



# Smithfield

Corporate Social Responsibility Report 2005

## SCOPE OF REPORT

In support of Smithfield Foods, Inc.'s\* aspiration to become the most trusted leader in the livestock production and meat processing industries, the company has expanded its focus in this year's report to the broader commitment of corporate social responsibility. In addition to performance information related to the environment, animal welfare, employee safety and community involvement, the company will report on employee policies and programs, food safety and international social responsibility to give stakeholders a more comprehensive view of corporate social responsibility as it relates to the company's businesses.

For our 2005 corporate social responsibility report, we engaged stakeholders, including Business for Social Responsibility, Environmental Defense, the Nathan Cummings Foundation and the Chesapeake Bay Foundation, and consulted informational surveys from performance rating firms and academic institutions to help us determine our report's focus and communication objectives. We also consulted the Global Reporting Initiative's 2002 Sustainability Reporting Guidelines to assist in credibly communicating our information. The following provides the scope of the Smithfield Foods, Inc., 2005 Corporate Social Responsibility Report.

With the exception of the "About Smithfield Foods" and "International Social Responsibility Performance" sections, the information within our report pertains to Smithfield Foods' U.S. hog production and pork and beef processing segments, which represent approximately 91 percent of our total fiscal 2005 sales. This information is based on calendar year 2005, except as follows:

- Environmental metrics for Smithfield Foods' first and further\*\* processing facilities are based on fiscal year 2005 (May 3, 2004 to May 1, 2005), as are the metrics for Murphy-Brown LLC farms, our hog production subsidiary.
- Environmental data related to our regulatory reporting obligations—U.S. Toxics Release Inventory and our air emissions metrics—are based on calendar year 2004, the most recent reporting year.

The "International Social Responsibility Performance" section is dedicated to select social responsibility-related performance information for our international operations, the scope of which is clearly indicated within.

We have provided selected information about our contract farmers in our "Animal Welfare" section, as well as our "Enhancing Profitability Through Socially Responsible Business Conduct" and "Environmental Stewardship" sections. From ongoing discussions with certain advocacy groups, Smithfield Foods is aware that some of our stakeholders would like us to measure and publish contract farmers' environmental performance in our report. We do not publicly report the environmental performance of contract farmers because these farmers operate independent businesses. However, all Smithfield Foods contract farmers must comply fully with all federal and state environmental laws applicable to their operations. As with company-owned farms, contract farmers are closely monitored by governmental regulatory agencies. We are committed to sharing best practices with our contract farmers. To this end, in 2004, we partnered with the North Carolina Division of Pollution Prevention and Environmental Assistance to develop and make available to all farmers, free of charge, guidance on the development of environmental management systems.

**CORRECTION:** In our 2004 stewardship report, Smithfield Foods' environmental regulatory data (U.S. Toxics Release Inventory and air emissions metrics) were incorrectly published as representing calendar years 2002 through 2004. These data actually represented calendar years 2001 through 2003. We apologize for any confusion this may have caused.

\* *Smithfield Foods, Inc., is a holding company for a number of subsidiaries. Throughout the report, Smithfield Foods may be referred to as Smithfield and should not be confused with Smithfield Packing, which is a subsidiary.*

\*\* *First processing facilities primarily provide products to other facilities for further processing, as well as case-ready items that usually require cooking or further preparation. Further processing facilities receive raw meat products from first processing facilities and produce convenient-to-prepare products, such as precooked hams, for consumers.*

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**COVER PHOTO:**

*The American green tree frog is a native of the southern United States and a common sight on Murphy-Brown farms throughout North Carolina and Virginia.*

## EXECUTIVE MESSAGE

Dear Smithfield Foods Stakeholder:

You will notice that we have broadened this year's report beyond the environmental, animal welfare and safety focus of past reports. That focus, however, has served us very well. Combined with Smithfield Foods' action-oriented approach to improvement, many of Smithfield Foods' programs in these areas are viewed as exemplary. In 2005, for example, the U.S. Environmental Protection Agency formally recognized our company-wide commitment to ISO 14001-certified environmental management system implementation as a model for the industry. Certain leading animal welfare experts have similarly praised Murphy-Brown's Animal Welfare Management System.

*As we aggressively grow our business in the United States, Europe and elsewhere, we believe that the continuous improvement and communication of our social responsibility-related programs will help us build good relationships with communities, governments and other important stakeholders.*

Our goal now is to roll up our sleeves and expand Smithfield Foods' focus to the broader commitment of social responsibility, which supports our aspiration to become the most trusted leader in the livestock production and meat processing industries. As we aggressively grow our business in the United States, Europe and elsewhere, we believe that the continuous improvement and communication of our social responsibility-related programs will help us build good relationships with communities, governments and other important stakeholders.

This commitment enables us to stay the course with our heavily emphasized priorities of environmental stewardship, animal welfare and worker safety. It also responds to general industry issues reported in the media and stakeholder inquiries about other important nonfinancial aspects of our business, such as employee and food safety programs, community involvement and international performance. This report will lay the groundwork for reporting on these additional aspects, and serve as an internal tool to help define, evolve and improve upon performance.

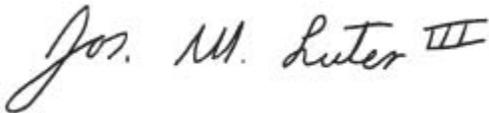
During the reporting period, we not only reported record profits for fiscal 2005, we also made considerable progress in traditional performance reporting areas, as well as those that are new to this year's report:

- In support of Hurricane Katrina disaster relief efforts, company subsidiaries donated more than 200,000 pounds of meat products, and employees personally contributed \$53,000.
- Smithfield Foods Romania donated more than \$100,000 to provide critically needed food and supplies and to help rebuild employees' homes in the wake of devastating floods in Romania.
- Smithfield Foods' Corporate Risk Management Department rolled out the Safety Culture Elements self-assessment tool to strengthen our facilities' foundational safety cultures.
- Our 2005 Environmental Excellence Awards attracted 70 project submissions, with a projected annual cost savings of more than \$5 million.
- For environmental stewardship performance, Smithfield Foods received Governor's Environmental Excellence Awards from both Wisconsin and Virginia.
- The Smithfield-Luter Foundation gave \$5 million to Christopher Newport University in Newport News, Virginia—the largest gift in the university's history.

- Compass Group North America consulted with Smithfield Foods and the U.S.-based nonprofit Environmental Defense to develop a first-of-its-kind purchasing policy related to the use of antibiotics in pork production.
- Our Polish farms' environmental management systems achieved ISO 14001 certification.

As this report illustrates, Smithfield Foods' commitment to social responsibility supports our commitment to long-term growth and profitability. In considering ways to improve performance, we think about how we might reduce risk, create new revenue streams and generate bottom-line savings—especially as we drive technology innovation. This perspective ensures we never lose sight of important competitive considerations while improving the nonfinancial aspects of our business. Our vision is to support innovation in alternative technologies and public policy that create future revenue streams for our byproducts and achieve superior environmental performance.

We look forward to delivering long-term value from these expanded performance commitments.



Joseph W. Luter, III  
Chairman and Chief Executive Officer



C. Larry Pope  
President and Chief Operating Officer

## SENIOR MANAGEMENT MESSAGE

Dear Smithfield Foods Stakeholder:

Since 2000, our continuous improvement focus has created considerable value for our company, including the \$5 million in cost savings associated with 2005 environmental performance improvements. It has also set a solid foundation for moving forward. As this report illustrates, we're now ready to turn our attention to defining a broader social responsibility commitment.

The desire to expand our commitment supports our overall goal of becoming the world's most trusted leader in the livestock production and meat processing industries. To make this happen, we recognize that we must tackle challenges head on. We must also keep our eye on the basics and continue living our principles of accountability, transparency and sustainability. This includes never losing sight of the foundational goals set forth in our earlier reports:

- Strive for 100 percent regulatory compliance, 100 percent of the time.
- Move far beyond compliance in environmental, animal welfare and employee safety responsibilities.
- Reduce the overall impact of our operations on the environment.
- Reduce the frequency and severity of injuries to employees.
- Enhance communications and transparency with external stakeholders.
- Increase emphasis on international subsidiaries' operational performance and reporting.

We must also ensure that our continuous improvement philosophy gets applied to other key nonfinancial aspects of our business. Our strategy for getting there includes continuing to foster a decentralized culture of operational excellence, as well as improving our ability to centralize company-wide knowledge and information. Within this culture, employees are empowered and strongly encouraged to use their skills and experience to find better ways of doing business. In key areas, we have put systems in place to promote continuous improvement. We are realizing that these system-based approaches provide an excellent template for improving other performance areas as well.

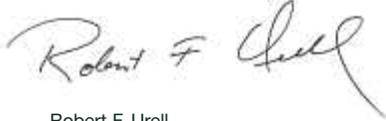
*Training and communications will continue to rank among our most powerful strategies for creating the industry-leading company for which we want to be recognized.*

We will continue to conduct and track research in new technology that makes good business sense and furthers understanding within and outside our business on key issues. Being the first to foray into a number of areas, we are now able to speak with authenticity to both the challenges and opportunities.

Training and communications will continue to rank among our most powerful strategies for creating the industry-leading company for which we want to be recognized. Through internal training and communications programs, we plan to keep rewarding performance and sharing progress. Through external communications efforts, we will continue to engage with stakeholders, seek to understand concerns and needs, state our positions on issues clearly and share what we're learning along the way.

Our strategy also directs Smithfield's efforts outward to the communities where we operate. Historically our facilities and employees have contributed to community well-being in many ways, from volunteering to providing much-needed funding and product donations. This will never change. As a company, however, we are taking steps to formalize efforts in key areas, such as hunger relief and education. We believe that a more coordinated approach will help us enhance our ability to make positive differences.

At Smithfield Foods, we believe in getting the job done. Our report will show that this action-oriented approach continues to work well for our company and deliver impressive results.



Robert F. Urell  
Senior Vice President, Corporate Engineering and Environmental Affairs



Dennis H. Treacy  
Vice President, Environmental and Corporate Affairs





# 1

## Smithfield-Luter Foundation Puts Focus on Education

Students returning to the Christopher Newport University (CNU) School of Business this past fall found a new name on the door when they arrived. The 25-year-old institution has been re-christened the Joseph W. Luter, III School of Business as part of a \$4 million endowment gift from the Smithfield-Luter Foundation. This donation is the single-largest in the history of CNU, located in Newport News, Virginia, 20 miles from Smithfield Foods' corporate headquarters. An additional \$1 million gift from the foundation will help fund the university's leadership scholarship program, which awards 50 scholarships annually. Recipients will receive \$10,000 over four years as well as an extra \$2,000 to encourage participation in study abroad programs.

The CNU contributions are just the latest in the field of education made by Smithfield's philanthropic arm since its founding in 2002. The Smithfield-Luter Foundation also provides scholarships at the following four universities: Wake Forest, Iowa State, Virginia Tech and Johnson & Wales. To qualify, students must be dependent children or grandchildren of employees of the Smithfield family of companies. More than 20 scholarships exceeding a total of \$300,000 have been awarded to date.

Scholarship applicants at all four universities may pursue any course of study they choose; however, Wake Forest, Iowa State and Virginia Tech must give preference to students studying animal husbandry or environmental preservation. The Johnson & Wales scholarship has no similar provision, as many applicants are likely to attend its highly respected College of Culinary Arts.

*Please turn to pages 57 and 61 to learn more.*

**ABOUT THIS PHOTO** *Senior Lanea Naber (left) and junior Quoc Anh Nguyen Luu are among nine Iowa State students who have received Smithfield-Luter Foundation scholarships. Naber, whose mother works for Murphy-Brown's Pork Plus subsidiary in Primghar, Iowa, is pursuing a bachelor of science degree in biology. Luu is earning a bachelor of science degree in chemistry. His father is employed by John Morrell & Co. in Sioux City, Iowa.*



# 2

## For Murphy-Brown, No Milling About Environmentally

Murphy-Brown broke new ground when it first began environmental management system (EMS) implementation on its farms back in 2000. A year later, Smithfield's hog production subsidiary became the world's first livestock operation to achieve ISO 14001 certification for many of its farms. With all U.S. company-owned farms now enjoying this distinction, the world's largest hog producer hasn't rested on its laurels.

In 2005, Murphy-Brown achieved ISO 14001 certification for its 11 U.S. feed mills—from North Carolina to Utah—as well as its fleet and other support operations. An environmental gold standard, ISO 14001 signifies that a company's EMS has been audited independently to ensure its effectiveness, ongoing viability and conformance to the rigorous standards of the Geneva-based International Organization for Standardization.

The new EMS works to ensure that any environmental challenges are addressed quickly and efficiently. For example, employees clean up any spills promptly so that grain, feed or other materials are not washed into nearby streams during storms. Filtering systems address the inevitable dust generated by corn, soybean meal and other ingredients, and workers are trained to monitor their efficacy regularly. Moreover, EMS development involved formalizing existing environmental procedures and improving documentation.

For Murphy-Brown's fleet certification, some 500 drivers underwent classroom instruction on the environmental responsibilities fundamental to their work. Ongoing education remains a key part of their training.

*Please turn to page 31 to learn more.*

**ABOUT THIS PHOTO** *In Algona, Iowa, Murphy-Brown Mill Superintendent Craig Christensen examines the network of steel spouts through which corn, soybean meal and other ingredients are transported. In the background, Operator Dave Schoby checks a bin level indicator. Murphy-Brown's Algona mill produces 12,000 tons of feed weekly, serving approximately 250 farms in a 160-mile radius.*







# 3

## Partnering to Protect the Northern Bobwhite Quail

On two dozen Murphy-Brown farms in North Carolina, more than 60 acres usually devoted to raising crops currently host swaths of goldenrod, wild blackberry shrubs, foxtail and other forms of early successional vegetation. That could mean good news for the native northern bobwhite quail. This species, whose population has fallen by 45 to 60 percent over the past 30 years, tends to thrive in such surroundings. By allowing some of its acreage to be converted in this manner, Smithfield's hog production subsidiary is aiding a variety of organizations in their quest to stem the decline of quail as well as several species of early succession songbirds.

On much of the property set aside by Murphy-Brown, Jason Riddle, a Ph.D. candidate in forestry and environmental resources at North Carolina State University (NCSU), is studying the shape of field borders, or buffers. His research should help determine whether specific buffer configurations—as well as certain landscapes—make for more effective quail and songbird habitats. Riddle has spent the past two years gathering baseline and early-treatment data. With the early successional vegetation now entering its peak period, he will monitor nesting grounds for progress throughout 2006.

In another initiative including a large Murphy-Brown tract in Ammon, the North Carolina Wildlife Resources Commission will establish field buffers as part of its Cooperative Upland-habitat Restoration and Enhancement (CURE) program. NC Wildlife hopes to demonstrate the value of such buffers in promoting quail habitats and water quality. If successful, its work on Murphy-Brown land could serve as a model for other hog farms in the state.

*Please turn to page 34 to learn more.*

**ABOUT THIS PHOTO** *During a crisp autumn morning on this Murphy-Brown finishing farm, NCSU graduate student Jason Riddle evaluates bobwhite quail habitat amidst a field of goldenrod. In the background, Murphy-Brown Technical Specialist Dawn Williamson does some investigating of her own.*





# 4

## At Tar Heel Facility, Health Care Is Just a Stroll Away

The days of doctor house calls may now be a distant memory, but the Smithfield Packing Company's processing plant in Tar Heel, North Carolina, may have come up with the next best thing. Ailing employees merely have to walk across the street for treatment at the Smithfield Family Medical Center and Pharmacy. For a modest \$10 copayment, the family medical center offers primary and emergency care for employees who participate in the company's health plan as well as for their families. Moreover, it provides workers with a full complement of occupational health services.

Smithfield funded and constructed the 11,000-square-foot facility, which opened in 2003. It is operated by CHD Meridian Healthcare, one of the nation's largest providers of employer-sponsored medical centers. Two full-time physicians as well as a physician's assistant and clinical services manager are among the professionals who staff the family medical center six days a week. Given the Tar Heel plant's large number of Hispanic workers, many of the medical center employees speak Spanish fluently. The facility houses a full-service lab as well. With two pharmacists and three pharmacy technicians on site, patients enjoy the convenience of obtaining most needed medications on the spot. The pharmacy also provides cost-effective mail order services for maintenance prescriptions.

Since opening its doors, the medical center has tended to more than 4,000 patients seeking treatment, a vaccination or just the annual school physical. Its professionals also routinely screen patients for potential problems such as diabetes and heart disease and help high-risk individuals establish an appropriate regimen.

*Please turn to page 62 to learn more.*

**ABOUT THIS PHOTO** *From sore throats and ear infections to the proverbial skinned knee, the Smithfield Family Medical Center and Pharmacy treats a broad range of common childhood maladies. This daughter of a Smithfield employee, being examined by Dr. Dwight Hedgepeth, is one of more than 500 pediatric patients who have visited the facility for primary care since 2003.*



# 5

## Sampling the Waters, From Smithfield to Starachowice

In October 2005, science classes, scout troops and other organizations in communities where Smithfield Foods operates eagerly headed to more than 60 rivers, lakes and streams. Recreation wasn't at the top of anyone's agenda, though. Instead, these volunteers came armed with kits to collect and test water samples as part of the third annual World Water Monitoring Day (WWMD).

Established by America's Clean Water Foundation, WWMD has attempted to focus worldwide attention on water as one of our most valuable natural resources. Smithfield Foods has been a sponsor since this initiative's inception in 2003, providing financial support and encouraging employee participation as well. By visiting [www.worldwatermonitoringday.org](http://www.worldwatermonitoringday.org), individuals and groups around the world can order low-cost testing kits that measure four key indicators of water quality: dissolved oxygen, temperature, clarity and pH. After visiting their local waterways, participants return to the Web site to register their locations and enter data. Annual results are made available to the public soon after and should ultimately make it easier to measure changes in water quality over time.

From the Pagan River running through Smithfield, Virginia, to Romania's Bega River, Smithfield Foods employees at 23 facilities in the United States and Europe joined in the latest round of testing and helped recruit volunteers. Overall, WWMD 2005 attracted approximately 25,000 participants from 45 countries, and they posted results from more than 5,300 locations. New additions included Argentina, Bangladesh, Belgium, Chile, Colombia, Malaysia, Moldova and Norway, to name just a few.

*Please turn to page 59 to learn more.*

**ABOUT THIS PHOTO** *Along the shores of Poland's Kamienna River, students from Starachowice Vocational School brave the cold for water testing as part of World Water Monitoring Day 2005. Smithfield's Animex subsidiary helped organize the testing activities in Starachowice and in seven other Polish cities where Animex operates meat processing facilities.*





# 6

## Helping Put a Healthy Meal on Children's Plates

America's Second Harvest, the largest hunger-relief charity in the United States, helps feed 9.3 million children annually. Thanks to Smithfield Foods, a broad range of fresh and processed meats often appear on the menu. In 2005, subsidiaries Smithfield Packing Company, John Morrell & Co., Farmland Foods, North Side Foods and Cumberland Gap combined to donate more than 2.5 million pounds of products to the vast network of food banks represented by the Chicago-based nonprofit organization.

Smithfield subsidiaries have long contributed products to local food banks to help children and adults in need. During the past year, though, Smithfield Foods designated America's Second Harvest to coordinate and streamline the process on a company-wide basis. As a result, subsidiary managers around the country now call one central telephone number, and America's Second Harvest polls its network to identify the area food bank with the most immediate need. In the aftermath of Hurricane Katrina, this relationship helped Smithfield subsidiaries quickly do their part to provide truckloads of food, ice and bottled water to victims in Louisiana.

A substantial portion of Smithfield donations ends up on children's plates in some of the nearly 1,600 Kids Cafes nationwide. Through this program, food banks provide meals and snacks to low-income children in community locations such as Boys & Girls Clubs, churches and public schools. In fact, Smithfield Packing pledged 84,000 pounds of food for the current school year and summer 2006 directly to Kids Cafes sponsored by two Virginia food banks.

*Please turn to page 58 to learn more.*

### ABOUT THIS PHOTO

*This boy is one of 75 children who enjoy a hot meal five days a week in the Kids Cafe at the Boys & Girls Clubs of Southeast Virginia—Chesapeake Unit. Supported in part by food donations from Smithfield Packing, the Foodbank of Southeastern Virginia sponsors this Kids Cafe and nearly 30 others. The Foodbank of the Virginia Peninsula, another Smithfield Packing beneficiary, sponsors 23 Kids Cafes.*





# 7

## Lighting the Way to Reduced Water Consumption

John Morrell & Co.'s flagship plant in Sioux Falls, South Dakota, produces an average of 875,000 pounds of fresh pork every week. Although it requires a lot of water, these days the plant is able to quench its thirst with far less than it needed in the past. Thanks to a variety of initiatives launched in 2005, the plant is on track to reduce annual consumption by more than 84 million gallons.

Ultraviolet light actually plays a lead role in one of these efforts. To enhance the flavor of certain products and extend their freshness, John Morrell routinely treats them with a brine pickling solution. Until recently, it had been necessary to replace this solution every two hours to avoid microbial buildup. However, a team at the plant had been following the development of ultraviolet disinfecting technology and had deemed it suitable for an operation of John Morrell's scale. They installed ultraviolet chambers into the plant's two production lines so that the pickling solution would always pass through the chambers prior to entering the injector systems. As a result, daily replacement of the solution has declined from 16 times to just four, lowering annual water consumption by more than 300,000 gallons. Just as important, other Smithfield plants are evaluating this technology for their own use.

The Sioux Falls plant's water-reduction achievements don't end there. In fact, its single-largest savings can be traced to the installation of two plant-wide pressure-reducing valves. The valves are expected to lower the demand placed on the City of Sioux Falls' water treatment facility by a staggering 73 million gallons annually.

*Please turn to page 46 to learn more.*

**ABOUT THIS PHOTO** *Tim Donovan (left) and Steve Pederson are part of the team that leads John Morrell's water-reduction initiatives. Perched atop a Sioux Quartzite formation in Falls Park, the two enjoy a close-up view of the Big Sioux River downstream of the falls. The park is situated just southwest of the John Morrell plant and is today among the area's popular recreation spots.*





## Good Nutrition a Key Ingredient in Animal Well-Being

Whenever a truckload of, say, corn or soybean meal arrives at one of Murphy-Brown's 11 U.S. feed mills, one important hurdle remains before these ingredients head for the grinder. Each of the Smithfield subsidiary's mills immediately sends samples to a nearby lab to undergo a battery of tests. In the case of corn, the lab will, among other things, assess its purity and determine its protein content. As this percentage can vary widely, such information ensures that a Murphy-Brown nutritionist can add more or less soybean meal to a mill's formulations and meet a hog's precise protein needs.

Along with a focus on areas such as biosecurity and temperature control, nutrition plays a critical role in Murphy-Brown's efforts at improving animal health and well-being. Indeed, after being weaned the typical hog receives eight different diets to keep pace with its rapidly changing needs. On Murphy-Brown's U.S. farms, varying combinations of corn and soybean meal usually account for more than 90 percent of the diet. As neither contains large enough quantities of calcium, zinc and other critical vitamins and minerals, company nutritionists add the equivalent of a carefully tailored multivitamin to the feed. Judicious use of feed-grade antibiotics helps prevent and treat illness.

Through ongoing research, Murphy-Brown continues to make nutritional advances that can improve the health of its animals. For example, the adoption of acidifiers such as citric acid has helped minimize the potential for certain harmful bacteria to form in a pig's intestines. Moreover, the company's large scale makes it possible to efficiently formulate diets by gender. Diets for female pigs are typically richer in protein to meet their greater requirements.

*Please turn to pages 51 and 78 to learn more.*

**ABOUT THIS PHOTO** *On Murphy-Brown farms in the United States, corn is the primary source of energy in a hog's diet. This native American grain composes 50 to 80 percent of a hog's feed formulation, depending on the animal's stage of growth. In Europe, popular corn alternatives include wheat, barley and triticale.*



# 9

## Funding Restoration in the White Oak River Basin

If the North Carolina Coastal Federation (NCCF) has its way, once-productive oyster fisheries in the state's White Oak River Basin could be on the verge of making a comeback. Other bivalves, along with fish, crustaceans and shore birds, may also soon find this ecosystem just north of Cape Lookout more hospitable. In 2005, NCCF received \$310,000 as part of the \$2 million provided annually by Smithfield Foods for the state's environmental enhancement grant process. One of five grant recipients, NCCF is applying these funds toward its ambitious \$1.6 million North River Farms wetlands restoration project.

On this 6,000-acre farm, created in the late 1970s by draining wetlands, NCCF is currently restoring 111 acres in a project that will be completed in 2006. Crop fields will give way to 23 acres of freshwater wetlands, 35 acres of tidal salt marsh and 53 acres of forested wetland containing some 27,000 trees. Volunteers will be planting a dozen species, with Bald Cypress, Water Tupelo and Atlantic White Cedar among them. A natural filter, the wetlands should improve the water quality of the North River just downstream of the project and provide a boon to the local fishing economy. Ultimately, NCCF hopes to restore the entire farm.

Among the other grant recipients, the North Carolina Foundation for Soil and Water Conservation received \$500,000 to continue its work in closing inactive lagoons on animal operations. Ducks Unlimited received \$400,000 for its Sound CARE initiative, which is protecting, restoring and enhancing 22,000 acres of wetland habitat. The Eno River Association was awarded \$33,900 to help protect drinking water and endangered species habitat through land conservation. The money will be used to restore and actively manage tracts of land along the Eno River and Penny's Bend Nature Preserve.

**ABOUT THIS PHOTO** *The heavy lifting has begun on the North River Farms wetlands restoration project. NCCF has been busy lowering the elevation of fields, filling in ditches and digging a channel for the 8,000 feet of stream that will run through the property. By the end of 2005, bulldozers had moved some 30,000 cubic yards of soil.*





# 10

## Focus on Prevention Underscores Food Safety Efforts

Visit many Smithfield Foods processed meats facilities, and the procedures employees follow may remind you more than anything else of doctors prepping for surgery. Before entering “clean rooms” where they cook and package an assortment of hams, sausages or precooked bacon, workers thoroughly scrub and sanitize their hands. They also don rubber boots as well as one-time-use frocks, hats and face masks. After passing through a boot scrubber, they walk through a sea of foam that contains an additional sanitizer.

Such efforts help prevent the spread of pathogens and underscore Smithfield’s rigorous approach to food safety. Along with de rigueur procedures such as environmental and product sampling, every subsidiary looks for ways of taking food safety beyond the industry standard. Prevention lies at the core of virtually every effort. For example, the Smithfield Beef Group (SBG) begins its work on the feedlots that supply its cattle. A microbiological monitoring system examines hides for *E. coli* O157:H7, salmonella and other pathogens that can cause food-borne illness. Each supplier then receives a report showing how it stacks up against its peers. Those whose scores do not improve run the risk of losing SBG’s business.

Smithfield Packing and John Morrell & Co. are currently building facilities that take the “clean room” approach one step further. Employees will actually have to pass through this room and change again before entering one of a dozen or so “ultra-clean rooms” dedicated to slicing and packaging. These smaller spaces, with fewer people working in each, will feature dedicated air filtration systems and provide an additional level of protection.

*Please turn to page 55 to learn more.*

**ABOUT THIS PHOTO** *In Green Bay, Wisconsin, microbiologists at Food Safety Net Services provide the Smithfield Beef Group’s flagship processing facility with comprehensive testing of all food and environmental samples. Located 1.5 miles from the SBG plant, this lab is one of several in the company’s ISO/IEC 17025-accredited network.*



## ABOUT SMITHFIELD FOODS

### A DIVERSIFIED FOOD PRODUCTION AND MARKETING COMPANY

Based in Smithfield, Virginia, United States, Smithfield Foods, Inc., is a global company and the world's largest hog producer and pork processor. The company also produces and processes other meat products. Our sales for fiscal year 2005 reached \$11 billion compared with \$9 billion in fiscal year 2004. For the third consecutive year, Smithfield Foods made *Fortune's* annual list of America's Most Admired Companies. For the second consecutive year, we were named to the *Forbes* list of Platinum 400 Best Companies in America.

The majority of our 51,290 employees and operations are located in the United States. We also have operations in the United Kingdom, France, Romania and Poland, as well as joint ventures in Brazil, China, Romania and Mexico. (Please refer to the "International Social Responsibility Performance" section for a profile of our international operations.) Our products are marketed globally.

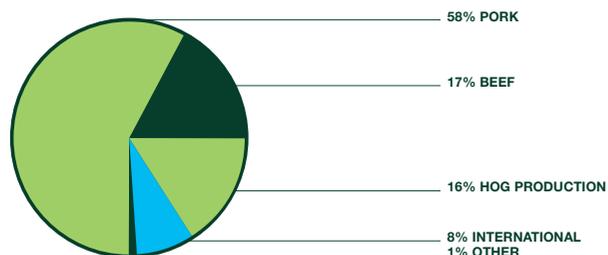
In fiscal year 2005, Murphy-Brown, our hog production subsidiary, produced hogs on approximately 565 company-owned farms, 496 of which are located in the United States, as well as approximately 1,950 contract farms worldwide, roughly 1,700 of which are located in the United States. Our U.S. operations and contract farmers produced 14.7 million hogs, representing approximately 14 percent of the U.S. market. Smithfield Foods' U.S. operations processed 27.3 million hogs last year, representing 27 percent of the U.S. market.

In our U.S. operations, Smithfield Foods processed 2 million cattle for beef and processed meats products, which represented 6 percent of the U.S. market. That made Smithfield Foods the fifth-largest beef processor in the United States. In May 2005, our company formed a joint venture that has a combined total of 10 feedlots in Colorado, Idaho, Kansas, Oklahoma and Texas, with a one-time total feeding capacity of 811,000 head.

### STRUCTURE OF OUR MAIN BUSINESSES

We conduct our business through six reporting segments: Pork, Beef, Hog Production, International, Other and Corporate. Our Pork, Beef, Hog Production, International and Other segments each comprise a number of subsidiaries.

### BREAKDOWN OF SALES BY BUSINESS SEGMENT



## SMITHFIELD'S GLOBAL PRESENCE AT A GLANCE

With sales exceeding \$11 billion in fiscal year 2005, Smithfield Foods is the world's largest hog producer and a leading provider of fresh and processed meats. The majority of our operations are based in the United States, with Smithfield Packing Company, John Morrell & Co., Farmland Foods, Smithfield Beef Group and Murphy-Brown among them. Through subsidiaries, joint ventures and ownership stakes, our presence extends to eight additional countries.



- Arizona
- California
- Colorado
- Florida
- Georgia
- Illinois
- Iowa
- Kansas
- Kentucky
- Maryland
- Massachusetts
- Michigan
- Nebraska
- North Carolina
- Ohio
- Oklahoma
- Pennsylvania
- South Carolina
- South Dakota
- Texas
- Utah
- Virginia
- Wisconsin

+ Smithfield's presence in Brazil, China and Mexico is through 50 percent ownership in joint ventures.

+ Smithfield has a 22 percent stake in a company in Spain.



## **U.S. HOG PRODUCTION GROUP, AND PORK AND BEEF SEGMENTS**

### ***The Hog Production Group (Murphy-Brown LLC)***

Murphy-Brown owns and operates hog farms in the following U.S. states: Colorado, Illinois, North Carolina, Oklahoma, South Carolina, Texas, Utah and Virginia. (Contract production exists in a few other states as well.)

### ***Pork and Beef Segments***

Companies in Smithfield Foods' Pork and Beef processing segments process hogs and cattle into pork and beef. Other facilities further process pork and beef into meat products, such as ham, bacon, hot dogs, sausages and salami.

Smithfield Foods' U.S. fresh pork processing plants are located in Illinois, Iowa, Nebraska, North Carolina, South Dakota and Virginia. Beef processing plants are located in Arizona, Michigan, Pennsylvania and Wisconsin. Facilities that process meats can be found in California, Florida, Georgia, Illinois, Iowa, Kansas, Kentucky, Maryland, Massachusetts, New Jersey, North Carolina, Ohio, Pennsylvania, Texas, Utah, Virginia and Wisconsin.

The following is a list of Smithfield Foods' major North American operating subsidiaries:

Cumberland Gap Provision

Farmland Foods, Inc.

John Morrell & Co.

Murphy-Brown LLC

North Side Foods

Patrick Cudahy

Quik-to-Fix

Smithfield Beef Group

Smithfield Packing Company

Smithfield RMH Foods Group

Stefano Foods

We market our processed meats products under various brand names including Carando, Dinner Bell, Ember Farms, Esskay, Farmland, Great, Gwaltney, John Morrell, Kretschmar, Lykes, Patrick Cudahy, Patrick's Pride, Rath, Smithfield Premium and Valleydale.

## **SMITHFIELD FOODS' OTHER SEGMENT**

Smithfield Foods' "Other" segment comprises our turkey production operations, our interests in turkey processing operations and our alternative fuels subsidiary, Smithfield BioEnergy LLC. The turkey operations include hatcheries and production operations as well as a 49 percent interest in Carolina Turkeys, Inc.

Read Smithfield Foods' Form 10K and 2005 Annual Report on our Web site at [www.smithfieldfoods.com](http://www.smithfieldfoods.com) for a detailed description of acquisitions and divestitures over the past few years, Smithfield Foods' business segments and other corporate information.

## ENHANCING PROFITABILITY THROUGH SOCIALLY RESPONSIBLE BUSINESS CONDUCT

### SOCIAL RESPONSIBILITY AT SMITHFIELD FOODS

Contained within the broad concept of corporate conduct\* are Smithfield Foods' policies, organizations, management systems and programs for furthering our commitment to key aspects of social responsibility. This commitment includes our interaction with external stakeholders to share industry innovations, listen to concerns, explain corporate positions on key issues and pinpoint areas for improvement.

All levels of our company are responsible for acting in accordance with Smithfield Foods' Code of Business Conduct and Ethics, which establishes clear expectations for compliance with Smithfield Foods' policies and all applicable environmental, employee health and safety, labor, food safety and animal welfare laws.

Smithfield Foods' compliance officer chairs our company's Compliance Committee and ensures effective implementation of the Code and compliance programs. Our compliance officer also reports at least annually to the board's Audit Committee, which periodically reviews compliance programs and procedures, monitors performance and approves major corporate decisions and policies.

Senior-level representatives from Human Resources, Environment, Safety, Legal and Finance make up Smithfield Foods' Sustainability Committee. Meeting periodically throughout the year, the Sustainability Committee helps our company identify key issues material to our business. During 2005, the committee explored a number of key human resource-related policies and issues and ways Smithfield Foods might make improvements company wide. The committee's primary goal is to continuously explore how Smithfield Foods might better balance financial, environmental and social performance aspects in our business decision-making processes and corporate policies.

Smithfield Foods continues to focus on formal and informal system-based approaches for effective performance management and accountability. We have learned that these approaches, as implemented in the areas of environmental performance and animal welfare, have proven invaluable for improving compliance and performance, and communicating credibly. They have also enabled efficient integration of social responsibility into our business processes and the expansion of nonfinancial performance reporting within our company. This, in turn, promotes understanding of how all levels of the company can deliver on our commitments and generate financial and nonfinancial value in ways previously unexplored.

In our decentralized organization, subsidiary and employee leadership has been the force behind the considerable progress we've witnessed in performance areas associated with the multifaceted concept of social responsibility. This leadership has enriched our culture of operational excellence. Our internal communications programs—including the annual Smithfield Foods Environmental Excellence and President's awards, and President's Safety awards—keep the innovation and lessons learned flowing throughout the company.

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\* Please visit our Web site at [www.smithfieldfoods.com](http://www.smithfieldfoods.com) to read Smithfield Foods' Governance Guidelines, Code of Business Conduct and Ethics, Articles of Incorporation, Bylaws and descriptions of board members. Smithfield Foods' 2005 Annual Report further explains our commitment to corporate responsibility, governance and fiscal responsibility, as well as our compliance with the requirements of the Sarbanes-Oxley legislation.

## COMMUNICATING WITH STAKEHOLDERS

Throughout 2005, Smithfield Foods representatives actively sought engagement opportunities with shareholders, customers, governmental agencies, nongovernmental organizations, industry groups, media representatives, community representatives and many others. We have provided a few examples below. Our annual reporting and distribution process continued to lend insight into areas where we need to refine policy or simply improve or communicate more effectively. Shareholder resolutions, questionnaires by nonprofits, academic institutions and investor research firms—and the hundreds of letters and e-mails we received from the public—also played an important role in this process.

Our commitment to disclosure continued to evolve in 2005. In March, the North Side Foods meat processing facility in Cumming, Georgia—which manufactures sausage products for customers such as McDonald's—was among six companies to partner with Ceres\* and the Tellus Institute to pilot the Facility Reporting Project. This multistakeholder effort aims to help individual U.S. facilities develop comparable, consistent and credible economic, environmental and social reports, which will be informed in part by the Global Reporting Initiative's Sustainability Reporting Guidelines. Facilities will develop key performance indicators in consultation with stakeholders. North Side's report is slated for a mid-2006 release. Visit [www.ceres.org/sustreporting/frp.php](http://www.ceres.org/sustreporting/frp.php) to learn more.

Smithfield Foods senior managers and other personnel promoted the concept of social responsibility through their widespread leadership positions and participation in industry and business organizations, including the American Meat Institute, national and state pork producers councils, the National Pork Board, the American Association of Veterinarians, the National Advisory Board for Safety and Technology and the Global Environmental Management Initiative. They also delivered presentations at national and international conferences, such as the 2005 Animal Agricultural Alliance Forum and the National Executive Management Conference, on various aspects of social responsibility in our industry. A full listing of the national, state and regional organizations to which we belong can be found in Appendix A.

Smithfield Foods and Murphy-Brown management representatives also began participating in the Animal Welfare Discovery Task Force. The National Pork Board spearheaded this effort, which includes representatives from major national restaurant chains, grocery chains, pork processor/packers and pork producers. The task force is working toward developing a unified position regarding a national swine animal welfare standard and auditing process to help ensure the well-being of hogs grown for food in the United States.

Increasingly, a number of larger customers look to Smithfield Foods for expertise related to social responsibility issues. On a routine basis, we now communicate with our larger customers on environmental and animal welfare issues.

These are just a few of our stakeholder engagement and communications efforts. Many more are highlighted throughout the report.

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\* Ceres is a national coalition of investors, environmental groups and other public interest organizations working with companies to address sustainability challenges such as global climate change.

## ENVIRONMENTAL STEWARDSHIP

### OUR BUSINESS IMPERATIVES: COMPLIANCE, ECO-EFFICIENCY AND INNOVATION

Within the United States, livestock production and meat industry growth face a number of challenges, including new or strengthened regulatory oversight. Additionally, stakeholders have expressed interest in learning more about what can be done to reduce the industry's impact on the environment. The steps we have taken since 2000 have enabled our company to rise to these challenges and respond credibly to these inquiries.

As Smithfield Foods' earlier reports have documented, we are determined to lead by example. Our goal is 100 percent compliance, 100 percent of the time. In addition to focusing on formalized management systems to go beyond compliance, our subsidiaries are empowered to invest in solutions that simultaneously improve the bottom line, operational efficiency and environmental quality. Smithfield Foods also continues to push for a broader recognition of the potential value of our byproducts and the development of economically feasible technologies that transform these into renewable energy resources.

### SMITHFIELD FOODS' ENVIRONMENTAL ORGANIZATION AND PROGRAM

Smithfield Foods' Environmental Policy Statement (see Appendix B) and Code of Business Conduct and Ethics guide our commitment to continuous environmental performance improvement. Our Environmental Policy is implemented through facility organizations and ISO 14001-certified environmental management systems (EMSs).

Environmental strategic direction, company-wide compliance and overall performance are overseen by the Corporate Environmental Affairs Group, which reports to Smithfield Foods' president and chief operating officer. As part of our compliance assurance strategy, the Environmental Compliance Committee meets quarterly to discuss environmental compliance responsibilities and Smithfield Foods' environmental program. This group of subsidiary environmental coordinators, other senior subsidiary representatives, and representatives from the Corporate Environmental Affairs Group and Legal Department are also responsible for bringing environmental performance issues to the attention of key executive decision makers and the board of directors.

The executive level reviews all serious environmental incidents. Smithfield Foods' Communication Protocol helps ensure that the Corporate Environmental Affairs Group is promptly notified of all environmental incidents or any situation requiring immediate reporting to regulatory agencies.

Central to our ability to explore state-of-the-art technology applications is the dedicated research unit housed within our Environmental Affairs Group. This unit explores environmentally responsible and economically feasible technologies that have the potential to further our policy goals.

Within each subsidiary, individual facility management has the primary responsibility for environmental performance decision making, regulatory compliance and compliance with corporate policies and standards. Our employees' job performance is evaluated not only on business results achieved but also on whether employees, and particularly management, operate within our expectations for environmental performance.

The system-wide ISO 14001 certification\* of EMSs at our production and processing facilities, save recent acquisitions, was an industry first. Smithfield Packing's transportation shops in Virginia and North Carolina also became ISO 14001 certified. In 2005, Murphy-Brown's support facilities achieved ISO 14001 certification. These facilities include feed manufacturing, transportation fleet, maintenance garages and sanitation facilities;

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\* To maintain ISO 14001 certification, an organization must have its EMS audited for conformance to the ISO standard at least annually by accredited third-party auditors. To help ensure EMS compliance and obtain maximum benefit from our EMSs, Smithfield Foods has elected to conduct external management system audits every six months, as well as double the number of facilities to be audited.

laboratories; and administrative offices. Our EMSs provide an objective basis for managing the environmental aspects and impacts of our business. Many of the EMSs implemented on Murphy-Brown farms have now matured, and many farms have informally extended the benefit of the system-based approach to the management of other operational aspects. These EMSs have shifted our thinking from a reactive to a more proactive approach, allowing us to make significant strides in key areas, such as energy efficiency and water conservation.

Our commitment to maintaining ISO 14001-certified EMSs gained us recognition from federal and state agencies and industry organizations in 2005. In May, the U.S. Environmental Protection Agency (EPA) formally recognized Smithfield Foods for EMS industry leadership. Also in May, the Virginia Department of Environmental Quality recognized eight Smithfield Foods facilities with the Virginia Environmental Excellence Program's Exemplary Environmental Enterprise (E3) status.\* The Virginia Governor's Excellence Awards Committee presented Smithfield Packing Company, Gwaltney of Portsmouth, Gwaltney of Smithfield and Smithfield Transportation with awards in September. We also achieved top-tier placement in the American Meat Institute's MAPS\*\* program, a four-tiered program that focuses on helping the meat and poultry industry develop environmental management systems.

For a more detailed overview of Smithfield Foods' commitment to ISO 14001-certified EMSs, please visit past stewardship reports on our Web site at [www.smithfieldfoods.com](http://www.smithfieldfoods.com).

#### TOTAL ISO 14001-CERTIFIED FARMS



ALL MEASUREMENTS ARE FOR CALENDAR YEARS.

#### TRAINING OUR PEOPLE

Fundamental to maintaining ISO 14001-certified EMSs in our production and processing operations is ongoing training. Smithfield Foods strives to keep the environmental information and innovation flowing freely through online newsletters, such as Smithfield Foods News ([www.smithfieldfoodsnews.com](http://www.smithfieldfoodsnews.com)), conferences and ongoing training opportunities.

In August 2005, more than 80 facility managers, engineers and environmental coordinators attended Smithfield Foods' fourth annual Environmental Training Conference in Atlanta, Georgia. The conference provided an excellent opportunity for employees to network and featured presentations by employees on a variety of environmental topics, including medical waste management and polychlorinated biphenyls (PCBs).

\* The Virginia Environmental Excellence Program promotes corporate use of EMSs as a means to achieve greater environmental quality and improved organizational performance. Exemplary Environmental Enterprise (E3) status is awarded to facilities that have developed and implemented a comprehensive EMS with a commitment to pollution prevention.

\*\* MAPS stands for Master, Achiever, Pioneer and Star, and refers to the four different levels of achievement that facilities can work toward in the American Meat Institute's MAPS program.



Ceres launched the Facility Reporting Project (FRP) in 2002 to help companies improve facility-specific reporting and performance on sustainability challenges, such as workplace conditions, energy usage or global climate change. Participants in the FRP pilot test are helping create a credible, comparable and consistent sustainability reporting standard that will drive corporate accountability and transparency at the local level where communities are most affected. North Side Foods' participation in the FRP presents an exciting opportunity for Smithfield Foods to improve its environmental management systems, stakeholder engagement and public disclosure efforts.

**Beth Ginsberg**

*Corporate Accountability Program Associate  
Ceres*





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As the largest conservation organization dedicated solely to saving the Chesapeake Bay, the Chesapeake Bay Foundation (CBF) is working hard to reduce pollution, improve fisheries, and protect and restore natural resources such as wetlands, forests and underwater grasses. We are pleased to be working with Smithfield Foods as partners in *Virginiaforever*, a coalition of environmental and business organizations seeking critical state funds to restore and protect Virginia's land and water resources. Additionally, CBF is promoting alternative nutrient-reduction technologies for farmers, and we have benefited from Smithfield's experience and research on alternative solutions. We have found Smithfield to be a cooperative partner in our water quality initiatives.

**Ann F. Jennings**

*Virginia Executive Director  
Chesapeake Bay Foundation*

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Our facilities spearhead training efforts aligned with their operational priorities. For example, in 2004 and continuing in 2005, Smithfield Packing's Kinston facility extensively augmented its annual training for employees, including top management, to include water conservation and pollution prevention training for work and home. These efforts earned Smithfield Packing a Smithfield Foods Environmental Excellence Award.

### COMPLIANCE

Compliance with environmental laws and all Smithfield Foods policies is the single-highest priority for our environmental program. Smithfield Foods' processing activities are subject to many environmental, health and safety laws and regulations addressing releases to air, discharges to water, disposal of hazardous and nonhazardous wastes, transportation of hazardous materials, management of chemical substances and emergency planning. Although each state has varying regulatory schemes for farms, all company farms operate under state or federal permits and must comply with those permit requirements.

### UPDATE ON ENVIRONMENTAL REGULATIONS

The U.S. Environmental Protection Agency (EPA) has been focusing on possible regulation of air emissions from concentrated animal feeding operations (CAFOs). The need for more research and better information on how to measure emissions has been targeted as a key regulatory hurdle. In early 2005, the EPA published an Air Emissions Agreement for comment in the Federal Register. The EPA later finalized the agreement and initiated a voluntary sign-up period for the agreement for livestock producers of all types throughout the country. A variety of livestock interests have elected to sign up for the agreement, including the company-owned farms of our hog production subsidiary, Murphy-Brown LLC. As of the end of 2005, the EPA was considering whether and how to proceed with finalizing and beginning to implement the Air Emissions Agreement with producers that have elected to participate.

In early 2003, the EPA promulgated new regulations under the Clean Water Act's National Pollutant Discharge Elimination System (NPDES) program related to the permitting of CAFOs. Both industry and environmental groups challenged the CAFO rules. In 2005, the U.S. Second Circuit Court of Appeals reached a decision on several important aspects of the rule. The court also remanded several technical issues to the EPA for its consideration, which is ongoing.

### NOVS AND FINES

Because Notices of Violation (NOVs) are used consistently in all states by state environmental agencies, Smithfield Foods provides NOV data in our report rather than Notice of Deficiency or Notice of Noncompliance data, which are not issued by all state agencies. We are pleased to report a reduction in our number of NOVs for this year. We continue to work to eliminate any alleged environmental violations, and corrective actions have been put in place to address the NOVs reported this year. It should be noted that in some cases the NOVs reported encompass one or more alleged exceedances of wastewater discharge permit limits, and in these cases the number of such exceedances is not separately reported.

#### NOTICES OF VIOLATION



ALL TOTALS ARE FOR CALENDAR YEARS.

#### FINES



ALL TOTALS ARE FOR CALENDAR YEARS.

## LITIGATION

On occasion, Smithfield Foods receives notices from regulatory authorities and others asserting that the company is not in compliance with certain environmental laws and regulations. In some instances, litigation ensues. A discussion of litigation matters can be found in Smithfield Foods' 2005 Annual Report, which is available on our Web site.

## PROMOTING BIODIVERSITY

In 2003, Murphy-Brown teamed up with the North Carolina Wildlife Resources Commission to make the company's 43,000 acres of state farmland available for conservation-related research and preservation, with special emphasis on enhancing quail habitat. In March 2005, Ducks Unlimited also joined forces with Murphy-Brown and the North Carolina Wildlife Resources Commission to assist in these efforts by helping preserve and manage wetlands for waterfowl on Murphy-Brown's farms in the state. Murphy-Brown also entered into a cooperative agreement with the Virginia Department of Game and Inland Fisheries in January 2004. Through this agreement, they work together to manage wildlife populations on Murphy-Brown's Virginia-based farms, enhance natural resource sustainability and provide opportunities for Virginians to enjoy outdoor recreational activities.

## MEASURING AND MANAGING FOR CONTINUOUS IMPROVEMENT: ENVIRONMENTAL METRICS

### SCOPE

Smithfield Foods' EMSs allow the company to collect performance metrics that go beyond the disclosure associated with regulatory requirements and permitting information. The regulatory reporting data we provide in this report, which include U.S. Toxics Release Inventory (TRI) and air emissions data, represent approximately 60 percent of our processing facilities and are based on calendar year 2004, the most recent reporting year.\* All other processing metrics cover 95 percent of Smithfield Foods' total usage for U.S. processing facilities and are based on fiscal year 2005. Not included in our processing metrics are facilities acquired in 2005 and some smaller further processing facilities representing less than 1 percent of the metrics totals. Except for our farm water metrics, farm metrics represent all of Murphy-Brown's U.S. farms. Our farm water metrics are for Murphy-Brown's East Coast farms only, which represent approximately 55 percent of Murphy-Brown's total U.S. farms. Farm metrics are based on fiscal year 2005.

Smithfield Foods' processing facility metrics are divided into "first" and "further" processing facilities. First processing facilities primarily provide products to other facilities for further processing, as well as case-ready items that usually require cooking or further preparation. Production is measured in "animal units," the primary input for these facilities. Further processing facilities receive raw meat products from first processing facilities and produce convenient-to-prepare products, such as precooked hams, for consumers. Production is measured in pounds because the primary input for these facilities is pounds of raw meat.

For most indicators, we provide "normalized" data to adjust for production and facility acquisitions. By normalizing, each year's data can be directly compared with the previous year's data to determine the efficiency of our company.

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\* In our 2004 stewardship report, Smithfield Foods' environmental regulatory data (TRI and air emissions metrics) were incorrectly published as representing calendar years 2002 through 2004. These data represented calendar years 2001 through 2003. We apologize for any confusion this may have caused.

Increased totals for a number of metrics can be attributed to the incorporation of data associated with Farmland Foods facilities, added for fiscal year 2005 and calendar year 2004. Our normalized numbers remained fairly steady. The company's trend toward increased production of further processed products continued. These products typically require more utilities to produce and generate more waste, such as packaging materials. It appears, however, that many of last year's upward trends have slowed or even decreased. This is probably due, at least in part, to the continued implementation of environmental projects by each facility's EMS team.

#### **U.S. TOXICS RELEASE INVENTORY (TRI) DATA**

Our TRI metrics represent TRI data for calendar year 2004 for processing facilities governed by these regulations. Tier II data represent the amount of chemicals kept on site, and Form R data represent the chemical fate to the environment over the calendar year. The normalized data do not pertain to all first and further processing facilities, but only those that must report TRI data.

Our TRI data, particularly for ammonia and chlorine, have been affected—increases and decreases—by the company's trend toward reporting based on the ranges provided by the Environmental Protection Agency. Although we collect actual measures for some TRI data, some states require that Tier II data be reported in ranges as specified in the data submission forms. Typically, these ranges describe an order of magnitude; for example "less than 100,000 pounds" (<100,000) would be one range, and the next range up would be "100,000 to <1,000,000 pounds." To ensure we do not understate our metrics, Smithfield Foods uses the upper end of the range for our metrics calculations. Therefore, some facilities (both first and further processing) that reported in 2003 in the <100,000-pound range, reported in the 100,000 to <1,000,000-pound range in 2004 because of slight increases due to production fluctuations. Also, some facilities switched from actual to range-based reporting. Therefore, a facility that had an actual value of 100,001 pounds would have been assessed as 999,999 pounds under our metrics protocol. Overall, it appears that further processing facilities have responded to the sharp increases of the previous year and are trending their metrics back downward. Additional explanations for increases and decreases accompany each graph.

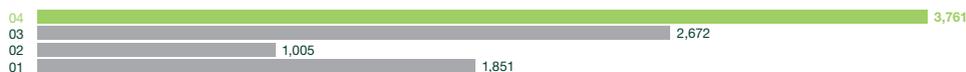
Visit [www.epa.gov/tri/](http://www.epa.gov/tri/) for a more in-depth explanation of the U.S. EPA's TRI program.

## AMMONIA

Tier II and Form R data from our plants are based on purchases of ammonia, which are easier to determine and are usually quite accurate. However, ammonia releases through minor maintenance and upgrades, although subject to proper capture methods and disposal, cannot be documented as precisely. For this reason we tend to conservatively overreport these types of releases. We believe that ongoing refrigeration system upgrades at some of our plants have contributed to the increases for 2004. The largest factor, however, is the impact from reporting in EPA specified ranges, as discussed in the preceding section.

### TIER II AMMONIA

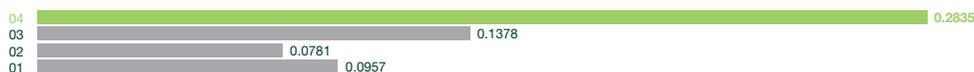
#### POUNDS IN THOUSANDS FIRST PROCESSING



#### POUNDS IN THOUSANDS FURTHER PROCESSING



#### POUNDS PER ANIMAL UNIT FIRST PROCESSING



#### POUNDS PER 100 POUNDS FURTHER PROCESSING



ALL MEASUREMENTS ARE FOR CALENDAR YEARS.

### FORM R AMMONIA

#### POUNDS IN THOUSANDS FIRST PROCESSING



#### POUNDS IN THOUSANDS FURTHER PROCESSING



#### POUNDS PER ANIMAL UNIT FIRST PROCESSING



#### POUNDS PER 100 POUNDS FURTHER PROCESSING



ALL MEASUREMENTS ARE FOR CALENDAR YEARS.

## SMITHFIELD'S AMBITIOUS PATH TO ISO 14001 CERTIFICATION

Over the past six years, Smithfield Foods has been leading our industry in environmental management system (EMS) implementation. In fact, our efforts led us to become the world's first livestock producer and the first large-scale meat processor to achieve ISO 14001 certification. Each EMS ensures that we have developed clearly defined methods for monitoring and measuring the environmental impact of our activities and for identifying potential problems. To achieve ISO 14001 certification, the gold standard for environmental excellence, our EMS systems have undergone rigorous third-party audits. Here's a brief overview of Smithfield's EMS/ISO 14001 milestones to date as well as our plans for 2006 and beyond.



### 2000

Smithfield's Murphy-Brown hog production subsidiary begins EMS implementation on company-owned farms across the United States.

### 2002

Smithfield's U.S. meat processing subsidiaries begin EMS implementation.

### 2004

Smithfield achieves system-wide certification for its U.S. processing facilities, with the exception of the recently acquired Farmland Foods.

Smithfield's Animex subsidiary in Poland receives ISO 14001 certification for its Mazury processing facility.

### 2006

Smithfield expects to achieve ISO 14001 certification for no fewer than four U.S. meat processing operations acquired in 2004.

### Beyond 2007

Smithfield's EMS program will expand to additional international operations, including France and Romania.

### 2001

Murphy-Brown achieves ISO 14001 certification for all farms east of the Mississippi.

### 2003

Murphy-Brown's remaining U.S. farms achieve ISO 14001 certification.

### 2005

Farmland Foods achieves ISO 14001 certification.

Murphy-Brown achieves ISO 14001 certification for its feed operations, transportation fleet, sanitation facilities, laboratories and administrative offices.

### 2007

Animex's remaining processing facilities expect to begin EMS implementation.

Prima Farms Sp. z o.o., Murphy-Brown's hog farming affiliate in Poland, receives certification for its 28 farms.

## CHLORINE

Chlorine is used to disinfect water supply. Releases continued to trend downward for our first and further processing facilities. A relatively small percentage of our facilities are required to report, so the impact of range reporting (discussed previously), more so than changes in actual usage, contributes to the significant changes shown from year to year.

### TIER II CHLORINE

#### POUNDS IN THOUSANDS FIRST PROCESSING



#### POUNDS IN THOUSANDS FURTHER PROCESSING



#### POUNDS PER ANIMAL UNIT FIRST PROCESSING



#### POUNDS PER 100 POUNDS FURTHER PROCESSING



ALL MEASUREMENTS ARE FOR CALENDAR YEARS.

### FORM R CHLORINE

#### POUNDS IN THOUSANDS FIRST PROCESSING



#### POUNDS IN THOUSANDS FURTHER PROCESSING



#### POUNDS PER ANIMAL UNIT FIRST PROCESSING



#### POUNDS PER 100 POUNDS FURTHER PROCESSING



ALL MEASUREMENTS ARE FOR CALENDAR YEARS.

## NITRATES

Nitrates are released through permitted wastewater discharges. Decreases in the release of nitrates by further processing facilities can be attributed to improved treatment results stemming from an enhanced focus on wastewater operations.

### FORM R NITRATES

#### POUNDS IN THOUSANDS FIRST PROCESSING



#### POUNDS IN THOUSANDS FURTHER PROCESSING



#### POUNDS PER ANIMAL UNIT FIRST PROCESSING



#### POUNDS PER 100 POUNDS FURTHER PROCESSING



ALL MEASUREMENTS ARE FOR CALENDAR YEARS.

## AIR EMISSIONS

Smithfield Foods' regulatory air emissions metrics represent air emissions created as a byproduct of burning fuel, primarily natural gas. The inclusion of recent acquisitions in this year's metrics has contributed to the increases shown for our further processing facilities.

### SO<sub>x</sub>

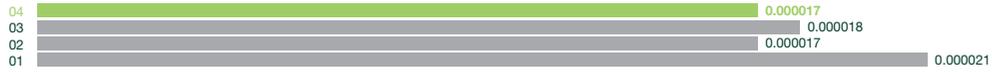
#### TONS FIRST PROCESSING



#### TONS FURTHER PROCESSING



#### TONS PER ANIMAL UNIT FIRST PROCESSING



#### TONS PER 100 POUNDS FURTHER PROCESSING



ALL MEASUREMENTS ARE FOR CALENDAR YEARS.

### NO<sub>x</sub>

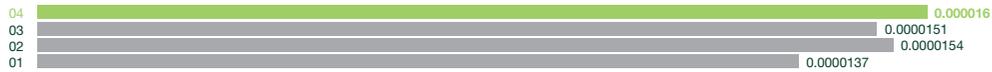
#### TONS FIRST PROCESSING



#### TONS FURTHER PROCESSING



#### TONS PER ANIMAL UNIT FIRST PROCESSING



#### TONS PER 100 POUNDS FURTHER PROCESSING



ALL MEASUREMENTS ARE FOR CALENDAR YEARS.



The residents of our commune mainly deal in agriculture, animal breeding (including Smithfield's farming operations), agricultural food processing, trade and tourism. The wonderful natural surroundings here are a valuable asset. We have clear air, clean lakes and forests, and everyone cares deeply for and protects our natural environment. That is why we welcomed Smithfield's efforts at raising our understanding of the importance of environmental protection. Schoolchildren, teachers and representatives of the Jezewo Commune participated with enthusiasm in testing the water quality of Lake Stelchno as part of World Water Monitoring Day 2005. Knowing the active role Smithfield takes in many efforts related to protecting the natural environment, we are awaiting the company's next initiatives so that we can realize them together for the good of our society.

**Mieczysław Pikula**

*Mayor  
Jezewo Commune, Kujawsko-Pomorskie  
Poland*





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One of our goals at Environmental Defense is protecting the effectiveness of antibiotics for humans. We're concerned that their use in animal agriculture could compromise the therapeutic value of these drugs in people. Smithfield Foods, through its Murphy-Brown subsidiary, recently became the first mainstream pork producer to commit publicly to eliminating the use of antibiotics for growth promotion purposes. The company has also committed to reporting publicly the quantity of antibiotics it purchases, with a goal of reducing overall antibiotic use over time. It took some courage for Smithfield to step out in front of the rest of the pork production industry on this issue.

**Gwen Ruta**

*Director of Corporate Partnerships  
Environmental Defense*

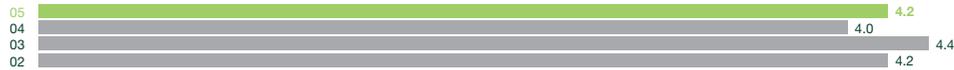
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## WATER USAGE

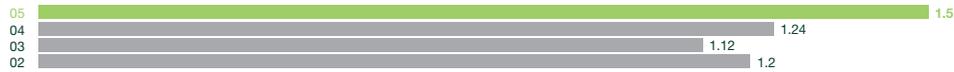
Smithfield Foods' processing water usage metrics represent the potable water entering first and further processing facilities for all purposes, including processing, cooling and sanitation requirements; restrooms; truck washing; and use in our products. In fiscal year 2005, we improved our efficiency of water usage at our further processing facilities through a heightened focus on water conservation. Our farm water metrics represent the water used for maintaining animal health and for cleaning farming facilities.

### PROCESSING WATER USAGE

#### GALLONS IN BILLIONS FIRST PROCESSING



#### GALLONS IN BILLIONS FURTHER PROCESSING



#### GALLONS PER ANIMAL UNIT FIRST PROCESSING



#### GALLONS PER 100 POUNDS FURTHER PROCESSING



ALL MEASUREMENTS ARE FOR FISCAL YEARS.

### FARM WATER USAGE FOR MURPHY-BROWN EAST

#### GALLONS PER PIG PER DAY FARROW/FINISH



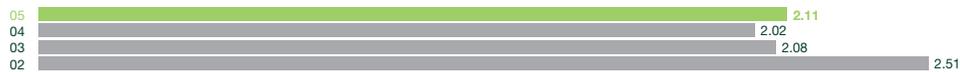
#### GALLONS PER PIG PER DAY FARROW/FEEDER



#### GALLONS PER PIG PER DAY FARROW/WEAN



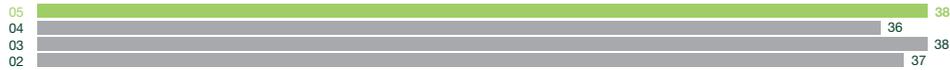
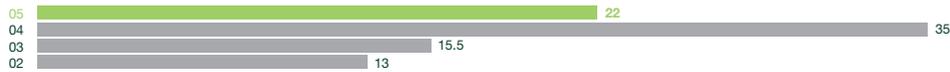
#### GALLONS PER PIG PER DAY FINISHING



ALL MEASUREMENTS ARE FOR FISCAL YEARS.

**SOLID WASTE**

Our solid waste metrics represent all waste sent to a landfill, including general trash, packaging materials (plastic film, unrecyclable cardboard, etc.), paper and strapping material. Our performance in our further processing facilities can be attributed to improved conservation and recycling efforts.

**SOLID WASTE****TONS IN THOUSANDS  
FIRST PROCESSING****TONS IN THOUSANDS  
FURTHER PROCESSING****TONS PER ANIMAL UNIT  
FIRST PROCESSING****TONS PER 100 POUNDS  
FURTHER PROCESSING**

ALL MEASUREMENTS ARE FOR FISCAL YEARS.

**CARDBOARD RECYCLING METRICS**

The 2002 cardboard recycling metrics represent 24.6 percent of our total solid waste; the 2003 metrics represent 23.6 percent; the 2004 metrics represent 31.7 percent; and the 2005 metrics represent 39 percent. Our improved ratios of recycling to total solid waste can be attributed to a number of factors, including a heightened focus on controlling waste and an increase in cardboard usage for business reasons.

**CARDBOARD RECYCLED—ALL FACILITIES****TONS**

ALL MEASUREMENTS ARE FOR FISCAL YEARS.

## ELECTRICITY METRICS

Our electricity metrics represent electricity usage at our facilities and farms.

### ELECTRICITY USAGE

kWh IN MILLIONS  
FIRST PROCESSING



kWh IN MILLIONS  
FURTHER PROCESSING



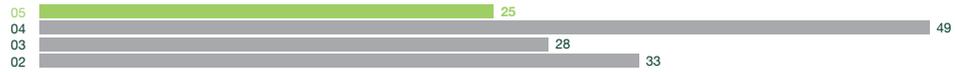
kWh IN MILLIONS  
FARMS



kWh PER ANIMAL UNIT  
FIRST PROCESSING



kWh PER 100 POUNDS  
FURTHER PROCESSING



ALL MEASUREMENTS ARE FOR FISCAL YEARS.

## NATURAL GAS METRICS

Our natural gas metrics represent the amount of gas used at our facilities and farms for all purposes, including comfort heating, boilers and process ovens. In 2005, electrical and natural gas energy usage was down, probably due to a continued focus on energy efficiency, which is starting to show in our data.

### NATURAL GAS USAGE

#### DECATHERMS IN MILLIONS FIRST PROCESSING



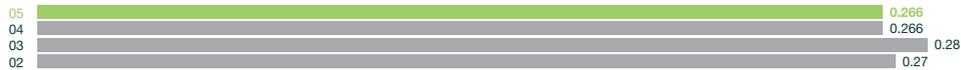
#### DECATHERMS IN MILLIONS FURTHER PROCESSING



#### DECATHERMS IN MILLIONS FARMS



#### DECATHERMS PER ANIMAL UNIT FIRST PROCESSING



#### DECATHERMS PER 100 POUNDS FURTHER PROCESSING



ALL MEASUREMENTS ARE FOR FISCAL YEARS.

## LIQUID PROPANE GAS METRICS

These metrics apply to Murphy-Brown farms only and represent liquid propane gas used for employee comfort heating, and heating for newborn and nursery pigs. Liquid propane metrics tend to fluctuate depending on the weather conditions during the year. Though we continue to analyze our performance in this area, the increase in liquid propane usage in 2005 appears to be related to weather patterns.

### LP GAS USAGE

#### GALLONS

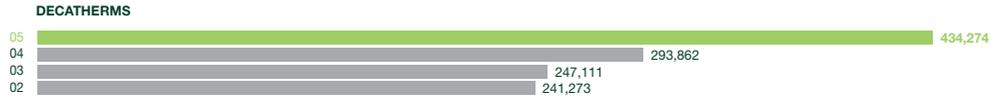


ALL MEASUREMENTS ARE FOR FISCAL YEARS.

## BIOGAS METRICS

Smithfield Foods' biogas metrics represent the amount of this renewable fuel source derived from our wastewater and used to power our operations. Biogas usage increased significantly due to a Smithfield Beef Group facility's implementation of a boiler to burn biogas produced by its wastewater system.

### BIOGAS USAGE



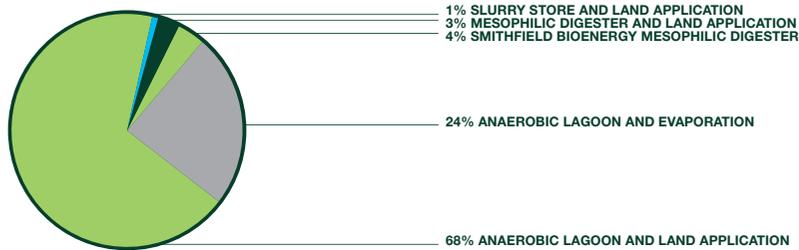
ALL MEASUREMENTS ARE FOR FISCAL YEARS.

## ANIMAL WASTE TREATMENT SYSTEMS AND CROPS PRODUCED BY MURPHY-BROWN

The following pie chart describes the type and approximate extent of waste treatment systems employed by Murphy-Brown in 2005. These data remained unchanged from 2004 because waste treatment and crop planting practices remained substantially the same.

### ANIMAL WASTE TREATMENT SYSTEMS EMPLOYED BY MURPHY-BROWN

2005 DATA

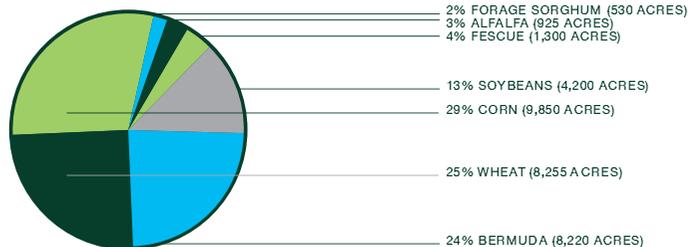


The following pie chart describes the types and approximate acreage of crops grown by Murphy-Brown in 2005 that were fertilized with treated hog waste from the lagoon and sprayfield system.

### CROPS PRODUCED BY MURPHY-BROWN

2005 DATA

TOTAL ACREAGE: 33,280



## FACILITY AND DEPARTMENTAL LEADERSHIP: 2005 HIGHLIGHTS

At this year's Smithfield Foods Environmental Excellence Awards, 15 awards were handed out in 10 major categories, including wastewater handling and treatment, environmental training, energy and water conservation, and pollution prevention. Four President's Award winners were chosen this year for exemplary environmental performance. Visit [www.smithfieldfoodsnews.com/Volumelll\\_Numberl/Pagelll.html](http://www.smithfieldfoodsnews.com/Volumelll_Numberl/Pagelll.html) for a complete listing of awards.

In concert with facility and departmental leadership, our Environmental Excellence Awards program has proved to be an effective catalyst for sparking innovation. This year, our facilities submitted 70 projects\* for consideration with impressive overall results, including an annual cost savings of more than \$5 million and the following annual benefits:

- A water savings of more than 130 million gallons.
- The elimination of approximately 716,000 pounds of air pollutants.
- The recycling of an additional 600,000 pounds of cardboard.
- The diversion of more than 1 million pounds of waste from landfills.
- The removal of 134,400 gallons of brine from wastewater systems.
- The reduction of diesel consumption by more than 100,000 gallons.

#### **FARMLAND FOODS FACILITY, CRETE, NEBRASKA**

In December 2004, this facility's team contracted for tailor-fitted Teflon-coated fiberglass boiler jackets for the facility's five steam boilers. The enhanced boiler efficiency reduced the quantity of natural gas combustion byproducts produced. The jackets also lowered boiler noise levels, improving employee comfort.

#### **PATRICK CUDAHY PLANT, CUDAHY, WISCONSIN**

This facility completed water conservation projects that resulted in positive bottom-line and environmental impacts. Among them, the facility recycled noncontact cooling water to on-site cooling towers and placed permanent pipe restrictors on sanitation/cleanup hose drops to restrict water usage. The facility also heightened employee awareness of water costs. Overall, water consumption at the facility decreased by 40 million gallons, roughly 13 percent of the facility's water usage, while production increased 20 percent.

#### **JOHN MORRELL FACILITIES, SIOUX FALLS, SOUTH DAKOTA**

By submitting eight different environmental projects—the largest single contribution of any Smithfield Foods facility—John Morrell's Sioux Falls facility won the President's Award for Exemplary Participation in the program. Through their efforts, the John Morrell facilities were able to achieve a number of impressive overall results, including reducing their water usage by more than 84 million gallons, a roughly 10 percent decrease in overall water usage; capturing 134,000 gallons of brine; rendering 64,400 additional pounds of fat, a roughly 0.2 percent increase in captured fat; and recycling of an additional 600,000 pounds of cardboard, bringing the total amount of cardboard recycled within the facility to more than 2.7 million pounds.

#### **SMITHFIELD BEEF GROUP'S PACKERLAND PACKING PLANT, PLAINWELL, MICHIGAN**

Prior to its biogas-to-energy initiative, Packerland Packing's Wastewater Treatment Facility used to flare the biogas produced by the facility's 10-million gallon anaerobic lagoon. In April 2005, this facility began burning the biogas as a fuel source for its No. 3 boiler, rather than purchasing natural gas. Based on the average cost of natural gas, the facility is positioned to reap an annual operational cost savings of \$460,538 from the displacement of natural gas. The cost of conversion was \$521,208.

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\* Projects submitted to Smithfield Foods' Environmental Excellence Awards program can be those that were completed within the past two years.

## RECOGNITION ON A NUMBER OF FRONTS

Smithfield Foods and our subsidiaries continue to receive government recognition on the local, state and federal levels for our environmental efforts. Moreover, a broad range of environmental organizations, publications and industry groups recognized our accomplishments in this arena during the past year.



- Five Virginia Governor's Environmental Excellence Awards
- Continued ISO 14001 Certification for Selected U.S. and International Operations
- 48 Environmental MAPS Awards from the American Meat Institute
- Eight Environmental Excellence Program Designations from the Virginia Department of Environmental Quality
- Wisconsin Governor's Awards for Excellence in Environmental Performance

### SMITHFIELD PACKING'S SMITHFIELD TRANSPORTATION COMPANY

In fiscal year 2005, the Smithfield Transportation Company's Tar Heel fleet logged more than 5 million miles. By introducing a fuel additive, Smithfield Packing earned the President's Award for exemplary performance by improving the fleet's fuel economy by 8.5 percent, reducing NOx emissions and generating an estimated annual savings of \$95,569. Additional benefits included the reduction of waste oil generation by 50 percent, as well as the extension of vehicle engine life by up to 40 percent.

In 2004, the Smithfield Transportation Company entered into the U.S. Environmental Protection Agency-sponsored Smartway Transport Partnership, a voluntary public-private initiative designed to improve the environmental performance of the U.S. freight delivery system through money-saving, market-based approaches. During 2005, as part of its commitment to the program, the Smithfield Transportation Company implemented new technologies—including automatic tire inflation systems—to reduce engine idling and improve aerodynamics, fuel efficiency and engine performance. The subsidiary also implemented new maintenance methodologies, enhanced driver training and increased general awareness of ways to improve environmental performance. Since entering the partnership, the Smithfield Transportation Company has witnessed a 60-percent reduction in idling time. By 2007, it anticipates a cost avoidance of approximately \$750,000 to \$1.2 million in fuel and maintenance costs.

### DRIVING INDUSTRY INNOVATION

We pride ourselves on being a creative company. Through investment and a strategic approach to the various environmental aspects of our business, we seek out economically viable—and profitable—opportunities to meet a societal or business demand. Our philosophy has yielded many promising possibilities, such as bioenergy and biofuels. It has also provided valuable research, which will drive future efforts.

Many of our technological research efforts focus on transforming organic waste into sources of renewable energy or other valuable commodities. These technologies complement our existing effective waste management processes, such as the lagoon and sprayfield systems operating on the majority of our farms. As these systems are currently managed under ISO 14001-certified environmental management systems, they are a proven, cost-effective system for managing waste and fertilizing crop fields. These systems are widely researched, accepted and recommended by university, state and federal agricultural engineers.

Our goal for pursuing alternative technologies is to support and advance new technology development, as well as create new opportunities for business eco-efficiencies, broader societal value and possibly new revenue streams.

### UPDATE ON SMITHFIELD BIOENERGY\*

Smithfield Foods' subsidiary, Smithfield BioEnergy, continued its work on producing biomethanol and biodiesel from hog waste. This work has been detailed in previous reports. Our objective is to further our goal of developing innovative management techniques, as well as contribute to the reduction in U.S. dependence on foreign oil. Visit our site at [www.smithfieldbioenergy.com](http://www.smithfieldbioenergy.com) to learn more.

\* Best Biofuels LLC changed its name to Smithfield BioEnergy LLC in 2005.



Working with the U.S. Environmental Protection Agency, the American Meat Institute (AMI) and its member companies have implemented environmental management systems. An EMS is a plant-specific program designed to improve compliance with environmental regulations and minimize a facility's environmental footprint. In 2005, AMI developed an awards program to recognize companies whose plants have fully embraced the EMS guidelines. Smithfield Foods has taken a leadership role in developing and implementing EMS programs in its plants as well as achieving ISO 14001 certification for its environmental programs. As a result, Smithfield Foods received 40 top-tier environmental awards from AMI in 2005.

**J. Patrick Boyle**

*President and Chief Executive Officer  
American Meat Institute*





We are very grateful that the Smithfield-Luter Foundation has committed a gift of \$5 million to CNU. This is by far the largest contribution ever made to the university and is the kind of transformational gift that will inspire the success of our students and faculty and encourage others to generously support us. These funds have established the Joseph W. Luter, III School of Business and a \$1 million merit scholarship program—to be matched dollar for dollar by CNU—that will empower the lives of hundreds of students. It is certainly appropriate to honor Joe Luter and his family by etching his name forever in the life of one of Virginia's fine universities. He is a leader and visionary who has built a dynamic and successful company with global reach.

**Paul Tribble**

*President  
Christopher Newport University*



### **WINDING DOWN THE SMITHFIELD FOODS AGREEMENT RESEARCH PROGRAM**

In 2000, Smithfield Foods reached a voluntary agreement with the North Carolina Office of the Attorney General in which \$15 million was earmarked to pursue a research and development program of economically feasible and environmentally superior technologies (ESTs) as potential alternatives to the existing lagoon and sprayfield system of hog waste treatment. To be considered environmentally superior, as defined by the Smithfield Foods Attorney General Agreement, the technologies must meet specific technical, operational and economic feasibility standards. This program is slated to wind down in early 2006.

North Carolina State University (NCSU) conducted the program, headed by Dr. Mike Williams, associate professor at NCSU and the director of the Animal and Poultry Waste Management Center. As part of the program, Dr. Williams selected 18 technology candidates (three of which were dropped) from a competitive review process. The process included input and comment from Dr. Williams' multistakeholder advisory panel. Scientists tested these technologies on the NCSU campus, Murphy-Brown and Premium Standard farms, and at other locations.

In July 2004, Dr. Williams released the initial report on whether select candidate technologies were potentially environmentally superior options. In the Phase 1 report, Dr. Williams identified two technologies that met the environmental performance criteria outlined in the agreement. Dr. Williams and his team published additional findings in the Phase 2 Technology Determination Report released in July 2005. The Phase 2 report's determinations were based on environmental performance standards only and covered the remaining eight candidate ESTs not covered in the Phase 1 report. The report indicated that three of these technologies were capable of meeting the environmental performance standards: Super Soil Systems' centralized composting system; gasification for elimination of swine waste solids with recovery of value-added products systems; and the "BEST" fluidized bed combustion of solids system (a Smithfield Foods project).

The final report is slated for release in early 2006 and will include determinations regarding the operational and economic feasibility—and permissibility—of these technologies, as well as an overview of the implications to the competitiveness of the North Carolina pork industry. To learn more about these technologies and to read the reports in full, visit [www.cals.ncsu.edu:8050/waste\\_mgt](http://www.cals.ncsu.edu:8050/waste_mgt).

### **PARTICIPATION IN NORTH CAROLINA RENEWABLE ENERGY INITIATIVES**

In 2005, Smithfield Foods continued to contribute financially to and participate in the Renewable Energy Economic Development (REED) Alliance as a member of the steering committee. REED encourages policy development that promotes the growth of renewable energy commerce in North Carolina.

Smithfield Foods also continued to contribute financially to and serve on the board of North Carolina GreenPower. This independent nonprofit program uses voluntary contributions to purchase electricity generated from renewable energy sources to add to the state's power supply. We will continue to work with North Carolina GreenPower to explore opportunities that will support a solid business case for moving forward.

### **PERFORMANCE RECOGNITION**

Recognition from outside our company is a key indication of how well we are delivering on our commitment to continuous performance improvement. In 2005, governmental agencies, magazines and other organizations recognized our team's efforts.

The American Meat Institute recognized the commitment of 48 Smithfield Foods facilities to environmental management system implementation through its Environmental MAPS program (see page 32): 38 facilities were honored with awards in the highest Environmental Star category and 10 in the Environmental Pioneer category.

Smithfield Beef Group's facility in Green Bay, Wisconsin, was among the recipients of the Wisconsin Governor's 2005 Award for Excellence in Environmental Performance for successfully converting methane gas from its anaerobic-based wastewater treatment system into fuel for the facility's lead boiler. We reported the details of the facility's efforts and partnership with the Wisconsin Focus on Energy Program in our 2004 stewardship report.

Smithfield Foods' Virginia-based facilities' beyond-compliance efforts were recognized with a number of 2005 Governor's Environmental Excellence Awards. Smithfield Packing Company's facility in Smithfield won a bronze award in the category of environmental programs for large manufacturers. Gwaltney of Smithfield, Gwaltney of Portsmouth and the Smithfield Transportation facility in Smithfield all took silver awards.

In its October 2005 edition, *Environmental Protection* magazine named Smithfield Transportation Company's Virginia and North Carolina facilities among its 2005 Facilities of the Year.

## ANIMAL WELFARE

### PROACTIVE APPROACHES TO IMPROVING ANIMAL WELL-BEING IN THE FOOD INDUSTRY

Animal welfare practices in the large-scale food production industry remain a topic of considerable debate among multiple stakeholders. Consumers, retailers and foodservice companies want assurances that farm animals are being cared for properly. Smithfield Foods is determined to lead the industry in adherence to humane, science-based animal welfare practices. We believe it is the right thing to do and in the best long-term interests of our company. Our company is also committed to continuing our role as a constructive voice in the animal welfare debate, as well as a key proponent of improvements that are humane, economically sound, scientifically based and socially desirable.

This commitment is firmly rooted in Smithfield Foods' and Murphy-Brown's science-based animal welfare policies (See Appendix B) and Murphy-Brown's signature Animal Welfare Management System—an industry first, developed in consultation with leading animal welfare experts. These policies and systems apply to company and contract farms, and they are designed to help ensure compliance with all current animal welfare regulations. We recognize that there is still much research needed to enhance the scientific understanding of animal behavior. Our company and external experts review our systems periodically for compliance and improvement opportunities.

In 2005, we continued sharing our experiences through industry organizations, such as the National Pork Producers Council, and encouraging progressive animal welfare practices. We appeared at animal welfare forums to take part in constructive debates and engage in exchanges characterized by many diverse viewpoints.

### ANIMAL WELFARE OVERSIGHT

At the corporate level, Smithfield Foods' Animal Welfare Committee provides oversight for our animal welfare program, which spans processing and production. Smithfield Foods' Animal Welfare Committee meets periodically to discuss high-level animal welfare issues and formulate a company-wide strategy for proactive issue management. The committee includes corporate representatives and representatives from our Smithfield Packing, Murphy-Brown, Smithfield Beef Group, Farmland Foods and John Morrell subsidiaries. Murphy-Brown's Animal Welfare Committee oversees improvement opportunities for Murphy-Brown's Animal Welfare Management System (AWMS), which is applicable to all company-owned hogs. The committee is made up of an expert multidisciplinary team from within Murphy-Brown as well as two independent animal welfare experts from the University of Illinois and Colorado State University.

Described as a model for the entire U.S. pork industry by animal welfare experts Drs. Stan Curtis and Temple Grandin, Murphy-Brown's comprehensive AWMS forms the basis for managing animal welfare on our farms, from gestation to transport. The AWMS is a formalized, science-based and auditable approach to help ensure the health, well-being and humane treatment of the animals raised for food production. The significant aspects managed through Murphy-Brown's AWMS include the following:

- Air quality, temperature, space allowance and power failure in buildings
- Protection from the elements
- Vehicle breakdown
- Temperature and space allowance during transport
- Water and feed availability
- Sow body condition
- Animal movement on farms
- Animal health/disease/lesions, surgical procedures, medical treatment options, identification of terminal status and euthanasia options
- Biosecurity
- Loading and unloading animals onto trucks
- Human/animal interaction

On contract grower farms, Murphy-Brown measures all aspects of hog treatment and care. To help ensure product quality, Murphy-Brown provides contract farmers with all hogs, feed, medicine, veterinary support, production assistance, and the transportation of animals to and from farms. Farmers must meet all specifications for Murphy-Brown's AWMS.

Murphy-Brown farms have also trained emergency response teams and established partnerships with state veterinarians, as well as with other state and local emergency response teams, to respond to animals' needs following a natural disaster or other crises.

During the reporting period, Smithfield Foods also formally announced support for the National Pork Board's Swine Welfare Assurance Program™ (SWAP), a voluntary, science-based program designed to help American pork producers assess and track the welfare, performance and health of their animals. Murphy-Brown's AWMS program encompasses all care and well-being principles of SWAP, plus other practices that are not included in SWAP but integral to our company's comprehensive production practices.

#### **PARTICIPATING IN THE U.S. DEPARTMENT OF AGRICULTURE'S PROCESS VERIFIED PROGRAM**

As of 2005, all Murphy-Brown farms and our Tar Heel processing plant had received the U.S. Department of Agriculture's (USDA) "Process Verified" certification. The USDA's Process Verified Program is modeled on the ISO 9000 quality management and assurance standards.

To maintain its Process Verified certification, Murphy-Brown farms must continually maintain the following:

- An Animal Welfare Management System
- Source verified genetics
- Precise nutritional specifications
- Quality feed manufacturing
- Animal health product management
- Pork Quality Assurance Level III
- System product traceability

Auditors with the USDA's Process Verified program audit Murphy-Brown's AWMS periodically to verify compliance.

The certification of the processing operations of Smithfield Packing's Tar Heel division assures retailers and consumers of the following:

- Producers who send animals to the Tar Heel facility can ensure traceability of their livestock back to the animal's farm of origin.
- Animals processed are raised on farms where comprehensive management systems are in place that address health, welfare and proper use of animal health products to help assure a supply of high-quality pork.
- Suppliers are certified to National Pork Board Pork Quality Assurance III guidelines.
- All drivers who transport animals are certified by the National Pork Board's Trucker Quality Assurance guidelines.
- The facility maintains an environmental management system.

The USDA's Process Verified program requires strict compliance with all USDA rules and regulations and those of other applicable regulatory agencies. For more information about the Process Verified program, please visit <http://processverified.usda.gov>.

#### **EMPLOYEE TRAINING AND COMMUNICATIONS**

Murphy-Brown employees who interact with the animals in production, live haul or transportation capacities are provided ongoing training to help ensure compliance with company policies and procedures. For example, production personnel are trained in, and held responsible for, managing all animal welfare aspects associated with production. Murphy-Brown's live haul drivers must maintain Trucker Quality Assurance certification.

Employees who interact with animals at our processing facilities are required to successfully complete the "Certified Animal Handlers" training course. This course details the proper management and handling of livestock expected of our livestock handlers while animals are in their care. Employees are required to participate in classroom instruction, complete a written test and undergo hands-on instruction under the supervision of a trained mentor. Livestock handlers also operate under the guidelines set forth in the American Meat Institute's Animal Handling Guidelines and in compliance with all requirements of the 1978 Humane Slaughter Act.

#### **SMITHFIELD FOODS' POSITION ON ANTIBIOTICS USAGE IN ANIMAL WELFARE MANAGEMENT**

Our company and contract farmers use antibiotics responsibly in animal husbandry practices to optimize animal health and well-being, prevent disease and maintain the highest standards of food safety. Our policy applies to the hogs raised by our company, as well as to all turkeys.

Our company's antibiotics policy prohibits the routine administration, as defined by our policy, of antibiotics used in human medicine to healthy animals. The use of antibiotics is based on the best judgment of a veterinarian and is dependent upon what is considered best for the well-being of the animal. In all cases, the dosage, treatments, duration and withdrawal period requirements of these agents are strictly followed. Murphy-Brown also strictly complies with all antibiotic withdrawal timelines established by the U.S. Food and Drug Administration and the Food Animal Residue Avoidance Databank.

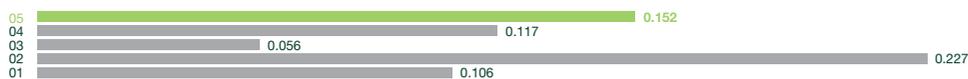
The use of antibiotics as feed additives is reviewed at least quarterly by a veterinarian and adjusted as necessary. Disease prevention and control primarily dictate the adjustment of dosages. Murphy-Brown limits antibiotic usage through strict management practices, the use of vaccines and by using veterinary prescriptions.

In August 2005, foodservice giant Compass Group North America consulted with Smithfield Foods and Environmental Defense to develop a first-of-its-kind purchasing policy related to antibiotic usage in pork production. This policy prohibits Compass from purchasing pork in which antibiotics that belong to classes of compounds approved for use in human medicine have been administered for growth-promotion purposes. The policy requires the supplier to report antibiotic usage and encourages the reduction of antibiotic usage over time. A few years ago, Murphy-Brown developed an antibiotic usage policy that positioned our company to meet these objectives.

### FEED-GRADE MEDICATIONS PURCHASED NATIONWIDE

#### POUNDS PURCHASED PER HUNDREDWEIGHT

##### EAST



#### POUNDS PURCHASED PER HUNDREDWEIGHT

##### WEST



ALL MEASUREMENTS ARE FOR THE 12-MONTH PERIOD ENDING OCTOBER 31.

## FOOD SAFETY

### A STEADFAST COMMITMENT TO SAFE FOOD PRODUCTION

Among Smithfield Foods' highest priorities is producing safe food. Smithfield Foods is committed to ensuring that our products continue to meet high standards on many fronts, but consumer safety is paramount. To that end, we have worked with industry, government and independent experts to create and implement best-practice policies governing food safety.

We recognize that our commitment to food safety is a primary reason customers and consumers choose our brands. Recent media articles about Britain's foot-and-mouth epidemic and the two cases of bovine spongiform encephalopathy (BSE) discovered in the United States illustrate how the entire industry and national economy can be affected by a sudden drop in consumer confidence.

### TRACEABILITY, HIGH QUALITY AND FOOD SAFETY

Smithfield Foods' paramount concern is to go well beyond food safety compliance to help assure the traceability of our livestock and the quality and safety of our meat products. Our vertically integrated business model for pork production and processing provides additional food safety assurance. Vertical integration allows us to control certain aspects of livestock and meat products such as genetic lines, nutritional regimens and the way in which animals are processed, packaged and delivered to customers.

In response to customer demand for improved traceability, certain of our processing facilities mandated supplier compliance with external verification requirements. For example, in May 2005, Smithfield Packing's Tar Heel facility, the world's largest pork processing facility, established a policy whereby all suppliers delivering hogs must meet U.S. Department of Agriculture (USDA) Process Verified Program requirements. (See the Animal Welfare section for more information on the USDA's Process Verified requirements).

Smithfield Foods' subsidiaries' comprehensive approach to food safety and our vertically integrated structure promote high levels of product traceability, quality and food safety. Each subsidiary's approach is operationally unique; however, all subsidiaries focus on continuously improving four key areas: facilities, programs, technology and our people. Our verification processes help determine whether these four key areas are working together effectively.

### FOOD SAFETY AND FACILITIES

An essential element in accomplishing our business goal of increasing our processed meats business is to have state-of-the-art facilities. Smithfield Foods has invested millions of dollars in capital improvements for existing and new facilities that place great emphasis on comprehensively incorporating food safety, productivity improvement, risk management and employee safety considerations. For example, we are in the process of building state-of-the-art operations in Kinston, North Carolina, and new add-on facilities in Sioux Falls, South Dakota, and Dennison, Iowa.

### FOOD SAFETY AND PROGRAMS

Food safety systems are in place at all subsidiaries, and they are the responsibility of senior managers. These systems monitor food safety risks throughout all stages of the manufacturing process, including the production of raw materials in our hog production segment. Systems are designed to ensure compliance with all federal requirements, including the mandatory requirements of the USDA's Hazard Analysis Critical Control Points (HACCP) system. All processing facilities also feature environmental sampling programs that exceed government standards for food safety. These are designed to detect the presence of disease-causing bacteria, such as listeria or salmonella.

### FOOD SAFETY AND TECHNOLOGY

Smithfield Foods subsidiaries invest in technologies that minimize product risks. These can be technologies in facilities or products, and they depend on the particular production method and product. For example, some operations add antimicrobial ingredients that help protect a product through its entire life cycle. Some facilities use post-lethality pasteurization, an additional protective measure that follows the cooking process and further minimizes the possibility of contamination prior to packaging.

### FOOD SAFETY AND PEOPLE

Smithfield Foods makes significant investments in hiring and training the right people for the job. All subsidiaries have access to food safety professionals. Most subsidiaries employ a senior food safety and/or quality assurance officer who reports directly to the subsidiary presidents. The majority of our subsidiaries have at least one or more professionals with doctoral degrees in food safety. At the corporate level, Smithfield Foods' Food Safety Council, which is made up of senior food safety and quality assurance officers, provides an oversight role and helps share best practices among subsidiaries. The council also strategically manages high-level industry issues.

Our facilities, programs, management systems, technologies and verification processes cannot be effective without highly trained employees. All employees receive periodic good-manufacturing and food safety training to continually reinforce and update their skills.

### VERIFICATION

Smithfield Foods' internal auditing systems help ensure compliance with internal and government standards as well as with customer expectations. Each facility features a site quality assurance manager, whose team includes a group of technicians. External professional food safety consultants also survey facilities and food safety programs to provide insights that help continuously improve production processes.

All Smithfield Foods meat processing facilities and products are inspected continually by federal authorities. Our subsidiaries also engage third-party auditors to inspect products and processes. In addition, customers often perform their own audits of facilities.

We also monitor product quality by carefully documenting and evaluating consumer and customer comments fielded by subsidiaries' Consumer Affairs and Sales groups. Product packaging provides consumers with information to contact subsidiaries with questions or complaints. All comments and complaints are catalogued and formally routed to the appropriate operations group, which follows a formal process for evaluating the comment and remedying any issues.



We were delighted when Smithfield Romania asked for our help in training teachers from several villages where the company owns farms. Smithfield is Romania's number one foreign investor in the agribusiness sector, and its efforts are to be noted especially in the Romanian context. Teachers in many villages have little or no access to modern teaching techniques. The limited resources allocated prevent them from traveling to other regions in the country to meet with their peers to exchange ideas and share experiences. Seven teachers visited and were excited to be in our school and meet our staff during two days of hard work. At the end, they left for their home villages determined to change and improve their school culture and environment. We look forward to partnering with Smithfield in the future in similarly engaging activities.

**Simona Baci**

*President  
Happy Kids*





Since our founding in 1992, An Achievable Dream has been making a difference in the lives of underprivileged children in Newport News. The students who attend our Achievable Dream Academy and then graduate from high school often become the first members of their families to attend college. By sponsoring our 2006 class, Smithfield Foods is helping make this a reality. We are extremely gratified to have the company's support. Smithfield will provide each of our "dreamers" with \$2,000 a year in college merit scholarships for up to four years. With up to 35 students in the class, that adds up to a sizable commitment.

**Walter S. Segaloff**

*Chairman and Founder  
An Achievable Dream*



## **BUILDING COMMUNITY RELATIONSHIPS**

### **CONTRIBUTING ON MANY LEVELS**

Building community relationships is a responsibility that our company takes to heart—from the corporate and subsidiary levels to each individual employee. We direct our charitable efforts primarily toward two key areas: education and hunger relief. Our relationship-building efforts, however, are far broader. They encompass our corporate contributions to community well-being by providing jobs, tax revenues and economic growth; our subsidiaries' efforts to engage with members of the community; and our employees' monetary and time contributions to various causes.

Our subsidiaries and employees are very much a part of the small towns and rural communities in which the majority of our facilities are located. In 2005, many Smithfield Foods employees gave generously of their time and money to help important causes. Employees gave \$53,000 to America's Second Harvest, the American Red Cross and the Salvation Army to aid Hurricane Katrina victims. They shared their expertise to further safety and environmental awareness-raising efforts, and they served on safety and environmental organizations and as members of emergency preparedness teams. For example, the safety manager of the Smithfield Beef Group's Sun Land Division participated in a local Chamber of Commerce committee dedicated to improving local public transportation. John Morrell's Great Bend Division continued as a member of the local community's First Responder Team.

In 2005, Smithfield Foods subsidiaries sponsored numerous local charitable events and scholarships. For example, Smithfield Packing and Smithfield Foods continued their tradition of partnering with social services and faith-based charities to help less-fortunate children and their families during the holiday season. They provided food and presents to more than 160 children in 2005. Patrick Cudahy's five scholarships to local school seniors and major combined subsidiary/employee contributions to the Greater Milwaukee United Way and Cudahy Library Building Fund also illustrate these efforts. Other subsidiaries provided major relief in the form of expertise and food aid to support thousands affected by natural disasters.

The following are some of the ways our company was able to enrich and assist our communities during the reporting period. To learn more about our facilities' efforts, please visit our newsletter online at [www.smithfieldfoodsnews.com](http://www.smithfieldfoodsnews.com).

### **PROMOTING BUSINESS LEADERSHIP AND EDUCATION: THE SMITHFIELD-LUTER FOUNDATION**

Since its inception, the Smithfield-Luter Foundation has supported access to education for our employees' children and grandchildren at select universities and colleges. In 2005, the Foundation broadened its contributions to create educational opportunities outside of the company. It contributed a \$5 million gift over 10 years to Christopher Newport University (CNU), in Newport News, Virginia, to establish the Joseph W. Luter, III School of Business.

The gift establishes a \$1 million leadership scholarship program to be matched dollar for dollar by CNU. The Smithfield Foods Leadership Scholarship Program will disburse a total of 50 scholarships a year. Recipients will be awarded \$10,000 over four years as well as an extra \$2,000 to encourage participation in study abroad programs. The students will also take part in CNU's President's Leadership Program, which includes special lectures and a 100-hour public-service requirement.

### **SUPPORTING AN ACHIEVABLE DREAM**

Smithfield Foods and our subsidiary Smithfield Packing were very proud to provide major financial support to An Achievable Dream in 2005. This nonprofit organization, based in Newport News, Virginia, is a partnership between the business community and Newport News Public Schools to give children who are at risk of failure in school a chance to succeed. An Achievable Dream offers children in grades kindergarten through 12 a high-quality education in a nurturing environment; the opportunity to develop meaningful relationships with caring adults; and the chance to take part in engaging enrichment activities during both the school day and after school. Learn more about this program at [www.achievabledream.com](http://www.achievabledream.com).

### **PARTNERING WITH AMERICA'S SECOND HARVEST TO FEED THE HUNGRY**

For many years, several Smithfield Foods subsidiaries have had active relationships with food banks in their regions, donating wholesome food to help those in need. Our Farmland Foods, John Morrell and Smithfield Packing subsidiaries have been particularly active. For example, in 2005 John Morrell donated nearly 1.2 million pounds of food to food banks in Sioux Falls, South Dakota; Cincinnati, Ohio; and Los Angeles, California.

In 2005, Smithfield Foods designated America's Second Harvest as the company's charity of choice for product donations. As the United States' largest hunger relief charity, America's Second Harvest represents more than 200 food banks and has the ability to coordinate our efforts nationwide. Through this formalized relationship, our company aims to help simplify the donation process for subsidiary managers who would like to donate product. This relationship should also encourage more facilities to do the same.

During the reporting period, a number of our subsidiaries worked through America's Second Harvest to support local food banks. For example, Smithfield Packing partnered with the Foodbank of Southeastern Virginia and the Foodbank of the Virginia Peninsula to support Kids Cafe, a national program sponsored by America's Second Harvest to address the nationwide problem of child hunger. Through this partnership, Smithfield Packing will be an important part of providing elementary-aged children in the Hampton Roads and Virginia Peninsula neighborhoods 16,000 nutritious after-school meals a month during the nine-month school year and 8,000 meals a month for the three summer months.

Smithfield Foods' relationship with America's Second Harvest was especially helpful in the aftermath of Hurricane Katrina. Smithfield Foods subsidiaries were able to quickly provide assistance through the organization, which was coordinating food relief in the affected areas. Farmland Foods, John Morrell and Smithfield Packing shipped more than 143,000 pounds of ready-to-eat lunchmeat, 80,000 pounds of ice and 32,000 16-ounce bottles of water to food banks in Louisiana's Baton Rouge metropolitan area. North Side Foods also donated more than 58,000 pounds of sausage products to hurricane victims.

### **THE SMITHFIELD FOODS ENVIRONMENTAL EXCELLENCE AWARDS**

Our annual awards program recognizes environmental innovation and performance improvement. It provides teams with an employee cash award and \$3,000 to contribute to a charitable organization of their choice. This year's winning teams directed their winnings to a number of charities, including Lenoir Community College and Parks and Recreation in Kinston, Big Brothers/Big Sisters Association of Greater Cincinnati, First Presbyterian Church of South Boston, United Way, the Sioux City Food Bank, the Boys and Girls Home of Sioux City, the Cudahy Fire Department and the Salvation Army.

### **AN AGREEMENT BENEFITING IOWA COMMUNITIES**

As part of a landmark agreement with the State of Iowa, bringing to a close Smithfield Foods' challenge to an Iowa statute prohibiting meat packers from owning or controlling livestock in Iowa, Smithfield Foods agreed to commit \$100,000 a year for 10 years to fund an environmental education program at Iowa State University.

We will also commit \$100,000 over 10 years to the Iowa Attorney General in support of grants to foster Iowa's environmental protection efforts. The agreement allows Smithfield Foods affiliates to contract directly with Iowa farmers to raise hogs for slaughter at Smithfield Foods facilities.

### **WORLD WATER MONITORING DAY 2005**

For the third consecutive year, Smithfield Foods joined thousands of people from around the world to participate in World Water Monitoring Day, October 18, 2005. In 2002, America's Clean Water Foundation spearheaded the initiative to engage the public, governments and corporate leaders in global efforts to protect and enhance worldwide water quality. Smithfield Foods provides corporate sponsorship for this event, which aligns with our commitment to improving water quality in the communities where we live and work. Twenty-three Smithfield Foods facilities participated in the event this year, helping members of the community gather water samples. The water samples were tested for pH factor (a measure of the acidity or alkalinity of water), dissolved oxygen, temperature and clarity. The sampling results were then entered into a database. Over time, the data gathered from these efforts will be used to compare worldwide water quality.

### **SUBSIDIARY COMMUNITY INVOLVEMENT HIGHLIGHTS**

#### **SMITHFIELD BEEF GROUP, WISCONSIN**

Smithfield Beef Group's Green Bay facility earned Smithfield Foods' President's Award for its community outreach efforts in 2005. In addition to innovative biogas projects that reduced the facility's dependence on natural gas, the facility made biosolids available to local farmers to increase crop yields. It also participated in fundraisers that raised funds for a local county composting initiative, the Salvation Army, Toys for Tots and Teens, and the Big Brothers and Big Sisters programs.

In May 2005, Smithfield Beef Group also donated 14 acres on Green Bay's East Side to the Salvation Army, helping to bring the faith-based nonprofit closer to meeting its grant requirements, and its goal of building a \$37.5 million arts, recreation and education center that would serve underprivileged children in the community. The \$30 million grant sought by the Salvation Army is part of the Kroc Challenge, a \$1.5 billion legacy from the estate of Joan Kroc, the widow of former McDonald's chairman Ray Kroc.

#### **SMITHFIELD PACKING**

##### ***Tar Heel Employees: Lending Skills and Time***

The efforts of Tar Heel's environmental coordinators were extensive in 2005 and earned the team a Smithfield Foods Environmental Excellence Award. In addition to communicating Smithfield Foods' environmental commitment, the coordinators assisted the community in improving its own performance. Employees volunteered their time judging science fairs; participating in company-wide events, such as World Water Monitoring Day; assisting with environmental and safety education in elementary and high schools; and serving on boards of environmental committees, such as the Keep Bladen County Beautiful Committee, Cape Fear River Assembly, and the North Carolina Department of Environment and Natural Resources Environmental Stewardship Program.

##### ***Fleet Safety: Teaching "No Zone" Awareness, Virginia***

Funded through the Virginia Trucking Association's Foundation, the "No Zone" program is a national initiative that employs in-person lectures, media and hands-on demonstrations to educate drivers on how to safely share the road with large commercial vehicles. In 2005, a number of Fleet Safety personnel worked with educational and other organizations to impart these safety practices. For example, employees partnered with local schools in Isle of Wight County and Suffolk to teach No Zone awareness to new drivers, with the goal of expanding their efforts to other school systems. In North Carolina, the Tar Heel facility partnered with the North Carolina Highway Patrol to implement the No Zone program in that region.

**FARMLAND FOODS*****Crete, Nebraska***

A growing percentage of Nebraska's future college students come from Hispanic and other minority populations. Farmland Foods provided a \$10,000 grant to fund the summer camp, "A Summer Experience for New Americans," at Doane College for students of new immigrant families. Twenty-four students were invited to the campus for four days in June to learn about attending college.

***Kansas City, Missouri***

Farmland Foods and its employees raised more than \$20,000 for the American Heart Association's American Heart Walk. In addition to the Heart Walk, Farmland Foods and its employees participated in the American Cancer Society Relay for Life and raised money for the City Union Mission and Salvation Army. Farmland Foods also instituted the "Good Cause Friday" fundraiser, in which employees now pay \$5 to wear jeans on Fridays. All funds go toward community causes.

**NORTH SIDE FOODS, ARNOLD, PENNSYLVANIA, AND CUMMING, GEORGIA**

North Side Foods and employees have a solid history of contributing time and money to good causes. Two good examples of North Side's efforts are its contributions to the Ronald McDonald House Charities and the Juvenile Diabetes Foundation (JDF) of Western Pennsylvania.

As a major pork product supplier to McDonald's, North Side contributes in a number of ways to the RMHC, including donations of money, computer equipment and time. During 2005, the subsidiary contributed more than \$80,000 to the RMHC to help children and families in need. For the sixth consecutive year, North Side employees in Arnold, Pennsylvania, conducted an annual golf outing to benefit the JDF. In 2005, the event raised more than \$15,000 for JDF, bringing the total raised over the past six years to more than \$75,000.

North Side's contributions have also benefited the Mario Lemieux Foundation for cancer and other medical research, the Salvation Army, the American Cancer Society and several other local organizations.

## EMPLOYEE POLICIES AND PROGRAMS

### SUPPORTING OUR PEOPLE AND CREATING REWARDING CAREERS WITH OUR COMPANY

A number of stakeholders have expressed interest in knowing more about our employee policies and programs, and we believe we have a good story to tell. Smithfield Foods is committed to providing employment opportunities that are valued by our people and new recruits. We are also committed to continuously improving our policies and programs so employees can grow professionally and personally with our company. In 2005, we were pleased to be included among *Fortune* magazine's annual list of America's Most Admired Companies for the third consecutive year. Among its criteria, *Fortune* ranks companies based on their social responsibility commitments to employees.

### EMPLOYEE BENEFIT PROGRAMS

Smithfield Foods offers employees very competitive wage and benefit programs. Although specific programs vary by operating company, location and position, so that not all benefits may be available to every employee, below is a brief overview of the benefits we offer at Smithfield Foods, Inc.:

- Medical insurance plans
- Vision insurance plan
- Dental insurance plan
- Health care flexible spending account
- Life insurance
- Disability plans
- Retirement plan
- 401(k) savings plan
- Educational assistance
- Vacations and holidays

### RECOGNITION FOR CREATIVITY IN EMPLOYEE RELATIONS AND RETIREMENT PROGRAMS

At its February 2005 conference, *Pensions & Investments (P&I)*, the international newspaper of money management, honored companies that maintain defined 401(k) contribution plans and that excel in informing employees about the various programs and plans. *P&I* recognized Smithfield Foods' Retirement and Benefits Department for creativity in employee retirement programs.

### HELPING EMPLOYEES ACHIEVE THEIR EDUCATIONAL GOALS

Smithfield Foods offers employees tuition reimbursement to help them pursue their educational goals. Some employees have taken advantage of these programs to pursue English as a Second Language courses, General Educational Development (GED) certificates, and undergraduate and graduate degrees. The extent of these programs varies by subsidiary, but generally employees are provided assistance based on their commitment and results. Reimbursement has traditionally included cost of tuition and lab fees and may range from 50 to 100 percent.

### THE SMITHFIELD-LUTER FOUNDATION: HELPING EMPLOYEES MEET FAMILY EDUCATIONAL NEEDS

Founded in 2002, the nonprofit Smithfield-Luter Foundation provides scholarships for dependent children and grandchildren of full-time or retired employees of Smithfield Foods' family of companies. Based on financial

need, these scholarships are available to children who receive acceptance into Wake Forest University, Iowa State University, Johnson & Wales University, or Virginia Polytechnic Institute and State University. In 2005, the Smithfield-Luter Foundation disbursed 15 scholarships totaling \$196,209.

#### **SMITHFIELD PACKING'S ON-SITE HEALTH CARE FACILITY AT TAR HEEL**

A couple of years ago, we piloted an initiative to enable Smithfield Packing employees at the Tar Heel facility to take advantage of additional health care options beyond the traditional plan already offered. Smithfield Packing funded and constructed the 11,000-square-foot Smithfield Family Medical Center and Pharmacy adjacent to the Tar Heel plant. Smithfield Foods contracted with a third-party health management organization for the management and hiring of physicians, many of whom are bilingual (Spanish/English), and other medical staff. The facility offers health care services to plant employees and dependents, with reduced copayments for office visits, prescription drugs and other ancillary services, such as X-rays and laboratory tests.

### **EMPLOYEE PROFESSIONAL DEVELOPMENT AND PERSONAL SUPPORT**

#### **STRENGTHENING EMPLOYEE SUPPORT**

To varying degrees, all locations provide programs to support employees on the job, such as coaching or mentoring programs. Some also provide access to personal support services, such as counseling. In 2005, a number of facilities implemented improvements to their programs. For example, Smithfield Beef Group's facility in Green Bay, Wisconsin, developed an English as a Second Language program through the Literacy Council of Brown County. It also initiated a chaplain program to help employees tackle personal problems. Farmland Foods brought together diversity teams with members from various ethnic backgrounds to meet periodically and discuss current issues in the facility. Sun Land implemented new human resources (HR) strategies; trainers, new hires and line supervisors now meet weekly to discuss a new employee's progress, and HR representatives interview new hires two weeks into employment to identify any problems early.

#### **TRAINING**

Our subsidiaries have all developed ongoing training and mentoring opportunities for employees. Please review our Environmental Stewardship, Animal Welfare, Food Safety and Safety Performance sections for training associated with these functions within our company.

### **EQUAL EMPLOYMENT OPPORTUNITY POLICIES AND PROGRAMS**

Our company strongly believes in promoting diversity and cultivating a U.S. work force representative of American society. In recruitment, hiring, training, promotion and other terms and conditions of employment, Smithfield Foods does not permit discrimination against any employee or any applicant because of race, color, religion, ethnic or national origin, gender, sexual preference, age, disability or veteran status or any other status protected by federal law. All Smithfield Foods facilities have Equal Employment Opportunity policies and programs. Supervisory employees are held accountable for compliance with U.S. Equal Employment Opportunity laws and Smithfield Foods' Equal Employment Opportunity standard, and the administration of company-sponsored programs on a nondiscriminatory basis. Employees with concerns are encouraged to discuss them with their supervisors, their personnel managers or with other appropriate Human Resources management officials. If an employee feels unable to communicate through these personnel, they are encouraged to contact Smithfield Foods' Legal Department directly or to call our hotline.

Subsidiaries that subcontract or contract with the government have programs in place to help ensure compliance with the U.S. Department of Labor's Office of Federal Contracts Compliance, including reporting requirements under affirmative action to include programs for minorities, the disabled and veterans.

### **REPRESENTATION OF WOMEN AND MINORITIES IN SMITHFIELD FOODS' WORK FORCE**

As of September 2005, across all facilities, women were estimated to represent 35 percent of our employees, and 17 percent of all officials and managers. Minorities\* represented 69 percent of employees, and 26 percent of all officials and managers. 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.

### **COLLECTIVE BARGAINING**

Within our company, facilities may be unionized or non-unionized. Smithfield Foods is committed to giving employees the freedom to choose whether they will engage a third party in the administration of their affairs with our company. If a facility is unionized, Smithfield Foods honors and complies with the terms and conditions of the collective bargaining agreement. As of May 2005, approximately 43 percent of Smithfield Foods' U.S. work force was covered by collective bargaining agreements. This percentage represents approximately 17,900 Pork segment employees and 2,000 Beef segment employees.

Smithfield Packing was involved in several legal proceedings in 2005 in the area of employee relations. The company and involved union appealed to a federal appeals court a decision of the National Labor Relations Board (NLRB) regarding events and circumstances that occurred during the campaign and election at the Tar Heel and Wilson, North Carolina, facilities in 1997. Smithfield Packing also appealed to the NLRB another decision of an administrative law judge faulting the company for the alleged conduct of its security personnel during a strike by employees of a Smithfield contractor. Three additional unfair labor practices charges were filed against Smithfield Packing in 2005. Each was investigated by the NLRB, and each was dismissed for lack of merit.

Within our unionized facilities, we have good relations with the unions and have partnered on several employee programs that go above and beyond the company's collective bargaining obligations.

### **SETTING CLEAR COMPANY-WIDE EXPECTATIONS FOR APPROPRIATE EMPLOYEE BEHAVIOR**

Smithfield Foods' Code of Business Conduct and Ethics sets forth clear expectations for appropriate employee behavior as well as corporate hiring and disciplinary policies. The code is communicated to all Smithfield Foods employees and continually reinforced. Smithfield Foods has established policies and protocols to help ensure that employees at all levels of our company act responsibly and respectfully within the workplace.

### **STANDARDS TO PREVENT HARASSMENT IN THE WORKPLACE**

Smithfield Foods is committed to providing employees with a work environment free from harassment. Each subsidiary has developed policies and programs to support this goal. Our code clearly describes prohibited behaviors and instructs employees to report any incidents of harassment to a member of management, the human resources office, the legal department or the hotline. All complaints are handled in a confidential manner. Retaliation or reprisal for reporting any incidents of harassment is not tolerated. Smithfield Foods investigates all complaints and takes appropriate action depending on the findings. Employees found to be responsible for sexual harassment or any other form of harassment will be subject to appropriate discipline, up to and including termination of employment.

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\* The U.S. legal definition for minorities is any member of the following groups: African American, Hispanic American, Native American, Asian-Pacific American and Asian-Indian American.

#### **POLICIES AND PROGRAMS TO PREVENT VIOLENCE IN THE WORKPLACE**

To protect Smithfield Foods employees, property and assets, our company has implemented a number of measures internally and externally to prevent workplace violence. These measures range from partnering with local law enforcement to effectively respond to threats, such as bomb threats or bioterrorism, to creating internal policies and processes for responding to any violent behaviors within the workplace. Most facilities also maintain on-site security personnel.

Our Code of Business Conduct and Ethics clearly describes prohibited behaviors. Programs at each facility are designed to encourage employees to report any such incidents as well as provide a process for appropriate disciplinary measures. Employees found to be responsible for violence are subject to appropriate discipline, up to and including loss of their job, and possibly criminal prosecution.



Thanks to a \$1.5 billion gift from the estate of Joan Kroc, the Salvation Army will be able to build Ray and Joan Kroc Corps Community Centers across the country modeled on the one in San Diego. Here in Green Bay, this facility will provide recreation and education opportunities for an underserved portion of our community. Acquiring property in the right location is usually the stumbling block to such projects. Early on, we were fortunate to have the Smithfield Beef Group offer us 14 acres of land to help make it possible. This is just one more example of the company's generosity. Over the past few years, Smithfield has been a constant supporter of our work.

**Major Bob Fay**

*Brown County Coordinator  
The Salvation Army*





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Some 38 million Americans are food insecure, hungry or at risk of hunger. That's why the work of America's Second Harvest is so important. The support we get from companies such as Smithfield Foods helps our network of food banks feed the hungry—including 9 million children—in all 50 states. Smithfield subsidiaries donated more than 2.5 million pounds of meat through America's Second Harvest during 2005, and Smithfield was especially helpful in supporting our relief efforts after Hurricane Katrina struck. Its subsidiaries provided more than 150,000 pounds of meat, 80,000 pounds of ice and 32,000 bottles of water.

**Robert Forney**

*President and Chief Executive Officer  
America's Second Harvest  
The Nation's Food Bank Network*

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## EMPLOYEE HEALTH AND SAFETY

### KEEPING PEOPLE SAFE IN A CHALLENGING WORK ENVIRONMENT

Smithfield Foods senior management has consistently communicated on-the-job safety as a top priority. The company's goal is to achieve top-tier performance and set the livestock production and meat industry standard for keeping workers safe and healthy on the job.

Our industry ranks among the most labor intensive. It is characterized, in large part, by the handling and transport of live animals, operation of heavy machinery, transport of product, repetitive motions and exposure to wet, cool environments. In 2005, we proactively tackled a number of these challenges with the implementation of the Safety Culture Elements. Through this self-assessment tool, facilities have additional guidance to strengthen their foundational safety cultures, reduce employee turnover and better manage high workers' compensation costs. The latter result from multiple factors, including rising medical costs, indemnity payouts and deductibles.

The Safety Culture Elements tool was our Corporate Risk Management Department's response to facilities' requests for guidance on enhancing fundamental safety cultures. The department combined forces with safety consultants to review world-class safety programs in various industries and determine elements essential for sustaining performance improvement across all operations. The Safety Culture Elements self-assessment tool was piloted at several sites before the official rollout in May 2005. Employee training on the tool was prominently on the agenda at Smithfield Foods' Annual Safety Conference.

Facilities will use the tool to assess their programs, and then safety consultants will assist in assessments at select facilities to verify the proper application of the tool. Facilities and Corporate Risk Management will use these results to identify areas for program improvement and develop their annual safety business plans.

### MANAGING FOR PERFORMANCE: THE CORPORATE RISK MANAGEMENT DEPARTMENT

Reporting to the president, Smithfield Foods' Corporate Risk Management Department ensures alignment between Smithfield Foods' corporate safety policy (See Appendix B), goals and programs, and our subsidiaries' safety programs and performance. This department establishes standards that support the Safety Business Planning process and monitors company-wide safety performance for all facilities. Subsidiaries operate their own safety organizations and programs. Each subsidiary is responsible for ensuring that operations uphold Smithfield Foods' safety policy and comply with federal, state and local laws.

At corporate, subsidiary and facility levels, communications programs are designed to facilitate knowledge sharing and skills development company wide, and encourage performance improvement. For example, Smithfield Foods' Annual Safety Conference was held in Norfolk, Virginia, in June. We also took that opportunity to reward top performers with Smithfield Foods Safety Excellence Awards. (See page 68 for more details on this year's awards.) Many of our safety professionals also pursue ongoing learning opportunities—as well as share their expertise—through memberships in various organizations, including the American Meat Institute, American Society of Safety Engineers, the National Safety Council and the National Private Truck Council's National Advisory Board for Safety and Technology.

### SUBSIDIARY DEPARTMENTAL SPOTLIGHT: SMITHFIELD PACKING'S FLEET SAFETY DEPARTMENT

A number of Smithfield Foods subsidiaries operate fleets of commercial vehicles and maintain their own fleet safety organizations. Murphy-Brown's fleet, for example, primarily hauls live animals to farms or slaughter. In future-year reports, we hope to expand our fleet performance reporting. This year, we are featuring Smithfield Packing's Fleet Safety Department, which oversees the largest fleet of commercial vehicles within our

processing subsidiaries—comprising approximately 160 drivers, 145 tractors and 560 trailers—and the maintenance management of 150 executive and sales vehicles.

The department's responsibilities span driver recruitment and training, compliance assurance, accident investigation, claims liability, driver workers' compensation and fleet litigation. This team also manages U.S. Occupational Safety and Health Administration (OSHA) Health and Safety Programs for our Smithfield Packing maintenance facilities in Virginia and North Carolina, which employ more than 60 certified heavy-truck mechanics and refrigeration technicians. In addition to its program responsibilities, the department actively explores solutions for fleet-related issues that not only improve employee safety but also provide environmental, economic and community safety benefits. The department also seeks out partnership opportunities to improve its own fleet performance as well as that of the U.S. trucking industry. For example, the department periodically requests state motor carrier officers to inspect tractors at the terminals to identify potential safety hazards early and implement preventive measures.

The Fleet Safety Department implemented a number of initiatives in 2005 to improve the comfort, health and safety of its drivers, who can travel up to 500 miles per trip transporting finished products or byproducts. These trips require intense concentration and the ability to sit for extended periods of time, all of which can take a toll if not managed properly. The department implemented a wellness-screening program to proactively identify and address health issues that lead to absenteeism, short- and long-term disability, and early retirement. In addition, the department published a driver safety and health manual to heighten driver awareness of potential job-related hazards. Drivers benefited from the addition of auxiliary power units to the 145 fleet tractors. These units provide drivers with quieter, more comfortable, temperature-controlled sleeper berth breaks. Additionally, the redesign of Smithfield Packing's rendering tank trailers to include tire self-inflation systems and new single-wide tire technologies provided an additional margin of safety from catastrophic blow-outs and also improved driver control during hard brakes or evasive maneuvers.

In 2005, fleet safety personnel also went the extra step to assist national security efforts and became certified instructors for the Homeland Security/Office of Domestic Preparedness Highway Watch® Program. The program was created in conjunction with the American Trucking Association to heighten national security by creating a nationwide team of well-trained and experienced transportation professionals who collectively detect and report potential threats to critical infrastructure and the transportation system. By the end of 2005, fleet safety personnel had certified more than 160 of our transportation professionals. These drivers are now trained to report suspicious activity directly to the National Information Sharing and Analysis Center in Arlington, Virginia, which notifies local, state and/or federal agencies.

### **SUBSIDIARY-SPECIFIC CONTINUOUS IMPROVEMENT STRATEGIES**

The following are examples of subsidiary-specific efforts in 2005 to improve safety programs as well as achieve, in some cases, additional environmental and financial benefits.

#### **SMITHFIELD PACKING'S SAFETY PROGRAM**

Our Smithfield Packing subsidiaries manage an extensive safety program that continues to produce impressive results. For example, the Tar Heel facility received a letter of commendation from OSHA for its ergonomic and health programs. In the letter, OSHA's district supervisor praised the Tar Heel facility for its "commitment to protecting the health and safety of [its] employees."

During the reporting period, Smithfield Packing implemented a number of improvements. Safety professionals distributed weekly publications describing accident trends and prevention strategies. They also partnered with the OSHA Alliance to enhance OSHA's E-Tools program, which consists of topic-driven links from the OSHA Web site that take users to e-tools for best practices and program-development advice.

Additionally, the Tar Heel and Clayton facilities added Shockwatch™ technology to their industrial power trucks and equipment, which makes trucks and equipment accessible only to authorized users. With Shockwatch, the number of truck and equipment accidents has decreased, as has property damage from mishandled equipment.

#### **TRAINING IN MANY LANGUAGES**

Smithfield Beef Group's Sun Land Division, Smithfield Packing, Patrick Cudahy and Farmland Foods all implemented safety training programs in various languages depending on need. For example, to improve communication between new hires and trainers, Sun Land now provides training in Spanish, Arabic, Egyptian, Somali, Bosnian and Vietnamese, as required. All monthly safety communications within Smithfield Packing are provided in English and Spanish. Farmland Foods' Risk Management Program now features a standard for translating all English facility postings if 15 percent or more of the facility population speak a particular language.

#### **MURPHY-BROWN**

Murphy-Brown's farm managers and production specialists applied their Pareto Chart\* performance monitoring technique to evaluate and improve the process for moving sows on farms. Pareto Chart data enable Murphy-Brown to focus improvement efforts on the tasks that most frequently caused worker injury. Additionally, Murphy-Brown's Western Operations implemented an Escalation Process to help correct safety issues quickly and effectively. The process is applied to farms or departments with serious and/or numerous work injuries. The safety manager reports persistent problems up the chain, to the operations manager, director of production, human resources and the president of Murphy-Brown's Western Operations.

#### **FARMLAND FOODS**

Our Farmland Foods division made a number of safety program improvements, beginning with a shift to a Safety Team Organization system. The new system establishes a comprehensive approach to measuring safety performance, enlisting employees from management to hourly employee levels. Each team member takes responsibility for a portion of the facility's comprehensive audit.

#### **SMITHFIELD BEEF GROUP**

Backed by senior management support, the Moyer Division's Ergonomics Program progressed in 2005. The core team, made up of supervisors, managers, leads and maintenance workers, hired a meat industry ergonomics expert to consult on ergonomics principles and problem-solving skills, and apply these analytical tools to Moyer's specific issues.

#### **JOHN MORRELL**

A number of John Morrell divisions enhanced their safety programs and performance. For example, the Mohawk Division established safety performance incentives, including quarterly and annual drawings and luncheons rewarding employees for each month in which there were no OSHA recordables. The Iowa Quality Meats division initiated a new Safe Behavior Contact system, which includes regular safety tours by division management.

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\* A Pareto Chart measures the frequency of a particular injury type during particular tasks. These charts rank tasks from the most frequent occurrences of injuries to the least.

## SAFETY PERFORMANCE

Our safety benchmarks are set at a 30-percent improvement upon the U.S. industry safety average. Although we did achieve the 2004 industry average, we did not achieve our 2005 benchmark goal. We anticipate that the implementation of the Safety Culture Elements tool will help us improve our performance in subsequent years.

### SAFETY METRICS

Smithfield Foods' health and safety performance compares favorably with our industry peers. Our goal, however, with the implementation of the Safety Culture Elements tool, is to raise the bar in the industry.

#### OSHA RECORDABLE RATE



The OSHA Recordable Rate is the number of work-related injuries and illnesses per 100 employees.

#### LOST WORKDAY CASE RATE



The Lost Workday Case Rate is the number of work-related injuries and illnesses that result in a lost workday per 100 employees.

#### RESTRICTED DUTY CASE RATE



The Restricted Duty Case Rate represents the number of work-related injuries and illnesses that result in a day of restricted work activity per 100 employees.

ALL MEASUREMENTS ARE FOR CALENDAR YEARS.

## PERFORMANCE RECOGNITION

### SMITHFIELD FOODS' INTERNAL SAFETY EXCELLENCE AWARDS

Smithfield Foods' Safety Excellence Awards program formally recognizes exceptional safety performance within the company. This year's recipients for most significant accident reductions in the cattle and hog raising operations, slaughter operations and processing operations went to Murphy-Brown Support Services Division, Smithfield Beef Group's Plainwell Division and Smithfield Packing's Kinston Division, respectively. John Morrell's Curly's Division distinguished itself as the most improved operation for safety performance. North Side Foods won for best operating company in terms of percentage under workers' compensation goals. Murphy-Brown's Kenansville Division in North Carolina took the President's Trophy, Smithfield Foods' top worker safety award, for reducing incidents by an impressive 60 percent.

### EXTERNAL RECOGNITION

#### *Farmland Foods*

The Iowa/Illinois Safety Council awarded Farmland Foods' Denison Division's Safety Activity Team with a Recognition Award for the Seat Belt Campaign described in our 2004 report.

The Denison Division was also honored with the American Red Cross "Heroes Among Us Reaching New Heights" Award for Business of the Year.

The Ohio Bureau of Workers' Compensation recognized the impressive performance of Farmland Foods' new Riegel Division with four awards:

- An award for achieving no lost-time accidents in 2004;
- The Group Safety Award for being the company with the lowest incident rate in a safety council group;
- The Special Award for its outstanding effort in safety by operating without a lost-time accident in 2004; and
- The Achievement Award for reducing its annual incident rate by 25 percent or more.

***John Morrell***

At its annual Safety Award Conference, the American Meat Institute recognized the Great Bend facility with a Golden Star Award and an Award of Commendation.

***Awards for Smithfield Packing Fleet Safety Performance***

The National Private Truck Council awarded Certificates of Recognition to three drivers for safe driving practices.

The North Carolina Trucking Association named a Tar Heel driver the North Carolina Safe Driver of the Month.

The Virginia Trucking Association's Driver of the Year went to one of Smithfield Packing's drivers.

The Virginia Trucking Association named a fleet safety manager the 2005 Fleet Safety Professional the Year.

## INTERNATIONAL SOCIAL RESPONSIBILITY PERFORMANCE

### ABOUT SMITHFIELD FOODS' INTERNATIONAL OPERATIONS

Smithfield Foods' international operations include both our international hog production operations owned by Murphy-Brown LLC, and our International business segment, which encompasses Smithfield Foods' international meat processing operations. In fiscal 2005, our international operations produced 2.5 million hogs. We processed 657.1 million pounds of meat products.

Our international meat processing operations produce a wide variety of fresh and processed meats products, and they account for 8 percent of our company's sales. These operations employed approximately 10,400 employees in fiscal 2005, approximately 1,900 of which were covered by collective bargaining agreements. Smithfield Foods has controlling interests in international meat processing operations located mainly in Poland, France, Romania and the United Kingdom. Our company also has joint ventures and minority interests located mainly in Spain, Mexico, Romania and China. Similar to our U.S. Pork and Beef segments, our International segment has significant market presence throughout its various geographic areas.

The following represent Smithfield Foods' major wholly owned international operations or joint ventures (50 percent interest or more):

- AFG Company, Ltd., Heshan, Guangdong, China
- Agroindustrial del Noroeste, S. de R. L. de C. V.
- Agrotorvis S.R.L.
- Animex Sp. z o.o.
- Carroll's Food do Brasil, S.A.
- Comtim Group SRL
- Granjas Carroll de Mexico, S. de R. L. de C. V.
- Jean Caby S.A.
- Morliny S.A.
- Prima Farms Sp. z o.o.

Our International Social Responsibility section provides select social responsibility performance information for our Polish, Romanian and French subsidiaries. Our Warsaw-based Animex subsidiary is Poland's largest meat and poultry processing company, providing roughly 7,800 jobs and processing approximately 1.2 million hogs per year. Producing market hogs for Animex, Prima Farms employs more than 550 people. Based in France, Smithfield Foods' wholly owned subsidiary Jean Caby, S.A., is a producer and marketer of processed meats products. Jean Caby is a first-tier processed meats company that employs approximately 1,850 people.

For more detail on our international operations, please visit our Web site at [www.smithfieldfoods.com](http://www.smithfieldfoods.com).

### STRUCTURING FOR IMPROVEMENT

Within our international processing facilities, the presidents of our wholly owned international subsidiaries oversee our social responsibility commitments. These presidents report to Smithfield Foods' president and chief operating officer. Our international production operations report to Murphy-Brown's international president

of hog production. All our international subsidiaries are expected to comply with Smithfield Foods' Code of Business Conduct and Ethics, which has been translated into French, Spanish and Polish. This code is communicated to our international subsidiaries, and they independently manage compliance.

Our long-term goal is to adapt many of the best practices we've developed in our U.S. operations to our international operations' practices, with due consideration for the diverse regulatory requirements and circumstances of our facilities and their communities' needs. We continue to evaluate and standardize these systems. Some systems, such as the animal welfare management systems on our Polish Prima Farms, are tailored for compliance with European Union standards. A number of our international operations have begun engaging the media, government, academia, neighboring communities and other interested stakeholders.

As we move forward and our corporate information collection systems become more globalized, we hope to expand reporting on our International segment.

### ENVIRONMENTAL MANAGEMENT

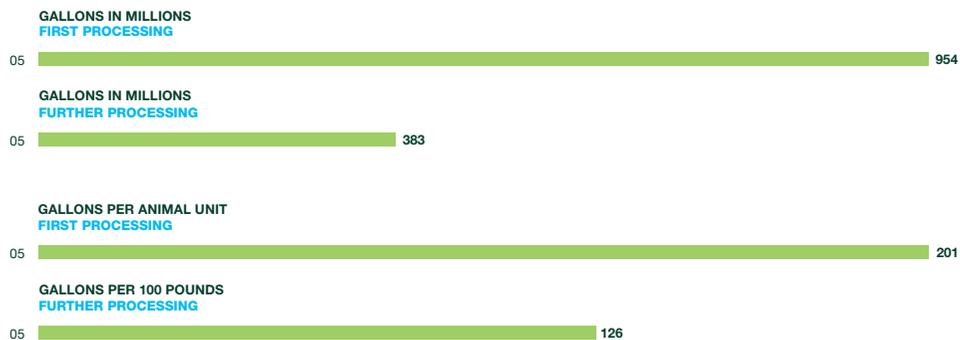
Our goal for environmental compliance and innovation in our international operations is to lead the industry in environmental protection policy and standard setting. All our farms in Poland employ government-approved and regulated waste management systems and best management practices to minimize the potential for groundwater or surface water contamination in their localities. In January 2005, Murphy-Brown's Prima Farms facilities went the extra step to achieve ISO 14001 certification of their environmental management systems (EMSs). Within Animex, the Elk-Mazury facility is also ISO 14001 certified. In 2005, Animex processing plants began the process of applying for Integrated Pollution Prevention and Control (IPPC) permits pursuant to the European Union's IPPC Directive. All plants must comply with the IPPC requirements by the end of June 2006. Jean Caby's EMSs address applicable regulatory requirements; however, none are ISO 14001 certified.

### MEASURING PERFORMANCE

Our international environmental metrics represent Animex's pork and poultry first processing operations as well as Animex's and Jean Caby's further processing operations. We have provided both absolute and normalized baseline metrics for fiscal year 2005 for water, electricity and natural gas usage, cardboard recycling and solid waste.

#### WATER

##### WATER USAGE



ALL MEASUREMENTS ARE FOR THE FISCAL YEAR.

**SOLID WASTE****SOLID WASTE**

TONS IN THOUSANDS  
FIRST PROCESSING

05  4

TONS IN THOUSANDS  
FURTHER PROCESSING

05  7

TONS PER ANIMAL UNIT  
FIRST PROCESSING

05  0.0007

TONS PER 100 POUNDS  
FURTHER PROCESSING

05  0.0023

ALL MEASUREMENTS ARE FOR THE FISCAL YEAR.

**CARDBOARD RECYCLING****CARDBOARD RECYCLED—ALL PLANTS**

TONS

05  3,157

ALL MEASUREMENTS ARE FOR THE FISCAL YEAR.

**ELECTRICITY USAGE****ELECTRICITY USAGE**

kWh IN MILLIONS  
FIRST PROCESSING

05  97

kWh IN MILLIONS  
FURTHER PROCESSING

05  89

kWh PER ANIMAL UNIT  
FIRST PROCESSING

05  19

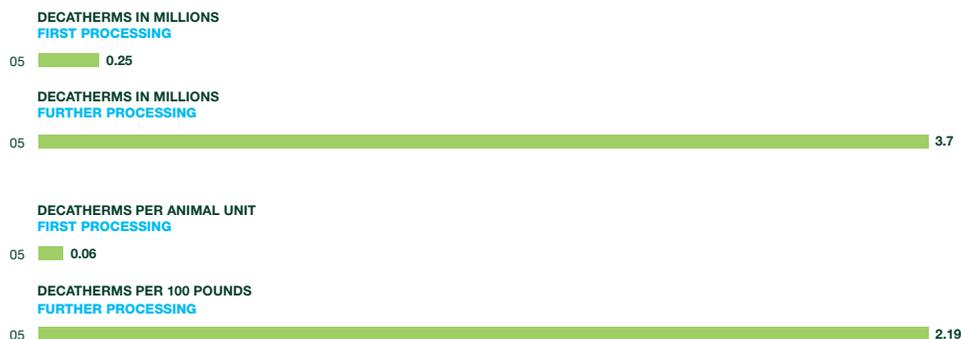
kWh PER 100 POUNDS  
FURTHER PROCESSING

05  33

ALL MEASUREMENTS ARE FOR THE FISCAL YEAR.

## NATURAL GAS USAGE

### NATURAL GAS USAGE



ALL MEASUREMENTS ARE FOR THE FISCAL YEAR.

## ENVIRONMENTAL MANAGEMENT SYSTEMS ON PRIMA FARMS, POLAND

In 2005, 28 Prima Farms locations received ISO 14001 certification for their environmental management systems (EMSs), the first Polish farming operations to do so. These EMSs have produced impressive performance improvement results, such as the reduction of water usage by 30 percent. In the area of slurry management, the farms now utilize the best available technology for storage, transport and soil application. A computerized system controls application to help ensure the maintenance of appropriate nutrient levels and the protection of groundwater sources. These EMSs have also focused on reducing air emissions. For their impressive achievement and the value this performance commitment brings to our company and stakeholders, Prima Farms was awarded a Smithfield Foods President's Award.

## EMPLOYEE PROGRAMS

### PRIMA FARMS EMPLOYEE PROGRAMS

Our Prima Farms group has taken a number of proactive steps to enhance employee engagement and development, as well as to keep employees safe while on the job. Clear communication is a focus for the Prima Farms group—from training and informational support for managers and employees to one-on-one discussions. For example, employees and management—from new recruits to seasoned workers—receive ongoing training as part of the group's overall training plan. In addition to other clearly defined requirements, annual performance evaluations are linked to employee participation in learning opportunities. The Annual Performance Appraisal process is transparent to all employees so that everyone understands the performance criteria. Management receives a manual that sets forth all human resource procedures and policies. The group's Job Valuation System also ensures that employees and managers understand job duties and associated compensation as well as advancement or alternative career opportunities within the group.

The group has established innovative incentive programs as well. Employees are rewarded for attendance and solid safety performance. To assist employees in need, the company also manages a social fund. Every year, Prima Farms reviews its human resources procedures and programs for continuous improvement opportunities.

## FOOD SAFETY

### PRIMA FARMS FOOD SAFETY MANAGEMENT SYSTEM

To manage all hog feed meal and help ensure food safety from production to consumption, Prima Farms implemented a food safety management system aligned with the ISO 22000 standard. This auditable international standard requires the development of several key elements, including the implementation of a

Hazard Analysis and Critical Control Point (HACCP) system and application of the Codex Alimentarius, which are the international food standards adopted by the Codex Alimentarius Commission established by the United Nation's World Health Organization and Food and Agriculture Organization.

## **COMMUNITY CONTRIBUTIONS AND INVOLVEMENT**

### **SMITHFIELD FOODS ROMANIA**

#### ***Providing Relief in Flood-Ravaged Timis County, Romania***

In 2005, Romania suffered several waves of flooding that left billions of dollars in infrastructure damage and tens of thousands of people struggling to rebuild their lives. In western Romania's Timis County, where Smithfield Foods is located, the damage caused by April flooding was severe. To assist flood victims in the neighboring villages of Uivar and Gataia, Smithfield Foods Romania donated an estimated seven tons of food products and other essentials totaling \$15,000. Every family received a package containing sugar, flour, rice, oil, canned goods, bread and bottled water as well as personal hygiene items, mattresses and blankets. Employee volunteers provided hands-on assistance for distributing the much-needed supplies.

To assist its employees affected by the flooding, Smithfield Foods Romania also committed \$100,000 to the local governmental program, "Adopt a Home," established to help victims rebuild their homes and restore their property. The program matches corporate sponsors and other financial contributors with nonprofit organizations that contract with construction companies. Smithfield Foods Romania partnered with a local division of the Romanian Orthodox Church, and our donation went toward assisting Smithfield Foods Romania employees in restoring their homes.

#### ***Promoting Educational Improvement Efforts in Birda Village, Timis County, Romania***

In Birda Village, where Smithfield Foods Romania operates a hog farm, kindergarten through fourth grade public school teachers were interested in learning advanced teaching methods to improve early education within the community. In 2005, Smithfield Foods Romania sponsored seven teachers to fly to Cluj-Napoca in the central Romanian county of Cluj to spend a couple of days observing classes and learning from Simona Baciu and the staff at the Happy Kids school. The school is well-known and respected for its leading-edge teaching techniques.

#### ***World Water Monitoring Day in Timisoara, Timis County, Romania***

Employees of Smithfield Foods Romania partnered with a Timisoara school, the Environment Protection Agency, the Romanian Water National Agency and the Timis Environmental Guard to help make World Water Monitoring Day a success. Smithfield Foods Romania employees worked with students to test the water quality of the Bega River and provide lessons in basic ecology.

## APPENDIX A: ORGANIZATIONAL MEMBERSHIPS

### NATIONAL ORGANIZATIONS

American Occupational Health Nurse Association  
American Registry of Professional Animal Scientists  
American Society of Agricultural Engineers  
American Society of Animal Science  
American Society of Safety Engineers  
American Meat Institute  
America's Clean Water Foundation  
Corporate Environmental Enforcement Council  
Environmental Law Institute  
Federation of Animal Science Societies  
Global Environmental Management Initiative  
International Foundation for the Conservation of Natural Resources  
Medical Community Advisory Board  
Multi-State Working Group Policy Academy  
National Association of Manufacturers  
National Biodiesel Board  
National Association for Occupational Health Nurses  
National Private Truck Council's National Advisory Board for Safety and Technology  
National Pork Board  
National Pork Producer's Council  
National Renderer's Association  
National Safety Council  
U.S. Department of Agriculture Agricultural Air Quality Task Force

## STATE AND REGIONAL ORGANIZATIONS

Alliance for the Chesapeake Bay  
Arizona Safety Engineers Association  
Board for the Iowa Occupational and Safety Advisory Council  
Businesses for the Bay  
Cape Fear River Assembly  
Central Iowa Occupational Health Nurses Association  
Illinois Safety Council  
Iowa Occupational Safety and Health Advisory Council  
Iowa Safety Council  
James River Association  
Lake Lanier Association  
Lower Cape Fear River Program  
North Carolina Agribusiness Council  
North Carolina Biomass Council  
North Carolina Citizens for Business and Industry  
North Carolina GreenPower Program  
North Carolina Pork Council  
North Carolina Safety and Health Council  
North Carolina Sustainable Energy Association  
North Carolina Trucking Association  
Ohio Association of Meat Processors  
Renewable Energy Economic Development Alliance  
Southeastern Safety Council  
Virginia Manufacturers Association  
Virginia Natural Resources Leadership Institute  
Virginia Trucking Association  
Wilmington Industrial Development Committee of 100

## APPENDIX B: ENVIRONMENTAL, ANIMAL WELFARE, ANTIBIOTICS AND EMPLOYEE SAFETY POLICIES

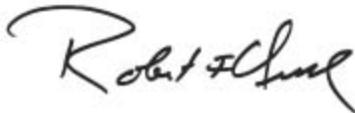
### SMITHFIELD FOODS, INC., ENVIRONMENTAL POLICY STATEMENT (REVISED 2004)

It is the corporate policy of Smithfield Foods, Inc., and its subsidiaries to conduct business in a manner consistent with continuous improvement in regard to protecting the environment.

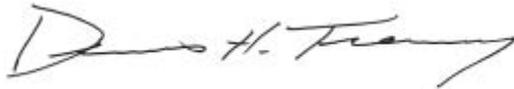
- Smithfield Foods, Inc., is committed to protecting the environment through pollution prevention and continuous improvement of our environmental practices.
- Smithfield Foods, Inc., seeks to demonstrate its responsible corporate citizenship by complying with relevant environmental legislation and regulations and with all other requirements to which we subscribe. We will create, implement and periodically review appropriate environmental objectives and targets.
- Protection of the environment is the responsibility of all Smithfield Foods, Inc., employees within the scope of the EMS.
- Smithfield Foods, Inc., communicates this policy to persons within the scope of the EMS and makes it available to the public upon request.



C. Larry Pope  
President and Chief Operating Officer



Robert F. Urell  
Senior Vice President, Corporate Engineering and Environmental Affairs



Dennis H. Treacy  
Vice President, Environmental, Community and Government Affairs

**SMITHFIELD FOODS, INC., ANIMAL WELFARE POLICY (REVISED 2004)**

Smithfield Foods, Inc., is committed to being the industry leader in animal welfare practices to assure respectful and humane treatment of animals that we own or process, to produce wholesome food products for our customers and to analyze our operations and practices including internal and independent third-party audits to ensure continuous improvement.

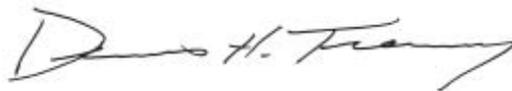
Smithfield Foods, Inc., and all its subsidiaries involved with the production or processing of live animals are required to provide the following:

- Comprehensive written animal welfare programs to ensure animal well-being.
- Shelter that is designed, maintained and operated to provide a physical environment that meets the animals' needs.
- Access to adequate water and high-quality feed to meet animal nutrition requirements (production facilities) and in accordance with the Humane Methods of Slaughter Act of 1978 (processing facilities).
- Humane treatment of animals that ensures their well-being and complies with all applicable legal and regulatory requirements.
- Identification and appropriate treatment of animals in need of care.
- Humane treatment of animals that meets or exceeds the requirements of the Humane Methods of Slaughter Act of 1978 and all applicable American Meat Institute Animal Handling Guidelines (processing facilities).
- Timely use of humane methods to euthanize sick or injured animals not responding to care and treatment.

Adherence to the principles of this policy is a responsibility and requirement of those who interact with animals owned or processed by Smithfield Foods' subsidiaries. Willful neglect or abuse of animals will not be tolerated and will result in immediate termination. Offenders may also be subject to criminal prosecution under applicable laws.



C. Larry Pope  
President and Chief Operating Officer



Dennis H. Treacy  
Vice President, Environmental, Community and Government Affairs

### **MURPHY-BROWN LLC ANIMAL WELFARE POLICY (2002)**

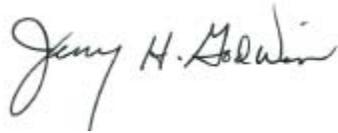
Murphy-Brown is committed to being a leader in responsible animal welfare practices, to humanely produce wholesome food products for our customers, and to analyze our operations and practices to ensure continuous improvement.

Murphy-Brown is committed to providing the following:

- Shelter designed, maintained and operated to provide a physical environment that meets the animals' needs.
- Access to adequate water and high-quality feed to meet animal nutritional requirements.
- Humane treatment of its animals that enhances their well-being and complies with all applicable laws and regulations.
- Identification and appropriate treatment of animals in need of health care.
- Use of humane methods to euthanize sick or injured animals not responding to care and treatment.

Adherence to the principles of this policy is a responsibility and requirement of those who interact with animals wholly owned by Murphy-Brown. Willful neglect or abuse of animals will not be tolerated and will result in immediate termination. Offenders may also be subject to criminal prosecution under General Statutes.

Murphy-Brown's Animal Welfare Policy is provided to its associates and is available to the public.



Jerry H. Godwin  
President and Chief Operating Officer  
Murphy-Brown LLC

### **MURPHY-BROWN LLC ANTIBIOTIC USAGE POLICY**

Compliance with applicable laws, regulations and other requirements to which Murphy-Brown subscribes is the responsibility of every Murphy-Brown associate. The antibiotic usage policy refers to all employees responsible for dispensing, delivering and administering antibiotics.

Murphy-Brown's antibiotic usage policy calls for the following:

- The responsible use of therapeutic antibiotics for the specific purpose of treating animals with disease or illness.
- The responsible use of preventative antibiotics to help prevent the spread or onset of a disease or illness with proper diagnostic confirmation.
- Adherence to all applicable laws including the Food and Drug Administration's Animal Medicinal Drug Use Clarification Act regarding any extra-label drug use.
- No routine administration of antibiotics used in human medicine to healthy animals. For purposes of this policy, "routine" means consistent use of an antibiotic in the context of an individual animal over its entire life.
- Strict or extended adherence to all antibiotic withdrawal timelines established by the FDA and the Food Animal Residue Avoidance Databank.
- No consistent use of feed-grade antimicrobials of human health significance over the life of a healthy animal. Use of particular antimicrobials as additives in feeds will be reviewed at least quarterly by a veterinarian and will be adjusted as appropriate, depending on disease prevention and control needs.
- Antibiotics used and antibiotic administration practices to be approved by licensed professional veterinarians.

Adherence to the principles of this policy is a responsibility and requirement of those who interact with the animals owned or managed by Murphy-Brown. Improper acquisition or usage of antibiotics will result in a minimum of a final written warning. Willful neglect or abuse of animals will not be tolerated and will result in immediate disciplinary action up to and including termination or prosecution.

### **SMITHFIELD FOODS, INC., EMPLOYEE SAFETY POLICY**

This policy was endorsed and promulgated by Smithfield Foods' President and Chief Operating Officer C. Larry Pope.

"At Smithfield Foods, the safety, health and well-being of our employees is of primary importance. It is the responsibility of all employees, from entry level to senior management, to ensure that each and every Smithfield Foods employee has a safe working environment. To that end, we have developed safety rules, work practices and training programs to ensure that employees understand the workplace and are properly trained to function safely in their jobs. We expect 100 percent compliance, 100 percent of the time with these rules and practices. By working together, we can succeed in providing a safe work experience. Safety is not only your job. It is your social responsibility."

## CONTACT US

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

**Dennis H. Treacy** *Vice President, Environmental and Corporate Affairs*

Smithfield Foods, Inc.  
200 Commerce Street  
Smithfield, VA 23430

**T** 757 365 3000  
**F** 757 365 3023  
**E** [dennistreacy@smithfieldfoods.com](mailto:dennistreacy@smithfieldfoods.com)

**Robert F. Urell** *Senior Vice President, Corporate Engineering and Environmental Affairs*

Smithfield Foods, Inc.  
200 Commerce Street  
Smithfield, VA 23430

**T** 757 365 3000  
**F** 757 365 3023  
**E** [boburell@smithfieldfoods.com](mailto:boburell@smithfieldfoods.com)

**William D. Gill** *Asst. Vice President, Environmental Affairs*

Smithfield Foods, Inc.  
111 N. Church Street  
Smithfield, VA 23430

**T** 757 356 6700  
**F** 757 356 6718  
**E** [billgill@smithfieldfoods.com](mailto:billgill@smithfieldfoods.com)

**For investor and media inquiries:**

**Jerry Hostetter** *Vice President, Investor Relations and Corporate Communications*

Smithfield Foods, Inc.  
499 Park Avenue, Suite 600  
New York, NY 10022

**T** 212 758-2100  
**F** 212 758-8421  
**E** [jerryhostetter@smithfieldfoods.com](mailto:jerryhostetter@smithfieldfoods.com)

