SMITHFIELD FOODS

2001 ENVIRONMENTAL REPORT

PROJECT 1>	**EMPLOYING STATE-OF-THE-ART WATER TREATMENT IN TAR HEEL, NC**	**SMITHFIELD FOODS ENVIRONMENTAL EFFORTS IN BRIEF** Corporate environmental compliance/audit program Swine production unit EMS ISO 14001 certification Regulatory reporting/data compilation Corporate EMS ISO 14001 program Annual environmental awards program Water/energy conservation Process safety management/risk management programs Environmental training programs Internal environmental Web site Utility initiatives Pollution prevention design/planning Communication/reporting initiatives Technology development research Environmental sustainability participation Land management policy development Solid waste reduction/recycling efforts
PROJECT 2>	**REDUCING GROUNDWATER USE IN KINSTON, NC**	
PROJECT 3>	**TAKING THE LEAD IN ISO CERTIFICATION**	
PROJECT 4>	**USING CLEANER-BURNING FUELS IN NORTH CAROLINA, SOUTH DAKOTA, AND WISCONSIN**	
PROJECT 5>	**FUNDING WASTE MANAGEMENT RESEARCH AT NORTH CAROLINA STATE UNIVERSITY**	The world's largest hog producer and pork processor, Smithfield Foods logged nearly $6 billion in sales in fiscal 2001. Based in Smithfield, VA, the company raises hogs in 10 U.S. states and in Brazil, Mexico, and Poland. Smithfield Foods produces a wide variety of fresh pork and processed meats products for North America and more than 25 global markets. Major North American pork processing subsidiaries include The Smithfield Packing Company, John Morrell & Co., Gwaltney of Smithfield, Patrick Cudahy, Schneider Corp., and North Side Foods. In 2001, Smithfield Foods purchased beef processor Moyer Packing.
PROJECT 6>	**CONTRIBUTING TO NORTH CAROLINA'S ENVIRONMENTAL EFFORTS**	
PROJECT 7>	**DEVELOPING AN INTEGRATED LAND MANAGEMENT PROGRAM**	Cover: Great Coharie Creek in North Carolina hog country Smithfield Foods, Inc., 200 Commerce Street, Smithfield, VA 23430

A Leader in Environmental Stewardship>

Smithfield Foods just completed the most successful fiscal year in our company's history, and we're most gratified by our financial performance. At the same time, we take great pride in the fact that we have produced such outstanding results while proving ourselves a leader in environmental stewardship.

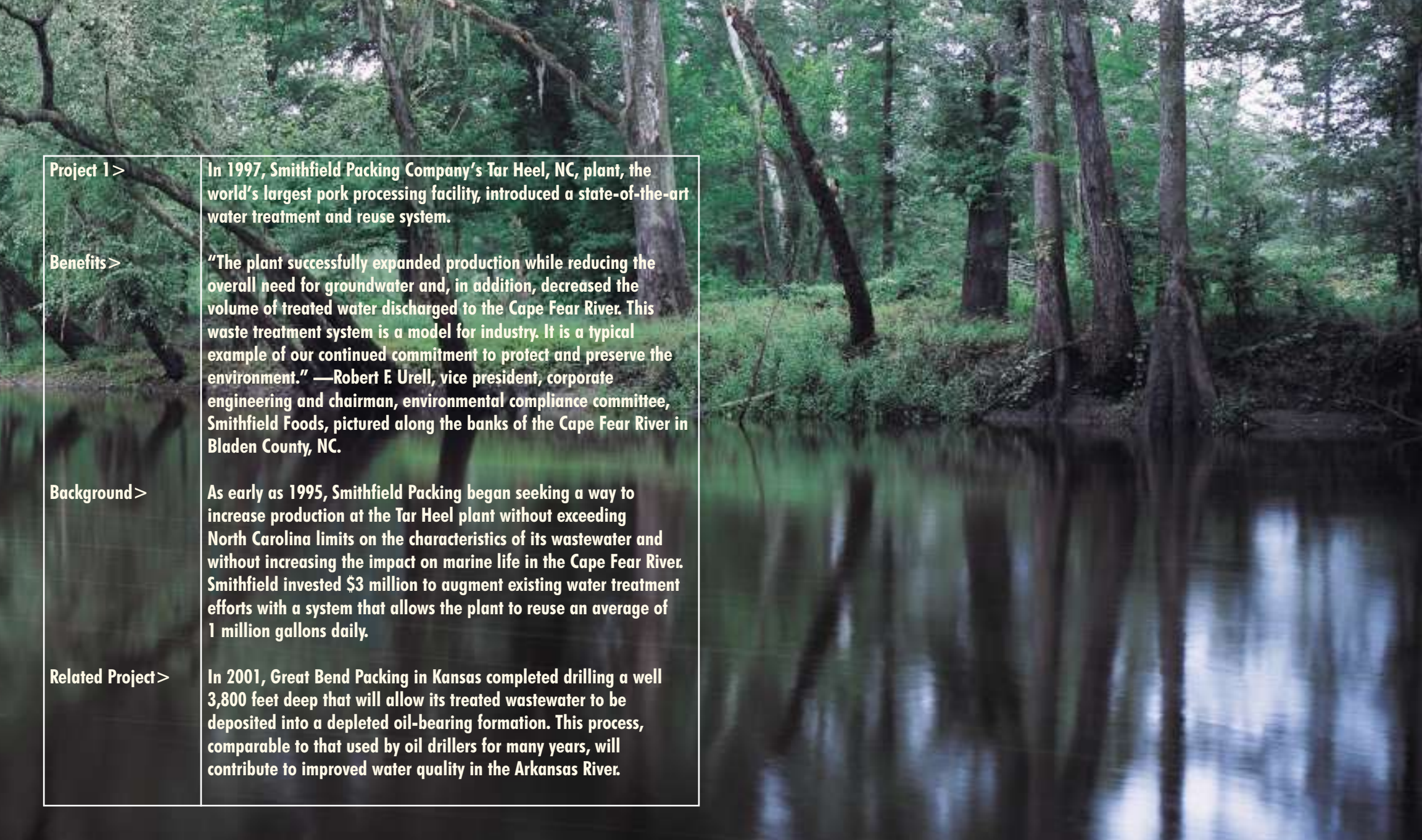
The list at left outlines just a few of our environmental initiatives. On the following pages, I invite you to read in more detail about some specific accomplishments and their beneficial effect on land, air, and water quality around the cities, towns, and countrysides where we conduct business. For example, in 2001 our Carroll's Foods hog farming subsidiary became the world's first agricultural livestock operation to earn the coveted ISO 14001 certification for its environmental management system. We are hard at work to earn ISO certification for our other U.S. farming operations and our meat processing subsidiaries as well.

As you look through this report, you will meet some of the scientists, engineers, and other Smithfield employees responsible for our environmental efforts to date. We've also included Mike Williams, head of the North Carolina State University (NCSU) Animal and Poultry Waste Management Center, in a section that discusses our role in funding NCSU research of alternative waste management technologies.

Environmental awareness is part of everyone's job at Smithfield. Beyond mere compliance, we encourage all our employees to offer solutions that may take our environmental performance to the next level. During the past year, we named 20 employees who did just that as recipients of the first Smithfield Foods Environmental Excellence Awards. Many were behind the projects featured in this report, and a complete list of recipients appears in the back.

We appreciate your interest and hope you find this information helpful.

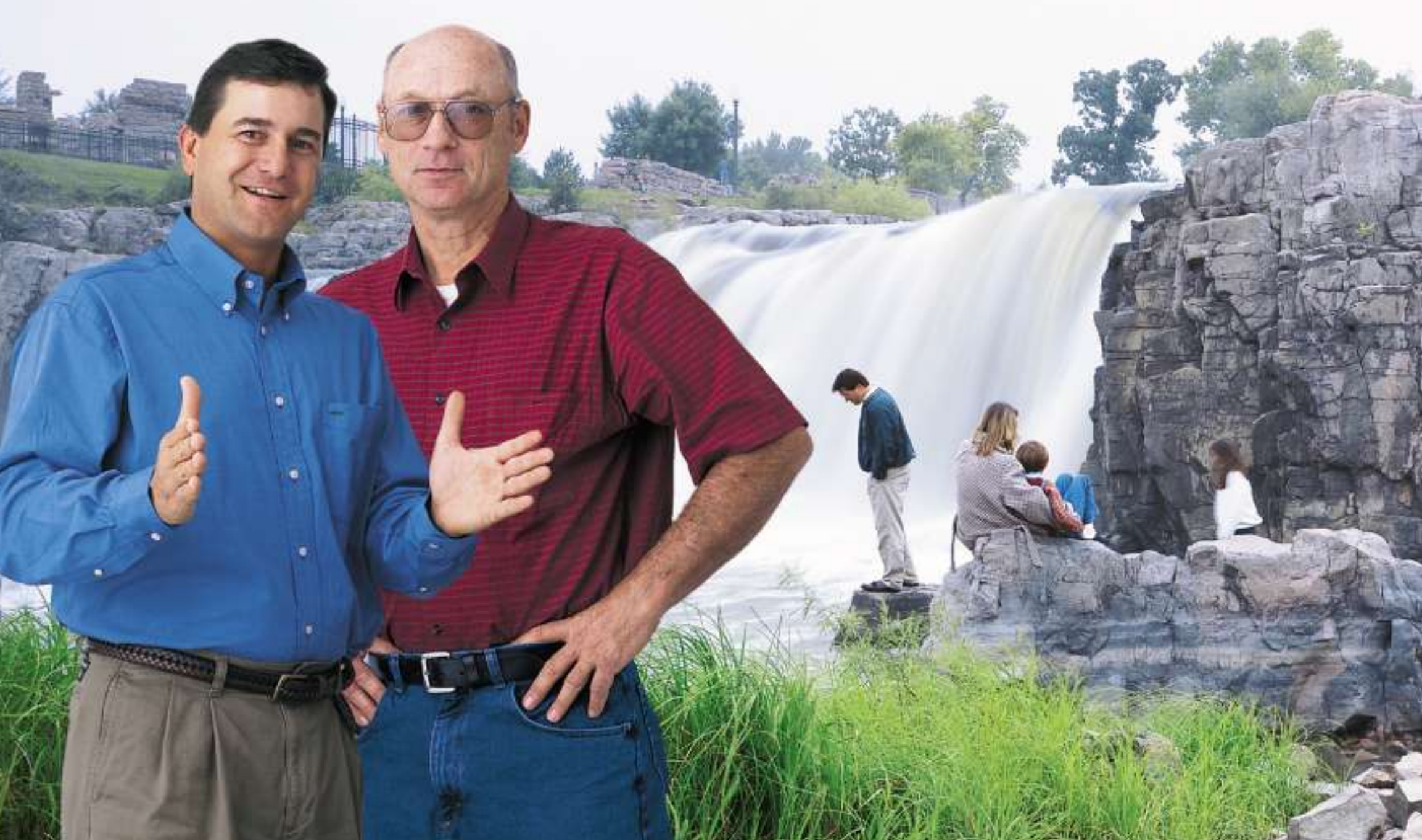
Joseph W. Luter III
Chairman, President and CEO

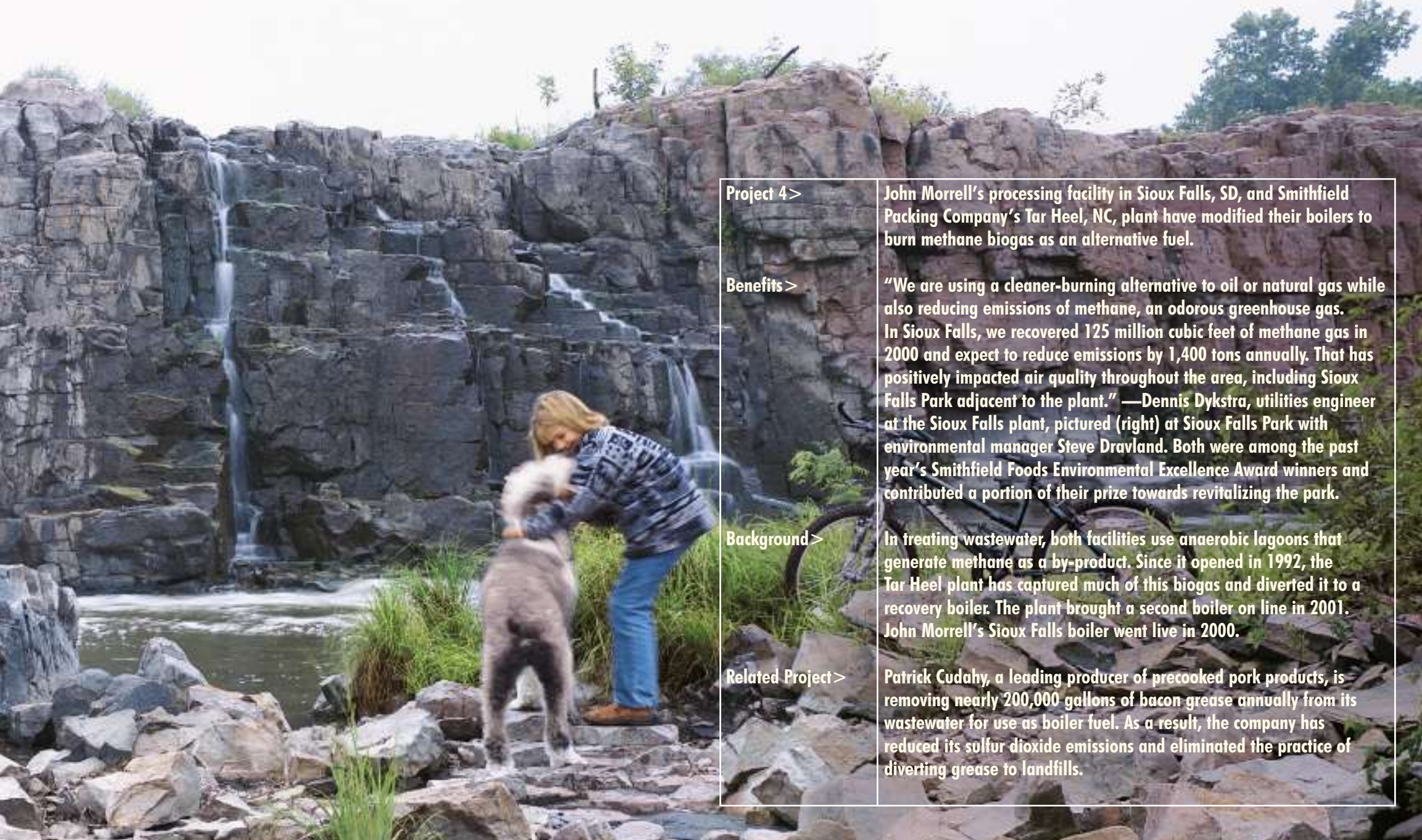


Project 1>	In 1997, Smithfield Packing Company's Tar Heel, NC, plant, the world's largest pork processing facility, introduced a state-of-the-art water treatment and reuse system.
Benefits>	"The plant successfully expanded production while reducing the overall need for groundwater and, in addition, decreased the volume of treated water discharged to the Cape Fear River. This waste treatment system is a model for industry. It is a typical example of our continued commitment to protect and preserve the environment." —Robert F. Urell, vice president, corporate engineering and chairman, environmental compliance committee, Smithfield Foods, pictured along the banks of the Cape Fear River in Bladen County, NC.
Background>	As early as 1995, Smithfield Packing began seeking a way to increase production at the Tar Heel plant without exceeding North Carolina limits on the characteristics of its wastewater and without increasing the impact on marine life in the Cape Fear River. Smithfield invested $3 million to augment existing water treatment efforts with a system that allows the plant to reuse an average of 1 million gallons daily.
Related Project>	In 2001, Great Bend Packing in Kansas completed drilling a well 3,800 feet deep that will allow its treated wastewater to be deposited into a depleted oil-bearing formation. This process, comparable to that used by oil drillers for many years, will contribute to improved water quality in the Arkansas River.

Project 2>	In 2000, Smithfield Packing Company's processing plant in Kinston, NC, began installing three cooling towers capable of recirculating more than 200,000 gallons of water daily.	Background>	Kinston's many neighborhoods as a young resident enjoys a dip on a hot summer day.
Benefits>	"Since the cooling towers went on line in February 2001, the Kinston plant has reduced its monthly groundwater use by 5 million gallons. That puts less demand on an already stressed water table, improving the quality of life for the people living here." —Bill Gill, assistant vice president, environmental affairs, Smithfield Foods, pictured in one of		The city's water usage had taxed the area aquifer. Smithfield's plant handles vacuum packaging, a process that requires approximately 200,000 gallons of cooling water daily. In addition to Kinston, Smithfield has implemented similar water conservation systems at facilities in Smithfield and Portsmouth, VA, and in Wilson, NC.

Project 3>	In March 2001, Carroll's Foods, part of Smithfield Foods' Murphy-Brown, LLC, subsidiary, became the world's first agricultural livestock company to receive ISO 14001 certification for environmental management systems on its farms in North Carolina, South Carolina, and Virginia.		in Turkey, NC. With him is Dave Elkin, director of engineering and technical services, Murphy-Brown.
Benefits>	"ISO certification is the gold standard for environmental excellence. It means that Carroll's has clearly-defined methods for monitoring and measuring the environmental impact of its activities and in identifying potential problems. This should assure residents of all three states that we've really taken the lead in protecting their interests." —Don Butler, director of governmental relations and public affairs, Murphy-Brown, pictured (left) on a Carroll's Foods farm	Background>	As early as 1997, Carroll's began developing an environmental management system that could meet the stringent certification requirements of the Geneva-based International Organization for Standardization (www.iso.org). Sister companies Murphy Farms and Brown's of Carolina expect to receive ISO certification for their North Carolina farms by the end of 2001, with their western farming operations to be certified in 2002. Over the next 24 months, Smithfield will expand its EMS efforts and seek ISO certification for all of the company's North American meat processing operations.

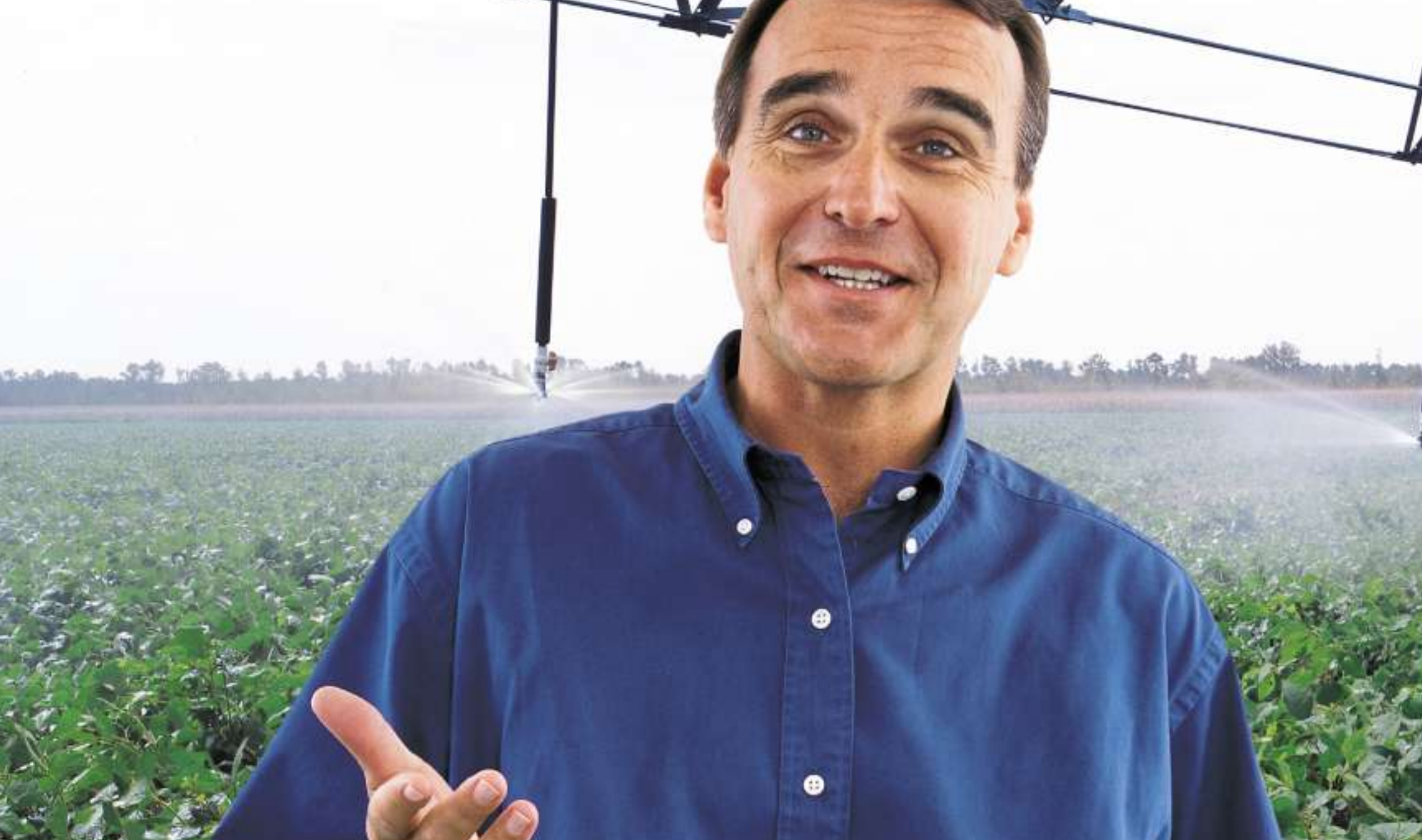


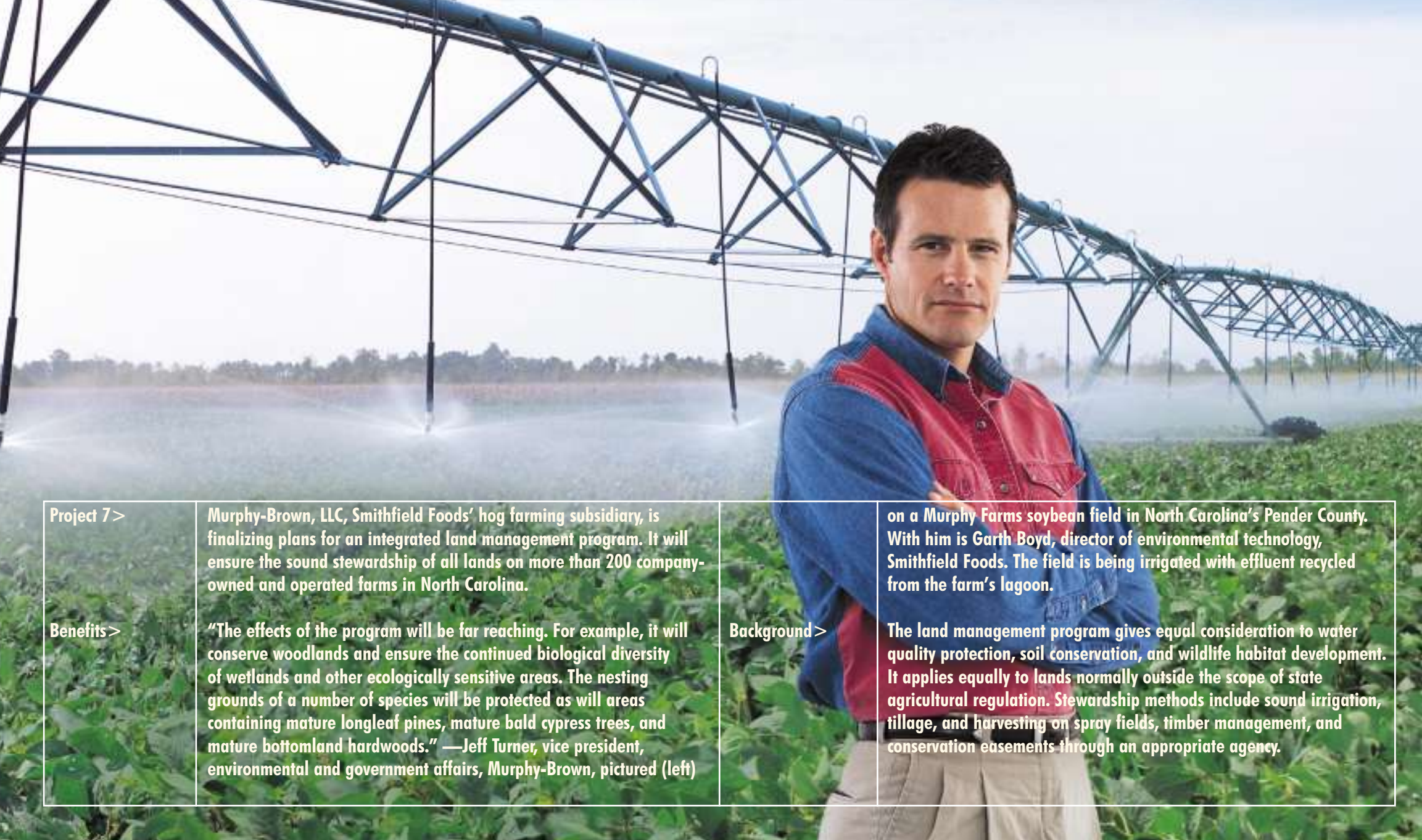


Project 4>	John Morrell's processing facility in Sioux Falls, SD, and Smithfield Packing Company's Tar Heel, NC, plant have modified their boilers to burn methane biogas as an alternative fuel.
Benefits>	"We are using a cleaner-burning alternative to oil or natural gas while also reducing emissions of methane, an odorous greenhouse gas. In Sioux Falls, we recovered 125 million cubic feet of methane gas in 2000 and expect to reduce emissions by 1,400 tons annually. That has positively impacted air quality throughout the area, including Sioux Falls Park adjacent to the plant." —Dennis Dykstra, utilities engineer at the Sioux Falls plant, pictured (right) at Sioux Falls Park with environmental manager Steve Dravland. Both were among the past year's Smithfield Foods Environmental Excellence Award winners and contributed a portion of their prize towards revitalizing the park.
Background>	In treating wastewater, both facilities use anaerobic lagoons that generate methane as a by-product. Since it opened in 1992, the Tar Heel plant has captured much of this biogas and diverted it to a recovery boiler. The plant brought a second boiler on line in 2001. John Morrell's Sioux Falls boiler went live in 2000.
Related Project>	Patrick Cudahy, a leading producer of precooked pork products, is removing nearly 200,000 gallons of bacon grease annually from its wastewater for use as boiler fuel. As a result, the company has reduced its sulfur dioxide emissions and eliminated the practice of diverting grease to landfills.

Project 5>	Funded in part by a $15 million contribution from Smithfield Foods, North Carolina State University (NCSU) is investigating 18 different technologies to modify or replace current methods of swine waste disposal on hog farms.
Benefits>	"We could see potentially cleaner air through the reduction of methane and ammonia emissions generated by lagoons. We expect to make our final recommendation in 2003, and Smithfield Foods has agreed to apply the technologies we select, if commercially feasible, on all its company-owned farms." —Mike Williams, PhD, director of the NCSU Animal and Poultry Waste Management Center and project head, pictured on the NCSU campus in Raleigh, NC.
Background>	Smithfield Foods helped pioneer two of the solutions currently under consideration—BEST (Biomass Energy Sustainable Technology) and ISSUES (Innovative Sustainable Systems Utilizing Economical Solutions). BEST, in development since 1995, removes the solids from farm waste-water for conversion into green energy such as steam or electricity. ISSUES is a series of technologies that enhance the performance of existing lagoons. NCSU has paired ISSUES with a technology that utilizes methane in a microturbine. This combined soluton harvests the energy value of hog manure to create green electricity.

Project 6>	In August 2000, Smithfield Foods pledged $50 million ($2 million annually over 25 years) to North Carolina to aid in the state's environmental efforts. Smithfield also committed resources and manpower to help preserve the Albermarle-Pamlico estuary.		on a pier in Swan Quarter, NC, a fishing village along the Albermarle-Pamlico estuary. With him are Jerry Godwin, president and chief operating officer, Murphy-Brown, LLC, and Kelley Kline, assistant general counsel for environmental affairs, Smithfield Foods.
Benefits>	"If the state uses our contribution to purchase buffer lands and conservation easements, it would offer North Carolina's waterways additional protection from development and storm water runoff. As for this estuary, protecting its fragile ecosystem is critical because it is vital for commercial fishing." —Richard Poulson, vice president and senior advisor to the chairman, Smithfield Foods, pictured (center)	Background>	To date, Smithfield Foods has donated $4 million to North Carolina and is enthused about specific projects to be undertaken with this money. The Albermarle and Pamlico sounds, the second largest estuarine complex in the United States, currently suffer from stream bank erosion, sedimentation, and nutrient loading.





Project 7>

Murphy-Brown, LLC, Smithfield Foods' hog farming subsidiary, is finalizing plans for an integrated land management program. It will ensure the sound stewardship of all lands on more than 200 company-owned and operated farms in North Carolina.

Benefits>

"The effects of the program will be far reaching. For example, it will conserve woodlands and ensure the continued biological diversity of wetlands and other ecologically sensitive areas. The nesting grounds of a number of species will be protected as will areas containing mature longleaf pines, mature bald cypress trees, and mature bottomland hardwoods." —Jeff Turner, vice president, environmental and government affairs, Murphy-Brown, pictured (left) on a Murphy Farms soybean field in North Carolina's Pender County. With him is Garth Boyd, director of environmental technology, Smithfield Foods. The field is being irrigated with effluent recycled from the farm's lagoon.

Background>

The land management program gives equal consideration to water quality protection, soil conservation, and wildlife habitat development. It applies equally to lands normally outside the scope of state agricultural regulation. Stewardship methods include sound irrigation, tillage, and harvesting on spray fields, timber management, and conservation easements through an appropriate agency.

SMITHFIELD FOODS 2000 ENVIRONMENTAL EXCELLENCE AWARD WINNERS	**JASON BROWN** **DON BUTLER** **DANNY CRUMPLER** **STEVE DRAVLAND** **DENNIS DYKSTRA** **CHARLES FIERO** **GARY GOBLE**	**LARRY HOLTROP** **LARRY KINKNER** **ERIC LASSALLE** **LARRY LIVELY** **HARRY MARSH** **ROBERT MOZINGO** **JEFF MUSSELWHITE**	**RON NELSON** **CARY PIETERICK** **STEVE SAMOLYK** **ROGER SCHRADER** **CAROLYN STRICKLAND** **DAVE TAYLOR**
SMITHFIELD FOODS ENVIRONMENTAL COMPLIANCE COMMITTEE	**DENNIS BLAND** Vice President, Pinnacle Foods **ROB BOGAARD** Vice President of Operations, Gwaltney of Smithfield **MICHAEL COLE** Secretary and Associate General Counsel, Smithfield Foods **STEVE CRIM** Vice President, John Morrell & Co. **DAVE FILSON** Senior Vice President of Operations, The Smithfield Packing Company **JOHN GARZEL** Vice President of Engineering, Moyer Packing Company **BILL GILL** Assistant Vice President, Environmental Affairs, Smithfield Foods **JERRY H. GODWIN** President and Chief Operating Officer, Murphy-Brown	**ROBERT G. HOFMANN, II** President and Chief Executive Officer, North Side Foods **PAUL KAFER** Director of Maintenance and Engineering, North Side Foods **ROGER R. KAPELLA** President and Chief Operating Officer, Patrick Cudahy **KELLEY KLINE** Assistant General Counsel for Environmental Affairs, Smithfield Foods **LEWIS R. LITTLE** President and Chief Operating Officer, The Smithfield Packing Company **HARRY MARSH** Plant Engineer, Patrick Cudahy **WILLIAM MICHAELS** Vice President Corporate Operations, John Morrell & Co. **CARY PIETERICK** Director of Environmental Affairs, John Morrell & Co.	**RICHARD J.M. POULSON** Vice President and Senior Advisor to the Chairman, Smithfield Foods **STEVE SAMOLYK** Environmental Engineer, Patrick Cudahy **JOSEPH B. SEBRING** President and Chief Operating Officer, John Morrell & Co. **TIMOTHY A. SEELY** President and Chief Operating Officer, Gwaltney of Smithfield **MIKE QUEEN** President, Pinnacle Foods **JEFF TURNER** Vice President, Environmental and Government Affairs, Murphy-Brown **ROBERT F. URELL** Vice President, Engineering, and Chairman, Environmental Compliance Committee, Smithfield Foods

OBSERVATIONS FROM ENVIRONMENTAL POLICY MAKERS	During the time we have had the pleasure of serving the Commonwealth of Virginia, Governor Jim Gilmore and I have been impressed with Smithfield Foods' dedication to environmental stewardship. Virginia has benefited from the company's commitment to continual improvement of its environmental performance. John Paul Woodley, Jr. Secretary of Natural Resources Commonwealth of Virginia	Smithfield Foods' positive approach to environmental programs is fostering a solid partnership with the Commonwealth. We look forward to more of the strong initiative and accountability the company is demonstrating in the development of environmental management systems throughout its operations. Dennis H. Treacy Director Department of Environmental Quality Commonwealth of Virginia
SMITHFIELD FOODS EMPLOYEE ACCOUNTABILITY POLICY	Our employees' job performance is important to us, and is evaluated not only on business results achieved, but also on whether our employees, and particularly our management team, operate within our expectations for environmental performance and consistent with our environmental policy. We hold all of our employees to a high standard of conduct and accountability for environmental performance, and these principles are taken into account in review of salaries, bonuses, and the consideration of promotions. To that end, the following principles should be taken into account by management when communicating our expectations of all employees within the Smithfield Foods family of companies: 1. The Smithfield Environmental Policy should be displayed in each of our facilities, and the importance of adherence to its principles should be stressed;	2. An emphasis should be placed on the prompt reporting of problems and deficiencies as well as of potential problems; 3. The importance of taking the initiative to correct problems/deficiencies or getting help when this is beyond the facility's or the employee's capabilities should be clearly communicated; 4. The importance of commitments to internal programs such as the Environmental Management System (EMS) or the Environmental Compliance Assistance Program (ECAP) should be stressed. These programs are essential to our continuing improvement in environmental performance; 5. The Smithfield Environmental Excellence Awards should be explained to employees, and innovative projects to enhance environmental performance should be encouraged; and 6. When questions arise regarding environmental compliance or specific Smithfield Foods' environmental policies or procedures, questions should be encouraged, and help should be sought to bring any such questions to an appropriate resolution.
SMITHFIELD FOODS ENVIRONMENTAL POLICY STATEMENT	It is the corporate policy of Smithfield Foods, Inc., and its subsidiaries to conduct business in an ethical manner consistent with continual improvement in regard to protecting human health and the environment. The following management principles are adopted to ensure this policy is endorsed and implemented throughout our organization: 1. Maintaining an effective organizational and accountability structure for environmental performance; 2. Establishing policies and practices for conducting operations in compliance with environmental laws, regulations, and other organizational policies; 3. Training and motivating facility operators to conduct all activities in an environmentally responsible manner; 4. Assessing the environmental impacts of changes in operations;	5. Encouraging the operation of facilities with diligent consideration to pollution prevention and the sustainable use/reuse of energy and materials; 6. Encouraging prompt reporting of any environmentally detrimental incidents to regulators and management; 7. Providing facility operators with information relating to specific local or regional conditions, current and/or proposed environmental regulations, technologies, and stakeholder expectations; 8. Providing for environmental performance goals, assessing performance, conducting audits, and sharing appropriate performance information throughout our organization; 9. Promoting the adoption of these principles by suppliers, consultants, and others acting on behalf of the company; and 10. Documenting development, implementation, and compliance efforts associated with these principles.

DESIGN & WRITING: RKCI (ROBINSON KURTIN COMMUNICATIONS) PHOTOGRAPHY: BURK UZZLE