smithfield Foods' family of companies. The program's three new participants together received more than \$55,000 in foundation scholarships for 14 students for the 2007-08 academic year, ranging from full tuition to funding for expenses not covered by other grants. Since the program's inception, the foundation has disbursed approximately \$1.2 million.

More than 50 students have received scholarships to date, with affiliations that include The Smithfield Packing Company, John Morrell & Co., Farmland Foods, and Murphy-Brown. Awareness of the foundation's scholarship opportunities has been growing among employees across the company. As a result, the Smithfield-Luter Foundation expects to award its largest number of scholarships yet for the 2008-09 academic year. You can learn more about the Smithfield-Luter Foundation's objectives and activities at the following Web site: www.smithfieldluterfoundation.com.

- Smithfield participated in a voluntary joint agreement with the North Carolina Attorney General's Office. Smithfield provided approximately \$15 million to fund the independent investigation of environmentally superior technologies, as that term is defined in the agreement, for farm waste management.
- Our suppliers are important stakeholders in our value chain. As a vertically integrated company, we are our own biggest supplier. Nonetheless, we interact regularly with external suppliers. We work closely with our contract growers on environmental issues, as discussed in the Environment section of this report.
- We operate in a highly regulated industry. Thus, establishing and maintaining good relationships with government agencies at all levels is key to our ability to operate successfully. We cooperate with agencies in a variety of ways. For example, three independent operating company facilities participate in the U.S. Environmental Protection Agency's Performance Track program. Through this program, facility managers work closely with regulators to identify opportunities to exceed legal requirements. Participating companies typically set public, measurable goals to improve the quality of air, water, and land. For example, Smithfield Transportation's Smithfield Division, the first of our facilities to participate, pledged to reduce its energy use and improve its management of nonhazardous waste management. More information about the program and reports from participating companies are available at www.epa.gov/performance-track on the Web.
- Several organizations, including Business for Social Responsibility, Ceres, Environmental Defense Fund, and the Nathan Cummings Foundation, have reviewed our previous reports and/or a draft of this report and provided valuable feedback. We have tried to respond to the feedback in preparing this report. For example, we have organized this report around our most significant CSR issues and provided additional context and interpretation of the data presented.

Our engagement with diverse stakeholders is also reflected in the list of organizations in which we hold memberships. A comprehensive list of these memberships is available on our Web site at www.smithfieldfoods.com.

PUBLIC POLICY

Public Policy Issues of Interest to Smithfield Foods

We participate in legislative and regulatory processes both as an individual company and through industry associations. We believe that engagement in the political process is important in making our views heard on issues of significance to the business. Smithfield representatives participate in many cross-industry boards and commissions at the national and state levels, including, for example, the board of directors of the National Association of Manufacturers. Other important industry memberships are listed on our Web site at www.smithfieldfoods.com/pdf/sfd-org-member-partner.pdf.

The following are among the most significant current public policy issues for our company:

- **The Farm Bill:** We participated actively in the discussions and are pleased that Congress was able to pass a new Farm Bill in 2008. Of particular concern to our company was an effort to ban meatpackers from owning livestock. Many meatpackers, Smithfield included, choose to own or contract for livestock because it is the most efficient way to deliver the consistent quality meat demanded by modern consumers. Given our business strategy of vertical integration, we strongly opposed this provision and were glad it was not included in the final bill.
- **Immigration Reform:** We are closely following the immigration reform issue because we have many valued employees who are immigrants—legal immigrants. Just like their American-born co-workers, these immigrants want their children to enjoy greater opportunities and the stability that enables families to stay together and thrive. We are a nation of immigrants. Smithfield has not endorsed any specific legislation, nor have we lobbied Congress on the issue, but we do support just legislation that includes protections for legal immigrants and their employers, and provides a path to citizenship for immigrant workers.
- **Food Safety:** Smithfield is committed to working with the U.S. Department of Agriculture and the federal government to ensure the safest possible food supply. We have taken comprehensive steps in our facilities to ensure food safety, as discussed in the Food Safety section of the report.

Political Contributions

In 2000, Smithfield Foods, Inc., established a Political Action Committee (PAC) called Smithfield Foods, Inc. PAC. Funded by contributions from Smithfield employees, the PAC provides contributions to political candidates at the local, state, and federal levels—helping to ensure the election of those individuals who support policies that are fair to our company and share our concerns about the future of the food production industry.

Through June 2008, Smithfield's Political Action Committee contributed \$177,550 to candidates for local, state, and federal offices for the 2007–2008 election cycle, with \$157,950 going to federal candidates and \$19,600 going to state candidates. Smithfield does not endorse one party over another and bases contributions largely on which party holds the majority in the state or federal legislature and on individual candidates who share the values described in the preceding paragraph.

In addition, during calendar year 2007, we contributed to political committees in some states where applicable.

For more information about the Smithfield Foods, Inc. PAC, including a history of candidates' campaigns that we have supported dating back to 2003, please see www.hampac.org. The PAC can be contacted at hampac@smithfieldfoods.com.

ENVIRONMENT

OUR COMMITMENT: REDUCING OUR ENVIRONMENTAL IMPACT

Smithfield's independent operating companies generate waste and other emissions, consume energy and water, and use packaging, all of which have impacts on the environment. We have been in the food business for more than 70 years. We aim to be a leader in our industry in addressing the environmental impacts of producing and processing meats.

Smithfield addresses environmental issues through a proactive, risk management approach. Beginning in 2000, Smithfield adopted an environmental policy committing the company and its employees to environmental performance goals based on continuous improvement and taking advantage of opportunities afforded by innovation and technology. The environmental management systems discussed below require that our facilities set targets for important environmental issues. As these issues vary among locations and independent operating companies, they are not easily aggregated for the company as a whole. Thus, our overall goals are more general. We aim to do the following:

- Achieve 100 percent compliance with environmental laws and regulations 100 percent of the time
- Continuously improve environmental performance
- Reduce emissions and waste generation
- Improve the efficiency of our use of raw materials and energy
- Reduce operating and capital costs
- Work toward environmental performance targets
- Communicate environmental performance and policies to the public

For this report, we have made a number of changes to improve our reporting and align with the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines.

OUR MANAGEMENT APPROACH: CONTINUOUS IMPROVEMENT

A dedicated sustainability committee, made up of senior managers from Human Resources, Environment, Safety, Legal, and Finance, oversees Smithfield's environmental strategy. The Committee is tasked with exploring ways to better balance financial, environmental, and social performance across our business.

Our policies, management systems, and programs establish accountability and provide the framework for maintaining and advancing our commitment to continuous improvement in environmental performance. They also help us anticipate and meet the growing expectations of customers, consumers, regulatory bodies, host communities, and other key stakeholders.

Environmental Management Systems (EMS)

Smithfield uses the International Organization for Standardization (ISO) 14001 Standard to address environmental management. The standard outlines five categories of

requirements (with 18 requirements in all) that an organization must meet in order to achieve ISO 14001 certification.

In 2001, Smithfield achieved ISO 14001 certification of all company-owned farms in the United States, becoming the first livestock operation in the world to earn this distinction. In 2004, the company's pork processing plant in Tar Heel, North Carolina, was the world's first major meat-processing plant to achieve ISO 14001 certification. The company's Polish affiliate received ISO 14001 certification for its 28 farms in 2005. While certification does not guarantee environmental performance, the ISO 14001 guidelines require commitment to a long-term management plan incorporating periodic third-party auditing, goal-setting, corrective action, documentation, and executive review.

We believe this approach is having its intended effect by improving our environmental management and performance.

For more information on ISO 14001, visit www.iso.org/iso/iso_catalogue/management_standards/iso_9000_iso_14000/iso_14000_essentials.htm.

Training

Training is fundamental to continued improvement in our operations. Individual facility training programs, coupled with a company-wide annual training conference, help to create a culture of environmental awareness among our employees that, in turn, helps reduce our environmental footprint. A requirement of our certified environmental management systems is that all employees receive some level of environmental training.

In addition, over two and a half days in August 2007, more than 130 facility managers, engineers, and environmental coordinators attended our sixth annual Environmental Training Conference, where they received tutorials on topics critical to the food processing industry, from environmental regulatory requirements and incident notification procedures to water conservation and wastewater treatment. Case study presentations were also provided on efforts at specific facilities related to responding effectively to environmental incidents, cardboard and plastics recycling, energy conservation projects, and best management practices for spill prevention and stormwater plans. New attendees participated in an environmental "boot camp" covering a variety of key topics. As part of the conference, the annual Smithfield Foods Environmental Excellence and President's Awards were awarded.

Environmental Performance of Contract Growers

In addition to the farms operated by Murphy-Brown, Smithfield's independent operating companies contract with roughly 1,950 contract farms (nearly 1,700 in the United States). Under these contracts, Murphy-Brown supplies livestock, feed, and veterinary care to the contract farmers. The contract farmers provide the initial facility investment, labor, and front-line management in exchange for a specified payment. During FY 2007, approximately 72 percent of Smithfield's Hog Production segment's market hogs were finished on contract farms.

Contract farmers operate independent businesses that Smithfield neither owns nor operates. However, our relationships with contract farms require compliance with all applicable environmental laws and permit requirements. If contract farmers violate their environmental permitting requirements, Murphy-Brown can terminate the farmers' contracts or remove our livestock from their farms until the problem is resolved. Contract farms are also regulated by government agencies.

Although we do not address contract farms in our scope of reporting, we encourage our growers to prioritize regulatory compliance and informally monitor their progress. We recently surveyed available state regulatory databases and our own production staff and found that our 1,700 domestic contract growing operations received 82 Notices of Violation (NOVs) in FY 2007. Over the same time period, our 445 company-owned farms had five NOVs.

PERFORMANCE

Data Collection and Management

Smithfield has a strong history of reporting key data, including our use of energy, water, chlorine, and ammonia group wide. We've also disclosed air emissions, solid waste generation, and recycling rates. We continue to explore ways to better quantify and communicate our environmental data.

The sections that follow review our environmental performance data in key categories. Absolute data is used to track the overall environmental performance of our organization. Data normalized for production help us to track efficiency improvements and compare the efficiency of our operations. We report using standard industry metrics recognized and used by our competitors and stakeholders.

We report data separately by our two main types of facilities: "First processing facilities," which render hogs and cattle into wholesale cuts of meat, report their normalized data per animal unit. "Further processing facilities," which process and package products for consumers, report normalized environmental emissions per 100 pounds of finished product. In the charts throughout this report, absolute data is shown in orange and normalized data is shown in green.

Below are some of the factors that affect the data and the significance of data trends:

Scope of Reporting

The number of further processing facilities reporting increased from 18 plants to 33, increasing the sector's impact on performance indicators. The number of first processing facilities reporting grew from 10 plants to 11. These changes make data from earlier reports inconsistent with current data, devaluing year-to-year comparisons. As we collect and analyze more data going forward, we expect interpreting and reporting trends in our metrics will become easier as newer, more consistent data sets are analyzed.



Environmental Achievement Awards

The American Meat Institute (AMI) has recognized 63 Smithfield Foods facilities in 26 states for significant environmental stewardship efforts in their communities. Five received AMI's highest award, the Environmental Achievement Award:

- Farmland Foods, Crete, Nebraska
- Farmland Foods, Carroll, Iowa
- John Morrell & Co., Mohawk Packing Co., San Jose, California
- Smithfield Beef Group, Green Bay, Wisconsin
- Smithfield Packing Company, Wilson, North Carolina

For more information on Smithfield's awards and the AMI, visit www.meatami.com

Although we have expanded the number of reporting facilities and present new environmental performance metrics in this report, the environmental data we provide account for domestic processing facilities only, unless otherwise noted. We hope to expand the scope of our reporting in the future to cover additional facilities and types of operations. In this report, the following were not included:

- Farming operations (subsidiaries and contract farms) with the exception of natural gas and liquid propane gas use, water use, and animal waste treatment systems data
- International operations
- Transportation and office operations
- Contract businesses

Changes in Our Business

Plant turnover has caused variations in our absolute (non-normalized) environmental data. This was especially true in 2006, when a number of major purchases took place. Many of the newer plants included in our data set are smaller and were operating substantially below full production in the months following acquisition. Normalized data may also appear relatively high for these sites because certain processes (e.g., plant cleanup) require the same resources regardless of output. Our environmental management systems help us to uncover inefficiencies and make improvements. Also, as we produce more ready-to-eat products, the energy and raw materials used at further processing facilities increases.

2004 Data

Our 2004 data showing a company-wide jump in emissions and decline in efficiencies for a wide range of metrics appear to be an aberration, and the cause is not clear. We anticipate that we will analyze such trends more accurately in the future.

Climate Change, Energy Consumption, and Greenhouse Gas Emissions

As concern about global climate change has grown and regulatory and voluntary programs seeking to reduce greenhouse gas (GHG) emissions have proliferated, climate change has become an increasingly important issue for our company. Because energy use and GHG emissions are closely linked, we report on them together in this section.

We expect both the level of concern about climate change and restrictions on GHG emissions to increase. Our customers and other stakeholders are showing greater interest in the issue. The use of market-based approaches to reduce GHG emissions in the U.S. could pose financial risks for our company but could also offer opportunities to capture value—for example, by creating credits for our biogas utilization projects. As energy prices reach record highs, we also have a strong financial incentive to use energy efficiently. Thus, we are taking a closer look at GHG emissions in our operations, focusing on ways to improve our energy efficiency and cut GHG emissions. We are also exploring voluntary programs, such as the Chicago Climate Exchange (CCX) and the EPA's Climate Leaders program. Membership in one of these organizations will lead to specific reduction targets within our overall efficiency efforts. GHG emissions occur at several points in our operations:

Smithfield Foods President's Awards

Our internal awards program encourages projects at all operating companies that go beyond compliance and focus on preventing pollution and enhancing environmental stewardship. The program includes recognition by senior management and cash awards of \$5,000 each, of which \$3,000 is donated to a charity of the winning teams' choice. Winning programs are selected based on their environmental impact and social significance, efficiency, cost-effectiveness, originality and inventiveness, and technical value, among other factors.

The 2007 President's Awards recognize the following groups for exemplary environmental performance:

Smithfield Beef Group (Cleaner/Greener Production Processes and/or Packaging)

Redesigned boxes, reducing cardboard purchases by 15 percent group wide.

Farmland Foods, Inc. (Environmental Stewardship)

Each first processing facility within Farmland Foods has gained recognition by the Governor of the state where it operates.

Farmland Foods, Inc., Crete, Nebraska (Community Outreach)

Gave scrap metal proceeds to Farmland Scholarship Fund.

Visit www.smithfieldfoodsnews.com/VolumeV_NumberI/PageIV.html for a complete listing of this year's awards.

ABOUT THIS PHOTO

Armour-Eckrich employees Devin Benter (right) and Tim Lunn (left) are two members of the team led by Maintenance Supervisor Jim Billings who installed the heat exchange system at the company's Mason City plant. They are pictured conducting a routine inspection of the plant's water storage tank.





Armour-Eckrich Plant Captures Heat to Lower Energy Use

Smithfield Foods' Armour-Eckrich plant in Mason City, Iowa, produces more than 63 million pounds of ham, semi-dry sausage, and lunchmeat each year. At this level of production, it uses approximately 175,000 gallons of heated water daily to clean up and sanitize its machinery. Thanks to the work of a small team of employees on site, the Mason City plant has been able to reduce the amount of natural gas it needs to heat the water by 34 percent. That has lowered the plant's energy use by an average of 50 million BTUs each day and decreased its emissions of carbon dioxide, a major greenhouse gas.

The Mason City team accomplished this feat by capturing the heat removed from the facility by its ammonia refrigeration system. Instead of sending the heated gas directly to the plant's condensing towers to cool, a newly installed heat exchanger first transfers the heat to the plant's 30,000-gallon water storage tank. The city supplies this water at 54 degrees Fahrenheit, and it must ultimately reach 120 degrees F for use. Since the heat exchanger increases the water to 85 degrees F, natural gas has to raise it only by an additional 35 degrees F.

Since joining Smithfield Foods in 2006, Mason City and Armour-Eckrich's six other locations have been busy with a broad range of other environmental initiatives. Among them, each facility has been formalizing its existing environmental compliance program in preparation for ISO 14001 certification. Smithfield Foods' other processing facilities are already certified. Armour-Eckrich expects its plant in St. James, Minnesota, to be the first to achieve certification, with Mason City to follow by the end of 2008.

- Hog farming results in the release of methane (from animal waste treatment systems and from the animals themselves) and CO₂ (from energy use)
- Transportation results in CO₂ emissions (from fuel use)
- Processing plants release CO₂ and small amounts of N₂O (from energy use), as well as methane from wastewater treatment

The energy data we provide in this report—namely electricity, natural gas, and liquid propane gas use data—were collected from domestic first and further processing facilities. Although some facilities also use fuel oil, the fuels and facilities included in our reporting account for more than 90 percent of our energy use. In addition, this report provides, for the first time, baseline GHG emissions data from the same set of facilities.

Electricity Consumption [Reporting Facilities: 489]

Since our last report, our absolute and normalized energy use rose as our company grew and we continued to increase the production of foods, such as microwaveable bacon, that are more profitable for our business but require more energy to produce. Although we have achieved energy efficiency improvements in our operations, we know there is more work to be done.

Normalized values for first processing were affected by our beef production facilities, which require much more energy per animal unit. In 2005, we closed one facility, causing a striking efficiency improvement in 2006. Since that time, beef sales have fallen, improving energy efficiency. We expect 2008 data to be affected by the pending sale of the Beef Group.

ELECTRICITY CONSUMPTION

	2003	2004	2005	2006	2007	03-07 change
kWh in millions first processing	501	468	493	695	677	35.13%
kWh in millions further processing	244	294	327	336	594	143.44%
kWh in millions Murphy-Brown	206	204	172	146	146	29.13%
kWh per animal unit first processing	41	42	43	39	40	2.44%
kWh per 100 lbs. further processing	28	49	25	28	36	28.57%

All totals are for fiscal years.

Tackling Climate Change by Turning Waste Into Energy

At five of our facilities, methane is collected from wastewater treatment basins and is used as fuel for the boilers. This process accomplishes the following:

- Tackles rising energy costs
- Reduces methane emissions and odors
- Treats wastewater
- Reduces our GHG emissions by 4.5 percent

Processing Facility Natural Gas Use [Reporting Facilities: 44]

We use natural gas in boilers to make hot water and cook our food products, often in smoke-houses. Our overall natural gas use is subject to market forces. It rises with production levels and declines when the cost of other fuels drops. However, economies of scale tend to reduce the amount of gas required per animal or pound of product as production levels increase. In the past few years, we closed facilities that used oil, and acquired others that

utilized natural gas for boiler use. In addition, individual plants have improved their efficiencies and have begun burning biogas to reduce natural gas use. These trends can be seen in the increase in overall use of natural gas and the decrease in natural gas use per unit.

NATURAL GAS

2003	2004	2005	2006	2007	03-07 change	
3.1	2.9	2.7	3.8	4.1	32.26%	decatherms in millions first processing
3.3	7.0	1.9	1.8	3.1	6.06%	decatherms in millions further processing
0.280	0.266	0.266	0.199	0.250	10.71%	decatherms per animal unit first processing
0.200	0.185	0.144	0.120	0.150	25.0%	decatherms per 100 lbs. further processing

All totals are for fiscal years.

Farm Natural Gas Use [Reporting Facilities: 445]

In an effort to capture natural gas use data outside of our processing facilities, we report on the amount used for employee comfort heating and heating for newborn and nursery pigs. These metrics were collected for Murphy-Brown farms only, and tend to fluctuate depending on the weather for any given year. In previous reports, this metric was reported in therms. This year, we present all natural gas use in millions of decatherms.

FARM NATURAL GAS

2003	2004	2005	2006	2007	03-07 change	
0.023	0.091	0.193	0.189	0.178	677.6%	decatherms in millions

All totals are for fiscal years.

Liquid Propane Gas Use [Reporting Facilities: 445]

We also report on the amount of liquid propane (LP) gas used for employee comfort heating and heating for newborn and nursery pigs. Our LP metrics were collected for Murphy-Brown farms only and tend to fluctuate depending on the weather for any given year. In previous reports, this metric was reported in gallons. This year, we present all liquid propane gas use in millions of decatherms.

LIQUID PROPANE GAS

2003	2004	2005	2006	2007	03-07 change	
1.03	0.48	0.83	0.55	0.59	43.28%	decatherms in millions

All totals are for fiscal years.

Biogas Production [Reporting Facilities: 5]

Since 1992, Smithfield has been capturing methane gas produced during wastewater treatment at certain facilities for use as fuel in modified steam boilers. (See diagram on page 41.) This process helps offset fossil fuel consumption and reduces atmospheric methane emissions while reusing a waste product. Five of our company plants capture biogas, including our largest facility in Tar Heel, North Carolina, and two Smithfield Beef Group facilities in Michigan and Wisconsin. Production has risen steadily in the past five years as energy prices climb and the environmental benefits of biogas capture are realized. During FY 2007, these five facilities captured and used more than 175 million standard cubic feet of biogas, the equivalent of 511,500 decatherms of fossil fuel. Biogas use will be affected in future years following the divestiture of our Beef Group, which has accounted for roughly 40 percent of biogas production.

In Milan, Missouri, we have begun to collect and flare biogas from the plant's wastewater treatment system. We will assess the suitability of this fuel source as more information becomes available on the quality and quantity of the biogas generated. As energy prices rise, we continue to explore additional technologies to capture and utilize biogas from our other processing and farm facilities. Our Bioenergy Task Force coordinates these efforts, as well as the ongoing collection, compilation, and review of energy and GHG data from across the company.

BIOGAS PRODUCTION

	2003	2004	2005	2006	2007	03-07 change
decatherms in millions	0.25	0.29	0.43	0.47	0.53	114.5%

All totals are for fiscal years.

Greenhouse Gases (GHG) Emissions

The term GHG is applied to several substances, including carbon dioxide, methane, nitrous oxide, and chlorofluorocarbons, or CFCs. In this report, we have expanded the scope of our reporting to include data on emissions of several GHGs from 11 first processing and 33 further processing facilities reporting energy consumption. These data were compiled using the Greenhouse Gas Protocol developed by the World Resource Institute and World Business Council for Sustainable Development. The farming phase of our operations and contributions from cattle feedlots, hog feedmills, and the transportation of live feed, animals, and food products were not included in these totals, nor were other support operations. In the future we hope to capture a greater portion of our carbon footprint, but these data will serve as a reporting baseline.

Total GHG Emissions from Fuel Burning [Reporting Facilities: 44]

GHG EMISSIONS	EMISSIONS (Metric tons CO ₂ e) ¹			EFFICIENCY	
	Total	First Processing	Further Processing	First Processing (kg CO ₂ e per animal unit)	Further Processing (kg CO ₂ e per 100 lbs.)
Total Direct & Indirect GHG Emissions	1,153,634	651,775	501,859	37.0	28.0
Total Direct & Indirect Carbon Dioxide (CO ₂) Emissions	1,150,346	650,493	499,853	37.0	28.0
Direct Methane (CH ₄) Emissions	200	133	67	0.006	0.003
Direct Nitrous Oxide (N ₂ O) Emissions	3,088	1,149	1,939	0.158	0.093

¹ The universal unit of measurement to indicate the global warming potential (GWP) of several greenhouse gases, expressed in terms of the GWP of one unit of carbon dioxide. It is used to report different greenhouse gases on a common basis.

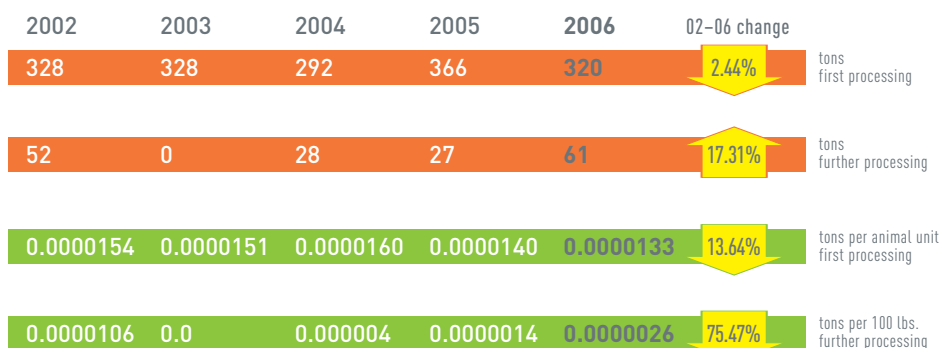
All estimates are for FY 2007.

Air Emissions

Fifteen of our facilities are required to report air emissions, which are created as byproducts of burning fossil fuel, to the U.S. Environmental Protection Agency (EPA). The charts below display total and normalized emissions from these facilities from 2002 through 2006. (2006 is the most recent year reported to the EPA.)

NO_x, SO_x [Reporting Facilities: 15]

NO_x EMISSIONS



All totals are for calendar years.

First processing created 99 percent of sulfur oxide (SO_x) emissions and 84 percent of nitrogen oxide (NO_x) emissions in 2006. This is because our first processing plants use boilers for steam production, which generate a higher concentration of SO_x and NO_x than other forms of energy generation. Also, in an effort to offset the higher cost of natural gas in 2005, some facilities burned fuel oil, which generates more NO_x and SO_x than natural gas. Meanwhile, further processing facilities have shifted toward electric processing, which reduced SO_x and NO_x emissions.

We continue to focus on improving emissions per animal unit by adding pollution prevention devices, upgrading equipment, and regularly tuning boilers. These measures have reduced total SOx emissions for first processing by 26 percent since 2005. Normalized emissions have improved 27 percent during the same period. We cut normalized emissions of NOx per animal unit by 35 percent between 2004 and 2006. This is due in part to our reduced beef production, which is much less efficient than pork production.

SOx EMISSIONS

	2002	2003	2004	2005	2006	02-06 change
tons first processing	530	798	730	761	560	5.66%
tons further processing	46	0	0.1	0.06	2	95.65%
tons per animal unit first processing	0.000017	0.000018	0.000017	0.000015	0.000011	35.29%
tons per 100 lbs. further processing	0.0000048	0.0	0.0000001	0.00000011	0.00000067	86.04%

All totals are for calendar years.

Further processing encompasses so little of our SOx and NOx emissions that small operational changes greatly affect the amount of emissions, as evidenced by the 2006 data. After significant improvement in both overall and normalized emissions from 2002 to 2005, total and normalized NOx emissions for our further processing facilities almost doubled in 2006.

Water Use

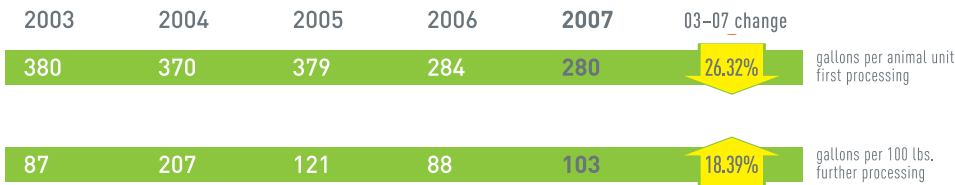
Our facilities use water for processing, cooling, cleaning, and sanitation of our facilities; cleaning and maintaining restrooms; washing trucks; and our products. Our domestic farms use water for maintaining animal health and cleaning the equipment and infrastructure. First processing is the more water-intensive of the two operational stages, accounting for 67 percent of water use in FY 2007.

Over the last few years, our water conservation efforts have made our first and further processing plants 31 percent more efficient—even as we acquired larger plants. Further processing water efficiency did not improve in FY 2007 due to the inclusion of data from our newer and less-efficient facilities. We are working to share best water-efficiency practices with our newest acquisitions in FY 2008.

Water Use [Reporting Facilities: 44]

	2003	2004	2005	2006	2007	03-07 change
gallons in billions first processing	4.4	4.0	4.2	5.2	4.8	9.09%
gallons in billions further processing	1.12	1.24	1.50	1.66	2.4	114.3%

WATER USE [continued]

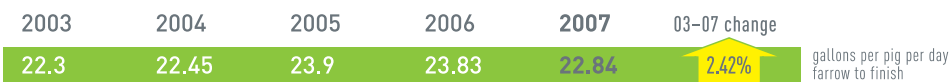


All totals are for fiscal years.

Farm Water Use [Reporting Facilities: 445]

Raising hogs requires water. Growing pigs need water for drinking, sanitation, and cooling (with misters, cool cells, and drippers). Over the years, we have sought ways to ensure that we use water as efficiently as possible at our hog raising facilities. In the past five years, our water efficiency has remained steady at between 22 and 24 gallons per day per pig.

FARM WATER USE



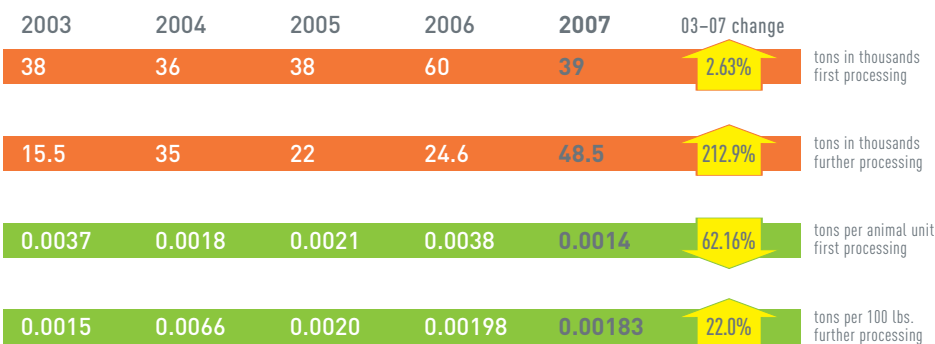
All totals are for fiscal years.

Material Use and Waste Management [Reporting Facilities: 44]

Our processing facilities generate general trash and wastewater residues. Overall waste generation has increased due to the acquisition of new facilities in recent years. In FY 2007 we landfilled 87,500 tons of solid waste, including general trash, packaging, paper, and wastewater residuals. We also recycled 48,200 tons of cardboard at our plants.

Waste generated at further processing plants on a normalized basis has remained steady over the past three years. First processing normalized waste generation decreased (improved) from 2003 to 2007, with the exception of 2006. This spike was caused when wastewater sludge was landfilled, rather than used as fertilizer and/or soil conditioner.

WASTE GENERATION



All totals are for fiscal years.



ABOUT THIS PHOTO

CURE Technical Assistance Biologist Benjy M. Strope (shown with Murphy-Brown Project Manager Dawn Williamson) delineates buffers and habitat areas on Murphy-Brown land. Strope makes recommendations for different management scenarios on the buffers, plants and maintains vegetation, tests water, conducts bird counts, and plans and participates in educational workshops.

A woman with short grey hair, wearing a bright pink long-sleeved shirt, is leaning over in a field of tall, thin grasses. She appears to be working or tending to the plants. The background is a soft-focus field of similar grasses under natural light.

Murphy-Brown Helps Improve Local Waterways and Habitats

Can large-scale hog production and environmental stewardship coexist? If a partnership between Smithfield Foods' Murphy-Brown hog production subsidiary and the North Carolina Wildlife Resources Commission is any indication, then the outlook is promising. Through the Cooperative Upland habitat Restoration and Enhancement (CURE) program, N.C. Wildlife has been researching the impact that field buffers placed on private and public lands have on wildlife habitat and water quality. Murphy-Brown signed on as a participant back in 2003.

On one of Murphy-Brown's largest farms, an 80,000-hog operation near Ammon, North Carolina, N.C. Wildlife has converted 150 acres from croplands into buffers and block habitats filled with a variety of native grasses. Much of the work carried out to date has focused on gathering baseline data for future comparisons. Still, regular testing has thus far shown that the buffers are protecting more than 18 miles of waterways from runoff of nutrients and other common agricultural pollutants. Similarly, small game and songbird populations appear to have stabilized.

The CURE partnership has proven so successful that the site is now host to wildlife and water quality workshops throughout the year. Murphy-Brown will soon expand its participation by making land available for CURE research on five other North Carolina farms. In fact, part of the funding for the expansion will come from the money Smithfield Foods provides annually to the state of North Carolina for its environmental enhancement grants. N.C. Wildlife will receive \$308,000 of the \$1.8 million the state will disburse this year.

We have steadily increased the amount of cardboard recycled, while investigating the benefits of using more sustainable materials, which our customers and consumers are requesting.

CARDBOARD RECYCLING

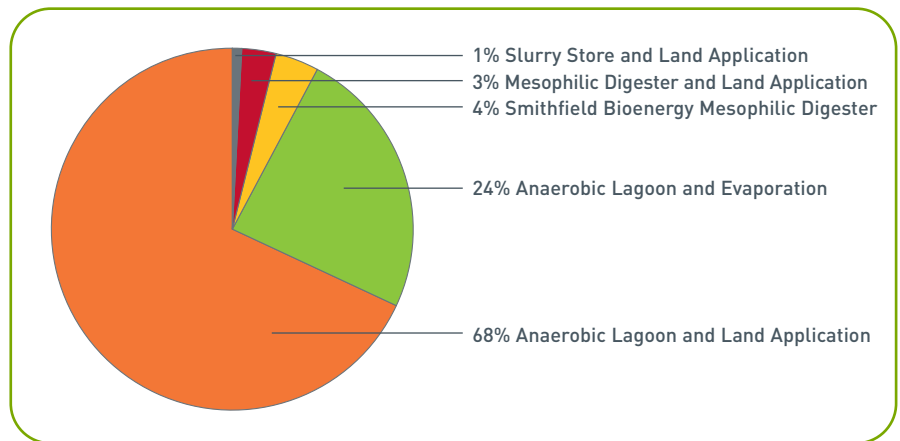
	2003	2004	2005	2006	2007	03-07 change
tons in thousands	12.6	22.5	23.6	24.3	48.2	282.5%

All totals are for fiscal years.

Murphy-Brown Animal Waste Treatment Systems and Crops Produced

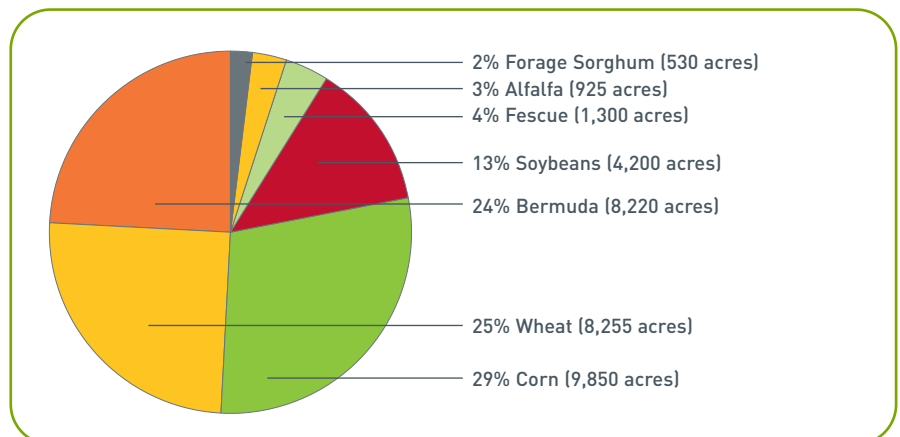
The following pie charts describe the type of waste treatment systems and approximate acreage of crops that were fertilized with treated hog waste from lagoon and sprayfield systems. The 2007 Murphy-Brown data remain unchanged from 2004 because waste treatment and crop planting practices remained substantially the same.

Animal Waste Treatment Systems [Reporting Facilities 445]



Crops Produced by Murphy-Brown [Reporting Facilities 445]

Total Acreage: 33,280



Compliance

We strive to be in full compliance with environmental requirements at all times. We track several indicators of compliance, including notices of violations (NOVs) and penalties. We have instituted a program called Operation Zero, the goal of which is to reduce NOVs to zero. The main focus is to optimize the use of our existing environmental programs, through improved coordination and communication within the company, to:

- Eliminate NOVs
- Effectively analyze and communicate EMS/ISO audit results
- Increase training conference attendance and expand training programs
- Advance Smithfield Foods Awards participation
- Earn more third-party recognition
- Share results annually with management

Our subsidiaries received 50 NOVs in 2007, compared to 64 in 2006. We attribute some of this reduction to improvements made at a facility in Elizabeth, New Jersey, where we had 14 NOVs in 2006 for wastewater permit exceedances. The facility had no NOVs in 2007, thanks to upgrades we made to the wastewater treatment system.

NOVS AND FINES

2004	2005	2006	2007	04-07 change	
82	33	64	50	39.02%	NOVs
\$57,280	\$124,978	\$123,952	\$166,446	190.6%	NOV fines
N/A	N/A	\$60,000	\$100,000	N/A	U.S. EPA agreement fines

All totals are for fiscal years.

Despite the reduced number of NOVs, total fines for our domestic facilities rose from \$183,952 to \$266,446 in 2007. The increase is due to Murphy-Brown's participation in the voluntary Air Quality Compliance Agreement with the U.S. EPA. The company agreed to pay a portion of the \$7 million paid by the national pork industry to fund research efforts. This payment came in the form of a civil penalty of \$100,000, based on the size and number of farms in our operation. Smithfield and other U.S. animal feeding operations are working with the EPA to evaluate feasible methods of regulating air emissions from such facilities. Three farms from our Eastern U.S. operations have allowed air emissions monitoring at their facilities. We also contributed to a fund that covers the cost of the two-year emissions monitoring program. Although signed in 2006, the agreement amount was not assessed until 2007. For more information, visit the following Web page: www.epa.gov/compliance/resources/agreements/caa/cafo-agr-0604.html.

Also, pursuant to state consent judgments with the State of Missouri and a federal consent decree agreed to by Premium Standard Farms (PSF) prior to its acquisition, PSF continues to participate in the development of next generation technology (as that term is defined in the consent judgments) to address odor issues for certain PSF farms in Missouri.

Third-Party Recognition 2007 Awards

Smithfield Packing Company—

North facility: Bronze Medallion, Governor of Virginia Environmental Excellence Award for energy savings and water conservation

Smithfield Packing Company—

Ham & Products facility: Bronze Medallion, Governor of Virginia Environmental Excellence Award for conservation of natural resources

Smithfield Packing Company—

Wilson facility: North Carolina Environmental Steward Award for environmental performance and stewardship

Smithfield Packing Company—

Elon facility: EPA National Environmental Performance Track program

Smithfield Packing Company—

Smithfield Transportation facility: EPA National Environmental Performance Track program

Smithfield Packing Company—

Tar Heel Transportation facility: EPA National Environmental Performance Track program

(continued on page 40)

Toxics Release Inventory (TRI) Data [Reporting Facilities: Tier II: 33, Form R: 12]

Smithfield reported to the EPA's Toxics Release Inventory (TRI) database for calendar year 2006. The data are divided into Tier II and Form R data for ammonia, chlorine, and nitrates. Tier II data are gathered from 33 sites and represent the amount of chemicals kept on site (i.e., inventory). Form R data correspond to certain chemical releases to the environment from 12 reporting sites. Reporting TRI data not only fulfills our regulatory responsibilities, but also helps management make informed decisions regarding our chemical management practices. The charts below display total and normalized data from 2002 to 2006 for our domestic Smithfield operations (2007 data is reported in mid-2008 and was not available when this report was prepared).

As TRI data are reviewed over time, it appears that range reporting makes year-to-year comparison difficult. That is, although we collect data on actual amounts of chemicals stored, some states require that Tier II and Form R data be reported in ranges and some facilities opt to report as specified in the data submission forms. Typically, these ranges cover an order of magnitude; for example, one range reported would be "100,000 to <1,000,000 pounds." This means a small change in the amount of chemicals stored could have a huge impact on reported values. To avoid understating our data, we enter the upper end of the range for our metrics calculations in this report (e.g., a facility with an actual value of 100,001 pounds would report 999,999 pounds). Efforts continue, through EMS initiatives, to reduce the use of these materials.

Ammonia

Ammonia (NH₃) is used as a refrigerant in our plant refrigeration systems. All processing facilities have seen a steady increase in overall and normalized use, due to increased production levels and greater emphasis on prepared meals, which require more refrigeration. Normalized ammonia figures for further processing facilities have remained low.

FORM R AMMONIA

	2002	2003	2004	2005	2006	02-06 change
lbs. in thousands first processing	176	290	1,304	274	345	96.02%
lbs. in thousands further processing	37	210	94	44	53.3	44.05%
lbs. per animal unit first processing	0.01145	0.02065	0.06778	0.00717	0.01035	9.61%
lbs. per 100 lbs further processing	0.0055	0.0064	0.0023	0.00717	0.0024	56.36%

All totals are for calendar years.

TIER II AMMONIA

2002	2003	2004	2005	2006	02-06 change	
1,005	2,672	3,761	5,806	5,504	447.7%	lbs. in thousands first processing
596	2,579	8,489	855	3,720	524.2%	lbs. in thousands further processing
0.0781	0.1378	0.2835	0.2246	0.2194	180.9%	lbs. per animal unit first processing
0.057257	0.598132	0.039339	0.047554	0.119511	108.7%	lbs. per 100 lbs. further processing

All totals are for calendar years.

Chlorine

Chlorine is used to disinfect our water supply in first and further processing. Total releases continue to remain low for our further processing facilities, but have varied widely for first processing facilities. This is due to range reporting, as discussed earlier, as well as the small number of facilities using chlorine.

FORM R CHLORINE

2002	2003	2004	2005	2006	02-06 change	
21	16	11	36	26	23.81%	lbs. in thousands first processing
0	13	0	0	27.4	N/A	lbs. in thousands further processing
0.000625	0.000429	0.000523	0.000990	0.000655	4.80%	lbs. per animal unit first processing
0	0.000976	0	0	0.000686	N/A	lbs. per 100 lbs. further processing

All totals are for calendar years.

TIER II CHLORINE

2002	2003	2004	2005	2006	02-06 change	
48	146	39	239	51.4	7.08%	lbs. in thousands first processing
1,007	9	2	0.18	50.1	95.02%	lbs. in thousands further processing
0.003086	0.005028	0.003244	0.010727	0.003045	1.33%	lbs. per animal unit first processing
0.062711	0.000673	0.000070	0.000079	0.001594	97.46%	lbs. per 100 lbs. further processing

All totals are for calendar years.

(continued from page 38)

Smithfield Packing Company—

North facility:

EPA National Environmental Performance Track program

Smithfield Packing Company—

Landover facility:

Businesses for the Bay Environmental Excellence Award, Outstanding Achievement for Pollution Prevention

Smithfield Beef Group—

Green Bay facility:

Certificate of Honor, highest number of employees participating in the Greater Green Bay CFL Challenge for employees' purchase of high-efficiency light bulbs

John Morrell Company—

Sioux Falls facility:

National Safety Award from the Water Environment Federation for 1,427 days without an injury at their wastewater treatment plant

Smithfield Beef Group—

Plainwell facility:

Michigan Water Environment Federation Health & Safety Industrial Award

Patrick Cudahy—

Milwaukee facility:

Milwaukee Metropolitan Sewerage District's Significant Industrial User Honor Roll

Nitrates

Nitrates are a naturally occurring byproduct of the decomposition of animal or human waste. While nitrate is much less toxic than ammonia or nitrite, it can affect human health and the environment. At Smithfield, nitrates are released through permitted wastewater discharges from our processing facilities. There are no Tier II data for nitrates because we do not maintain an inventory on site. With the exception of the further processing Form R Nitrates for 2003, release trends have remained steady since 2002.

FORM R NITRATES

	2002	2003	2004	2005	2006	02-06 change
lbs. in thousands first processing	7,951	7,743	9,041	10,011	8,981	12.95%
lbs. in thousands further processing	28.8	142.6	48.5	48.5	168	483.3%
lbs. per animal unit first processing	0.135	0.135	0.137	0.186	0.184	36.30%
lbs. per 100 lbs. further processing	0.00244	0.00311	0.00303	0.00352	0.00649	166%

All totals are for calendar years.

Biodiversity

We recognize that biodiversity, commonly referred to as the variety of life, is an issue of growing scientific and public concern. Biodiversity is important to people because we depend on other species and the ecosystems they create. In the meat production industry, farming and processing operations potentially have a range of effects on natural resources and biodiversity, including the following:

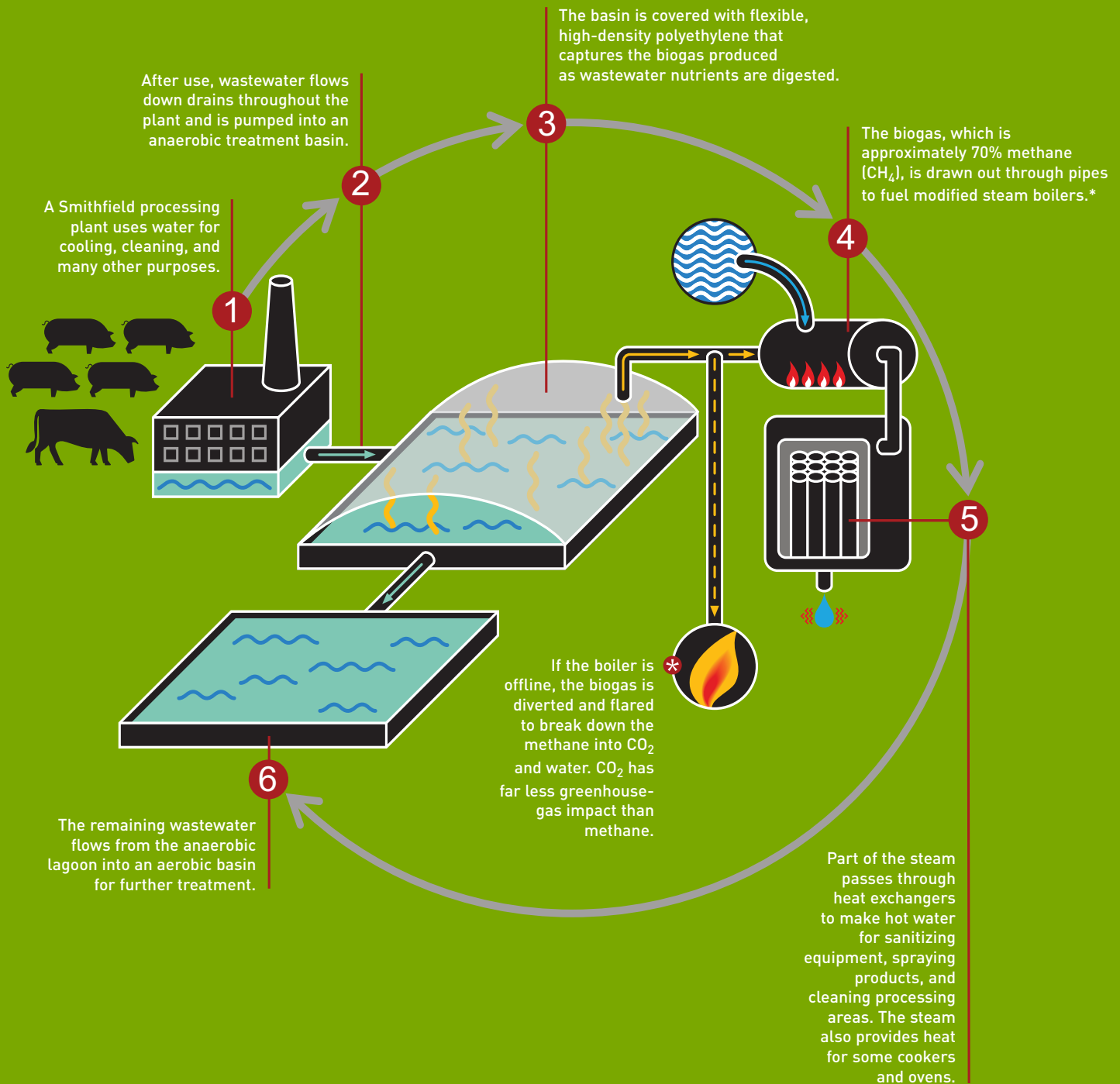
- Direct conversion of natural lands to hog farms and processing facilities
- Conversion of natural lands to agriculture to produce feed for livestock
- Potential contamination of water sources by insufficient animal waste treatment and fertilizer runoff
- Other indirect effects from natural resource use, waste generation, and emissions

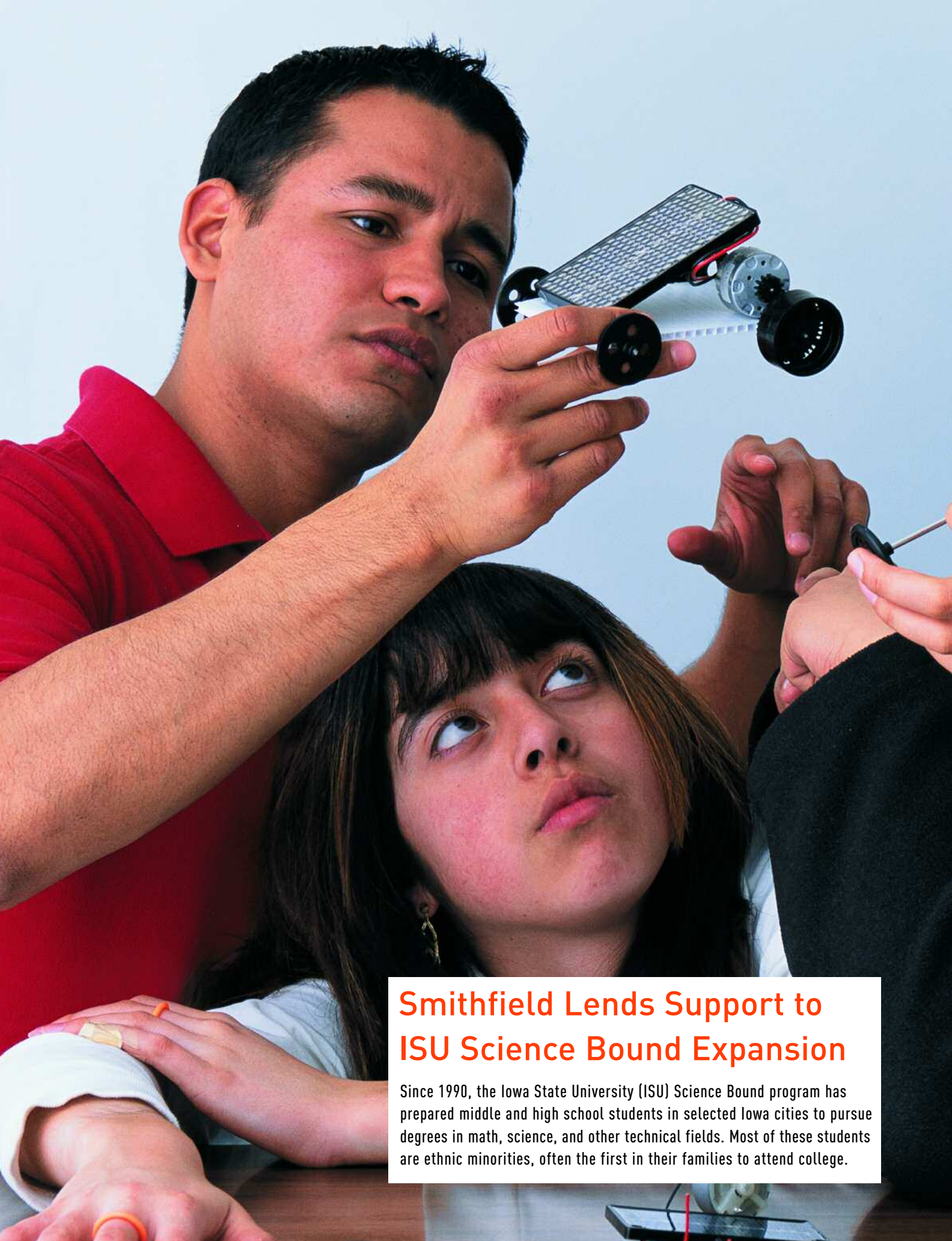
Smithfield believes that protecting biodiversity is integral to any environmental management program. We use several operational strategies to achieve that goal. Our efforts to reduce resource use lessen indirect impacts throughout the value chain. We avoid impacts on biodiversity by not operating in protected areas or other areas of high biodiversity value. In addition, many of Smithfield's farms and other facilities feature buffers and other natural areas, which allow us to contribute to preserving local biodiversity.

In North Carolina, Smithfield Foods provides funding for environmental enhancement grants to the conservation group Ducks Unlimited to protect North Carolina's wetlands. With the Sound CARE initiative it began in 2003 with the Attorney General of North Carolina, Ducks Unlimited has conserved or restored 10,000 acres of wetlands. In 2008, Ducks Unlimited received \$475,000 from Smithfield to restore, enhance, and protect 900 additional acres. Ducks Unlimited's efforts contribute to cleaner water in the Tar-Pamlico River Basin.

CAPTURING ENERGY FROM WASTEWATER

Smithfield Foods' processing plants capture the biogas produced by anaerobic treatment basins at The Smithfield Packing Company plants in Tar Heel, North Carolina, and Grayson, Kentucky; the John Morrell & Co. plant in Sioux Falls, South Dakota; and the Smithfield Beef Group plants in Green Bay, Wisconsin, and Plainwell, Michigan. These plants use the gas—primarily composed of methane—to fuel steam boilers, reducing their need for natural gas or fuel oil. This diagram shows the process in action.





Smithfield Lends Support to ISU Science Bound Expansion

Since 1990, the Iowa State University (ISU) Science Bound program has prepared middle and high school students in selected Iowa cities to pursue degrees in math, science, and other technical fields. Most of these students are ethnic minorities, often the first in their families to attend college.



ABOUT THIS PHOTO

Iowa State University requires all Science Bound students to submit projects for an annual winter science fair. For the first fair in Denison, Iowa, several students helped create miniature, solar-powered cars. David Ernesto Romero (in red), the school's coordinator for the Denison program, examines the work of students [left to right] Valeria Vargas, Juan Meza, and Jessica Lara.

With the help of a five-year sponsorship from Smithfield Foods' Learners to Leaders program, ISU extended Science Bound's reach to Denison, Iowa, during the 2007-08 academic year. Smithfield's Farmland Foods processing plant is the city's largest employer. The program's 13 initial participants benefited from the company's financial support for after-school workshops, teaching materials, an overnight retreat, and four visits during the year to ISU where students interacted with research faculty and graduate students.

Science Bound is one of nine Learners to Leaders alliances that Smithfield Foods has forged with local education partners in six states. In addition to Iowa, they include Missouri, North Carolina, South Dakota, Virginia, and Wisconsin. All are designed to help close the economic gap that keeps secondary school students from obtaining further education.

Science Bound typically recruits students in the eighth grade and requires that they remain in the program in good standing through graduation to be eligible for scholarship opportunities. Since Science Bound's inception, ISU has offered scholarships to more than 200 program graduates. The inaugural year in Denison has been so well received by students and parents alike that the program has seen a dramatic rise in applicants for the 15 spots available to incoming eighth-graders.

ANIMAL WELFARE

OUR COMMITMENT TO ANIMAL WELL-BEING

At Smithfield, our animals are our business. Simply put, our success as a company is directly linked to the well-being of the animals we grow and process. We have a moral obligation to ensure that our animals are well cared for. We are constantly reviewing our systems and procedures to enhance their comfort and minimize their stress.

Food companies like Smithfield will always be subject to criticism by certain groups—including those that oppose human consumption of meat. We believe, however, that we play a critical role as a provider of food for millions of people every day. At the same time, we recognize that we can make a positive impact by setting new standards for safe and responsible animal production.

We were the first in our industry to develop and implement a comprehensive, systematic animal welfare management program to monitor and measure animal well-being. We have been recognized as industry leaders for our willingness to improve production, handling, and transportation methods for the benefit of the animals.

For example, Dr. Stan Curtis of the University of Illinois at Urbana and Dr. Temple Grandin of Colorado State University—two of the world’s foremost animal welfare experts—described our animal welfare program as a “conscientious model for the entire American pork industry.”

We require our contract growers to utilize the same methods and techniques included in our animal welfare management program and take steps to verify their compliance, as discussed in the audit section below. These contract growers share in our responsibility to provide nutritious food and fresh water, sound veterinary care, timely euthanasia for sick or injured animals, protection from extreme weather conditions, and freedom from willful neglect or abuse.

Ensuring the health of the pigs we produce is one of our top priorities. Our staff geneticists identify animals with superior characteristics to develop breeding programs that minimize deleterious physical characteristics.

MANAGING ANIMAL WELFARE

We are the world’s largest producer of pork, with 445 hog production farms and approximately 1,700 contract hog growers in the U.S. alone. Our comprehensive animal welfare management system guides the proper and humane care of our animals, from gestation to transport to market.

Two groups within Smithfield oversee animal welfare issues: the corporate-level Smithfield Foods Animal Welfare Council and the subsidiary-level Murphy-Brown Animal Welfare Committee; each meets biannually. Together, they review internal data to identify

any problems and take corrective action, if needed. The two groups review internal policies and procedures and compare them to industry-wide best practices to make certain that our systems are satisfactory for our animals and effective for our business.

Training

All new Smithfield employees who work with our livestock must undergo an extensive animal well-being training program during a 90-day probationary period. These new workers must demonstrate competence in animal handling techniques and a thorough understanding of our corporate animal welfare policy.

We provide written manuals and videotaped training programs, in English and Spanish, along with on-the-job training and mentoring with experienced animal handlers. Regular training programs continue throughout an employee's career.

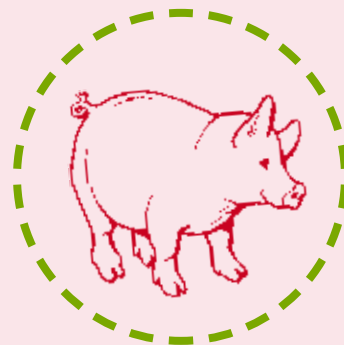
Audits

Without changing the particular practices and procedures contained in our Animal Welfare Management System (AWMS), we are making a transition to the National Pork Board's Pork Quality Assurance (PQA) program, a national certification program designed to ensure that U.S. pork producers understand and carry out their responsibilities to ensure food safety and animal well-being. A recently updated version of the program, known as PQA Plus and launched in June 2007, will require U.S. pork producers to undergo regular farm assessments and random, third-party audits. As the largest pork producer in the world, we volunteered to provide input and recommendations to help the National Pork Board develop PQA Plus. We anticipate that all of the company and contract farms will be certified under this program by the end of 2009.

The program's random third-party audits complement Murphy-Brown's own internal auditing system, which allows us to identify any nonconformances at our company-owned facilities and contract operations. Trained auditors visit every company farm and contract producer at least once annually. The program, which began in 2002, is designed to identify deficiencies or nonconformances with our own strict animal welfare guidelines and legal and regulatory requirements.

Adherence to proper animal welfare management is a condition of our agreements with contract farms. Growers found to be in violation are expected to take appropriate corrective actions. Contracts with farmers who are found to be willfully abusing or neglecting animals are immediately terminated. In the six years since our audit program began, we have terminated contracts with five growers for serious nonconformances.

In addition, we participate in the U.S. Department of Agriculture's (USDA) Process Verified Program, which is modeled on ISO 9000 quality management and assurance standards and requires compliance with all USDA rules and regulations. It also requires that animals be raised where management systems address health, welfare, and proper use of health products.



LIFE CYCLE OF A PIG

- **FROM INSEMINATION TO BIRTH**
(118 days)
3 months, 3 weeks, 3 days
- **FROM BIRTH TO WEANING**
(10–12 lbs.)
21–24 days
- **FROM WEANING TO FEEDER PIG STATUS**
(approx. 50 lbs.)
45–49 days
- **FROM FEEDER PIG TO MARKET WEIGHT**
(260–265 lbs.)
125–130 days
- **TOTAL AGE FROM BIRTH TO MARKET**
195–200 days or 6.5 months

Through independent third-party audits, the program gives assurance to customers that agricultural companies are providing consistent, quality products. Only companies with documented quality management systems in place are eligible to receive certification under the USDA program.

Housing of Pregnant Sows

In January 2007, we announced a program to phase out individual gestation stalls at all company-owned sow farms and to replace them with group housing over the next decade. Historically, hog producers have used both methods to safely house pregnant sows and monitor their progress during their 16 weeks of pregnancy.

There is no scientific consensus on which system is superior, and there are distinct advantages to each. For example, individual stalls make it easier to monitor the pregnant sow and provide medical attention, while group housing allows for more animal exercise and interaction. Our own extensive research—including a three-year study—found that both housing systems work equally well from an animal safety and production standpoint. Nevertheless, our decision to switch to group housing demonstrates our responsiveness to our customers and other stakeholders, many of whom view group housing as the more animal-friendly solution.

The transition to group housing, which will cost Smithfield hundreds of millions of dollars over the coming decade, can't happen overnight. Since we made our announcement, we have been surveying the approximately 275 company-owned sow farms to determine the best possible group housing approach for each specific farm. Few farms are exactly alike. Some will require extensive retrofits and reconfiguration; many may require new permits from state agencies in order to make any significant changes.

In the first quarter of 2008, we completed surveys at approximately two-dozen farms. Three group housing designs—at farms in North Carolina, Colorado, and a newly built facility in Utah—were nearing completion by mid-2008. We anticipate that the first animals to be produced by these facilities will reach the market in early 2009. We will continue the conversions and remain committed to completing the process within the 10-year time frame.

As part of our sow housing conversion process, we are also increasing the length of weaning time for piglets. Currently, piglets are weaned at 21 days old. As we convert to group housing, we will begin weaning pigs at 24 days. We believe longer weaning times will translate into stronger pigs and, ultimately, healthier animals.

Antibiotics Use

We do not use antibiotics to promote animal growth. Our company and contract farmers use limited antibiotics responsibly to treat sick or injured animals and to prevent disease. Murphy-Brown's Antibiotics Policy applies to all hogs and turkeys raised by Smithfield-owned and contract farms. We strictly comply with all antibiotic withdrawal timelines—the amount of time needed to allow the antibiotics to clear the animal's system before slaughter—as established by the USDA and the Food Animal Residue Avoidance Databank. A licensed veterinarian reviews all of our antibiotics use at least quarterly.

In 2005, in a first-of-its-kind purchasing policy, we announced a partnership with the food service giant Compass Group North America and the nonprofit group Environmental Defense Fund to promote responsible antibiotics use in mainstream pork production. We began to publicly report the amount of feed-grade antibiotics that are purchased per hundred pounds of product sold.

Feed-Grade Antibiotics Purchased by Murphy-Brown LLC



Safe Transportation

Each year, Smithfield’s 200 company-owned trailers and 170 contract haulers log more than 50 million miles transporting live animals from farms to processing plants. We strictly comply with federal animal transport time guidelines and have systems in place to maximize the comfort and safety of our animals. For example, we require two drivers on trips longer than eight hours; this allows the drivers to take turns sleeping and driving so the animals do not have to spend any additional time on the trailer. Other measures to maintain animal comfort include fans and water misters in hot weather and extra paneling in winter months to keep out cold air.

Safety is a top priority for every one of those trips. But with thousands of journeys each year, accidents can and do happen.

Murphy-Brown’s live haul accident-response procedures are widely regarded by animal welfare experts as the best in the industry. In 2006, we enhanced these procedures with five new equipment trailers known as “rescue units.” These trailers are fully stocked with a variety of equipment, such as lights, penning equipment, saws, generators, and other devices that would be needed in the event of an accident with a truck carrying our animals.

The trailers are stationed in key areas where most of our businesses are concentrated. When an accident occurs, designated Smithfield employees are dispatched to pick up a rescue truck and bring it to the accident site. Our goal is to have a rescue unit arrive at an accident site within an hour of the incident.

Our procedures, which were developed with the help of trained animal scientists, facilitate swift and humane action and are designed to protect animals and handlers, as well as the public. We have trained our truck drivers and our employees on proper techniques for entering overturned trailers, extracting animals, and euthanizing injured animals. We also provide regular training sessions for state and local police, fire, and other public safety officials who respond to accident scenes.

All Murphy-Brown drivers must be certified under the National Pork Board’s Transport Quality Assurance (TQA) Program.

Transportation Accidents Involving Market Hogs

	FY '07	FY '08
Number of Accidents	3	6
Number of Market Hogs Involved	533	1,106
Hog Fatalities	83	243

“Nobody has a protocol in place like Murphy-Brown does. Theirs is probably some of the best accident response there is.”

—Jennifer Woods
Internationally Recognized
Livestock Handling Expert
www.livestockhandling.net

Enhanced Hog Handling

As herd animals, hogs are most comfortable moving side by side in groups. As of 2006, we changed the new vehicle purchasing and fabrication specifications for back gate configuration for our company-owned live haul truck fleet within Murphy-Brown's Eastern operations. All new trailers purchased have larger rear gate openings, which make it easier to unload hogs at the processing plants and minimize stress to the animals. We also have found that it is more effective to herd animals with plastic panels, known as herding boards. These changes work smoothly with newly improved unloading facilities at Smithfield Packing's Tar Heel, North Carolina, facility and Smithfield, Virginia, processing plants.

Enhanced Slaughter Methods

Over the last year, we continued to implement a slaughter procedure known as CO₂ stunning that many animal scientists, veterinarians, and other experts view as less stressful, particularly for hogs. Animals are processed in groups, rather than single file, and exposed to CO₂ gas, which causes them to quietly lose consciousness. Smithfield is among those companies in the U.S. that are leading the industry-wide trend toward CO₂ stunning. In March 2008, the system was installed in our Farmland facility in Monmouth, Illinois, bringing the number of hog processing facilities that use the procedure to eight. We are considering installing the system at our five remaining first processing facilities.

OUR COMMITMENT TO FOOD SAFETY

Recent high-profile food recalls have raised public awareness of food safety issues. Nothing is more critical to our business than maintaining an excellent record of food safety. Smithfield Foods companies worldwide work together to produce the safest products possible, ensure the traceability of our livestock, and preserve the quality of our meat products. Our vertical integration strategy helps us maintain control of the safety of our products throughout our supply chain.

We collaborate with industry, government, and independent experts to create and implement rigorous food safety practices in all our facilities and manufacturing processes. For example, in 2006, the Smithfield Packing subsidiary became the largest fresh pork company in the world to be 100 percent USDA Process Verified, assuring that:

- All livestock sent to Smithfield Packing facilities can be traced back to the animal's farm of origin.
- Animals are raised where management systems address health, welfare, and proper use of health products.
- Suppliers are certified according to National Pork Board Pork Quality Assurance Level III guidelines.
- Drivers who transport live animals are certified by the National Pork Board's Transport Quality Assurance guidelines.
- The facility maintains an environmental management system.

We also provide information on nutrition and safe food handling to consumers through our product labels, our Web site, and other outreach.

MANAGING FOOD SAFETY

We take a comprehensive approach to food safety that addresses facility, equipment, and process design; operating and sanitation procedures; employee training; and auditing of our facilities. Food safety is integrated into our business process through our capital funding review process. We require a Food Safety Checklist as part of every capital funding request. This Checklist must be signed off by the food safety representative for each facility to ensure that we're addressing product safety issues as part of every capital expenditure.

We have a senior-level, cross-functional Food Safety Council to provide decision making, guidance, and direction to the company. The Council, which includes representatives of our major subsidiaries, meets three times a year to discuss current scientific and technical food safety information and evaluate the soundness of our food safety practices. The Council also advises on emerging food safety technologies and pertinent government regulations.

The Council develops and maintains policies, standards, and best practices for all Smithfield Foods companies that meet or exceed all regulatory requirements.

FOOD SAFETY



ABOUT THIS PHOTO

In Aoste, France, Groupe Aoste's robotic conveyance system for dry cured hams requires only two operators per shift to load products into boxes for their journey to the slicing lines. The facility's 22 lines yielded 12,500 tons of sliced products during the past year. In addition to hams, the 95,000-square-meter facility produces dry cured sausages and pancetta.



Food Safety Tops the Agenda Across Groupe Smithfield

Robotic systems and electronic chips are items that conjure up images more akin to Silicon Valley than to a meat processing operation in Aoste, France. Yet state-of-the-art technology plays an integral food safety role at the flagship plant of Groupe Aoste, part of the Groupe Smithfield European joint venture. This facility deploys a highly automated system to transport racks of more than 10 different varieties of dry cured ham up to dedicated slicing lines. Reducing the number of workers who handle meat is one of the keys to minimizing contamination risk. This system cuts the number of personnel required from the five used in traditional conveyance methods to only two.

High-tech safeguards make it easy to locate the source of a potential problem if a product recall ever becomes necessary. Bar codes built into every rack and microchips on each box of ham en route to its slicing line provide a wealth of valuable data. They can help trace each product back to the specific batch of raw meat that entered the plant, identify the precise lot of ingredients used in its production, and pinpoint all the work shifts involved.

Food safety tops the agenda across all of Groupe Smithfield. For example, Belgium's Imperial Meat Products recently teamed up with two of the world's leading food enzyme producers to put their anti-*Listeria* cultures to the test. *Listeria monocytogenes* is among the leading sources of food-borne illness, and Smithfield Foods' independent operating companies keep this common bacterium under control through processing refinements, plant design, and other advances. With independent testing confirming their effectiveness, these cultures are now added to several Imperial Meat offerings.



The Council developed our Food Safety Policy, which stresses Smithfield’s systematic approach to addressing pathogen control, food security, and food safety training. The Council recently strengthened our internal audit function to maintain food safety as a top operational priority. Taken together, these efforts help Smithfield anticipate points at which food safety challenges exist, then develop programs to avert problems.

For example, the Food Safety Council helped us develop comprehensive engineering standards for the construction of new plants and the renovation of aging facilities. These standards help to ensure strict adherence to personal hygiene, minimal direct human contact with food, and precise tracking of products across our operations.

Smithfield invests millions of dollars in capital improvements annually to improve the safety of our products and our employees while simultaneously improving production at existing and new facilities. In 2006, we completed construction of a 235,000-square-foot deli and sliced ham processing plant that embodies the highest food safety and product quality standard in the industry. The \$100 million Kinston, North Carolina, facility is the most automated ham processing plant in the world, with strict delineations between raw and ready-to-eat manufacturing functions and the latest in industry technology to prevent the spread of bacteria.

The following are other examples of our food safety efforts during this reporting period:

- Smithfield Packing’s South facility installed a microbial treatment system for beef products that come in from other facilities for further processing to minimize the chance of bacterial contamination.
- Renovations to Smithfield Packing’s Grayson plant include over \$1 million for upgrades for two distinct locker rooms to separate employees in ready-to-eat production from those involved with raw material processing. The upgrades also include wall and ceiling materials that facilitate a low-bacteria environment and air handling and refrigeration systems designed to eliminate air flow—and possible cross-contamination—between various areas of the plant.
- Farmland’s Denison, Iowa, plant recently updated its bacon production facilities with additional separation walls and a powered door with touchless controls. The walls separate packaging materials from production areas; the touchless door controls help address potential cross-contamination by employees.

Training

Keeping our food safe requires people who know what to do, and how to get the work done. All Smithfield employees receive extensive training in the policies and procedures we use to keep our foods safe. Each worker is trained upon hiring, and retrained annually, depending on his or her job description. (For more on our training approach, see our Employee Health and Safety Section.) Our Food Safety Training Policy outlines required and suggested food safety training topics, trainer qualifications, and the frequency of training at all of our subsidiary processing facilities. The Policy also requires that food safety training be documented and that employees be tested to evaluate the effectiveness of the training program.

We are working to further standardize our food safety training. This year, we piloted an online training system that enables us to monitor the training performance of each trainee and determines further education needs. A select number of facilities are currently testing this training tool for efficacy. Once this program is proven in the Food Safety sector, we hope to share this training program with other units within Smithfield.

Auditing and Inspections

Our new comprehensive auditing protocols, introduced in 2006, help to ensure that the products we deliver are of the highest quality and that they meet all internal and government standards. Our facilities are subject to a variety of inspections and audits, as follows:

- Under our corporate audit program, each facility is audited by a third-party auditing organization at least once a year for adherence to our quality, food safety, and sanitation programs.
- Each facility must also successfully conduct a mock product recall performed by food safety professionals every year. Plants that fail to locate and collect 99.9 percent of affected food products within four hours are required to repeat the procedure until successful.
- Plant personnel conduct self-audits and mock product recall scenarios annually, with oversight from Smithfield's corporate Risk Management Group.
- Many of our larger customers have their own food safety officials perform audits at our plants and/or request that we send them the results of the third-party audits that are conducted at our facilities and paid for by Smithfield.
- Government officials based at our plants inspect our facilities and products continually.

Typically, our facilities are audited about eight times each year, in addition to ongoing government inspections.

In 2006, Smithfield Foods introduced comprehensive new auditing protocols to help further ensure compliance with internal and government standards, while meeting customer expectations. Our standard states that facilities must score at least 90 percent regarding compliance with processes and standards. Our customers generally expect audit scores of 93 percent or better. During calendar year 2007, the range of audit scores at our facilities was 89.7 percent to 97.8 percent. Our audit protocols are very detailed and address a wide range of issues including record keeping and facility design. A score below 100 percent does not indicate that the foods produced by a facility are unsafe.

Any nonconformance identified by the audit is addressed promptly at each facility, regardless of score. Three to four months after the initial audit, a follow-up audit is conducted to ensure that any issues have been addressed.

Nutrition

As consumers become more health conscious, demand for healthy meat products grows. Smithfield has responded by producing leaner pork through innovations in feeding and breeding techniques. On average, today's pork has 31 percent less fat than pork produced 20 years ago. Many cuts of pork are as lean as skinless chicken.

For example, more than a decade ago, we set out to produce a line of fresh pork products that are bigger, meatier, and significantly lower in fat than ordinary pork. First, we acquired the exclusive U.S. rights to the leanest hog available for commercial production. Through advanced husbandry techniques and a controlled nutritional regimen, we developed Smithfield Lean Generation Pork™, the first cuts of fresh pork to earn certification from the American Heart Association for low cholesterol, sodium, and fat content.

Customer Health and Safety

We believe our food safety responsibilities continue even after our products leave our facilities. That is why we developed a Web page to educate consumers on proper food handling and preparation (www.smithfieldfoods.com/consumers/prep.aspx).

Product and Service Labeling

Smithfield strives to ensure that our consumers receive the most current information about the ingredients in and nutritional value of our products. Our product labeling is clear and accurate, conforming to the unique labeling requirements of each country in which we sell our foods. Smithfield did not have any significant penalties or fines associated with product labeling regulations since our last report.

Compliance

There were no safety-related recalls of any of our products in the domestic or U.S. export markets during the current reporting period.

Several of our facilities were affected by trade-related activities in China and Russia, which banned the import of products from specific plants. None of these actions, however, was related to food safety. Many of our U.S.-based competitors were similarly affected by importing bans from those countries.

In early 2008, Japan temporarily suspended imports from one of our Beef Group plants after 25 boxes of meat intended for U.S. markets were inadvertently shipped to Japan. The beef came from cattle that were 21 months old. Japan only allows meat from cows that are 20 months old or younger. Younger cows are believed to have lower risks of Creutzfeldt-Jakob (mad cow) disease. The United States does not have any age restrictions on beef.

HELPING COMMUNITIES

At Smithfield, we believe we have a responsibility to give back to the communities in which our employees live, work, and raise their families. And as a global food company, we believe it's particularly important to focus on programs that nourish both the body and the mind. In recent years, we have augmented our community enrichment efforts on a corporate and a subsidiary level, providing millions of dollars in food donations and educational programs for individuals and families.

In many of the rural areas where we do business, Smithfield is the primary employer in the community. We view our outreach efforts as a cycle of giving. By helping our communities, we help our employees, who in turn help us become a better company. Feeding the hungry and educating members of our community is clearly the right thing to do, and it has become increasingly critical in tough economic times. From a business standpoint, our outreach efforts add up to more than simple philanthropy; assisting our employees and our communities correlates directly with our ability to recruit and retain good workers.

In the town of Tar Heel, North Carolina, where we have the largest meat processing plant in the country and where our employees make up the majority of the community, we recently built a state-of-the-art medical center across the street from our plant for Smithfield's employees and their families. Office visits are \$10—no matter the medical issue—and provide an essential service in a community that did not have an adequate number of physicians. In our headquarters in Smithfield, Virginia (population 5,000), we have donated land to the local YMCA, contributed money for a new community theater building, and funded numerous beautification projects, including the burying of utility lines in the historic downtown district.

We're also passionate about our educational initiatives, which provide learning opportunities for those who may not otherwise have them. We're equally proud of our ongoing support of food programs. In addition to hunger and learning initiatives, we provide significant support for local and international environmental stewardship efforts. Our operations in Romania, for example, helped launch a "Millions of People, Millions of Trees" initiative to encourage the planting of trees around the country.

CORPORATE-LEVEL EDUCATIONAL PROGRAMS

The Smithfield-Luter Foundation

The Smithfield-Luter Foundation was established in 2002 as the philanthropic wing of Smithfield Foods. Initially, the Foundation's primary mission was to provide educational scholarships for our employees' children and grandchildren at select colleges and universities. Over the years, the Foundation has grown to fund educational partnerships in the communities where our employees live and work.

In 2007, the Foundation awarded 50 scholarships totaling nearly \$350,000 for the education of our employees' children and grandchildren. To be eligible, a student must be a dependent of a Smithfield employee, demonstrate financial need, and be accepted by one of seven schools we have named as partners. Since the inception of this program, we have awarded 95 scholarships worth over \$895,000.

We recently expanded our collegiate partnership program to include three historically black universities: Fayetteville State University in Fayetteville, North Carolina; Norfolk State University in Norfolk, Virginia; and Virginia Union University in Richmond, Virginia. In 2007, we gave \$25,000 to each school to fund scholarships and will provide up to \$100,000 to each school over the next four years.

Learners to Leaders™

Launched in 2006, Learners to Leaders is a national education alliance funded by the Smithfield-Luter Foundation. With additional support and expertise from our independent operating companies and local educational partners, the program works to close the education gap for underprivileged students in our employees' communities.

The first Learners to Leaders program began in Sioux Falls, South Dakota. Since then, we have launched programs in Green Bay, Wisconsin; Denison, Iowa; Norfolk, Virginia; and Milan, Missouri. In addition, in early 2008 we launched a two-year Learners to Leaders Alliance in Northwest Iowa with the National FFA Organization, formerly known as the Future Farmers of America. Smithfield Foods committed \$200,000 to enroll high school students in FFA programs that emphasize agribusiness. We also funded a new program with the Virginia Department of Environmental Quality to promote environmental education for elementary school children in economically disadvantaged areas of Virginia. Over the first two years of the Learners to Leaders program, we contributed \$660,875. We expect to form additional partnerships in the U.S. and Europe in the years to come.

Other Community Outreach Programs

Smithfield proudly sponsors and supports a range of programs and community organizations. The following are just a few examples:

- In addition our new Learners to Leaders partnership, we also support the National FFA Organization's career development events. In 2007, we sponsored our second Environmental and Natural Resources Career Development Contest, in which high school students can test their agricultural and environmental skills.
- We are a key sponsor of the Martin Luther King Center's annual "Salute to Greatness" Awards Dinner, the main fund-raising event for the Atlanta-based institute. The King Center has a variety of programs dedicated to the advancement of the legacy of Dr. Martin Luther King, Jr.
- We are a corporate sponsor of the Hampton Roads Urban League in Virginia and are actively exploring direct partnerships for work force development and training.

CORPORATE-LEVEL HUNGER RELIEF EFFORTS

Helping Hungry Homes™

Our Helping Hungry Homes initiative is our latest corporate-level effort to provide food for those in need. In the first three months of 2008, we distributed 250,000 pounds of meat, or one million servings, with an estimated value of more than \$1 million. Donations were distributed primarily through food banks affiliated with America's Second Harvest, the nation's largest hunger-relief organization.



World Water Monitoring Day

Smithfield Foods has sponsored World Water Monitoring Day, an international outreach program organized by the Water Environment Federation, since 2003. Every year, on or around October 18, the Federation holds a series of events to build awareness and involvement in protecting global water resources.

In 2007, employees from 10 Smithfield Foods subsidiaries led hundreds of volunteers—including school children, public officials, and Boy Scout and Girl Scout troops—to collect and test water samples from 18 sites in the United States and Poland. This was the fifth year Smithfield participated as a primary sponsor of the international program.

Celebrity cook Paula Deen helped raise the visibility of the 10-city Helping Hungry Homes tour and the growing problem of hunger in America, particularly among the working poor. The tour began in Deen's hometown of Savannah, Georgia, with stops in Philadelphia, New York, Atlanta, Kansas City, Los Angeles, Chicago, New Orleans, Washington, D.C., and Detroit. (For more information, see pp. 58–59.) In 2005, we designated America's Second Harvest as our charity of choice for product donations. This formal designation helps simplify the donation process from all of our subsidiaries and facilities.

In FY 2008, our independent operating companies donated more than 3.3 million pounds of food to America's Second Harvest, up from 1.76 million pounds the previous year. Smithfield Packing contributed more than 1.4 million pounds of meat in the first quarter of 2008 alone. The increase in donations exemplifies our renewed commitment to addressing the problem of hunger in America.

SUBSIDIARY COMMUNITY INVOLVEMENT HIGHLIGHTS

Our subsidiary companies have a variety of programs that support their local communities, ranging from food donations to charity road races to river cleanups. However, Smithfield Foods does not currently have a method to quantify the total dollars contributed or the number of employee volunteer hours across all of our independent operating companies. We have assembled a corporate-wide committee to coordinate donations across our enterprise and hope to be able to report more fully on our subsidiary involvement in future CSR reports.

Typically, our subsidiaries' philanthropic efforts mirror our corporate emphasis on education, hunger relief, and environmental stewardship. Highlights during this reporting period include the following:

- Murphy-Brown LLC committed \$150,000 to the Algona (Iowa) YMCA and donated \$100,000 to Oklahoma Panhandle State University for water testing laboratory equipment at the science and agriculture building currently under construction.
- North Side Foods contributed approximately \$118,000 in 2007 to the Ronald McDonald House Charities through direct contributions and scholarships.
- Smithfield Packing gave \$25,000 to the Peninsula Metropolitan YMCA in Virginia in honor of a Smithfield High School graduate killed in the April 2007 shootings at Virginia Tech.
- Dozens of Smithfield Packing volunteers collected more than 1,300 pounds of trash from a mile-long section of road in Smithfield, Virginia—just one of several employee groups that participated in “Clean the Bay Day.”
- Employees at Farmland Foods donated \$26,000 to the United Way last year.
- Patrick Cudahy and its employees donated over \$150,000 to the United Way.
- Premium Standard Farms, LLC gave more than \$7,000 in early 2008 to the Midland Empire Chapter of the American Red Cross to purchase three disaster relief supply trailers for use in three counties in northern Missouri.
- A team of triathletes from Smithfield Foods U.K. raised about \$24,000 (U.K. £12,000) for the Clare School in Norwich for students with special needs.

learners to
leaders[™]
a Smithfield Foods initiative

“We're very excited about the alliance between Science Bound, Smithfield's Learners to Leaders initiative, and the Denison school district. This partnership of a corporate sponsor with a local school district and a university is the best way to fully develop the talents of our young people and ensure the country's economic prosperity.”

— Constance P. Hargrave
Science Bound Director
Iowa State University



Smithfield and Paula Deen Unite to Help Hungry Homes

With more than 35 million people in the United States living in households considered to be food insecure, Smithfield Foods has long made feeding the hungry a priority. The company has routinely donated more than 1 million pounds of food annually to food banks across the country through America's Second Harvest. After donating 1.76 million pounds in fiscal 2007, that figure jumped to more than 3.3 million pounds during the latest fiscal year. Smithfield's ambitious Helping Hungry Homes Across America initiative, launched in partnership with celebrity cook Paula Deen, played a role in that increase.

In January 2008, Smithfield, Deen, and members of her family commenced this 10-city tour that brought more than 250,000 pounds of meat—enough for 1 million meals—to food banks and other organizations that provide food for people in need. Local and national media coverage helped Smithfield and Deen raise the profile of a growing problem in the U.S., one that impacts nearly half of all low-income households with children under 18. The tour began in Deen's hometown of Savannah and traveled to Philadelphia, New York, Atlanta, Los Angeles, Kansas City, Chicago, New Orleans, and Washington, D.C., before wrapping up in Detroit in March.

At each location, a tractor-trailer from one of Smithfield's independent operating companies arrived with an assortment of packaged meats products—from 30,000 pounds of ham and hot dogs delivered to the Greater Chicago Food Depository to 42,000 pounds of ham, bacon, and hot dogs delivered to the Gleaners Community Food Bank of Southeastern Michigan.

ABOUT THIS PHOTO

As part of Smithfield Foods' Helping Hungry Homes Across America tour, Paula Deen visits a Kids Cafe in Washington, D.C. Sponsored by America's Second Harvest, there are more than 1,700 Kids Cafes operating across the U.S. This program provides free meals and snacks to low-income children through a variety of existing community locations where children congregate.



EMPLOYEES

OUR WORK FORCE

Our 52,300 global employees are Smithfield's greatest asset, and we are committed to protecting their health and safety. We work hard to treat our employees fairly and ethically, offering opportunities for further education and advancement within our company.

The majority of our workers can be found raising animals on farms, driving transport trucks, and preparing food in processing plants. We have built a culture that puts the health and safety of employees in all these roles at the heart of our operations. In our industry, employee turnover can exceed 50 percent. At Smithfield, our turnover rate is consistently below the industry average. But improved employee retention remains a critical goal. Our success as a company depends on our ability to attract and retain skilled employees.

Our company strongly believes in promoting diversity and cultivating a U.S. work force that is representative of society. Smithfield Foods does not discriminate against any employee or any applicant because of race, color, religion, ethnic or national origin, gender, sexual preference, age, disability, veteran status, or any other status protected by federal law. All Smithfield Foods facilities adhere to our Equal Employment Opportunity policies and programs.

As of September 2007, women represented an estimated 36.8 percent of our U.S.-based employees and 17.7 percent of management. Minorities represented 45.7 percent of employees and 22.8 percent of management. To determine representations of women and minorities for reporting to the federal government, each Smithfield Foods subsidiary with more than 50 employees produces the requisite report using a standard methodology. The information is then centralized for corporate analysis.

We're working hard to engage our employees through management safety committees and have taken steps at our independent operating companies to evaluate—and enhance—employee satisfaction. We ask a lot of our employees, but we believe we give them a lot back in return. We provide competitive wages and benefits, educational scholarships, and a variety of programs that go beyond industry norms.

Smithfield Foods does not have a corporate-level human resources function. Rather, all human resources and employee relations issues are managed at a subsidiary level by each of our independent operating companies.

Immigration

We have many valued employees who are immigrants, so we pay close attention to federal and state debates over new immigration legislation. Our immigrant work force brings a richness and diversity to our operations and the communities in which we live.

We would like to see comprehensive immigration reform that ensures we can maintain an adequate and stable work force and provide opportunities for legitimate workers who seek jobs at companies like ours. We believe the U.S. should protect legal immigrants and their employers and provide paths to citizenship for those willing to work.

We are committed to complying with all federal laws and welcome opportunities to enhance our compliance. We have been working with U.S. Immigration and Customs Enforcement (ICE) to join its new IMAGE program—ICE Mutual Agreement between Government and Employers—to strengthen our hiring practices.

We cooperated fully with an investigation into some employees at our Tar Heel, North Carolina, processing plant. Out of approximately 5,300 plant employees, ICE arrested 49 workers that the agency discovered were in the country illegally. These workers had committed identity theft to get their jobs; Smithfield was not aware of their illegal status prior to the 2007 arrests.

All of our plants are members of E-Verify, a voluntary, Internet-based program run by the U.S. Citizenship and Immigration Services to help determine employment eligibility. We do everything we can to ensure the integrity of our work force. However, we and other employers face significant challenges in determining the eligibility of employees due in part to identity theft and the increasing availability of quality forged documents that allow undocumented workers to skirt the laws.

Collective Bargaining

Smithfield Foods has both unionized and nonunionized facilities. If a facility has union representation, we honor and comply with the terms and conditions of the collective bargaining agreement. Approximately 50 percent of our work force in the United States is covered by collective bargaining agreements. About 67 percent of those in our pork segment are covered by collective bargaining agreements.

In most instances, we enjoy good relations with the unions that represent our employees. One notable and frustrating exception, however, is at our Tar Heel, North Carolina, processing plant, where the United Food and Commercial Workers International Union (UFCW) has been trying to unionize the hourly work force for more than a decade.

We support the scheduling of a secret-ballot election, sponsored by the National Labor Relations Board (NLRB), at Tar Heel to allow the employees to decide whether they want the UFCW to represent them in collective bargaining with the company. Unfortunately, the UFCW has rejected our call for a NLRB election and has instead engaged in a corporate pressure campaign against Smithfield. The union has repeatedly smeared the company, publicly harassed our business partners, and has even called on customers and consumers to stop buying our products—all in an effort to get the company to agree to the unionization of the Tar Heel plant without resorting to a NLRB election. The union's effort to hurt the company financially and damage its public reputation is a move that will ultimately hurt the very employees it wants to represent.

In October 2007, we reluctantly filed a civil action against the United Food and Commercial Workers and their agents. The suit seeks relief under the Racketeer Influenced and Corrupt Organizations Act and attempts to stop the union from continuing to damage our business.

EMPLOYEE RELATIONS

Human Rights

In 2007, we implemented a new Human Rights Policy to ensure the fair treatment of our employees throughout the company and in all of our subsidiaries. Although we have long had a Code of Business Conduct and Ethics to protect the rights of workers, we felt it was important to develop a formal policy that specifically addresses human rights.

Over the last year, we have been providing copies of the Policy to all of our employees, including new hires, and are encouraging our workers to call a toll-free Smithfield Hotline to report any violations. The policy spells out expectations in the areas of equal opportunity; health, environment, and safety; harassment and violence; rights of employees; and other key topics. The policy can also be viewed on our Web site: www.smithfieldfoods.com/employees/human.aspx

Our Code of Business Conduct and Ethics, which is also communicated to all employees, sets forth our expectations for appropriate employee behavior, as well as corporate hiring and disciplinary policies.

Employee Engagement

Several of our operating companies use employee engagement surveys to identify, measure, and prioritize issues that affect our workers and drive business results.

Farmland Foods, for example, conducted a round of anonymous employee surveys at all but one facility during 2007. Offered in several languages, the survey included nearly 50 questions in 15 categories, ranging from compensation and growth opportunities to respect and communication.

Managers are reviewing the findings and developing plans to address problems the survey found. For example, 22 percent of respondents said they disagreed with the statement: "My supervisor treats people with respect." Farmland Foods will work with an employee group to ensure accountability as remediation plans are put into effect.

Also in 2007, Murphy-Brown and Patrick Cudahy conducted surveys of salaried employees. North Side Foods plans to conduct a formal survey in FY 2009. In 2008, North Side held small round table discussions with select hourly employees to address questions about business, customers, and the food industry overall.

Employee Benefit Programs

Smithfield Foods offers competitive wage and benefit programs that vary according to operating company, location, and position. Employees at Tar Heel, North Carolina, for example, earn a starting wage of \$9.60 per hour, significantly higher than the current federal and North Carolina minimum wage of \$6.55. We offer comprehensive health insurance and other traditional benefits, including 401(k) plans, life insurance, and vision and dental care. Several of our subsidiaries provide on-site medical care and preventive health screenings.

At our packing facility in Tar Heel, we operate a dedicated Family Medical Center for employees and their families. In 2007, the medical facility saw approximately 8,700 primary care patients and filled approximately 41,000 prescriptions. For just \$10 per visit, employees receive access to primary care, laboratory, X-ray, and pharmacy services six days a week.

In 2007, Smithfield Packing added the Martin Luther King Jr. holiday as a paid day off for workers in nearly all facilities in response to interest from employees at our Tar Heel plant. In North Carolina, Smithfield Packing is the largest private sector employer to recognize the holiday.

Employee Educational Assistance

Smithfield Foods offers tuition reimbursement to help employees pursue their educational goals—from English as a Second Language courses through graduate degrees. Tuition programs vary by subsidiary and typically cover between 50 percent and 100 percent of tuition and lab fees.

In addition to the employee reimbursement programs, Smithfield also provides scholarships for dependent children and grandchildren of full-time and retired employees of our family of companies. The Smithfield-Luter Foundation offers need-based financial assistance to children who receive acceptance into one of seven partner schools. For more on the Smithfield-Luter Foundation, see pp. 18–19.

Many of our locations also provide money for education programs, including the following:

- In April 2008, Premium Standard Farms (PSF) awarded \$2,500 scholarships to two children of PSF employees.
- Over the last year, Patrick Cudahy provided \$25,000 in scholarships to children of employees and Cudahy (Wisconsin) High School graduates.
- In 2007, two Farmland Foods plants provided \$11,500 in scholarships using funds generated through recycling programs at those facilities.

Diversity Advisory Committee

In June 2007, we established a Diversity Advisory Committee to help the company identify opportunities and strengthen relationships with our employees, as well as with our customers, our suppliers, and the communities in which we operate. Our global perspective and commitment to inclusion are central to our mission to produce good food, responsibility, and ultimately to maximize shareholder value.

We are committed to attracting, training, and maintaining a diverse work force that is reflective of the marketplace, and strive to build a company culture that is inclusive, positive, and performance oriented. A diverse work force allows us to benefit from a variety of perspectives, while strengthening our global competitiveness. Our diversity committee is comprised of eight senior-level managers from subsidiaries and the corporate office. Our full Diversity Statement can be seen on our Web site at www.smithfieldfoods.com/responsibility/diversity.aspx.

EMPLOYEE HEALTH AND SAFETY

The hog production and meat processing industry as a whole has made tremendous advancements in worker safety and protection over the last 10 years, substantially reducing the rate of injury. Nonetheless, on average, U.S. beef and pork processors report 12.5 injuries per 100 employees—more than two-and-a-half times the average rate for all occupations, according to the most recent data reported by the U.S. Department of Labor’s Bureau of Labor Statistics.

We at Smithfield are pleased that our injury and illness rates are well below the industry averages (see data charts on page 69), but we want further improvement. We refuse to accept that worker injuries are a standard cost of doing business. Our safety systems and programs, which go well beyond regulatory compliance, have yielded measurable results, protecting employees and, simultaneously, reducing our workers’ compensation costs. Smithfield has built a culture that places employee health and safety at the heart of our business. During this reporting period, we continued to improve our safety systems by:

- Enhancing our Employee Safety Policy
- Implementing our new Employee Injury Prevention Management System (EIPMS)
- Naming a new corporate-level director who has ultimate responsibility for health and safety for Smithfield Foods. The director, who communicates all programs, policies, and expectations, provides oversight and guidance to our corporate, subsidiary, and location-level safety professionals.
- Implementing corporate-level auditing to ensure conformance to company standards and regulatory legislation

We believe these efforts, along with ongoing training programs, will help us continue to address the safety challenges inherent in our industry.

Managing Employee Safety

At Smithfield, employee safety isn’t just a priority; it is a core component of our business. Our comprehensive management system is helping us to reduce the number of work-related injuries. Our Employee Safety Policy, which we updated in 2006, defines safety responsibilities for all levels of the company and underscores our desire to lead the industry in health and safety practices through training programs, risk assessments, auditing systems, and regulatory compliance.

Smithfield has a corporate director of health and safety as well as senior-level safety managers at each operating company. At the supervisory level, each and every Smithfield manager—from line supervisors to plant managers—is trained in health and safety issues. Across the company, we have 63 professionals whose primary responsibilities involve providing technical information and resources to assist with health and safety management and employee welfare.

A corporate-level steering committee, comprised of 10 senior health and safety officials from Smithfield Foods and our independent operating companies, holds monthly teleconferences to discuss safety initiatives, best practices, upcoming regulatory changes, and any problems identified at the company. Several of these committee members also sit on an American Meat Institute committee that is working to foster an industry-wide culture of injury prevention.

Employee Injury Prevention Management System

All Smithfield Foods operating companies are expected to implement our Employee Injury Prevention Management System (EIPMS), which builds on the success of our Environmental Management System. EIPMS is based on Occupational Health and Safety Assessment System (OHSAS) 18001 and supplemented with the American National Standards Institute's Z10 and OSHA Voluntary Protection Program guidelines.

Introduced in June 2006, we began implementing the EIPMS in all locations by September 2006. EIPMS was designed to minimize potential risks to employees and others, improve business performance, assist us in leading the industry, and build a responsible image within the marketplace. We fully implemented the EIPMS by July 2007.

Under the guidelines of the EIPMS, each wholly-owned or subsidiary Smithfield facility must, among other requirements:

- Develop effective safety operating control measures and training programs
- Set safety objectives with performance indicators, and management plans to achieve objectives
- Establish procedures to identify and control potential risks
- Develop emergency action plans
- Establish, document, and communicate responsibilities for all involved staff
- Identify nonconformance, accidents and near misses to prevent future incidents
- Regularly assess the management system

Training and auditing are also integral parts of the EIPMS.

Training

Each new Smithfield employee must complete a new hire safety training program, conducted in English and other languages where necessary, that emphasizes machine and tool safety and the correct use of personal protective equipment. Mentoring programs also give new employees the opportunity to discuss safety issues with and learn techniques from experienced staff.

Safety training continues regularly throughout an employee's career at Smithfield. Locations conduct ongoing training in topics including emergency plans, ergonomics, control of hazardous energy, chemical safety, personal protective equipment, and hearing conservation, for example. As employees move into more specialized occupations, additional training is conducted to meet safety needs, such as process safety management, hot work procedures for cutting, welding, and grinding, electrical safety, confined space entry, and many other training courses.

Smithfield Foods President's Awards

Smithfield's President's Awards are based on an evaluation of individual location injury and illness information, including the following:

- Total number of workers' compensation claims
- Total and per-employee workers' compensation costs
- Change/growth in costs of open claims from the previous year's claims
- Total OSHA Recordable Rate and OSHA Days Away from Work rates for the previous two years

This year, the Smithfield President's Trophy went to Carando Foods' Springfield, Massachusetts, facility. You can read more about it on pp. 66-67.

A group of employees in white lab coats and hard hats are performing a group stretching exercise in a factory setting. They are all leaning forward with their arms raised, holding onto each other's shoulders or heads. The employees are wearing white lab coats, white hairnets, and hard hats (some red, some white). The background shows industrial equipment and a sign that reads "METALQUIMA".

ABOUT THIS PHOTO

Employees in the Carando Foods curing department take five minutes at the beginning of their shift to participate in group stretching exercises. Carando recently made this routine a requirement for workers throughout its plant. Typically led by each department's foreman, the stretching regimen helps reduce the risk of strains and sprains.

Carando Foods Leads the Way In Smithfield Safety Program

To lovers of classic Italian meats, Carando Foods is known for its mouth-watering salami, prosciutto, and mortadella. Within Smithfield Foods, Carando's plant in Springfield, Massachusetts, has garnered a reputation for excellence of another sort. Carando, part of Smithfield's Farmland Foods subsidiary, won the company's 2007 President's Safety Trophy for outstanding worker safety performance. Among its achievements, Carando cut its OSHA Days Away from Work rate by 75 percent from 2006 to 2007.

Carando owes much of its success to the Employee Injury Prevention Management System (EIPMS) it began putting in place in 2006 along with the rest of Smithfield Foods' processing operations. EIPMS is based largely



on Occupational Health and Safety Assessment System (OHSAS) 18001, an international safety management framework developed jointly by a number of the world's leading national standards and certification bodies. Among its broad range of requirements, Smithfield's EIPMS requires all new employees to complete a safety training program and to participate in ongoing training specific to their changing roles. Every plant must also develop an internal audit program and undergo annual corporate-level safety audits.

Carando's safety team takes pride in such activities as the weekly safety walks led by the plant manager and the ability to identify corrective actions and follow up on them. Moreover, an inclusive approach to safety has served Carando's nearly 300 employees well. For example, the safety team regularly solicits feedback from the plant's hourly work force whenever it plans to introduce new protocols or bring a new piece of equipment online.

Our employees are encouraged to participate in safety processes beyond customary safety committees. Employees join teams that make recommendations to improve our systems and policies. Employees also fill roles as area emergency coordinators and evacuation leaders and participate in incident investigation, area inspection, and other emergency response teams. We believe the employees actually performing the jobs are the ones with the best insights into ways to make them safer. Currently, anywhere from 5 percent to 49 percent of employees at each location formally engage in safety activities and processes. We hope that these percentages will grow in the years to come.

Our annual Smithfield Safety Conference, which is attended by more than 100 company safety professionals and senior managers, provides further EIPMS training and updates on a variety of safety topics, including regulations, asbestos abatement, and ergonomics assessments. In our efforts to become industry leaders, our conference has also become a venue for positive interaction with OSHA officials.

Auditing and Inspections

We have auditing and inspection systems in place to help us identify hazards and risks and employ solutions to fix them. Each location must develop an internal audit program to ensure that the EIPMS is working effectively. In addition, facilities are audited annually with teams trained and led by Smithfield-certified lead auditors.

The findings of each audit are scored, documented, and shared with senior management at the subsidiary and corporate level. We are using the first year of audits as a baseline and will expect year-over-year improvements as the audits continue. The EIPMS audit focuses on hazard identification and injury prevention, supplemented with a high-level review of regulatory compliance.

Our success in reducing injury rates can be attributed in part to our ongoing auditing. Our auditors and our director of corporate safety evaluate our domestic facilities on an ongoing basis for compliance with OSHA and company-specific safety policies. Audit results are shared with the site operations and safety managers. Facilities that do well are encouraged to share their best practices with other Smithfield sites. Those that show poor results are expected to correct their practices and become subject to more frequent audits. Lack of continuous improvement results in increased involvement from the director of health and safety and higher-level corporate leaders, if necessary, to provide assistance and facilitate improvement.

Performance

Each of our facilities records safety information. As detailed by the graphs that follow, Smithfield's Total OSHA Recordable; Days Away, Restricted, Transferred (DART); and Days Away from Work (DAW) rates all improved from the previous year, and all were below the industry average. We attribute these significant improvements to our new EIPMS and our emphasis on injury prevention. The DART and DAW rates indicate a reduction in the severity of the injuries that occurred.

OSHA Total Injury and Illness Frequency Rate (TIFR):

The number of work-related injuries and illnesses per 100 employees.

2004	2005	2006	2007	04-07 change
9.48	8.96	8.74	6.76	28.69%

All totals are for fiscal years.

OSHA Days Away, Restricted, Transferred (DART) Rate:

The number of work-related injuries and illnesses per 100 employees that result in an employee missing work, having restricted duty, or being transferred from his or her regular duty work assignment.

2004	2005	2006	2007	04-07 change
6.08	6.40	5.83	4.04	33.55%

All totals are for fiscal years.

OSHA Days Away from Work (DAW) Rate:

The number of work-related injuries and illnesses that result in one or more days away from work per 100 employees. (NOTE: The DAW rate was labeled the Lost Workday Case Rate prior to 2006.)

2004	2005	2006	2007	04-07 change
1.47	1.53	1.49	1.27	13.61%

All totals are for fiscal years.

OSHA Violation Notices

With high industry-wide injury and illness rates, government agencies have emphasized enforcement efforts. This year, 23 of our locations were inspected by regulators. Our efforts to reduce injuries and illnesses, as well as our focus on regulatory compliance, led to a reduced number of violation notices and associated penalties, as detailed by the graphs below.

OSHA NOVS AND PENALTIES

2005	2006	2007	05-07 change	OSHA Notices of Violation
52	32	12	76.92%	

\$55,192	\$41,404	\$11,037	80.0%	OSHA Penalties
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All totals are for calendar years.

External Recognitions

American Meat Industry Awards

The American Meat Industry (AMI) Safety Awards are based on safety performance, as well as implementation of an effective health and safety program. The number of Smithfield Foods facilities recognized this year by the AMI Foundation's Annual Safety Recognition Awards almost doubled from the previous year to a total of 13. The subsidiaries represented in the April 2008 awards included Farmland Foods, Smithfield Packing, Smithfield Beef Group and John Morrell & Co.

<< When my family and I learned about all the working hungry in this country, we realized that we had to do something. So naturally we jumped at the chance to join up with the generous folks at Smithfield Foods and help out with their Helping Hungry Homes program. We've been impressed with how hard the Smithfield folks are working with local organizations to make sure our friends and neighbors in need do not go hungry. This has been one of the most deeply satisfying experiences of my life. >>

Paula Deen
Celebrity Cook

<< I would like to thank Smithfield Foods for its support of the FFA Environmental/Natural Resources competition. I received a \$500 scholarship, and I will use this money to assist with my college tuition. I will be attending Garrett College in McHenry, Maryland, in the fall of 2008, majoring in Natural Resources and Wildlife Technology. Upon graduation, I will transfer to Frostburg State University to obtain a bachelor's degree in Natural Resources/Conservation. >>

Adam Reid

Scholarship Recipient,

FFA 2006 Environmental/Natural Resources Competition

<< Being in the Learners to Leaders program has helped me pursue my goals. I will have my first degree only a year after high school graduation. The best part is I didn't have to pay for my first year of classes. None of my own money was spent on tuition, books, fees, or even my parking pass. I've really got to say thank you to the whole Learners to Leaders staff. Without their help and the generosity of John Morrell, I would have never been able to afford a post-secondary degree. >>

Jasmine Genzlinger

Student, Smithfield Foods Learners to Leaders Program

Sioux Falls, South Dakota

◀◀ Smithfield is one of a small number of companies that have begun to publicly disclose information about social and environmental impacts at the facility or farm level. Facility-level reporting has been shown to help reduce risks associated with environmental and social performance and improve dialogue with key stakeholder groups. We hope Smithfield's efforts will lead to improved performance and greater transparency on issues in the environmental, animal welfare, and labor practices arenas. >>

Beth Ginsberg Holzman

Manager, Corporate Accountability Program

Ceres

<< We sincerely want to thank
Smithfield Foods for its donation of
almost 6,000 pounds of meat during
the Helping Hungry Homes
initiative. The fact that Hosea Feed
the Hungry and Homeless was
chosen in the Atlanta area was a
true blessing. The 120 families we
serve each week with financial
assistance, toiletries, and food were
provided with the additional meat.
Anytime a donation comes in it is
distributed quickly into the waiting
homes of hungry families whose
numbers increase each year. >>

Elisabeth Omilami

Executive Director, Hosea Feed the Hungry and Homeless

<< NSU is indeed fortunate that
the Smithfield-Luter Foundation
chose to partner with us to provide
scholarships for our students.

We celebrate the foresight
demonstrated by Smithfield Foods
Chairman Joseph W. Luter, III,
in establishing the foundation in
2002. Like the faculty and staff
here at NSU, Mr. Luter believes
in the transforming power of
education and is committed to
ensuring that Smithfield Foods
employees and their families are
afforded access to higher education. >>

Carolyn W. Meyers

President

Norfolk State University

CONDENSED STATEMENTS OF INCOME

Fiscal Years (in millions, except per share data)	2008	2007	2006
Sales	\$ 11,351.2	\$ 9,359.3	\$ 8,828.1
Cost of sales	10,196.6	8,292.8	7,783.9
Gross profit	1,154.6	1,066.5	1,044.2
Selling, general and administrative expenses	813.6	686.0	620.9
Interest expense	184.8	133.6	117.6
Equity in income of affiliates	(62.0)	(48.2)	(11.5)
Minority interests	6.2	6.0	4.1
Income from continuing operations before income taxes	212.0	289.1	313.1
Income taxes	72.8	77.2	106.9
Income from continuing operations	139.2	211.9	206.2
Loss from discontinued operations, net of tax of \$(2.4), \$(25.4) and \$(20.0)	(10.3)	(45.1)	(33.5)
Net income	\$ 128.9	\$ 166.8	\$ 172.7
Net income per basic common share	\$.96	\$ 1.49	\$ 1.55
Net income per diluted common share	\$.96	\$ 1.49	\$ 1.54

CONDENSED BALANCE SHEETS

Fiscal Years Ended (in millions)	April 27, 2008	April 29, 2007
ASSETS		
Cash and cash equivalents	\$ 57.3	\$ 57.8
Accounts receivable, less allowances of \$8.1 and \$4.9	738.1	592.0
Inventories	2,278.4	1,731.0
Prepaid expenses and other current assets	119.7	163.8
Assets of discontinued operations held for sale	656.5	619.0
Total current assets	3,850.0	3,163.6
Property, plant and equipment, net	2,850.0	2,189.5
Goodwill and other intangible assets, net	1,261.1	873.7
Investments	694.6	556.1
Other	212.2	185.7
Total assets	\$ 8,867.9	\$ 6,968.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes payable	\$ 169.3	\$ 15.2
Current portion of long-term debt and capital lease obligations	239.7	239.1
Accounts payable	589.8	455.1
Accrued expenses and other current liabilities	538.8	491.0
Liabilities of discontinued operations held for sale	138.4	167.9
Total current liabilities	1,676.0	1,368.3
Long-term debt and capital lease obligations	3,474.4	2,838.6
Deferred income taxes	290.1	236.8
Other	362.3	270.2
Total liabilities	5,802.8	4,713.9
Minority interests	16.9	13.9
Total shareholders' equity	3,048.2	2,240.8
Total liabilities and shareholders' equity	\$ 8,867.9	\$ 6,968.6



OUR FAMILY OF COMPANIES

At Smithfield Foods, we take pride that the Smithfield name has long been identified with great-tasting fresh pork and packaged meats. Yet, the Smithfield brand is only one of the many with which we go to market. We offer a broad selection of packaged meats products through our independent operating companies. You can read more about them on the pages that follow.

Smithfield

Founded in 1936 by Joseph W. Luter and his son, Joseph W. Luter, Jr., The Smithfield Packing Company, Inc., today enjoys annual sales of \$3 billion. Primary lines of business include fresh pork, smoked meats, bacon, cooked hams, and hot dogs for retail, foodservice, and deli channels. The company exports products to approximately 30 countries. In addition to the Smithfield brand, its Gwaltney, Esskay, and Valleydale products are among the leaders in their respective markets. Smithfield Specialty Foods Group is home of the Genuine Smithfield Ham, The Peanut Shop of Williamsburg, and other gourmet offerings.

HEADQUARTERS

Smithfield, VA

PRESIDENT

Timothy O. Schellpeper

EMPLOYEES

13,500

SUBSIDIARIES

- Smithfield Specialty Foods Group (see profile on pg. 85)

MAJOR BRANDS

- Smithfield
- Gwaltney
- Great
- Smithfield Tender 'n Easy
- Smithfield Self Basting
- Esskay

MAJOR MARKETS

- United States
- China
- Japan
- Mexico
- Russia
- European Union
- South Korea
- Canada
- Australia



PROCESSING FACILITIES

- | | | | |
|--|--------------------------------------|--|--|
| ● Smithfield, VA
<i>Fresh pork, case ready pork, bacon, sausage</i> | ● Landover, MD
<i>Smoked hams</i> | ● Plant City, FL
<i>Smoked hams, franks</i> | ● Grayson, KY
<i>Smoked boneless hams</i> |
| ● Kinston, NC
<i>Smoked hams, water-cooked hams</i> | ● Wilson, NC
<i>Bacon</i> | ● Elon, NC
<i>Dry-cured hams</i> | ● Clinton, NC
<i>Fresh pork and bacon</i> |
| | ● Tar Heel, NC
<i>Fresh pork</i> | ● Portsmouth, VA
<i>Franks, lunchmeat</i> | |

FISCAL 2008 HIGHLIGHTS

- Made Smithfield Bacon and Smoked Sausage the fastest growing U.S. brands in their categories among those ranked in the top 10 for volume during calendar year 2007, according to ACNielsen ScanTrack
- Expanded case ready operations and introduced new value-added fresh pork products, contributing to double-digit sales growth in this category
- Increased sales of Gwaltney-brand franks by 6 percent, expanding Gwaltney's market share in both its core market and nationally
- Experienced continued growth in fresh pork exports
- Delivered double-digit sales growth in foodservice by delivering innovative solutions to strategic partners
- Enjoyed double-digit sales growth in deli products and launched Lean Generation sliced lunchmeat in reclosable clamshell packaging in three varieties
- Celebrated the Esskay brand's 150th anniversary with consumer contests, special sales, and coupons
- Donated more than \$2.5 million worth of food to food banks and soup kitchens





John Morrell & Co. was founded in England in 1827 and is the oldest continuously operating meat manufacturer in the United States. It enjoys annual sales of approximately \$2 billion. Serving the retail, foodservice, and deli channels, primary product lines include smoked sausages, hot dogs, natural smoked hams, bacon, deli meats, corned beef, and fresh pork products. The company sells products under the flagship John Morrell brand and more than a half-dozen others. Its celebrated Kretschmar brand offers a full line of German-style favorites for the service deli, including hams, turkey, cooked beef, sticks, and loaves. John Morrell & Co. is also one of the nation's largest producers of private-label packaged meats.

HEADQUARTERS

Cincinnati, OH

PRESIDENT

Joseph B. Sebring

EMPLOYEES

6,700

SUBSIDIARIES

- Armour-Eckrich Meats LLC
(see profile on pg. 76)
- Cumberland Gap Provision
(see profile on pg. 77)
- Curly's Foods Inc.
(see profile on pg. 77)
- Mohawk Packing
- Henry's Hickory House

MAJOR BRANDS

- John Morrell
- Mosey's Corned Beef
- E-Z-Cut Hams
- Kretschmar Deli
- Rath Black Hawk
- Hunter

MAJOR MARKETS

- Midwest U.S.
- Northwest U.S.
- Eastern Asia
- Northeast U.S.
- Southwest U.S.



PROCESSING FACILITIES

- Sioux Falls, SD
Fresh pork, sausages, smoked meats
- Great Bend, KS
Fresh pork, smoked meats
- Cincinnati, OH
Hot dogs, sausages, lunchmeats
- Sioux City, Iowa
Fresh pork
- San Jose, CA
Corned beef, smoked meats

FISCAL 2008 HIGHLIGHTS

- Introduced John Morrell “Bigger than the Bun” premium pork and beef smoked sausage grilling links. Available in 10-ounce, five-link packages, varieties include smoked sausage, cheese, all beef, hot, and smoked bratwurst
- Launched John Morrell’s Bistro Naturals, a line of all-natural sausages, cocktail links, and beef hot dogs that are gluten-, MSG-, and allergen-free and contain no artificial preservatives
- Created a spiral ham gift box as a holiday premium and meal kit that consumers can pick up at local restaurants
- Partnered with Sysco, the world’s largest foodservice distributor, to provide foodservice operators with smaller boxes of fresh pork that offer greater ease of use, faster product turns, and more flexibility
- Launched Kretschmar Deli Entrees, a line of portion-controlled meal solution products for supermarket delis, in pulled pork, beef brisket, meatloaf, and beef pot roast varieties
- Rolled out Kretschmar Naturals, a line of all-natural deli turkeys and hams that are gluten-, MSG-, and allergen-free and contain no artificial preservatives





Armour-Eckrich Meats LLC enjoys annual sales exceeding \$1 billion, 90 percent from precooked and other convenience items for the retail, deli, and foodservice channels. Anchored by the venerable Armour and Eckrich brands, the company’s primary product lines include dry and smoked sausage, lunchmeat, precooked bacon, hot dogs, portable lunches, and deli products. Eckrich brand smoked sausage is ranked No. 2 in sales nationally with category leadership in nine U.S. markets. Armour brand frozen meatballs are ranked No. 1 in sales nationally, and LunchMakers is the nation’s No. 2 portable lunch brand.

HEADQUARTERS

Lisle, IL

PRESIDENT

Michael E. Brown

EMPLOYEES

3,600

MAJOR BRANDS

- Eckrich
- Armour
- Margherita
- Healthy Ones

MAJOR MARKETS

- Central U.S.
- Texas
- Northeast U.S.

PROCESSING FACILITIES

- St. Charles, IL
- Peru, IN
- Mason City, Iowa
- Hastings, NE
- Omaha, NE
- Junction City, KS
- St. James, MN

FISCAL 2008 HIGHLIGHTS

- Launched Healthy Ones line of prepackaged and bulk deli lunchmeats, hot dogs, and smoked sausages certified by the American Heart Association
- Rolled out two Margherita and Armour pepperoni varieties—Turkey and All Natural—becoming among the first in the category to bring natural pepperoni to retailers across the United States
- Introduced Eckrich Ready Crisp All Natural fully cooked bacon and Smok-Y jalapeño and cheddar breakfast sausage
- Added five varieties of Eckrich bulk deli meats
- Extended the Armour Meatballs portfolio with Appetizer Meatballs in BBQ and teriyaki flavors





HEADQUARTERS	PRESIDENT	EMPLOYEES
Edina, MN	John Pauley	700

HEADQUARTERS	PRESIDENT	EMPLOYEES
Middlesboro, KY	R.D. McGregor	325

www.curlys.com

www.cumberlandgapprovision.com

Established in 1988, Curly's Foods Inc. supplies leading restaurant chains with raw and fully cooked ribs as well as smoked pork, beef, and chicken entrees. The company's annual sales exceed \$245 million. Curly's retail offerings can be found at many club stores and supermarkets. At its plant in Sioux City, Iowa, an authentic pit smoker gives Curly's meats genuine, wood-smoked barbecue flavor.

Founded in 1979, Cumberland Gap Provision produces hams, sausages, and other specialty packaged meats at its plant in Middlesboro, Kentucky. Products are smoked using 100-percent genuine hickory wood. Cumberland Gap makes the best-selling semi-boneless ham in the United States and serves some of the nation's largest supermarket chains with branded and private-label products. Annual sales total \$79 million.

MAJOR BRANDS

- Curly's Foods

MAJOR BRANDS

- Cumberland Gap
- Olde Kentucky

MAJOR MARKETS

- United States
- Mexico
- Taiwan
- Colombia

MAJOR MARKETS

- United States

FISCAL 2008 HIGHLIGHTS

- Increased revenue by 6 percent due to greater demand for both cooked and raw meat items
- Enjoyed an 18 percent jump in cooked meat sales led by deli ribs and beef offerings

FISCAL 2008 HIGHLIGHTS

- Added lower sodium ham steaks to our skin pack line and expanded distribution of smoked sausage
- Implemented employee injury prevention system and reached final stage of ISO 14001 certification





Farmland Foods, Inc., derives the majority of its more than \$2.3 billion in annual sales from a broad selection of pork products for retail and foodservice customers. Its primary lines of business include fresh pork, case ready pork, hams, bacon, fresh sausage, processed sausage, lunchmeat, dry sausage, and specialty sausage. Since its founding in 1959, Farmland Foods has maintained a proud heritage of working side by side with American farm families. Smithfield Foods acquired the company in 2003. Farmland Foods has a large and growing international business, exporting products to more than 60 countries across six continents. Its Carando Foods subsidiary is one of the largest suppliers of Italian deli and specialty meats in the United States.

HEADQUARTERS
Kansas City, MO

PRESIDENT
James C. Sbarro

EMPLOYEES
8,400

SUBSIDIARIES

- Carando Foods
- Cook's Ham, Inc. (see profile on pg. 80)

MAJOR BRANDS

- Farmland
- Carando
- Cook's
- Premium Standard Farms

MAJOR MARKETS

- United States
- China
- Taiwan
- Malaysia
- Japan
- Europe
- Cuba
- Angola
- Mexico
- South Korea
- Central America
- Australia
- Russia
- Canada
- South America



PROCESSING FACILITIES

- | | | |
|--|---|--|
| ● Crete, NE
<i>Fresh pork, hams, bacon, sausage</i> | ● Wichita, KS
<i>Smoked sausage, hot dogs, lunchmeat</i> | ● New Riegel, OH
<i>Bone-in hams, spiral hams</i> |
| ● Denison, Iowa
<i>Fresh pork, hams, bacon</i> | ● Carroll, Iowa
<i>Cook-in-bag products</i> | ● Salt Lake City, UT
<i>Case ready fresh pork</i> |
| ● Monmouth, IL
<i>Fresh pork, hams, bacon</i> | ● Springfield, MA
<i>Dry sausage and specialty sausage</i> | ● Milan, MO
<i>Fresh pork</i> |

FISCAL 2008 HIGHLIGHTS

- Aggressively launched new products in retail, foodservice, and international channels, including Simply Natural Ham, All Natural Rack of Pork, and Perfect Cut Presliced Pork
- Experienced continued sales growth in Simply Natural and All Natural branded product lines that were launched in January 2007
- Acquired Milan, Missouri, fresh pork processing plant as part of the Premium Standard Farms acquisition in May 2007
- Expanded packaged meats sales volumes by 8 percent largely through increased penetration among retailers
- Increased export sales volumes by 57 percent due in part to increased demand from Japan, China, Mexico, Canada, and Russia
- Continued work on modernizing manufacturing operations across the United States
- Completed expansion of CO₂ stunning in all plants to meet Farmland's strict animal welfare guidelines



HEADQUARTERS
Lincoln, NE

EMPLOYEES
1,300

www.CooksHam.com

Cook's Ham, Inc., enjoys annual sales of \$328 million. Its acquisition in 2006 brought another producer of high-quality packaged meats under the Smithfield umbrella. Cook's offers traditional and spiral sliced bone-in hams, other smoked meats, and corned beef primarily for supermarket chains and independent grocers. The company operates plants in Lincoln, Nebraska, and Martin City, Missouri.

MAJOR BRANDS

- Cook's

MAJOR MARKETS

- United States
- Canada
- Mexico

FISCAL 2008 HIGHLIGHTS

- Introduced smaller, more convenient retail line extensions to Cook's bone-in and boneless hams
- Launched campaign to help drive year-round sales, particularly outside traditional holidays



HEADQUARTERS
Arnold, PA

PRESIDENT
Robert G. Hofmann, II

EMPLOYEES
350

www.emberfarms.com

North Side Foods Corp. has been making great-tasting meats for nearly a century. Today, the company's plants in Arnold, Pennsylvania, and Cumming, Georgia, specialize in precooked pork and turkey sausage patties, links, and crumbles for the foodservice industry. The first provider of fully cooked sausage to McDonald's Corporation, North Side Foods remains one of its major suppliers.

MAJOR BRANDS

- Ember Farms

MAJOR MARKETS

- United States
- Canada

FISCAL 2008 HIGHLIGHTS

- Expanded McDonald's relationship with precooked teriyaki sausage patties for its Japanese operation
- Drove double-digit sales growth for Ember Farms brand, in part by adding new national accounts





HEADQUARTERS PRESIDENT EMPLOYEES
Charlotte, NC **Enrico Piraino** **150**

HEADQUARTERS PRESIDENT EMPLOYEES
Morton, IL **Jonathan Roche** **100**

www.stefanofoods.com

www.rmhfoods.com

From its roots as an Italian delicatessen and pizzeria, Stefano Foods, Inc., today produces ready-to-eat and ready-to-cook entrees, appetizers, and snacks at its two plants in Charlotte, North Carolina. The company's pizzas, calzones, panini, and other convenience items are a popular choice in the deli section of grocery stores. Its products are also sold through foodservice and fund-raising channels.

Smithfield RMH Foods, LLC, produces more than 150 varieties of fully cooked beef, pork, and chicken entrees at its two plants in Morton, Illinois. Annual sales total \$46 million. The company provides branded and private label offerings for retail customers and also serves the deli and foodservice channels. With roots dating back to 1937, RMH has long specialized in high-quality, value-added meat products.

MAJOR BRANDS

- Stefano's
- Rip-n-Dip
- Party Dipper

MAJOR BRANDS

- Smithfield
- Milano's Italian Grille
- Quick-N-Easy

MAJOR MARKETS

- United States
- Canada
- Mexico

MAJOR MARKETS

- United States

FISCAL 2008 HIGHLIGHTS

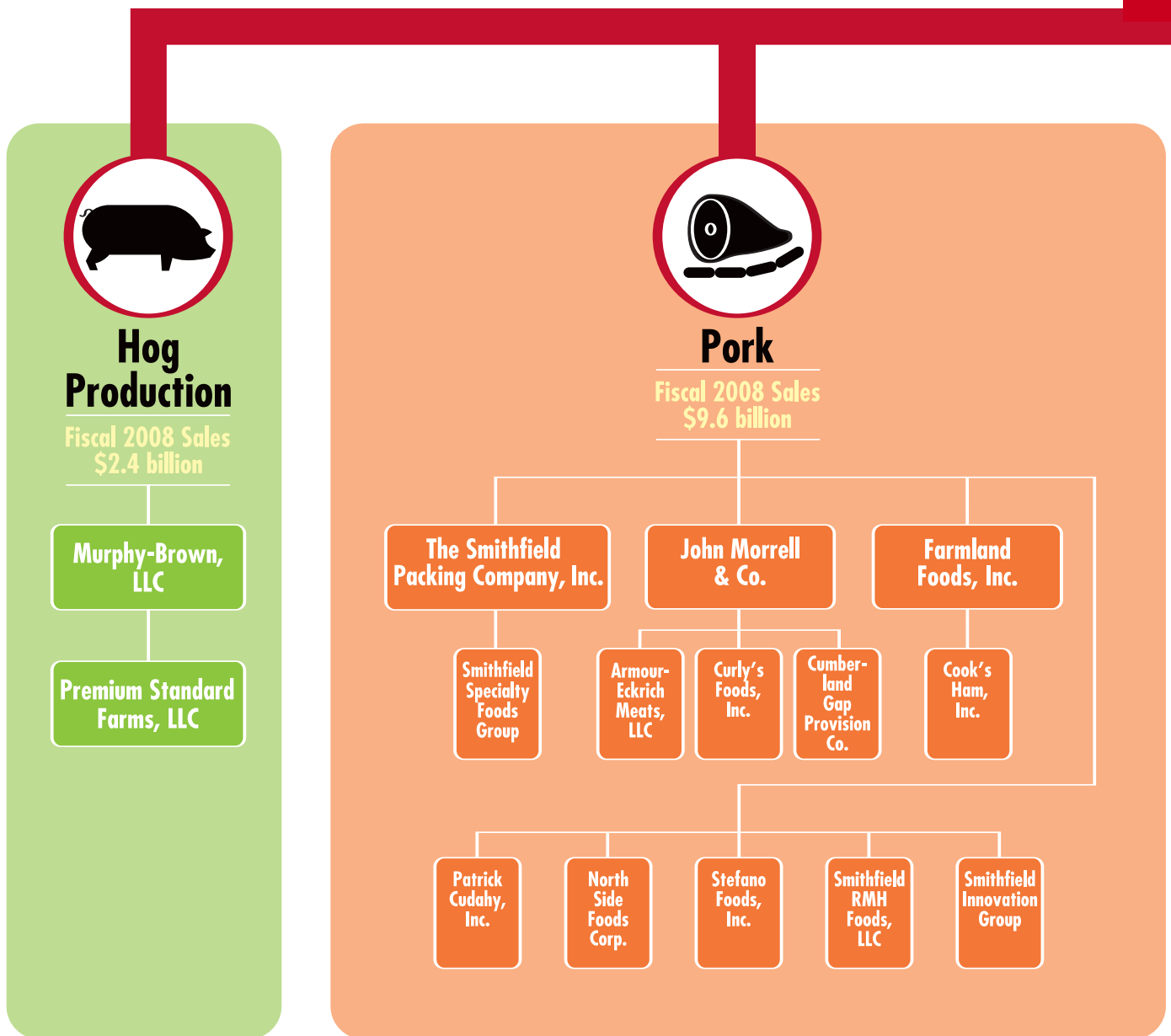
- Increased sales by 19 percent through growth in core categories such as pizza and calzones
- Expanded distribution to the quick-serve channel and added new and improved pizza varieties

FISCAL 2008 HIGHLIGHTS

- Enjoyed 34 percent revenue growth due, in part, to new comfort food and casual culinary offerings
- Introduced a line of Italian entrees and a collection of six Signature Entrees by Paula Deen



Smithfield

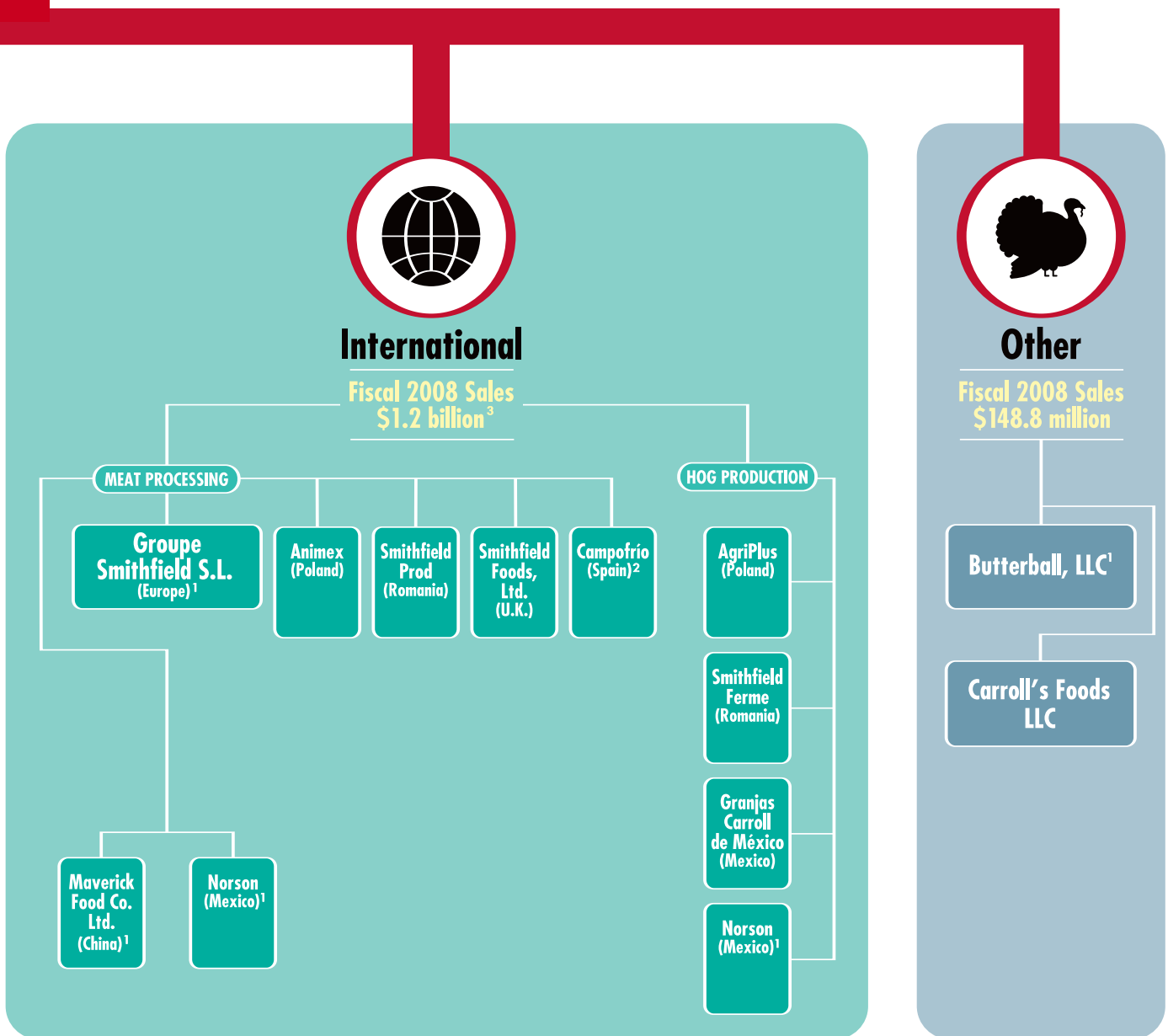


Note: Fiscal 2008 sales include intersegment sales of \$(2,048.9) million; Smithfield Beef Group results were classified as discontinued operations beginning in the fiscal fourth quarter of 2008.

¹ Joint venture

² Smithfield Foods owns a 24 percent stake.

This chart provides an overview of Smithfield Foods' organizational structure. Our independent operating companies and joint ventures maintain their individual identities, but together they make us a leader in several key categories.



³ International hog production sales are reported in the hog production segment.



www.patrickcudahy.com
www.814americas.com

In 2008, Patrick Cudahy, Inc., celebrated 120 years of Genuine Goodness™. Founded in 1888 in Cudahy, Wisconsin, Patrick Cudahy specializes in high-quality, branded packaged meats for foodservice, deli, retail, and industrial channels. Primary lines of business include precooked and traditional bacon, dry sausage, ham, and sliced meats. Patrick Cudahy is among the top-three U.S. producers of precooked bacon. The company has long been identified with Sweet Apple-Wood Smoke Flavor®, one of its most popular bacon varieties. In 2005, Patrick Cudahy purchased 814 Americas Inc. as part of its expansion into the fast-growing Hispanic market.

HEADQUARTERS

Cudahy, WI

PRESIDENT

William G. Otis

EMPLOYEES

1,900

MAJOR BRANDS

- Patrick Cudahy
- Realean
- La Abuelita
- Riojano
- Pavone
- Higüeral
- El Miño

MAJOR MARKETS

- United States
- Mexico
- Canada
- Caribbean
- Japan

PROCESSING FACILITIES

- Cudahy, WI
- Sioux Center, Iowa
- Elizabeth, NJ

FISCAL 2008 HIGHLIGHTS

- Enjoyed significant volume growth in multiple categories, with precooked bacon up 15.4 percent, smoked meats up 6.8 percent, dry sausage up 4.3 percent, and the 814 Americas product line up 10 percent
- Introduced the new Patrick Cudahy logo and Genuine Goodness™ tagline
- Increased sales of foodservice precooked bacon slices by 28 percent and launched a foodservice ad campaign featuring customer testimonials
- Launched several new Patrick Cudahy brand retail packaging initiatives, including L-board bacon, tub lunchmeat, and comprehensive deli program labels



HEADQUARTERS SENIOR VP & COO EMPLOYEES
Buffalo Grove, IL Michael Formichella CMC 5

www.smithfieldinnovationgroup.com

Founded in 2003, the Smithfield Innovation Group is a culinary think tank that develops new food product ideas for the Smithfield Foods family of companies. Chef Michael Formichella and his team capitalize on emerging trends in foodservice, retail, and deli. As a result, they create solutions that set Smithfield companies apart from the competition and address unique customer needs.

KEY CAPABILITIES

- Developing original, cost-effective menu solutions
- Providing culinary expertise specific to each customer's needs
- Assessing the operational needs of foodservice operators as they relate to time, space, and labor

FISCAL 2008 HIGHLIGHTS

- Expanded presence of Paula Deen by Smithfield brand at retail with six new Simply Southern Sides
- Helped develop eight new sandwiches for an international, multivenuue food management company



HEADQUARTERS VP & GM EMPLOYEES
Toano, VA William "Pete" Booker, III 35

www.smithfieldhams.com
www.smithfieldcollection.com
www.thepeanutshop.com

Smithfield Specialty Foods Group is the gourmet products division of Smithfield Foods. Home of The Peanut Shop of Williamsburg and Genuine Smithfield Ham, it sells dozens of high-quality nuts, meats, desserts, and dressings. These products are popular choices for gifts and incentives, and they are available through the company's catalogs, Web sites, and five retail locations in Virginia, Georgia, and South Carolina.

MAJOR BRANDS

- The Peanut Shop of Williamsburg
- Genuine Smithfield Ham
- Paula Deen Collection
- Smithfield Marketplace
- Basse's Choice

MAJOR MARKETS

- United States

FISCAL 2008 HIGHLIGHTS

- Posted 50 percent sales growth, with triple-digit sales gains from QVC, a national TV shopping channel
- Strengthened distribution of The Peanut Shop and Paula Deen Collection brands with new specialty items





Butterball, LLC, is the largest U.S. turkey producer, with annual sales exceeding \$1.4 billion. Smithfield Foods owns 49 percent of the company, a joint venture with Maxwell Farms, Inc., of Goldsboro, North Carolina. Formerly Carolina Turkeys, the company adopted the Butterball name in acquiring the brand in October 2006. The celebrated Butterball name is the most widely recognized brand in the turkey industry and carries more than a half century of brand equity. Primary lines of business include whole turkeys and parts, cooked turkey breasts, turkey sausages, ground turkey, lunchmeat and fresh tray pack, bone-in, and boneless turkey. Available through retail, deli, and foodservice channels, Butterball products are sold in approximately 20 countries.

HEADQUARTERS

Raleigh, NC

CEO

Keith Shoemaker

EMPLOYEES

6,000

MAJOR BRANDS

- Butterball
- Carolina Turkey

MAJOR MARKETS

- United States
- Mexico
- China
- Bermuda
- Costa Rica
- Panama
- Guatemala
- Puerto Rico
- The Bahamas
- Dominican Republic
- Russia



PROCESSING FACILITIES

- Mount Olive, NC
Cooked deli breasts, prepackaged fresh tray pack turkey, ready-to-eat frozen breasts, turkey medallions, frozen raw turkey breasts, ready-to-cook frozen boneless turkey roasts, frozen whole turkeys
- Carthage, MO
Raw bulk turkey, frozen raw turkey breasts, ready-to-cook frozen boneless turkey roasts
- Jonesboro, AR
Cooked deli breasts
- Kinston, NC
Sliced turkey products (bulk and prepackaged)
- Huntsville, AR
Prepackaged fresh, frozen, and cooked whole turkeys, retail breasts and roasts, prepackaged bone-in tray pack turkey products
- Ozark, AR
Prepackaged fresh and frozen whole turkeys
- Longmont, CO
Prepackaged sliced turkey, cooked deli breasts, raw meats, hot dogs, ready-to-cook frozen boneless turkey roasts

FISCAL 2008 HIGHLIGHTS

- Expanded the Butterball product line of tray-pack items with ground turkey burgers and sausages as well as four fresh cuts: cutlets, strips, tenders, and filets
- Introduced a new line of Deep Fried Turkey lunchmeats in four flavors: Original, Cajun, Buttery Herb, and Thanksgiving Style™
- Increased sales of dinner sausage and bacon products with a complete package redesign and key product improvements
- Won the coveted ChefsBest Award for Best Taste for Butterball Smoked Sausage
- Recognized as supplier of the year by a leading national sandwich chain
- Introduced Butterball Just Perfect branded products to deli markets across the United States increasing national retail distribution
- Acquired new distributors in the Philippines, Singapore, Lebanon, and Dubai, as well as a major retailer in Central America
- Received recognition at Mt. Olive plant as a training and tour facility for wastewater treatment excellence by the North Carolina Department of Environmental and Natural Resources



Groupe Smithfield

Groupe Smithfield S.L. is the home of Aoste, Jean Caby, Stegeman, Nobre, and many of Western Europe's other most popular branded packaged meats. Its annual sales total \$1.6 billion. Smithfield Foods owns 50 percent of this joint venture with Oaktree Capital Management, LLC. The company was formed in 2006 through the combination of Smithfield's Groupe Jean Caby subsidiary and the former Sara Lee European Meats business. Primary product lines include dry sausage, dry ham, cooked ham, cooked sausage, poultry, pâté, hot dogs, and ready-to-eat meals. Groupe Smithfield serves Europe's modern and traditional retail trade as well as a large and growing number of foodservice customers.

HEADQUARTERS

Paris, France

PRESIDENT

Robert A. Sharpe II

EMPLOYEES

6,500

SUBSIDIARIES

- Nobre
- Groupe Aoste
- Aoste SB Germany
- Imperial
- Stegeman

MAJOR BRANDS

- Aoste
- Stegeman
- Jean Caby
- Cochonou
- Marcassou
- Weight Watchers
- Justin Bridou
- Nobre

MAJOR MARKETS

- France
- Luxembourg
- United Kingdom
- Belgium
- Portugal
- The Netherlands
- Germany



PROCESSING FACILITIES

- | | | |
|--|--|--|
| <ul style="list-style-type: none">● France
<i>Dry ham, dry sausage, cooked ham, cocktail sausage</i> | <ul style="list-style-type: none">● Belgium
<i>Cooked ham, dry sausage, poultry, dry ham</i> | <ul style="list-style-type: none">● Portugal
<i>Cooked ham, frankfurters, dry sausage, ready meals</i> |
| <ul style="list-style-type: none">● Italy
<i>Dry ham</i> | <ul style="list-style-type: none">● The Netherlands
<i>Cooked ham, dry sausage, cooked sausage, beef</i> | |

FISCAL 2008 HIGHLIGHTS

- Increased EBITDA by 8 percent despite flat volumes in part through focusing on strategic sourcing and operations efficiency initiatives throughout Europe
- Developed and implemented a highly successful sales and marketing strategy in France behind the Aoste, Justin Bridou, and Cochonou brands, resulting in strong profit gains and 9 percent revenue growth in the French self-service market
- Won new private label contracts with Carrefour in both France and Belgium
- Introduced the Nobre Naturissimos line of all-natural packaged meats in Portugal
- Further strengthened the Aoste brand in Belgium and Germany with the introduction of the premium Aoste Authentique product line
- Made significant gains in the discount channel by introducing Aoste branded products at Lidl stores in Germany and other European markets
- Broadened the Weight Watchers portfolio through the successful introduction of a convenience line in Germany
- Restructured the Stegeman operation in The Netherlands to improve its competitive position



Animex is Poland's largest producer of fresh and packaged meats and home of the prized Krakus Ham. With approximately \$1 billion in annual sales, primary lines of business include fresh pork, beef, and poultry as well as smoked and cooked hams, sausages, hot dogs, bacon, canned meats, and pâtés. Animex products are available in more than 50 countries at retail and through foodservice channels. Smithfield Foods acquired a controlling stake in the company in 1999.

HEADQUARTERS

Warsaw, Poland

PRESIDENT

Darek Nowakowski

EMPLOYEES

8,300

MAJOR BRANDS

- Krakus
- Morliny
- Mazury
- Yano

MAJOR MARKETS

- Poland
- United States
- European Union
- South Korea
- Japan

PROCESSING FACILITIES

- Szczecin
- Starachowice
- Debica
- Suwalki
- Grodkow
- Elk
- Opole
- Ilawa
- Zamosc
- Krakow
- Morliny

FISCAL 2008 HIGHLIGHTS

- Generated highest profits since Smithfield Foods acquired a controlling stake, through a 35 percent increase in volumes, higher margins, and lower costs
- Enjoyed significant growth in packaged meats sales, driven primarily by rising demand for Krakus canned products and Morliny Berlinki hot dogs
- Increased exports by 20 percent, fueled in part by increased demand from Japan and the U.K.
- Established Animex Foundation with scholarships for children of employees and affiliated livestock producers



Smithfield Foods entered the Romanian meat products market in 2004 by acquiring Agrotorvis. Annual sales at Smithfield Prod, Smithfield Romania's processing operations, have since grown to more than \$145 million. Its primary product line is fresh pork, principally for retail customers. Smithfield Romania also owns the Smithfield Procesare rendering operations, a 62.5-percent stake in Agroalim Distribution, and 50 percent of both Agroalim Logistic and cold storage and vegetable production company Frigorifer. Agroalim has distribution centers in Bucharest and nine other cities in Romania.

HEADQUARTERS
Timisoara, Romania

CEO
Morten Jensen

EMPLOYEES
850

MAJOR BRANDS

- Comtim (fresh pork)
- Casa Taraneasca (vegetables)
- Del Mare (fish)

MAJOR MARKETS

- Romania

PROCESSING FACILITIES

- Timisoara (meat)
- Tulcea (vegetables)

FISCAL 2008 HIGHLIGHTS

- Increased Smithfield Prod sales volumes by more than 100 percent due to increased capacity at Timisoara plant, greater deboning volumes, and consistent supply from Smithfield Ferme hog production operation
- Completed investments in Agroalim distribution centers to meet European Union standards
- Finished Frigorifer plant and warehouse expansion
- Added significant new brands to Agroalim's portfolio, including Frosta, Perdigao, D'Aucy, Lamb Weston, Erlenbacher, and Service Bund
- Implemented an HACCP food safety system at Agroalim and began planning an ISO 9001 quality management system





HEADQUARTERS	PRESIDENT	EMPLOYEES
Warsaw, NC	Jerry Godwin	6,000

www.murphybrownllc.com

The world's largest hog producer, Murphy-Brown, LLC, owns approximately 1 million sows in the United States and brings more than 17 million hogs to market annually. The company was established in 2001 following a series of acquisitions. Operations include 300 company-owned farms and 1,500 contract-producer farms across 12 states. Its Smithfield Premium Genetics subsidiary is responsible for improving swine genetics.

LOCATIONS

- | | | |
|------------|------------------|----------------|
| ● Colorado | ● North Carolina | ● South Dakota |
| ● Illinois | ● Oklahoma | ● Texas |
| ● Iowa | ● Pennsylvania | ● Utah |
| ● Missouri | ● South Carolina | ● Virginia |

FISCAL 2008 HIGHLIGHTS

- Initiated the process of converting sow farms from individual gestation crates to group sow housing, with the first market hogs from the converted farms expected in calendar year 2009
- Built on the success of the company's live haul accident response program by increasing the number of strategically positioned rescue units
- Began working on a project with the Environmental Protection Agency using company farms to identify a more reliable method for quantifying emissions from livestock operations

HEADQUARTERS	PRESIDENT	EMPLOYEES
Princeton, MO	Bill Homann	1,500

www.psfarms.com

Premium Standard Farms, LLC, was acquired in May 2007. Founded in 1988, the company owns approximately 147,000 sows and brought 2.6 million hogs to market during the past fiscal year. Premium Standard Farms operates farms and other related assets in several counties in North Central Missouri and in Dallam and Hartley counties in Texas.

LOCATIONS

- | | |
|------------|---------|
| ● Missouri | ● Texas |
|------------|---------|

FISCAL 2008 HIGHLIGHTS

- Converted 15 percent of on-site nursery space to additional farrowing capacity in order to increase wean weight
- Began the ISO 14001 certification process for the company's environmental management system
- Received the 2007 Humanitarian Award from America's Second Harvest of Greater St. Joseph for donations to the regional food bank

INTERNATIONAL HOG PRODUCTION

Smithfield Foods' international hog production division owns more than 200,000 sows in Mexico, Poland, and Romania through subsidiaries and joint ventures. They brought a combined total of more than 2 million hogs to market in fiscal 2008. The company's Mexican operations include Granjas Carroll de México as well as a 50-percent stake in Norson, a vertically integrated hog producer and meat processor. AgriPlus is one of Poland's largest hog producers and provides a substantial portion of its hogs to Smithfield's Animex meat-processing subsidiary. Smithfield Ferme produces hogs in Romania principally for pork processor Smithfield Prod.

HEADQUARTERS

Warsaw, NC

PRESIDENT

Gregg Schmidt

EMPLOYEES

3,000



www.agriplus.pl

Headquarters: **Poznan, Poland**

Sows: **83,000**

Hogs produced in fiscal 2008: **1,045,000**

FISCAL 2008 HIGHLIGHTS

- Added volume through more efficient use of finishing facilities and improved farrowing results
- Received certification for another pyramid of production for Tesco supermarket chain, supplying hogs that meet stringent U.K. animal welfare standards



www.smithfieldferme.ro

Headquarters: **Timisoara, Romania**

Sows: **35,000**

Hogs produced in fiscal 2008: **580,000**

FISCAL 2008 HIGHLIGHTS

- Completed construction of an additional 10,000 sow spaces and grew finishing volume through an aggressive wean-to-finish program
- Neared completion of a second feed mill with a weekly capacity of 8,000 metric tons



Granjas Carroll de México, S. de R.L. de C.V.

www.granjascarroll.com

Headquarters: **Perote, Mexico**

Sows: **56,000**

Hogs produced in fiscal 2008: **950,000**

FISCAL 2008 HIGHLIGHTS

- Began operation of several biodigesters, with plans to produce bioenergy in the near future
- Certified as a "Socially Responsible Business" for the second straight year by Centro Mexicano Para la Filantropia, A.C.



www.norson.net

Headquarters: **Hermosillo, Mexico**

Sows: **35,000**

Hogs produced in fiscal 2008: **467,000**

FISCAL 2008 HIGHLIGHTS

- Expanded number of hogs by 25 percent through animal husbandry and production improvements
- Benefited from an earlier investment in grain receiving facilities combined with a surplus in local grain production

MANAGEMENT

MANAGEMENT BOARD

C. LARRY POPE

President and
Chief Executive Officer,
Smithfield Foods, Inc.

GEORGE H. RICHTER

President and Chief Operating
Officer, Pork Group,
Smithfield Foods, Inc.

JOSEPH W. LUTER, IV

Executive Vice President,
Smithfield Foods, Inc.

ROBERT W. MANLY, IV

Executive Vice President and
Chief Financial Officer,
Smithfield Foods, Inc.

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Executive Vice President,
Smithfield Foods, Inc.

JERRY H. GODWIN

President,
Murphy-Brown, LLC

ROBERT G. HOFMANN, II

President,
North Side Foods Corp.

MORTEN JENSEN

Chief Executive Officer,
Central and Eastern Europe

DAREK NOWAKOWSKI

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Animex Sp. z o.o.

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ENRICO PIRAINO

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JAMES C. SBARRO

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Farmland Foods, Inc.

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President,
The Smithfield Packing
Company, Incorporated

JOSEPH B. SEBRING

President,
John Morrell & Co.

CORPORATE OFFICERS

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President and
Chief Executive Officer

GEORGE H. RICHTER

President and Chief Operating
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ROBERT W. MANLY, IV

Executive Vice President
and Chief Financial Officer

RICHARD J.M. POULSON

Executive Vice President

MICHAEL H. COLE

Vice President,
Chief Legal Officer, and Secretary

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Vice President and
Corporate Controller

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Vice President, Finance

BART ELLIS

Vice President,
Operations Analysis

MICHAEL D. FLEMMING

Vice President and Senior Counsel

CRAIG R. HARLOW

Vice President and
Chief Internal Auditor

JERRY HOSTETTER

Vice President,
Investor Relations and Corporate
Communications

HOUGHTON LEWIS

Corporate Treasurer

JEFFREY M. LUCKMAN

Vice President,
Livestock Procurement

HENRY L. MORRIS

Vice President,
Operations

JAMES D. SCHLOSS

Vice President,
Sales and Marketing

KENNETH M. SULLIVAN

Vice President and
Chief Accounting Officer

DHAMU THAMODARAN

Vice President and
Chief Commodity Hedging Officer

DENNIS H. TREACY

Vice President, Environmental
and Corporate Affairs

VERNON T. TURNER

Vice President, Corporate Tax

MANSOUR ZADEH

Chief Information Officer

DIRECTORS

JOSEPH W. LUTER, III

Chairman of the Board

C. LARRY POPE

President and
Chief Executive Officer,
Smithfield Foods, Inc.

ROBERT L. BURRUS, JR.

Chairman Emeritus of the law firm
of McGuireWoods LLP

HON. CAROL T. CRAWFORD

Former Commissioner,
U.S. International Trade
Commission

PAUL J. FRIBOURG

Chairman, President, and
Chief Executive Officer,
Continental Grain Company

RAY A. GOLDBERG

Moffett Professor of
Agriculture and Business,
Emeritus, Harvard Business School

WENDELL H. MURPHY

Private Investor,
former Chairman of the Board
and Chief Executive Officer of
Murphy Farms, Inc.

FRANK S. ROYAL, M.D.

Physician

JOHN T. SCHWIETERS

Vice Chairman, Perseus LLC,
a merchant bank and private
equity fund management company

PAUL S. TRIBLE, JR.

President,
Christopher Newport University

MELVIN O. WRIGHT

Formerly a senior executive
of Dean Witter Reynolds,
now Morgan Stanley

MICHAEL J. ZIMMERMAN*

Executive Vice President and
Chief Financial Officer,
Continental Grain Company

* Advisory Director

CORPORATE INFORMATION

COMMON STOCK DATA

The common stock of the company has traded on the New York Stock Exchange under the symbol SFD since September 28, 1999. Prior to that, the common stock traded on the NASDAQ National Market under the symbol SFDS. The following table shows the high and low sales prices of the common stock of the company for each quarter of fiscal 2008 and 2007.

	2008	HIGH	LOW	2007	HIGH	LOW
First		\$ 35.79	\$ 29.87		\$ 29.63	\$ 25.90
Second		35.13	27.85		30.51	25.67
Third		30.75	23.75		27.26	24.40
Fourth		29.56	24.34		31.50	25.27

HOLDERS

As of May 30, 2008, there were 1,095 record holders of the common stock.

DIVIDENDS

The company has never paid a cash dividend on its common stock and has no current plan to pay cash dividends. In addition, the terms of certain of the company's debt agreements prohibit the payment of any cash dividends on the common stock. The payment of cash dividends, if any, would be made only from assets legally available for that purpose and would depend on the company's financial condition, results of operations, current and anticipated capital requirements, restrictions under then-existing debt instruments, and other factors then deemed relevant by the board of directors.

CORPORATE HEADQUARTERS

Smithfield Foods, Inc.
200 Commerce Street
Smithfield, VA 23430
757-365-3000
www.smithfieldfoods.com

TRANSFER AGENT AND REGISTER

Computershare Investor Services LLC
2 North LaSalle Street
Chicago, IL 60602
312-360-5302

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP
One James Center, Suite 1000
901 East Cary Street
Richmond, VA 23219

FORM 10-K REPORT

Copies of the company's 10-K Annual Report are available without charge upon written request to:
Corporate Secretary
Smithfield Foods, Inc.
200 Commerce Street
Smithfield, VA 23430
757-365-3000
ir@smithfieldfoods.com

ANNUAL MEETING

The annual meeting of shareholders will be held on August 27, 2008, at 2 p.m., at Williamsburg Lodge, 310 South England Street, Williamsburg, VA 23185.

INVESTOR RELATIONS

Smithfield Foods, Inc.
499 Park Avenue, Suite 600
New York, NY 10022
212-758-2100
ir@smithfieldfoods.com

CEO AND CFO CERTIFICATIONS

The company's chief executive officer and chief financial officer have filed with the SEC the certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 regarding the quality of the company's public disclosure. These certifications are included as exhibits to the company's Form 10-K Annual Report for fiscal 2008. In addition, the company's chief executive officer annually certifies to the NYSE that he is not aware of any violation by the company of the NYSE's corporate governance listing standards. This certification was submitted, without qualification, as required after the 2007 annual meeting of shareholders.

The company makes available free of charge through its Web site (www.smithfieldfoods.com) its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on form 8-K, and any amendments to those reports as soon as reasonably practicable after filing or furnishing the material to the SEC.

GRI INDEX

This index shows where to find information relating to the 2006 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI), Version 3.0. The index covers all core indicators and those additional GRI indicators (shown in italics) on which we have fully or partially reported.

Please visit www.globalreporting.org for the full text of the indicators and other information on the Guidelines.

Key to Indicators: >> Fully Reported >> Partially Reported >> Not Covered

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*Appendices are available online at www.smithfieldfoods.com.

CONTACT US

The feedback we have received on our performance and communications efforts has proven very valuable to our company. We hope that you will continue to communicate with us as we proceed along our performance-improvement journey.

DENNIS H. TREACY

*Vice President,
Environmental and Corporate Affairs*

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This report was checked by the Global Reporting Initiative to Application Level B.

REPORT APPLICATION LEVELS

		2002 Application Levels					
		C	C-	B	B-	A	A+
Report Checked	Self Checked			✓			
	Third Party Checked						
	GR Checked			✓			
		Report Externally Assessed		Report Externally Assessed		Report Externally Assessed	



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