

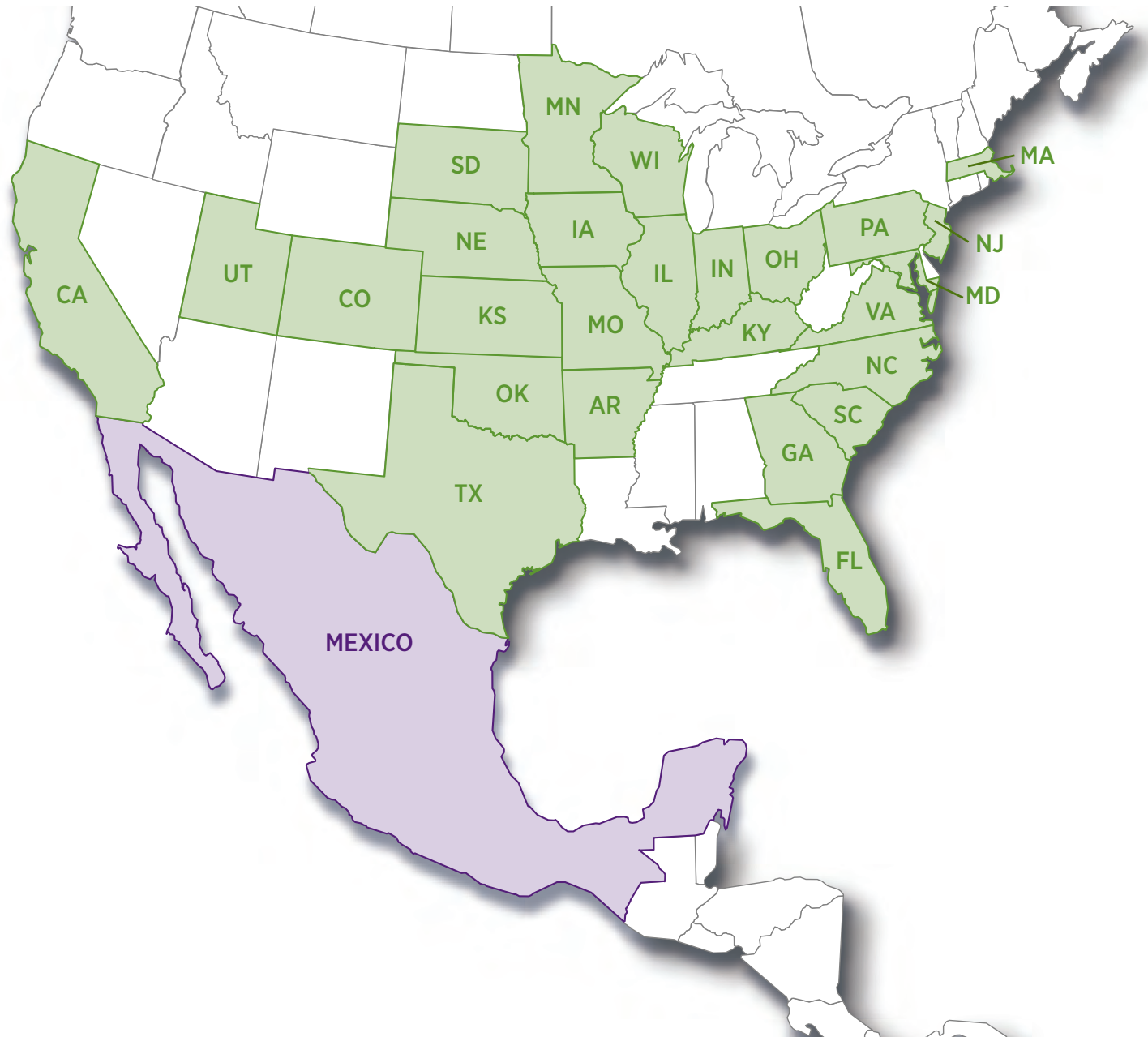
# Smithfield

Corporate Social Responsibility Report  
2009/10

Smithfield Foods achieved a number of significant corporate social responsibility objectives over the past decade, and we have identified new goals for the coming years.

**SMITHFIELD FOODS:  
A GLOBAL LEADER PRODUCING GOOD FOOD. RESPONSIBLY.™**

**NORTH AMERICA**



Through independent operating companies and joint ventures, as well as our stake in Europe's largest packaged meats provider, Smithfield Foods' operations extend to 12 countries.

## EUROPE



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# Smithfield

## FINANCIAL HIGHLIGHTS

Fiscal years ended (in millions, except per share data)	May 2, 2010	May 3, 2009	April 27, 2008
Sales	\$ 11,202.6	\$ 12,487.7	\$ 11,351.2
Income (loss) from continuing operations	(101.4)	(250.9)	139.2
Net income (loss)	(101.4)	(198.4)	128.9
Income (loss) from continuing operations per diluted share	(.65)	(1.78)	1.04
Net income (loss) per diluted share	(.65)	(1.41)	.96
Weighted average diluted shares outstanding	157.1	141.1	134.2
<b>Additional Information</b>			
Capital expenditures	\$ 182.7	\$ 174.5	\$ 460.2
Depreciation expense	236.9	264.0	258.0
Working capital	2,128.4	1,497.7	2,215.3
Net debt <sup>1</sup>	2,556.9	2,786.6	3,826.1
Shareholders' equity	2,755.6	2,612.4	3,048.2
Net debt to total capitalization <sup>2</sup>	48.1%	51.6%	55.7%

<sup>1</sup> Net debt is equal to notes payable and long-term debt and capital lease obligations, including current portion, less cash and cash equivalents.

<sup>2</sup> Computed using net debt divided by net debt and shareholders' equity.

## ABOUT THIS REPORT

Welcome to Smithfield Foods' Corporate Social Responsibility (CSR) report. This report highlights our progress in environmental performance, animal welfare, food safety, community relations, and employees—key CSR areas for our company and its stakeholders. This report also discusses our international operations and introduces our strengthened CSR governance and management structure, including a set of new goals and targets that we recently established. The order of discussion in the report is not meant to emphasize one issue over another.

To help determine the focus of this year's reporting, we conducted a materiality analysis to better understand which CSR issues are of highest concern to internal and external stakeholders. The stakeholders whom we consulted are representative of users of this report. Please see pages 19 to 21 for a discussion of this analysis.

This report follows the Global Reporting Initiative (GRI) G3 Guidelines, which provide a recommended sustainability reporting framework and indicators. We are reporting at a GRI-checked application level of "B." More information on the G3 Guidelines and application levels is available at the following Web site: [www.globalreporting.org/GRIReports/ApplicationLevels](http://www.globalreporting.org/GRIReports/ApplicationLevels).

We used the GRI G3 Guidelines to help focus the boundaries of the qualitative and quantitative information in this report. With the exception of the "About Smithfield Foods" section, and unless otherwise indicated, the information and metrics within this report pertain to Smithfield Foods' independent operating companies and investments in which we have a controlling (51 percent or more) interest.<sup>1</sup> We also discuss our management

approach to contract farming, primarily in the areas of environment and animal welfare, but we do not provide performance data because our contract farmers are independent businesses.

Changes in the scope of reporting or reclassifications of data previously reported are noted in the relevant data sections, as are other assumptions and bases for calculations. We primarily use American measurement units for data for our U.S. operations, metric units for international operations, and American numbering conventions throughout.

The financial data in this report have been audited by a third-party firm. Other data and information have been subject to internal review but not external, third-party assurance. The content focuses primarily on calendar year 2009 but includes fiscal 2010 financial information and discussion of some key developments that occurred in early 2010. Smithfield's fiscal year runs from May through April.

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

### Forward-Looking Information

This publication may contain forward-looking statements within the meaning of federal securities laws. In light of the risks and uncertainties involved, we invite you to read the Risk Factors and Forward-Looking Information sections of Smithfield Foods' Form 10-K for fiscal 2010.

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



C. Larry Pope

## Dear Smithfield Foods Stakeholder:

I'm more optimistic about our company's future than I have been in quite some time. Smithfield Foods has emerged from two extraordinarily challenging years, and I believe we are a better company as a result.

This year's CSR report comes at an exciting time for our company. Our packaged meats business has been performing at record levels, and we

saw positive results from a business restructuring we undertook in 2009. Moreover, after a long period of losses in hog production, we appear to have at last turned a corner.

At Smithfield, we understand that our success as a business hinges on our ability to demonstrate that we are operating appropriately and responsibly, in areas ranging from our impacts on the environment to how we treat our animals.

That's why, in early 2010, we created a new position—senior vice president, corporate affairs, and chief sustainability officer. We promoted one of our vice presidents, Dennis Treacy, to that role, and now he reports directly to me. In addition, our board of directors has a new Sustainability, Community, and Public Affairs Committee. We also established a newly structured corporate Sustainability Committee, reporting to me, made up of some of our most senior executives—including our chief financial officer and four of our subsidiary presidents.

CSR is now deeply embedded in our company culture, from the executive suite and boardroom to the farms where our workers take care of our animals—and every level in between.

Even during the difficult economic times of recent years, we maintained our core CSR programs, such as Helping Hungry Homes®, which provides food for low-income families, and our Learners to Leaders® educational donation program. And over the past year, we have continued to make progress on some of our key issues, such as reducing employee injury rates and enhancing efficiencies in resource use at our processing plants.

We're looking forward to advancing some of those initiatives that the economic downturn had forced us to slow, such as our pledge to convert sow gestation stalls. Our company's future performance is intrinsically linked to our performance on sustainability issues. We are committed to transparency as we report on our progress and on our challenges.

Sincerely,

C. Larry Pope  
President and Chief Executive Officer

July 1, 2010

## Dear Smithfield Foods Stakeholder:

I am pleased to write this letter in my new capacity at Smithfield Foods: senior vice president, corporate affairs, and chief sustainability officer.

This is a new position for our company—and an indication of the central role sustainability plays for our company and for our customers.

Since our last report, we have updated the way we manage CSR issues across our company. We have refined our systems of accountability and oversight, and we have set goals and targets for our five core areas of focus: environmental performance, animal welfare, food safety, community relations, and employees. We also have two new sustainability committees—one composed of board members, the other made up of top executives from across our company. As these recent changes demonstrate, we understand that managing CSR is integral to producing good business results and essential to maintaining good relationships with all our stakeholders.

When I joined Smithfield Foods almost a decade ago, the company was aiming to improve its performance, particularly on the environmental front. We're the first to admit that, back in the late 1990s, there were concerns with our environmental management and performance. Yet over the years, we have transformed ourselves into a company that is leading our industry in many areas, including environmental performance, animal well-being, and the health and safety of our employees.

For this report, we conducted our first materiality analysis to help us better understand the issues that are of greatest concern to our company and to our stakeholders. The analysis reaffirmed the importance of the major areas on which we focus our CSR programs. It also added to our understanding of the concerns of internal and external stakeholders, and identified several emerging issues. Based on the analysis, we have augmented our reporting with the following:

- ▶ A detailed look at our use of antibiotics
- ▶ A Q&A-style sidebar on manure management
- ▶ An expanded discussion of climate change risks and opportunities
- ▶ A look at our packaging reduction efforts



**Dennis H. Treacy**

Increasingly, our customers and our ultimate consumers are asking us tough questions about our CSR programs. They want to know what Smithfield Foods is doing—and where we are going.

Over the next four pages, we take a look back at our evolving approach over the past decade or so. We hope this retrospective will give readers a better understanding of where we started, the challenges we've faced, and how far we've come in our CSR journey. We welcome your comments on our progress to date—and your thoughts about where our sustainability journey should take us next.

Sincerely,

A handwritten signature in blue ink that reads "Dennis H. Treacy". The signature is fluid and cursive, written over a white background.

Dennis H. Treacy  
Senior Vice President, Corporate Affairs, and Chief Sustainability Officer

July 1, 2010



## Smithfield Foods' Sustainability Journey: A Story of Progress

For more than a decade, Smithfield has been building comprehensive sustainability programs step by step. The road has been rough at times, but looking back, we believe we've come a long way. Yet to understand where Smithfield is today, one needs to understand where we once were. One place to start is in 1997, when a federal court judge fined our company \$12.6 million. Our meat processing facilities near the Pagan River in Smithfield, Virginia, were failing to meet new nitrogen and phosphorus limits required for wastewater discharges within the Chesapeake Bay watershed. At the time, the civil penalty was one of the largest in the history of the U.S. Clean Water Act.

Not long after, Hurricane Floyd barreled across North Carolina in the fall of 1999, flooding much of the eastern part of the state, including several of our hog lagoons, lagoons owned by other hog producers, and municipal treatment systems. At the same time, our company had grown from a small, regional meat packer to a large, multinational food company. Our customers' and the public's expectations from business were changing. They wanted companies to become proactive. Together, these events served as fodder for the media and also as a wake-up call for our company. We saw an opportunity to learn from our mistakes and to go in a new direction by turning Smithfield Foods into an environmental leader.

### TAKING A SYSTEMATIC APPROACH

We began by revamping our internal departments, creating new positions to oversee our environmental approach and apply consistent practices, policies, and procedures across our company. We also developed an internal environmental compliance review program to determine where gaps were occurring and figure out how to fix them. We quickly recognized that we needed to implement a structured, systematic approach through a comprehensive environmental management system (EMS).

On the farms, the hurricane and its aftermath helped us to understand how an EMS could not only aid in the real-time response to a crisis, but also help us communicate our responses to our employees, our customers, and other stakeholders. Moreover, an EMS would provide a structure that would help minimize the impact of future occurrences.

In 2001, we began implementing our EMS at all our Murphy-Brown hog production farms. This was new territory not only for us but for our entire industry; ours were the first hog farms to go through the process in the United States. Before long, Murphy-Brown became the world's first livestock production company to receive EMS certification under the rigorous standards established by the International Organization for Standardization (ISO).

**In 2005, land and nutrient management technicians began carrying field data recorders to help them manage the nutrients on farms.**



Once the EMS program was established for hog operations, we were able to adopt it for our U.S. processing facilities and for our overseas operations, too. Our Tar Heel processing facility, which is the world's largest, became the first in the industry to achieve ISO 14001 certification—the international gold standard for environmental management. Today, 578 farms and facilities, or more than 95 percent of our operations worldwide, are ISO 14001 certified.

These EMS programs have also helped us reduce significantly the notices of violation (NOVs) and notices of noncompliance we were receiving in the late 1990s and early 2000s from local and state environmental regulators. In 2003, for example, Smithfield subsidiaries received a total of 77 NOVs. In 2009, we received 36. (Our nearly 500 U.S. farms received five NOVs.) Our ultimate goal is to reduce NOVs to zero.

### EXPANDING OUR APPROACH

We began to develop a new company culture that embraced leadership, performance, and accountability. We hired new executives to help us refine our environmental systems and to springboard the EMS approach into other areas of our operations. We also began publicly reporting on our sustainability efforts.

Today, we are routinely recognized by regulators and environmental organizations for our environmental efforts. One of our proudest moments came in 2004, when we received an Environmental Excellence Award from the Commonwealth of Virginia. State regulators praised the very plant that was the site of the trouble in the Pagan River just a few years earlier.

Nonetheless, Smithfield continues to be criticized by the press and various stakeholder groups who resurrect environmental issues from our past but are unfamiliar with our current programs and performance. We, and other global meat producers, also face critics who raise concerns about issues such as food safety, antibiotics, animal welfare, immigration, employee safety, community impacts, and so-called “factory” farming.

We believe we have come a long way since the 1990s, and we are eager to tell our story. For instance, many of our detractors might not be aware that we have

extended our EMS approach to animal welfare, employee health and safety, and food safety. We have been told by several independent third-party experts that our systems and policies are among the best in the industry. Below, we highlight elements of our sustainability journey for our core focus areas.

### ANIMAL WELFARE

Large-scale farming companies like Smithfield will always be subject to criticism by certain organizations, including those that oppose human consumption of meat. We recognize that we're never going to see eye-to-eye with those groups. However, third parties have noted that we have some of the best policies and systems in place to ensure the well-being of our animals. We were the first in our industry to develop a comprehensive Animal Welfare Management System to monitor and measure our animals' state of being to make sure that they are safe, comfortable, and healthy.

We consulted with renowned industry experts, including Dr. Temple Grandin of Colorado State University, to improve the way we raise, handle, transport, and slaughter our animals. We examined every aspect of our hog production for animal welfare implications, including housing, feed, temperature in the barns, treatment of disease, veterinary oversight, and transportation. We've put so much thought into our hog production that Dr. Grandin and the late Dr. Stan Curtis of the University of Illinois at Urbana described our animal welfare program as a “conscientious model for the entire American pork industry.” And just recently, McDonald's recognized Smithfield's comprehensive animal welfare program as a leader among its suppliers.

Since the late 1990s, we have accomplished the following:

- ▶ Adopted the animal welfare requirements of the National Pork Board's Pork Quality Assurance Plus Program (PQA Plus®)
- ▶ Initiated a phase-out program of individual gestation stalls for pregnant sows
- ▶ Eliminated the use of electric prods at our processing facilities in favor of plastic panels known as herding boards
- ▶ Pre-positioned “rescue units” to assure prompt and effective response to accidents involving our animal transport trailers



- ▶ Required all new transportation trailers to have larger rear gate openings to make it easier to unload hogs and minimize stress on the animals
- ▶ Switched to a system of slaughtering that is much less stressful for the animals and their handlers

### FOOD SAFETY AND QUALITY

Food safety has always been among our highest priorities, and we believe we've been a leader on this front for many years. Our independent operating companies (IOCs) recognized the importance of food safety long ago, as reflected in the quality of the foods we produce. Indeed, an ever-increasing emphasis on food safety is essential for companies like ours that are producing large quantities of food to feed growing populations. Our “journey” in this area is marked less by a turnaround than by a measured and steady progression toward the most advanced systems and procedures available. Top-level managers at Smithfield determined more than a decade ago that food safety was critical to our success, and we made significant investments in our production operations to ensure that food safety was at the top of our CSR agenda.

### EMPLOYEE HEALTH AND SAFETY

The meat processing and production industry is extremely labor-intensive. Employees are required to work under a wide range of conditions—many of them difficult—and at various skill levels. This makes health and safety a challenging area for us. Smithfield is a company that has expanded primarily through acquisitions. By the late 1990s and early 2000s, we were growing rapidly, yet there were no corporate-wide guidelines for employee safety; instead, each of our IOCs maintained its own approach.

So, building on the success of our EMS, we created a Smithfield-wide Employee Injury Prevention Management System (EIPMS). Our EIPMS provides a systematic, process-oriented methodology for injury prevention, instead of the more traditional “inspection” approach. We created management reports with specific metrics to track our performance at all our locations and required all safety personnel to develop business plans—and provide quarterly updates to management—with meaningful safety goals. We also began hosting companywide safety conferences to share ideas and best practices.

Despite substantial strides by both our company and our industry over several decades, meat production can be a potentially dangerous occupation if not properly managed. Just this year, we adopted an overall goal to further reduce our employee injury rates.

Among other milestones, we have developed safety guidelines and required self-assessments of all locations; created a Smithfield Foods corporate safety director position and required all IOCs to have a full-time safety director; and established rigorous safety auditing processes for all our farms and processing plants.

In 2005, Murphy-Brown achieved ISO 14001 certification for its 11 U.S. feed mills such as this one in Algona, Iowa.

## EMPLOYEE AND COMMUNITY RELATIONS

Smithfield has historically enjoyed good relations with our employees and the unions that represent them. (Over half our work force is covered by collective bargaining agreements.) One notable exception, however, was in our processing plant in Tar Heel, North Carolina. In 2008, we resolved a longstanding dispute tied to the attempts of the United Food and Commercial Workers International Union (UFCW) to organize the plant's hourly work force. Following a series of collective bargaining contract negotiations, workers at the plant accepted a four-year labor contract that took effect in July 2009.

Today, the UFCW and Smithfield have embarked on a new chapter: a joint campaign to provide food for the hungry. Feeding the needy is among our key areas of focus, and we just recently set a target to provide 1 million servings of pork each year to those in need through our Helping Hungry Homes initiative.

We have also developed strong relations within our communities through education initiatives such as the Smithfield-Luter Foundation and the Learners to Leaders program, and through capital investments such as the Family Medical Center we built at our Tar Heel meatpacking facility.

Maintaining good relationships within our communities is critical to our business, but communicating effectively with our employees and stakeholders has always been something of a challenge. Staying in the background and avoiding contact on difficult issues is no longer an acceptable practice for us. We continue to make efforts toward more open and complete communication with those who take an interest in our business.

## LOOKING AHEAD

We're pleased with our sustainability progress to date, but we know that tough challenges always lie ahead. We continually strive to improve the way we operate and have adopted new governance, goals, and targets to drive progress. In some quarters, our reputation is still affected by mistakes we made long ago. To earn the trust of all our stakeholders, we must work even harder to produce good food, responsibly, and to be open and transparent when we succeed and also when we stumble. We hope this report will help us do just that.

## A DECADE OF CSR ACHIEVEMENTS

### 2000

Smithfield Foods launches the annual Environmental Excellence Awards program, encouraging employees to offer solutions that take the company's environmental performance to the next level.

### 2002

Murphy-Brown becomes the first livestock production company to receive ISO 14001 certification for our environmental management systems in the United States. Three years later, Smithfield receives ISO 14001 certification for our entire U.S. meat processing business.

### 2004

Murphy-Brown completes the U.S. rollout of its animal welfare management system on company-owned and contract grower farms.

### 2006

The Smithfield-Luter Foundation introduces Learners to Leaders, a national education alliance that provides economically disadvantaged students with opportunities to further their studies.

### 2007

Murphy-Brown announces plans to phase out individual gestation stalls on all company-owned farms.

### 2008

Smithfield launches Helping Hungry Homes, an initiative that provides food donations to low-income families across the United States.

### 2010

McDonald's recognizes Smithfield Foods for our best practices in the area of animal welfare.

## SMITHFIELD FOODS KEY COMMITMENTS

CSR FOCUS AREA	GOALS	2008-09 COMMITMENTS	2009-10 RESULTS	TARGETS
<b>ENVIRONMENT</b>	<ul style="list-style-type: none"> <li>▶ Eliminate NOVs at our facilities and reduce natural resource demand</li> <li>▶ 100% compliance 100% of the time</li> </ul>	<ul style="list-style-type: none"> <li>▶ Reduce solid waste through source reduction, reuse, and expanded recycling</li> <li>▶ Develop specific targets for energy reduction</li> </ul>	<ul style="list-style-type: none"> <li>▶ First processing waste per unit down 29% since 2005</li> <li>▶ Cardboard recycling rate up 23% since 2005</li> <li>▶ Energy targets adopted</li> <li>▶ Further processing power use down 46% since 2005</li> <li>▶ First processing water use reduced by 60% since 2005</li> </ul>	<p>By FY 2016:</p> <ul style="list-style-type: none"> <li>▶ Reduce normalized solid waste 10% from FY 2008</li> <li>▶ Reduce normalized energy use 10% from FY 2008</li> <li>▶ Reduce normalized water use 10% from FY 2008</li> </ul>
<b>ANIMAL WELFARE</b>	<ul style="list-style-type: none"> <li>▶ Keep our animals safe, comfortable, and healthy</li> </ul>	<ul style="list-style-type: none"> <li>▶ Complete Pork Quality Assurance Plus (PQA Plus) certification and site assessment at all company-owned and contract farms by September 2009</li> <li>▶ Comply with and pass all follow-up third-party audits</li> <li>▶ Continue to improve response to accidents to reduce animal injuries and fatalities</li> <li>▶ Continue phase-out of individual gestation stalls</li> </ul>	<ul style="list-style-type: none"> <li>▶ Completed PQA Plus certification and site assessments at all company-owned and contract farms in September 2009</li> <li>▶ Complied with and passed all follow-up third-party audits</li> <li>▶ All drivers delivering pigs to plants or moving pigs between farms hold TQA certification</li> <li>▶ First animals produced at open gestation stall facilities reached market in early 2009; completed conversion surveys on several dozen farms</li> </ul>	<ul style="list-style-type: none"> <li>▶ Maintain 100% PQA Plus certification and site assessments at company-owned and contract farms</li> <li>▶ Move toward PQA Plus certification and site assessments for suppliers</li> <li>▶ Maintain TQA certification for all drivers and suppliers</li> <li>▶ Continue gestation pen conversion</li> </ul>
<b>FOOD SAFETY AND QUALITY</b>	<ul style="list-style-type: none"> <li>▶ Deliver safe, high-quality meat products with no recalls</li> <li>▶ 100% compliance 100% of the time</li> </ul>	<ul style="list-style-type: none"> <li>▶ Improve proactive R&amp;D research on nutrition</li> <li>▶ Maintain excellent labeling record, incorporating Country of Origin labeling</li> </ul>	<ul style="list-style-type: none"> <li>▶ Began obtaining Global Food Safety Initiative (GFSI) certification for Smithfield facilities</li> <li>▶ Offered several products that meet the American Heart Association's criteria for foods low in saturated fat and sodium</li> <li>▶ One recall for undeclared allergen: soy</li> </ul>	<ul style="list-style-type: none"> <li>▶ Obtain 100% GFSI certification for all relevant facilities</li> <li>▶ Assure wide variety for different diets and needs and include products designed to address health and wellness in accordance with accepted standards</li> </ul>

This table highlights our goals, commitments, results, and future targets in the CSR areas we view as particularly important. In early 2010, we adopted a new set of goals and targets that apply to our independent operating companies (IOCs). In this table, we have

replaced our former goals with the newly adopted ones, set out our forward-looking targets, and summarized our progress on commitments outlined in our previous report. In future years, we will report progress toward our new goals and targets.

CSR FOCUS AREA	GOALS	2008-09 COMMITMENTS	2009-10 RESULTS	TARGETS
<p><b>COMMUNITIES</b></p>	<ul style="list-style-type: none"> <li>▶ Provide food to the needy and enhance education in our communities</li> </ul>	<ul style="list-style-type: none"> <li>▶ Continue to close the education gap for underprivileged students in our employees' communities</li> <li>▶ Continue to raise employee awareness of scholarship opportunities</li> <li>▶ Continue donating much-needed food for hunger-relief programs</li> <li>▶ Continue supporting local efforts</li> </ul>	<ul style="list-style-type: none"> <li>▶ Donated \$1.35 million to Learners to Leaders program over four years</li> <li>▶ Awarded 39 scholarships worth \$196,500 in 2009</li> <li>▶ In FY 2010, provided approximately 2.9 million pounds of food through Helping Hungry Homes</li> <li>▶ Sponsored World Water Monitoring Day, an international program organized by the Water Environment Federation, since 2003</li> </ul>	<ul style="list-style-type: none"> <li>▶ Expand Learners to Leaders program</li> <li>▶ Pork Group to provide 1 million servings of food per year to people in need</li> <li>▶ Increase number of cleanup days</li> </ul>
<p><b>EMPLOYEES</b></p>	<ul style="list-style-type: none"> <li>▶ Reduce employee injuries each year</li> </ul>	<ul style="list-style-type: none"> <li>▶ Improve OSHA metrics. Continue to reduce number and severity of injuries</li> <li>▶ Continue baseline EIPMS audits at all locations</li> <li>▶ Increase engagement/participation in safety processes; create new training programs</li> <li>▶ Conduct 10-hour OSHA General Industry training for all conference participants</li> <li>▶ Increase number of facilities participating in the AMI Safety Recognition Program</li> <li>▶ Launch leadership program</li> <li>▶ Continue ensuring the legal immigration status of our work force</li> <li>▶ Respond to employee concerns and continue with engagement efforts</li> <li>▶ Increase employee participation</li> <li>▶ Continue decreasing turnover rates</li> </ul>	<p>OSHA metrics versus industry averages (in parentheses):</p> <ul style="list-style-type: none"> <li>▶ Total Recordable Rate: 6.17 (7.5)</li> <li>▶ DART Rate: 4.26 (5.0)</li> <li>▶ DAFWII Rate: 1.12 (1.1)</li> </ul> <ul style="list-style-type: none"> <li>▶ All plants received EIPMS audits to achieve baseline scores</li> <li>▶ Began OSHA General Industry training; completion of all elements to take place in September 2010</li> <li>▶ Eighteen facilities recognized by the AMI in April 2010—same number as in prior year</li> <li>▶ Began developing safety leadership program; development and implementation will continue into next year.</li> <li>▶ About 20% of locations implemented safety roundtable meetings to solicit feedback from employees regarding safety efforts. Actions taken from the meetings are tracked for completion.</li> <li>▶ Formal employee engagement/participation in safety processes increased by approximately 44% over the previous year</li> </ul>	<ul style="list-style-type: none"> <li>▶ Meet or beat general manufacturing industry national average for injuries</li> <li>▶ Audits to be completed annually to measure improvement in management systems and indicate 100% conformance</li> <li>▶ All safety and operations leadership trained to 10-hour General Industry training</li> <li>▶ 100% participation by all plants in AMI program</li> <li>▶ Safety Roundtable meetings to be held within all operating companies</li> <li>▶ Increase formal employee engagement in safety processes to 25%</li> </ul>

## KEY DATA SUMMARY

(See pp. 80–81 for data from our operations in Poland and Romania.)

Smithfield believes transparency is vital to ensuring accountability. Reporting helps stakeholders to understand our performance over time and our performance relative to others in our industry. Below are some key indicators that we feel are particularly important to internal and external stakeholders, as well as to Smithfield as a company. You will find additional data in the relevant sections of this report.

### ENVIRONMENT<sup>1,2</sup>

	CY 2009	CY 2008	CY 2007	CY 2006
<b>Air Emissions<sup>3</sup></b>				
NOx (tons)—p. 44	Not Available	437	403	381
SOx (tons)—p. 44	Not Available	275	458	562
<b>Compliance</b>				
Notices of Violation (NOVs)—p. 47	36	40	50	64
Monetary Value of Significant Fines—p. 47	\$81,726	\$69,616	\$266,446	\$183,952
	FY 2009	FY 2008	FY 2007	FY 2006
<b>Energy/Greenhouse Gas Emissions</b>				
Total Electricity Consumption (kWh in millions)—p. 40	1,370	1,529	1,271	1,031
Total Direct & Indirect GHG Emissions (metric tons CO <sub>2</sub> e) <sup>4</sup> —p. 42	1,111,613	1,354,640	1,153,634	Not Available
<b>Water</b>				
Water Use (gallons in billions)—p. 35	7.2	8.4	7.2	6.9
<b>Solid Waste Generation</b>				
Solid Waste Generation (thousand tons)—p. 46	91.5	154.5	87.5	84.6
Cardboard Recycling (thousand tons)—p. 46	29.1	32.4	48.2	24.3

<sup>1</sup> All environmental data is for processing facilities, except NOVs, which include farms.

<sup>2</sup> Presentation of some environmental data included in the 2008/09 report has been corrected for this year.

<sup>3</sup> Calendar 2009 data scheduled for release in mid-2010.

<sup>4</sup> GHG emissions data were not recorded prior to 2007.

## ANIMAL WELFARE

	FY 2010	FY 2009	FY 2008	FY 2007
<b>Transportation<sup>5</sup></b>				
Accidents—Market Hogs—p. 56	9	6	6	3
Hog Fatalities—p. 56	466	356	243	83
	Nov '08–Oct '09	Nov '07–Oct '08	Nov '06–Oct '07	Nov '05–Oct '06
<b>Antibiotics Use<sup>6,7</sup></b>				
Feed-Grade Antibiotics Use (lbs. /100 lbs. sold)—p. 54	0.097	0.107	0.151	0.155

## COMMUNITIES

	FY 2010	FY 2009	FY 2008	FY 2007
<b>Corporate Giving</b>				
Smithfield-Luter Foundation Scholarships (Total \$ Value)—p. 64	\$196,500	\$290,000	\$349,979	\$282,256
Learners to Leaders—p. 65	\$369,710	\$319,415	\$383,385	\$277,490
<b>Food Donations<sup>8</sup></b>				
Overall Food Donations (lbs. of food)—p. 66	2.9 million	4.1 million	3.3 million	1.8 million

## EMPLOYEES

	CY 2009	CY 2008	CY 2007	CY 2006
<b>Health and Safety Rates (per 100 employees)</b>				
Total Case Rate (TCR) <sup>9</sup> —p. 76	6.17	6.58	6.76	8.74
Days Away, Restricted, Transferred (DART) Rate—p. 76	4.26	4.40	4.04	5.83
Days Away from Work Injury and Illness (DAFWII) Rate—p. 76	1.12	1.29	1.27	1.49
<b>Compliance</b>				
OSHA Inspections—p. 76	17	25	18	26
OSHA Notices of Violation—p. 76	20	40	12	32
OSHA Penalties—p. 76	\$23,725	\$38,787	\$11,037	\$41,404

<sup>5</sup> Fiscal 2007–08 data do not include Premium Standard Farms (PSF). Also, 2009 data has been corrected. <sup>6</sup> Feed-grade antibiotics data supplied by Ag Provision.

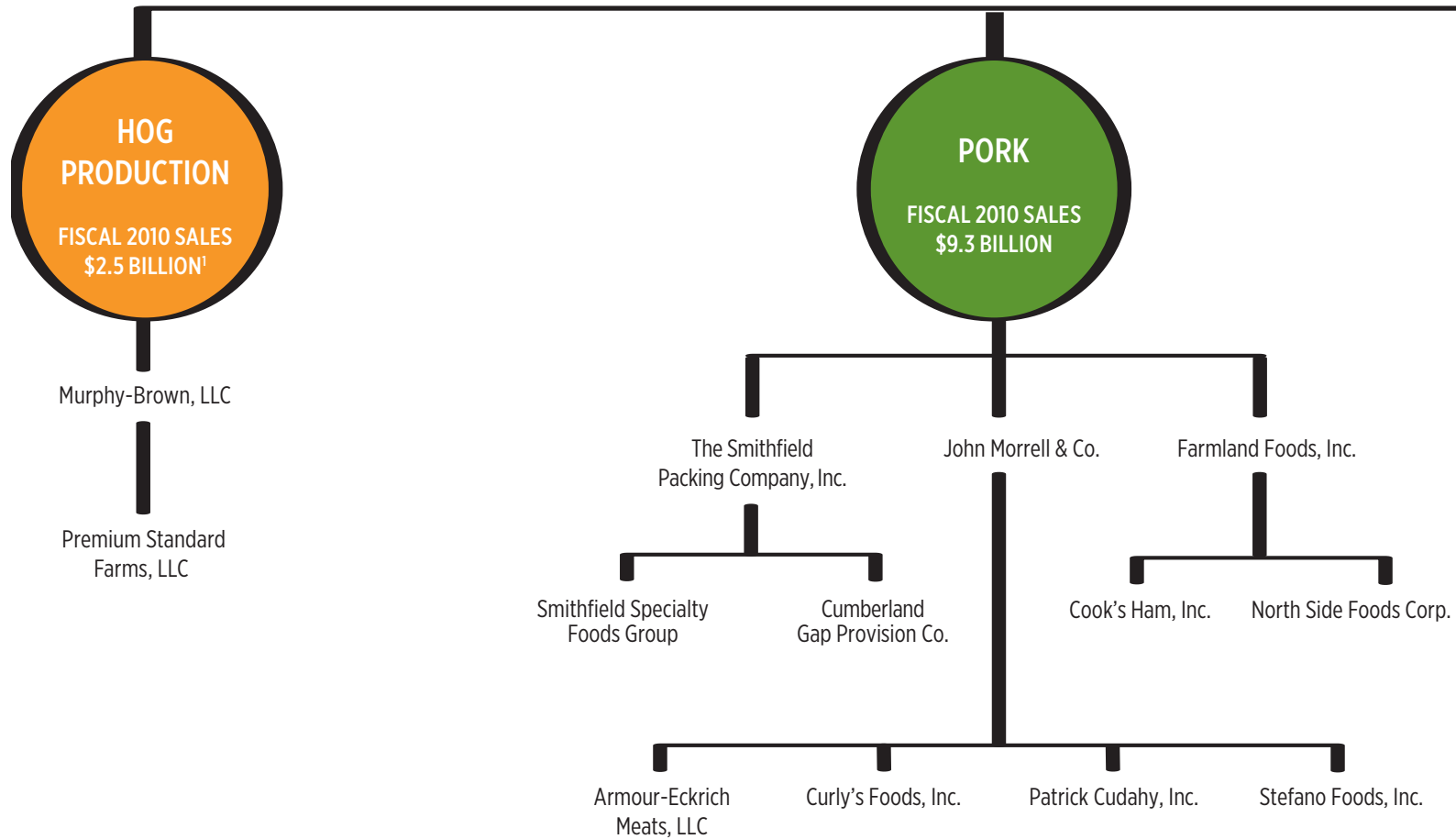
<sup>7</sup> Last year's report incorrectly stated that the antibiotics data did not include PSF. The data have been inclusive of PSF following its 2007 acquisition.

<sup>8</sup> Fiscal 2009 number has been adjusted to capture the full scope of donations. <sup>9</sup> Total Case Rate was Total Injury and Illness Rate in last year's report.

# Smithfield

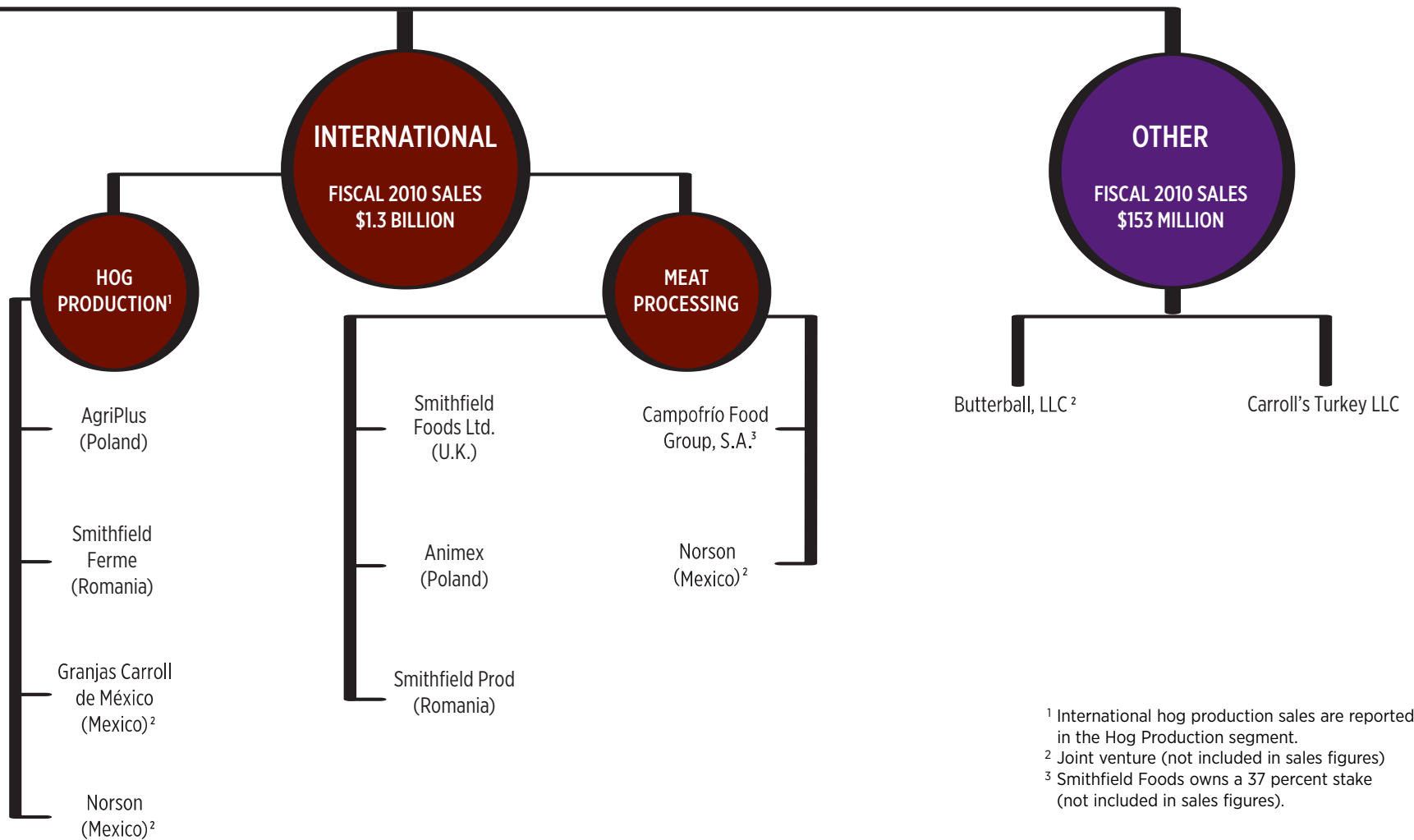
## OUR FAMILY OF COMPANIES

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



Note: Fiscal 2010 sales include intersegment sales of \$2.1 billion.





<sup>1</sup> International hog production sales are reported in the Hog Production segment.

<sup>2</sup> Joint venture (not included in sales figures)

<sup>3</sup> Smithfield Foods owns a 37 percent stake (not included in sales figures).

# ABOUT SMITHFIELD FOODS

## A DIVERSIFIED FOOD PRODUCTION AND MARKETING COMPANY

Smithfield Foods is the world's largest pork processor and hog producer, with revenues exceeding \$11 billion in fiscal 2010. In the United States, we are also the leader in turkey processing and several packaged meats categories.

Headquartered in Smithfield, Virginia, we conduct business through five reporting segments: Pork, International, Hog Production, Other, and Corporate. We have operations in 12 countries through wholly owned subsidiaries, joint ventures, and other investments. The majority of our facilities are in the United States. Internationally, we have controlling interests in meat production, packaging, and distribution operations in Poland, Romania, and the United Kingdom, along with joint ventures and minority interests in Belgium, France, Germany, Italy, Mexico, the Netherlands, Portugal, and Spain.

Each of our operating companies and joint ventures operates independently and maintains its individual identity. Some of our popular brands include Smithfield®, John Morrell®, Farmland®, and Butterball®. Our products are sold to more than 5,000 customers worldwide, including supermarket and hotel chains, wholesale distributors, restaurants, hospitals, and other institutions. We also sell to companies that further process our meats into consumer food products.

## MERGERS, ACQUISITIONS, AND SALES

Over the years, we have completed a number of mergers and acquisitions that have made us a global company and a leader in our industry. Most recently, John Morrell & Co., a wholly owned subsidiary of Smithfield, announced in January 2010 that it acquired the remaining 49 percent interest it did not own in Premium Pet Health, LLC, a leading protein byproduct processor that supplies many of the leading U.S. pet food processors.

Also in January, we announced the sale of several of our assets as part of

our continuing commitment to shed non-core businesses with a greater focus on efficiencies and return on invested capital. We completed the sale of substantially all the assets of RMH Foods, LLC—which produces fully cooked beef, pork, and chicken entrees to retail and foodservice customers—to a group of investors.

We also completed the sale of Maverick Food Company Limited, our Chinese joint venture, to COFCO Limited, China's largest national agricultural trading and processing company.

## CHANGES IN OPERATIONS

### Pork Group

We recently restructured our pork group to consolidate and streamline our corporate structure and manufacturing operations and make the company more competitive. The restructuring, which reduced the number of independent operating companies (IOCs) in our pork group from seven to three, also supports the increased emphasis we've placed on our packaged foods business.

As a result of the restructuring, we have closed a total of six plants, eliminating approximately 1,800 positions. In April 2010, we also closed a John Morrell hog processing plant in Sioux City, Iowa, affecting about 1,450 hourly and salaried employees. While we regret the closure, we felt it was a necessary business decision. The plant was one of the oldest, most outdated, and least efficient plants in the Smithfield system.

### Sow Production

Over the past two years, we have been reducing the size of our U.S. sow herd to address the oversupply of hogs in the U.S. market. Since late 2008, we have cut our herd by 13 percent. This translates into 1.4 million fewer market hogs in fiscal 2010 and approximately 2.3 million fewer market hogs annually thereafter. Our Murphy-Brown, LLC, subsidiary is the world's largest hog producer.

## SMITHFIELD FOODS AT A GLANCE

	COMPANYWIDE	
	2010	2009
Employees	48,000	52,400
Brands	50+	50+
Products	200+	200+
Sales <sup>1</sup>	\$11.2 billion	\$12.5 billion
Customers	5,000+	4,000+

	PORK SEGMENT	
	2010	2009
Employees	32,100	36,500
Pounds of Fresh Pork Produced	4.0 billion	4.5 billion
Pounds of Packaged Meats Produced	2.9 billion	3.1 billion
Sales <sup>1</sup>	\$9.3 billion	\$10.5 billion

	HOG PRODUCTION SEGMENT	
	2010	2009
Employees	6,800	7,000
Sows	1.0 million	1.1 million
U.S. Market Hogs Produced	17.4 million	18.7 million
International Market Hogs Produced	1.9 million	1.7 million
Joint Venture Sows	90,000	90,000
Joint Venture Market Hogs Produced	1.7 million	1.7 million
Sales <sup>1</sup>	\$2.5 billion	\$2.8 billion

	INTERNATIONAL SEGMENT	
	2010	2009
Employees	8,800	8,600
Pounds of Products Produced	942 million	806 million
Sales <sup>1</sup>	\$1.3 billion	\$1.4 billion

	OTHER SEGMENT	
	2010	2009
Employees	100	100
Sales <sup>1</sup>	\$153 million	\$251 million

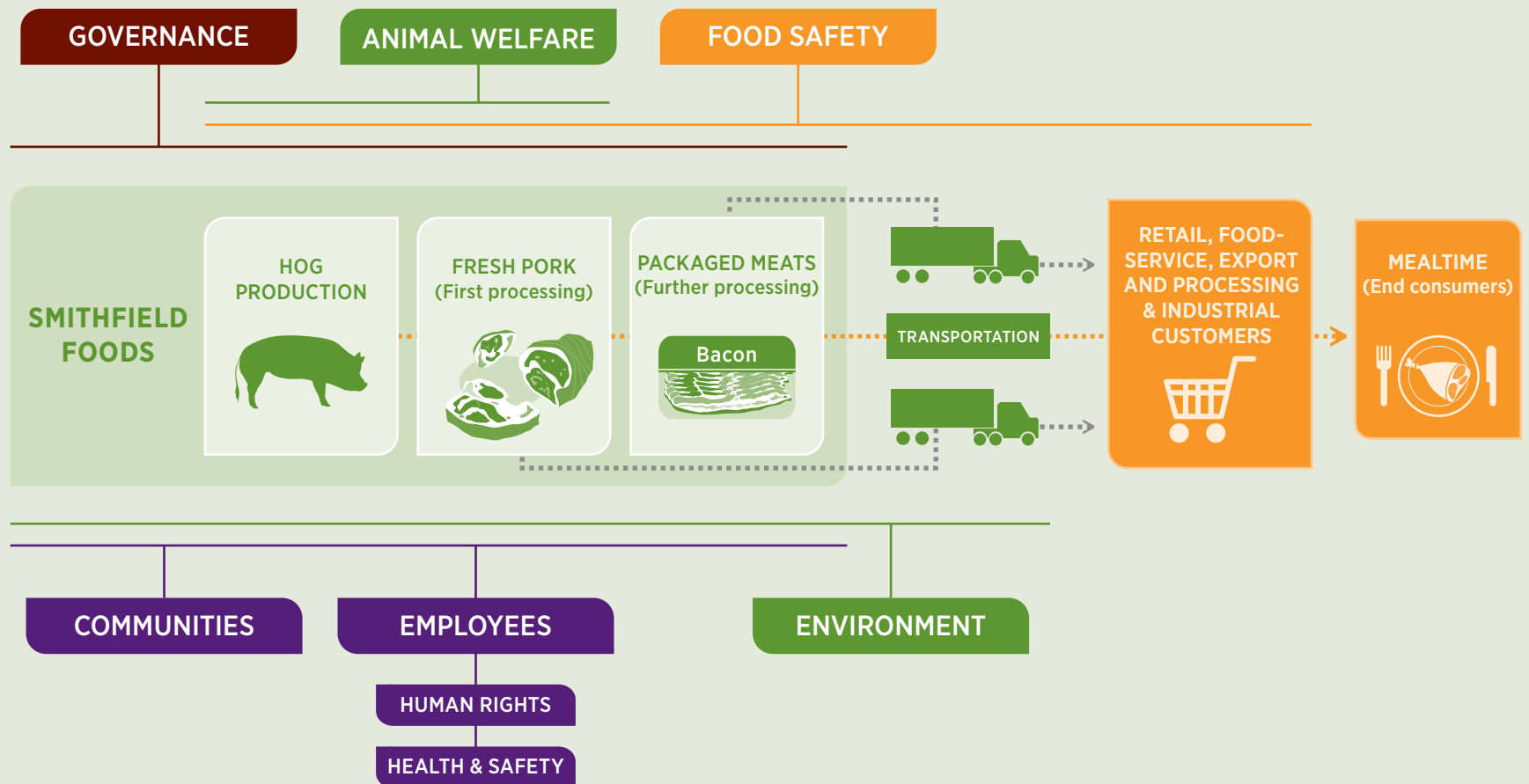
	CORPORATE SEGMENT	
	2010	2009
Employees	200	200

All values reported by fiscal year. For a detailed description of our businesses, read Smithfield Foods' Form 10-K at [investors.smithfieldfoods.com/SEC.cfm](http://investors.smithfieldfoods.com/SEC.cfm). Fiscal 2010 consisted of 52 weeks compared to 53 weeks in fiscal 2009.

<sup>1</sup> Includes intersegment sales.

# CORPORATE SOCIAL RESPONSIBILITY ACROSS OUR BUSINESS

We have focused this report on the key CSR topics highlighted below. The diagram illustrates the major components of our business and the stages of our value chain in which the key topics arise.



## GOVERNANCE AND MANAGEMENT

Smithfield's mission is to be a trusted, respected, and ethical food industry leader that brings delicious and nutritious meat and specialty food products to millions every day, with a strong commitment to corporate social responsibility.

Over the past year, we took significant steps to advance our corporate social responsibility strategy, including how we manage sustainability issues across our company. We formed two new sustainability committees (one for our board of directors, the other for top executives across our company), created a new position of chief sustainability officer, and developed a series of goals and performance targets. While we have been focused on CSR issues for a number of years, we believe these latest steps will take our program to a new level.

Our strong framework of governance, management, and accountability for ethical behavior is the key to upholding our mission and core values (see page 20), and maintaining the trust of investors and stakeholders. In this section of our report, we discuss our governance and new CSR management structures, our ethical standards and programs, our new CSR targets, our stakeholder engagement efforts, public policy issues of interest to our company, and our political contributions. This section also discusses the results of a materiality analysis we conducted in early 2010 to help us better understand—and better report on—the CSR issues that are of greatest importance to our company and to our stakeholders.

### MATERIALITY ANALYSIS

To identify and prioritize material corporate responsibility issues, we consulted with a range of internal and external stakeholders and reviewed key company documents. Based on these inputs, we developed a list of 30 issues (with 85 sub-issues), grouped under eight topics. We then rated each issue as low, moderate, or high for the following: 1) current or potential impact on the company and 2) degree of concern to stakeholders.

The issues and their ratings were plotted on a matrix with impact on the company on one axis and concern to stakeholders on another (see page 21). The issues in the upper right sector are considered to be the most material. None of the issues is unimportant; the position of each in the matrix simply represents our understanding of its relative importance to the company and its stakeholders.

The analysis identified the following as Smithfield's most material corporate responsibility issues:

Stakeholders have been able to chart the progress of our governance and management efforts over the past several CSR reports.



- ▶ The environmental issues of water quality and manure management. These issues are related to farming and processing impacts, Smithfield's nutrient management, security of lagoons, and potential impacts on local ecosystems.
- ▶ Humane treatment of animals. This issue, which remains a main concern for Smithfield as well as for stakeholders, encompasses use of gestation crates, transportation to market, handling and slaughter practices at plants, use of antibiotics and hormones, and Smithfield's ability to track hogs from their farms of origin.
- ▶ Food safety and security. This issue rated very important to Smithfield and also to stakeholders, especially customers. It includes disease prevention and control programs, supply chain oversight, the role of contract farms, traceability, and recalls.
- ▶ The company's economic impact and contributions to local communities. For Smithfield, it's important to maintain good relationships in the local communities in which we operate. In the current economic climate, many stakeholders are keenly aware of the company's economic contributions.

Other issues identified include the following:

- ▶ Energy use was rated a top priority for Smithfield, while climate change was a top priority for stakeholders. Though closely related, Smithfield's emphasis is more on cutting costs and reducing CO<sub>2</sub> emissions by cutting energy use. Stakeholders are also interested in the carbon footprint of Smithfield's operations and products, food miles (the distance foods travel on their way to market), opportunities related to biofuels and participation in carbon markets, and the potential impacts of climate change on water availability, agriculture, and commodity prices.

- ▶ Certain employee issues are of top importance to Smithfield and of somewhat less concern to stakeholders, including employee health and safety, and being an employer of choice—that is, providing competitive pay and benefits and opportunities for development.
- ▶ Other environmental issues of high importance to Smithfield and moderate importance to stakeholders include environmental management and compliance, energy use, and local air quality (odors).

### Our Core Values

We will constantly strive:

- ▶ *To produce safe, high-quality, nutritious food*
- ▶ *To be an employer of choice*
- ▶ *To advance animal welfare*
- ▶ *To protect the environment*
- ▶ *To have a positive impact on our communities*

- ▶ The impact of the local food movement was identified by internal and external stakeholders alike as an emerging issue related to customer preferences and public perceptions of Smithfield.

We have used this analysis to guide development of this report. Our reporting was already largely focused on our most material issues; however, we modified it in several ways. Compared to our previous report, we have done the following:

- ▶ Expanded coverage of animal welfare issues, including the use of antibiotics
- ▶ Added a section on manure management
- ▶ Expanded discussion of climate change risks and opportunities
- ▶ Added discussion and examples of packaging reductions
- ▶ Expanded discussion of our environmental management approach
- ▶ Included additional information about our supply chain, including discussion of a recent supply chain survey we conducted

We will use the materiality analysis to help us seek a GRI application level of "A" for our next report.



## CORPORATE GOVERNANCE

The Smithfield board of directors (the Board) includes 12 members, eight of whom are independent (as determined by the Board in accordance with the guidelines of the New York Stock Exchange and other organizations).

The Board has six committees:

- ▶ Audit
- ▶ Compensation
- ▶ Executive
- ▶ Nominating and Governance
- ▶ Pension and Investment
- ▶ Sustainability, Community, and Public Affairs

The Sustainability, Community, and Public Affairs Committee was added in late 2009 to oversee our new corporate sustainability management strategy. Two out of the three members are independent members of our board. The committee meets up to four times a year.

We also have an executive-level Ethics and Compliance Committee (the ECC), chaired by our chief legal officer, which oversees the full range of compliance issues for Smithfield. The chair of the ECC regularly reports to the audit and sustainability committees of the Board on risks and compliance issues related to the environment, animal welfare, and other CSR issues. The Smithfield Foods senior vice president for corporate affairs and chief sustainability officer, who sits on the ECC, is responsible for informing the Board about Smithfield's CSR issues and progress and regularly briefs the audit and sustainability committees on the progress of the CSR program. (See graphic on page 24.)

Additional corporate governance information, including our governance guidelines and committee charters, is available on the Web at the following addresses:

- ▶ [investors.smithfieldfoods.com/governance.cfm](http://investors.smithfieldfoods.com/governance.cfm)
- ▶ [www.smithfieldfoods.com/pdf/governance-appendix2010.pdf](http://www.smithfieldfoods.com/pdf/governance-appendix2010.pdf)

## ETHICS AND COMPLIANCE

Safeguarding integrity remains a critical business priority. Ethical and lawful conduct are essential parts of our company's culture, and we are committed to conducting our business with the highest standards.

Smithfield maintains a Code of Business Conduct and Ethics (the Code) applicable to all employees, officers, and directors. We publish the Code in the five major languages of the countries in which we have operations. It conveys the company's policies and practices for conducting business in accordance with applicable law and the highest ethical standards. Any waiver of the Code for executive officers or directors can be made only by the Board or its Audit Committee and must be promptly disclosed. Our Board adopted the Code, and the Board's Nominating and Governance Committee reviews it periodically.

The ECC administers the Code. All directors and executive officers are required to complete an annual certification relating to ethics and compliance with the law, the Code, and other company policies. The chair of the ECC reports periodically to the Audit Committee on the administration of the Code and is required to report promptly any violation of the Code by an executive officer or director to the Chairman of the Audit Committee. The Code and any amendments or waivers are available at [www.smithfieldfoods.com](http://www.smithfieldfoods.com).

The company also has provided employees with opportunities to report ethics violations or similar concerns through an anonymous telephone hotline. The company reviews and responds to all hotline complaints.

In June 2009, the ECC successfully launched a new e-mail Code of Conduct certification process to promote awareness of our Code and the values that we expect our employees to demonstrate in their day-to-day work. Launched globally, the e-mails were sent to all employees with e-mail accounts and to certain supervisory/managerial personnel who, because of their job responsibilities, do not have active e-mail accounts. All of those employees required to provide the certification complied.



## CSR MANAGEMENT

Since our last report, we have refined and modified the management of CSR issues across Smithfield Foods, establishing systems for accountability and oversight that we believe will have a positive impact on our progress in our five primary areas of focus: environmental performance, animal welfare, food safety, community relations, and employees.

In February, we announced the creation of a new position: senior vice president for corporate affairs and chief sustainability officer. We promoted Dennis Treacy, who has served for many years as our vice president of environmental and corporate affairs, to ensure that we implement our new CSR strategy and framework effectively. Mr. Treacy now reports directly to Larry Pope, our president and chief executive officer.

We also established a newly structured corporate Sustainability Committee, which is composed of some of our most senior executives, including our chief financial officer and four subsidiary presidents. Our chief sustainability officer chairs that committee. This committee brings all of Smithfield's CSR issues together under one umbrella, approves companywide goals and performance targets, and maintains accountability for each of our independent operating companies (IOCs).

Historically, Smithfield Foods has operated with a decentralized management structure and philosophy. Our subsidiaries have their own corporate functions and staffs and manage many issues independently, within an overall corporate framework that establishes expectations for all our operations. Each IOC will be responsible within this framework for meeting our goals and targets and including them in their strategic business plans. Our CEO will review the sustainability performance of each IOC on an annual basis.

Together, our board-level Sustainability, Community, and Public Affairs Committee (described on page 22) and our corporate Sustainability Committee will approve all new CSR goals and targets, and guide our strategy going forward.

The corporate-level Sustainability Committee and chief sustainability officer will oversee a team composed of senior Smithfield managers who will conduct the day-to-day oversight of the IOCs' progress and programs. Included in this team will be newly appointed sustainability coordinators from each IOC and members of the cross-subsidiary committees described in the Management Systems section on page 24.

Each IOC will be expected to report CSR data on a quarterly basis to our corporate team and to provide recommendations for future improvement and programs.

### CSR Targets

We have developed a series of goals and corresponding targets for each of our IOCs in our primary focus areas. Each of these is discussed in greater detail in the relevant sections of this report.

They include the following:

- ▶ Reduce natural resource use (energy and water) and solid waste by 10 percent over fiscal 2008 numbers (normalized) by fiscal 2016
- ▶ Maintain 100 percent Pork Quality Assurance Plus Certification for our hog production facilities
- ▶ Provide the needy with 1 million servings of food per year
- ▶ Meet or beat the general manufacturing industry national average for injuries
- ▶ Obtain 100 percent Global Food Safety Initiative (GFSI) certification for all facilities



### Management Systems

Our new CSR management structure builds upon the strategy we developed more than a decade ago. At that time, we identified several CSR issues that merited a more consistent management approach across the company in order to meet our goal to lead the industry in our practices. The first such issue was environmental management. We implemented and certified environmental management systems at all our U.S. farms and processing facilities and some overseas operations. Over the years, we expanded that approach to animal welfare, employee health and safety, and food safety. Common elements of the management systems include policies, employee training, goal setting, corrective action, third-party auditing, and executive review.

As needed, we formed corporate or cross-subsidary committees to develop and implement consistent approaches to our CSR issues. These included an animal welfare committee, a food safety committee, a committee focused on hunger relief that coordinates food donations, and a diversity committee to help the company identify opportunities for strengthening relationships with our customers, our employees, our suppliers, and our communities.

We have developed these approaches in our U.S. operations. We also are phasing in our management system approaches at our wholly owned international subsidiaries in Europe, as well as addressing CSR issues unique to regions there. This is our second report that covers our international operations. Of course, regulatory frameworks vary from country to country. Therefore, we, like many other companies, are working hard to align our goals and approaches to important issues such as environmental management with our international operations.

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

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

### Supply Chain Management

As part of our new CSR emphasis, we are extending our approach to our supply chain. Indeed, our relationships within our value chain—including those with customers and with suppliers—are becoming a bigger driver of our overall strategy. We believe there are a variety of ways in which we can work together to improve CSR performance.

During this past year, we sent surveys to 42 of our largest suppliers to better understand what they are doing in areas such as energy reduction, natural resource use, employee safety, and community giving. A total of 35 companies,

or 83 percent of the total recipients, responded. We tabulated the results and shared them with all the suppliers—including those who did not answer the survey. We are now looking for synergies to improve environmental performance for both Smithfield and the suppliers themselves. We look forward to reporting on these efforts in future reports.



### STAKEHOLDERS

We define as stakeholders all persons or organizations who are impacted or believe they are impacted by the operations or practices of the company. Interaction with diverse stakeholders allows us to engage with and learn from these groups. We continuously conduct an internal analysis to identify stakeholders. In general, we have identified and defined the following stakeholders as groups we engage with regularly:

- ▶ Internal stakeholders, including company employees, facility management, and corporate management, among others.
- ▶ External stakeholders, including shareholders and investors; the customers and suppliers with whom we do business; the end consumers of our products; federal, state, and local governments and regulatory entities; nongovernmental organizations; and the communities in which our employees live and work.

As discussed earlier in this section, in early 2010, as part of our materiality analysis, we conducted more than 20 interviews with internal and external stakeholders including Smithfield employees, community members, academics, regulators, and representatives of nongovernmental organizations. The input from these stakeholders helped us identify and prioritize issues on which to focus our strategy and reporting.

Other examples of engagement include the following:

- ▶ In 2008, we expanded our stakeholder engagement efforts on the local level by working closely with Ceres on the Facility Reporting Project (FRP), a local-level sustainability reporting process designed to engage stakeholders and disclose the impacts companies have on communities in which they operate.
- ▶ In 2007, following discussions with and input from company customers and nongovernmental organizations, Smithfield announced plans to phase out the use of sow gestation crates on hog farms and replace them with group housing. We also have responded to suggestions by animal welfare groups—a stakeholder segment with which the meat industry has had a sometimes adversarial relationship—to revise our procedures for responding to road accidents involving the transportation of animals.
- ▶ Increasingly, our customers are hearing from their customers—the ultimate consumers—about CSR issues of concern to them. We participate in supplier CSR surveys and communicate directly with customers, including working with our customers to develop approaches to issues ranging from animal welfare to nutrition to environmental and health and safety practices. We are responding in numerous ways, including offering low-fat and low-sodium products. We have also engaged our sales force, which provides the primary customer point of contact, to communicate our approach to CSR so they can interact knowledgeably with our customers on these issues.
- ▶ The government is an important stakeholder, and Smithfield continues to explore innovative initiatives with elected officials. For example, Smithfield entered into a voluntary agreement with the North Carolina attorney general's office to investigate and participate in a variety of environmental enhancement efforts. (See page 32 for more on this agreement.) Smithfield also entered into an agreement with the Iowa attorney general to provide \$100,000 per year for 10 years to fund a program for the awarding of annual grants to Iowa citizens or entities to pursue innovative programs to advance swine

production in that state. The grants are awarded to applicants selected by the attorney general in collaboration with Iowa legislators and Smithfield.

- ▶ We operate in a highly regulated industry. Thus, establishing and maintaining good relationships with regulatory agencies at all levels is key to our ability to operate successfully. We cooperate with agencies in a variety of ways. For example, three of our IOC facilities participated in the Performance Track program of the U.S. Environmental Protection Agency (EPA). Through this program, facility managers worked closely with regulators to identify opportunities to exceed legal minimum requirements. Participating companies typically set public, measurable goals to improve the quality of air, water, and land. For example, Smithfield Transportation's Smithfield Division, the first of our facilities to participate, pledged to reduce its energy use and improve its management of nonhazardous waste. Even though the EPA has recently eliminated the Performance Track program, Smithfield continues to benchmark improvement under the criteria established for the program, and we are participating in similar state-level programs in several states.
- ▶ Our suppliers are important stakeholders in our value chain. As a vertically integrated company, we are our own biggest supplier. Nonetheless, we interact regularly with external suppliers. We work closely with our contract producers on environmental issues, as discussed in the Environment section of this report.
- ▶ Several organizations, including Ceres, the Environmental Defense Fund, and the Nathan Cummings Foundation, have reviewed our previous reports and/or a draft of this report and provided valuable feedback. We have tried to respond to the feedback in preparing this report.

Our engagement with diverse stakeholders is also reflected in the list of organizations in which we hold memberships. A comprehensive list of these memberships is available on our Web site at the following address: [www.smithfieldfoods.com/PDF/SFD-org-member-partner2010.pdf](http://www.smithfieldfoods.com/PDF/SFD-org-member-partner2010.pdf).

## PUBLIC POLICY

### Public Policy Issues of Interest

We participate in legislative and regulatory processes both as an individual company and through industry associations. We believe that engagement in the political process is important in making our views heard on issues of significance to the business. Smithfield representatives participate in many cross-industry boards and commissions at the national and state levels, including, for example, serving on the board of directors of the National Association of Manufacturers and serving as the founding chair of its Sustainability Task Force.

We also value our participation as members of the EPA's Farm, Ranch, and Rural Communities Federal Advisory Committee and of The National Academies' Roundtable on Science and Technology for Sustainability. The Committee works to strengthen relations with the agriculture community and focuses on the impacts of the EPA's agriculture-related programs, policies, and regulations, including those regarding climate change and renewable energy; a comprehensive environmental strategy for livestock operations; and areas of common interest between sustainable agriculture and protection of the environment.

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

- ▶ **Ethanol:** The EPA has been considering a petition which, if granted, would allow higher percentages of ethanol in motor fuel. Smithfield and many other food producers remain concerned about ethanol policies that have already driven as much as 30 percent of the annual corn crop into ethanol production, directly and substantially driving up feed costs for livestock and jeopardizing the economic viability of hog producers across the country. We hope that the EPA, after further study and with greater deference to the science and practical consequences of increasing the ethanol blend, will abandon any notion of granting "E15" (the blend level of ethanol and gasoline) in favor of more economically sensible alternatives. Smithfield favors development of alternative energy sources, but not a flawed corn-based ethanol policy when it has the direct impact of causing higher food prices for the American consumer and limited net benefit on greenhouse gas (GHG) emissions.
- ▶ **Farm Bill:** In early 2010, the U.S. Congress was beginning work on a new Farm Bill. As we have done in the past, we will take an active role in the debate. Of particular concern to our company is any effort to ban meatpackers from owning livestock. Many in our industry, Smithfield included, choose to own or contract for livestock because it is the most efficient way to deliver the consistent-quality meat demanded by modern consumers. Given our business strategy of vertical integration, we will continue to strongly oppose any such provision.
- ▶ **Food Safety:** Congress is considering legislation in 2010 to bring significant change to the food safety system. Smithfield is carefully reviewing the substantive details of that legislation and will make comments to key policymakers where appropriate. Smithfield remains committed to working with the U.S. Department of Agriculture and the federal government to ensure the safest possible food supply. We have taken comprehensive steps in our facilities to ensure food safety, as discussed in the Food Safety and Quality section of the report.
- ▶ **Greenhouse Gas Regulation:** The U.S. Congress is actively considering legislation to reduce GHG emissions. The EPA has also undertaken regulatory actions relative to GHG emissions under the Clean Air Act. GHG emissions occur at several points across our operations, including production, transportation, and processing, and we will continue to carefully review and monitor these activities.
- ▶ **Imports of Poultry Products from China:** Smithfield worked with others in the industry to persuade Congress to resolve an obscure appropriations bill provision that resulted in the prohibition of imports of frozen processed poultry products from China. This ban on poultry products made it difficult

for companies like Smithfield to export other protein products to China. In late 2009, Congress signed another agricultural appropriations bill that lifted the ban. China recently lifted most restrictions on pork from the United States.

- ▶ **Immigration Reform:** We are closely following the immigration reform issue because we have many valued employees who are legal immigrants. We are a nation of immigrants. Just like their American-born co-workers, our immigrant employees want their children to enjoy greater opportunities and the stability that enables families to stay together and thrive. Smithfield has not endorsed any specific legislation, but we do support legislation that includes protections for legal immigrants and their employers, and provides a path to citizenship for immigrant workers. We believe immigrant labor is essential to maintaining a stable work force. (For more on this topic, see page 69).
- ▶ **Antibiotics:** We are engaged in the debate regarding pending bills and potential government policies surrounding the use of antibiotics in feeding and raising animals. We have engaged with stakeholders on antibiotics issues, as described in this section, and follow a strong antibiotics policy, as discussed in the Animal Welfare section. We are closely following legislative and regulatory developments on the issue. As this report was going to press, for example, the Food and Drug Administration issued a draft policy document regarding the appropriate use of certain types of antibiotics in farm animals.

## Political Contributions

Through corporate contributions and donations made by our political action committee (HAMPAC), Smithfield Foods regularly supports political candidates seeking office at the local, state, and federal levels in the United States. This is done to help ensure the election of those individuals who support policies that are fair to our company and who share our concerns about the future of the food production industry.

We recognize that political contributions are not a customary practice outside the United States. Smithfield does not make political contributions in any other country in which we operate.

During the 2009 election cycle in the United States, Smithfield Foods and its affiliated PAC contributed a total of \$54,000 to candidates across the nation. In Virginia, where corporate contributions are permitted, Smithfield Foods donated \$171,460 to candidates seeking office.

Smithfield does not endorse one party over another. The company bases contributions largely on which party holds the majority in the state or federal legislature and on individual candidates who share the values described above.

For more information about Smithfield Foods and its PAC, visit [www.hampac.org](http://www.hampac.org) or e-mail [hampac@smithfieldfoods.com](mailto:hampac@smithfieldfoods.com).

# ENVIRONMENT

At Smithfield, we closely monitor our environmental outputs and continuously strive to reduce our footprint. This section describes our environmental stewardship efforts, including our performance over the past five years in energy and water use, climate change, biodiversity, waste generation, recycling, and compliance with local, state, federal, and international regulations.

## A COMMITMENT TO REDUCING OUR FOOTPRINT

From hog farming to the disposal of used packaging, Smithfield's activities have a range of impacts on the environment (see page 31). We aim to lead our industry by minimizing the environmental impacts of meat production and processing with methods that are socially responsible and cost-effective. A decade ago, Smithfield adopted an environmental policy committing us to environmental performance goals based on continuous improvement, innovation, and technology development. We share management best practices within our industry through trade associations and throughout our global network. We also extend our outreach efforts to our supply chain, including our contract producers.

Our efforts have resulted in a 60 percent water efficiency improvement at first processing facilities (which produce whole cuts of meat), a 22 percent reduction in electricity use at our farms, and a 4 percent absolute reduction in our greenhouse gas (GHG) emissions over the past five years. These types of improvements have reduced company costs by an estimated \$100 million over that time period.

In 2010, we adopted specific environmental targets for Smithfield and each of our independent operating companies (IOCs), aimed at ensuring compliance and reducing natural resource demand. We now aim to reduce energy use, water use, and solid waste (per unit of production) to 10 percent below fiscal 2008 levels by fiscal 2016. We also continue to do the following:

- ▶ Reduce notices of violation (NOVs) with a goal of zero NOVs and 100 percent compliance, 100 percent of the time
- ▶ Achieve and maintain ISO 14001 certification of all our wholly owned facilities
- ▶ Participate in internal, state, and trade association awards programs each year

Read our Environmental Policy Statement at [www.smithfieldfoods.com/responsibility/EPS.aspx](http://www.smithfieldfoods.com/responsibility/EPS.aspx).



## OUR MANAGEMENT APPROACH

Sound environmental management practices are vital for companies like Smithfield that use raw materials from the natural world to make food. It makes good economic and environmental sense for us to use resources, including energy, land, and water, responsibly. Our environmental policy demonstrates our aim to improve performance in these areas at all levels of the company.

At the corporate level, Smithfield has a senior corporate officer who leads our environmental programs, as well as a team of environmental officials to help manage our environmental issues and improve performance. Each of our IOCs also has a chief environmental professional, supported by one or more senior-level environmental managers. Every facility maintains at least one environmental coordinator tasked with ensuring compliance at all times. Each IOC regularly interacts with our corporate headquarters team and provides recommendations for future improvements. At the supervisory level, all Smithfield managers receive environmental training on a regular basis. Across the company, more than 60 individuals are specifically tasked with providing technical expertise and resources to support Smithfield's environmental management and corporate social responsibility (CSR) goals.

In addition, Smithfield has a corporate-level environmental compliance committee, made up of senior officials from Smithfield and our IOCs. The committee oversees our environmental strategy, develops goals and targets, and evaluates performance. They meet quarterly to discuss initiatives, best practices, upcoming regulatory changes, and emerging issues.

Our policies, management systems, and programs create accountability and support our commitment to improved environmental performance. They also help us anticipate and meet the expectations of customers, consumers, regulatory bodies, host communities, and other key stakeholders.

## Environmental Management Systems

Environmental management is critical to our business and to our long-term sustainability. Smithfield's environmental management system (EMS), which is certified to the ISO 14001 standard, addresses the significant environmental aspects of our pork production and food processing operations, provides training programs, and facilitates engagement with local communities and regulators. Most importantly, the EMS gives us a powerful tool that we can use to drive performance improvements in areas such as energy use, water use, and waste generation. It also allows us to collect, analyze, and report relevant environmental data to help ensure our continuing compliance with all applicable environmental legislation and regulations.

Certification to ISO 14001 has strengthened our environmental performance by requiring a long-term management plan that integrates regular third-party audits, goal setting, corrective action, documentation, and executive review. We were the first in our industry to achieve ISO 14001 certification at all our farms and processing facilities. Today, whenever we acquire new facilities, we require those operations to pursue ISO certification. The following are some highlights of our environmental management system:

### Our Environmental Goals

- ▶ *Eliminate notices of violation (NOVs) at our facilities and reduce natural resource demand*

- ▶ *100% compliance 100% of the time*

### Our Environmental Targets

- ▶ *Energy: 10% reduction over fiscal 2008 (normalized) by fiscal 2016*

- ▶ *Water: 10% reduction over fiscal 2008 (normalized) by fiscal 2016*

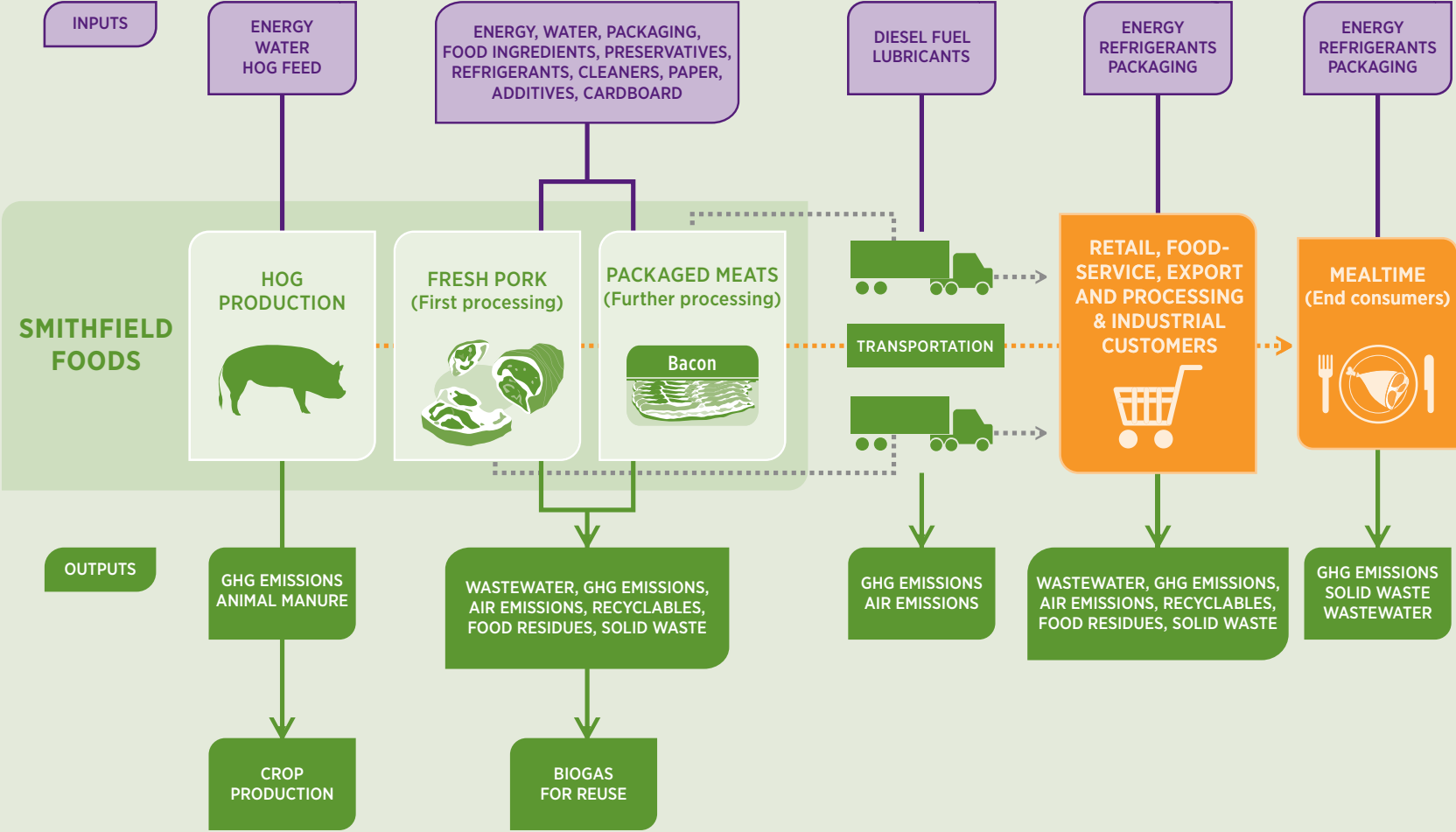
- ▶ *Solid Waste: 10% reduction over fiscal 2008 (normalized) by fiscal 2016*

- ▶ In 2002, Smithfield's hog production IOCs became the first livestock operations in the world to complete ISO 14001 certification of all domestic company-owned farms.
- ▶ In 2004, the company's pork processing plant in Tar Heel, North Carolina, became the world's first major meat processing plant to achieve ISO 14001 certification. That same year, we completed certification for all company processing plants.



# ENVIRONMENTAL INPUTS AND OUTPUTS ACROSS OUR BUSINESS

This diagram illustrates the major environmental inputs and outputs involved at key stages of our value chain, from the first phases of hog production through the time our foods reach consumers.



## SMITHFIELD PROMOTES ENVIRONMENTAL ENHANCEMENT

For a decade, we've invested in programs that help to protect native habitats. In 2000, Smithfield and our North Carolina-based hog production subsidiaries voluntarily entered into an agreement with the attorney general of North Carolina. We are making annual contributions of \$2 million over a 25-year period that began in 2000 to preserve wetlands and other natural areas in Eastern North Carolina and promote similar environmental enhancement activities.

To maximize the effectiveness of Smithfield's funding, the attorney general established the Environmental Enhancement Grants (EEG) program in January 2003. The EEG program funds projects that improve and preserve the natural resources of North Carolina by restoring and protecting impaired, degraded, or endangered natural resources, as well as conserving and protecting targeted natural areas.

For example, Ducks Unlimited, Inc., a leader in wetlands and waterfowl conservation, has received \$1.4 million from the EEG program. The organization has used that money, and \$2.4 million in matching funds, to help conserve over 3,500 acres of critical wetland habitat in North Carolina.

"Partnerships are the key to conservation these days, and this includes the ability to leverage dollars, like those from the EEG program, with other funding sources to accomplish more work," said Craig R. LeSchack, director of conservation programs for Ducks Unlimited. "Without the financial resources of Smithfield Foods and Murphy-Brown, a lot of this work would have been impossible to complete."

Grants have helped preserve land along rivers and close inoperative livestock lagoons of small farmers. Between 2002 and 2008, Smithfield funded 42 projects. To see past winners, please visit the North Carolina attorney general's Web site at [www.ncdoj.com](http://www.ncdoj.com).

- ▶ AgriPlus, our hog production affiliate in Poland, became the first Polish operation to obtain ISO 14001 certification—for its 28 farms—in 2005. All these farms passed recertification audits in January 2009. In 2010, AgriPlus fully implemented ISO 14001 certification of its four feed mills in Poland.
- ▶ Animex's processing plant in the Polish city of Elk has also achieved full ISO 14001 certification. Animex is planning for full implementation of ISO 14001 in 2010 and 2011 at all facilities within the Animex Group.
- ▶ In late 2009, Romanian pork processor Smithfield Prod received ISO 14001 certification and is helping its distribution company, Agroalim, complete its own certification process.
- ▶ Also in late 2009, Smithfield Ferme completed an integrated implementation and certification process certifying the environmental (ISO 14001), quality (ISO 9001), and occupational health and safety (OHSAS 18001) management systems of all its operations.
- ▶ Overall in 2009, an additional 14 U.S. plants and 21 European farms achieved full ISO 14001 certification.
- ▶ More than 95 percent of Smithfield Foods locations worldwide are now ISO 14001 certified. The remaining facilities, including a recently acquired U.S. processing facility and our processing operations in Poland, are pursuing certification.

### Training

Training is fundamental to continued environmental improvement in our operations. Individual facility training programs, coupled with a companywide annual training conference, create an ethic that helps us to reduce our environmental impacts. We require each new environmental coordinator to participate in an internal certification program that must be completed within 90 days of date of hire. Annual recertification is required of all coordinators throughout their careers.

In November 2009, more than 100 facility managers, engineers, and environmental coordinators attended Smithfield Foods' eighth annual Environmental Training Conference in Kansas City, Missouri. New attendees were taken through an environmental "boot camp," and employees made presentations on recycling programs and projects, Web-based software training, CSR, environmental legal overview, incident notification procedures and requirements, wastewater treatment, and water conservation programs, among other topics.

Beginning in January 2010, Smithfield Foods developed and initiated a Web-based training program to certify company wastewater treatment system operators. Much like similar state-run programs, this effort will help ensure that all company operators are properly and adequately trained. The requirements for our program are rigorous enough that several states accept our courses for continuing education credits under their own programs.



### Environmental Expenditures and Cost Reductions

Since 2004, we have reduced costs by an estimated \$100 million through environmental improvement projects such as the use of automated cooling systems in our hot dog manufacturing facilities and the development of new water recirculation systems for our packaging machines. We gather data on savings as part of our Environmental Excellence Awards, our internal environmental awards program, which requires applicants to submit project details, including amount spent, payback time, and overall cost reductions. Winning projects from 2009 were projected to pay for themselves in less than six months, and the projected cost reductions were nearly triple the \$3.2 million capital investment in the projects.

	NUMBER OF PROJECTS	AWARDS GRANTED	CAPITAL EXPENDITURES	COST REDUCTIONS YEAR 1	RETURN ON INVESTMENT (MONTHS)	ESTIMATED NET CUMULATIVE COST REDUCTIONS
2004	31	5	\$0	\$2.0	Not Available	\$2.0
2005	70	14	\$4.1	\$5.8	8.5	\$5.7
2006	93	16	\$6.9	\$7.2	11.5	\$13.8
2007	137	16	\$14.0	\$12.0	14.0	\$26.8
2008	129	17	\$6.1	\$10.9	6.7	\$56.6
2009	124	12	\$3.2	\$8.8	4.4	\$100.1

All values reported by fiscal year. \$ in millions

## Data Collection and Reporting

Prior to 2006, many of our subsidiaries collected environmental data without a centralized system. This created reporting inconsistencies and made facility-to-facility comparisons difficult. To remedy this, we established uniform, automated protocols for environmental metric measurement and reporting, and rolled them out for use across the company in 2007. We have now collected three full years of data using the new system, and we continue to develop and improve our data collection program.

The scope of our reporting has expanded greatly in recent years, due to our improved data collection systems, company growth, and our efforts to align our reporting metrics with the Global Reporting Initiative's G3 Guidelines, which are commonly used for CSR reports.

We report five years of environmental data. The data trends for some indicators might be interpreted to suggest, erroneously, that we have increased resource use and emissions over time at the same facilities producing the same amount of finished product. In reality, the increases have resulted, for the most part, from improved reporting at existing facilities and from the addition of recently acquired facilities. For these reasons, we also report normalized data to better track our efficiency. Normalized data account for variations in the size of each plant and the amount of product each plant produced, allowing for a more accurate indicator of year-over-year improvement in many performance areas. Normalized data are shown in purple in the charts on the following pages.

We report processing data separately by our two main types of facilities: first processing, or slaughter, facilities, which produce wholesale cuts of meat, and further processing facilities, which process and package meat products for consumers. To accurately compare operational efficiencies, we also normalize the data on a per-animal or per-weight basis. The numbers in the data charts

have been rounded. Because percentage changes are calculated based on non-rounded values, they may vary from those calculated on the rounded numbers.

International operations data are reported in a separate section (starting on page 78) because these data are not directly comparable to the domestic data. This is the second year we are reporting our international data. We will continue to expand the scope of our reporting as our data management system matures further.

## Changes in Reporting

The 2008 sale of Smithfield Beef Group, Inc., to JBS S.A. was finalized in 2009, affecting the reporting of environmental data. For fiscal 2009, we are reporting on 42 domestic processing plants, compared to 49 plants in fiscal 2008.

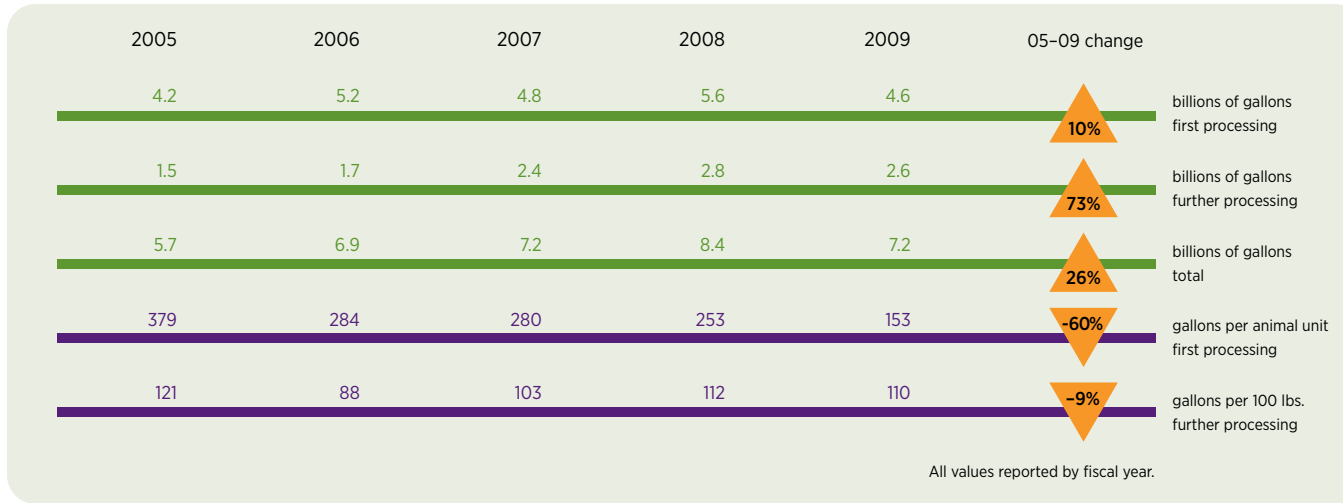
Previous reports included Tier II and Form R data for ammonia, chlorine, and nitrates, which we also report annually to the EPA's Toxics Release Inventory database. This data is now available on the Smithfield Foods Web site at [www.smithfieldfoods.com/PDF/Environment-TRI2010.pdf](http://www.smithfieldfoods.com/PDF/Environment-TRI2010.pdf).

## ENVIRONMENTAL PERFORMANCE

### Water Use

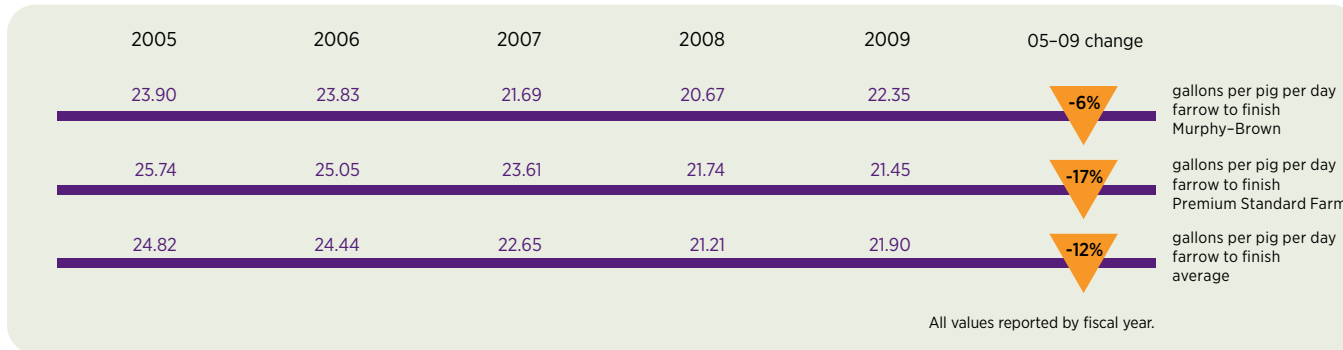
In the United States, we use municipal water supplies from surface and groundwater sources, private surface water impoundments, and private wells. Our facilities use water for processing, cooling, cleaning, sanitizing, and making our products. Our farms use water for sustaining animal health and cleaning equipment and infrastructure. Because water is essential to our operations, and in order to reduce pressure on local surface and groundwater supplies, we carefully monitor water use and strive to become more efficient.

**Processing Water Use [Reporting Facilities: 42]**



Our latest water conservation efforts have made our plants more efficient, even as we have acquired larger facilities. This was most evident in our first processing facilities, where we have reduced water used per animal unit by 40 percent since 2008. Improvements in first processing water use were also due to the divestiture of our beef operations in October 2008. We continue sharing best water-efficiency practices with our newest acquisitions.

**Farm Water Use [Reporting Facilities: Murphy-Brown/28, Premium Standard Farms/21]**



Growing pigs need water for drinking, sanitation, and cooling (with misters, cool cells, and drippers). Over the years, our hog production IOCs have implemented ways to use water as efficiently as possible. In the past five years, farm water use has fallen from about 25 to 22 gallons per pig per day.

## A PRIMER ON MANURE MANAGEMENT

Like all farm animals, hogs generate manure. How we handle and treat that manure—and protect nearby water sources from runoff—is a critical element of the extensive environmental management systems we employ at our farms. We're proud of the manure management programs at our hog production IOCs, which we believe are among the best of any U.S. farming operations. Below are answers to some of the most frequently asked questions about the process.

**Q:** *How much manure does a typical hog produce?*

**A:** The average market hog produces between 300 to 350 gallons of manure during its lifetime. That number also includes water used to clean the farms. By comparison, the average adult in the United States generates 14,600 gallons of wastewater (including water for showers, washing clothes and dishes, and other cleaning) a year.

**Q:** *Do pigs wallow in their own manure?*

**A:** This is a common misconception. In modern farms, slatted floors and routine flushing keep animal pens clean, and the barns are maintained by farm employees. The pigs actually aid in this process by establishing voiding patterns that help keep their living quarters clean.

**Q:** *Where does the hog manure go?*

**A:** The manure goes into several types of treatment systems that vary depending on the location of the farm. The majority of Murphy-Brown's farms use anaerobic treatment lagoons, which have been designed and certified by professional engineers to treat and store the manure. Although the surfaces of the lagoons are exposed to the air, they are anaerobic below. Ranging in size from a quarter acre to up to 12 acres, these lagoons allow the solids, and the associated nutrients in the

manure, to break down naturally over a period of six to 12 months. Think of the lagoons as a "stomach" for our farms, where anaerobic organisms naturally present in the manure and the environment digest the materials. With this treatment system, we achieve up to 95 percent reductions in volatile solids and 85 percent reductions in biological oxygen demand (a common measure of the amount of oxygen necessary for bacteria to break down organic material in water). What remains is an anaerobically digested, low-solids effluent product that is highly suitable for use as an organic fertilizer and is applied for that purpose. (For more on this topic, see the infographic on page 38).

**Q:** *How does Murphy-Brown manage these treatment facilities?*

**A:** Our Environmental Management System requires daily checks on the status of all lagoons, weekly inspections, and regular internal audits. The results of all these efforts are recorded, and we make sure that each farm has enough land available to handle the manure that is produced. Detailed and comprehensive nutrient management plans are prepared for each farm that specify the land area needed and types of crops to be grown.

**Q:** *Are the treatment systems regulated?*

**A:** The Environmental Protection Agency forbids hog farms from discharging manure or any wastewater at any time. All our treatment systems and those on contract farms required sign-off by state and federal regulators when they were built. In addition, all our farms are regulated by state and/or federal water quality permits. These permits not only make comprehensive nutrient management plans enforceable under law, but also require that we keep extensive records demonstrating compliance. Government inspectors visit our farms

regularly (up to twice per year) to ensure compliance. Our internal requirements go well beyond regulatory compliance and record keeping; all of our farms are certified to ISO 14001 standards.

**Q:** *Are there other location-specific regulations?*

**A:** Local, state, and federal setback requirements ensure that hog farms are located in areas that eliminate risks to local water sources. Setbacks do vary, but examples include requiring farms to locate lagoons no less than 2,500 feet from schools, hospitals, parks, and other public spaces; 1,500 feet from any occupied residence; or 500 feet from any public water supply well.

**Q:** *Are the anaerobic lagoons the best system available?*

**A:** Our companies have invested millions of dollars over the past 15 years to ensure best practices. A few years ago, we sponsored research at North Carolina State University that analyzed different treatment systems; the researchers concluded—and we agreed—that anaerobic lagoons are the best technology for Murphy-Brown's farms today.

**Q:** *What other types of systems does Murphy-Brown use?*

**A:** Lagoons aren't feasible in colder climates, so some northern farms use slurry store systems to maximize the nutrient content of the manure. The manure is stored in tanks for eventual application to crops as a slurry.

**Q:** *Is there any data to show whether treatment lagoons pose risks to the environment?*

**A:** As part of a legal settlement in North Carolina a few years ago, we agreed to a risk ranking of Murphy-Brown farms for any threats to public health

and/or the environment. An independent, third-party engineering firm is in the process of evaluating the farms. While the evaluation is not yet complete, early indications show that the risks from the treatment lagoons are very low. We expect to be able to report on this data in our next CSR report.

**Q:** *How does Murphy-Brown ensure that manure applied to fields won't wash away with the rain?*

**A:** Murphy-Brown applies the fertilizer only at times when ponding and/or runoff will not occur, and detailed records of all applications are kept and inspected by state regulators. Employees must inspect the fields before, during, and after manure application to make sure that no runoff occurs. In North Carolina, for example, operators carry pagers that alert them to developing weather events and are required to shut down land application when developing weather systems are within 30 minutes of the farm. This precipitation alert system has been used in North Carolina for the past three years and may be expanded to other areas.

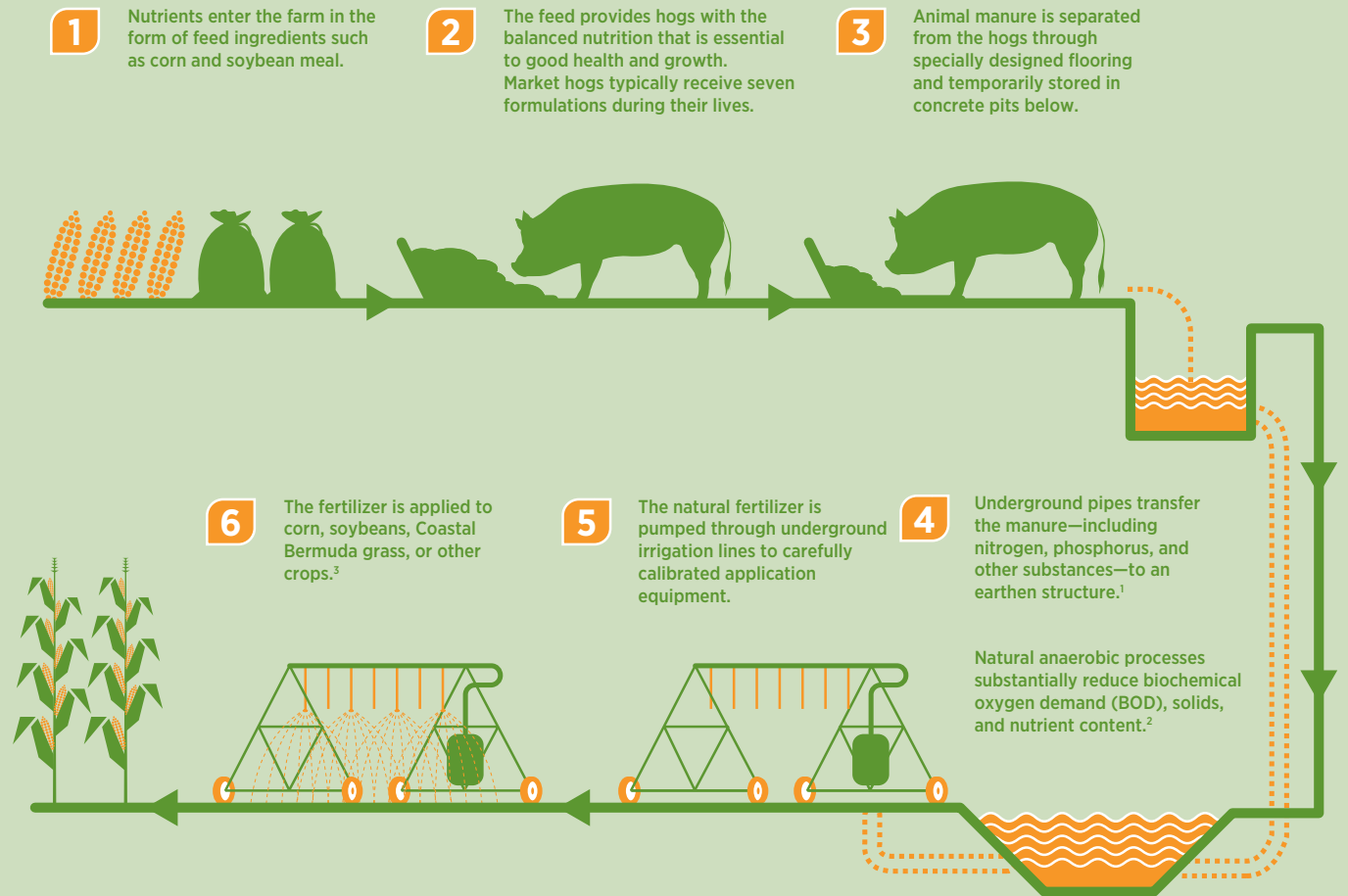
**Q:** *Is it better for the environment to raise hogs outdoors?*

**A:** While some outdoor systems disperse manure across large areas, many outdoor animal producers have little or no containment to control manure runoff during rainstorms and have animals located near creeks. In addition, untreated manure is deposited on the ground all year long. Modern production systems have storage systems so that manure does not need to be applied during rainstorms or in seasons when crops are not growing. For more information on the crops we produce, visit our Web site at [www.smithfieldfoods.com/PDF/Environment-crop2010.pdf](http://www.smithfieldfoods.com/PDF/Environment-crop2010.pdf).

# The Science of Nutrient Management on Modern Farms

Smithfield's Murphy-Brown subsidiary recycles the nutrients produced on its farms using environmentally sound methods based on factors such as local climate, area agricultural practices, and regulatory requirements. This illustration offers a brief overview of the company's predominant system of nutrient management and the one employed on virtually all Murphy-Brown farms east of the Mississippi.

**7** The crops are harvested and removed from the farm, thus completing the loop of nutrient recycling.



<sup>1</sup> Certain feed additives, such as phytase enzyme, can reduce the amount of phosphorus.

<sup>2</sup> Murphy-Brown's anaerobic lagoons are designed to have sufficient storage capacity to accommodate heavy rainfall, storms, and other weather conditions. The space between the liquid level and the top of the earthen structure—also known as freeboard—measures a minimum of 12 inches.

<sup>3</sup> By monitoring the application rate, nutrient concentration, and flow rate of the equipment, the correct amount of nutrients can be applied to meet the needs of the crop being grown. All Murphy-Brown farms that apply nutrients do so under the guidance of a certified nutrient management plan.



## Energy and GHG Emissions

Climate change, which has been linked by many scientists to GHG emissions, may have implications relative to water use, energy prices, weather patterns, and demand for consumer goods. The EPA reports that CO<sub>2</sub> released by fossil fuel combustion represents nearly 85 percent of total man-made GHG emissions in the United States. As in any industry, GHG emissions occur to some extent during the production and distribution of our products. For example:

- ▶ Farms emit methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O) from animal manure, treatment systems, and crop production, as well as CO<sub>2</sub> from energy use.
- ▶ Our transportation fleet's fuel consumption results in CO<sub>2</sub> emissions.
- ▶ Processing plants emit CO<sub>2</sub> and N<sub>2</sub>O as a result of energy use, as well as methane as a byproduct of wastewater treatment.

We are working to better understand the potential impacts of climate change on our business. As an agriculture-based company, changes to the climate could affect key inputs to our business as a result of shifts in temperatures, water availability, precipitation, and other factors. Both the cost and availability of corn and other feed crops, for example, could be affected. The regulation or taxation of carbon emissions could also affect the prices of commodities, energy, and other inputs to our business.

Largely as a result of climate change concerns, we have recently begun to see some interest on the part of our customers in the related issues of food miles and the carbon footprint of our products (see sidebar). We have worked with our customers to provide them with information and our perspective on these issues.

While these factors pose potential risks for our company, we believe there could also be opportunities for Smithfield as a result of heightened interest in alternative energy sources—including those derived from manure—and participation in carbon markets. Through our Energy Technology Review Committee (formerly called our Bioenergy Task Force), we continue to

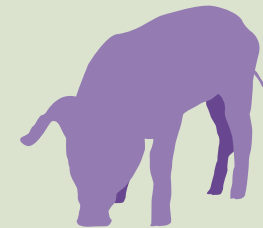
## Pork's Carbon Footprint

The National Pork Board (NPB) has been working to better understand the carbon footprint of a four-ounce portion of pork. A representative from Smithfield is part of an NPB working group that is looking at the entire life cycle of pork production, from farm to table. Smithfield and other pork producers are funding research efforts at the University of Arkansas' Applied Sustainability Center. The research, to be completed in 2010, will create the following:

- ▶ A review of available literature and information related to energy use and greenhouse gas emissions from pork production
- ▶ A summary life-cycle assessment of energy use and emissions across the entire pork chain, including feed-crop production, feed formulation, swine production, transportation, processing, and retail components
- ▶ A detailed, in-depth life-cycle assessment of the on-farm animal production component. This will cover all aspects of raising the animals, including practices for manure management

In the United States, livestock-related GHG emissions have declined per unit of production. Since 1990, U.S. farmers have increased production by almost 50 percent, according to a 2009 study by the American Meat Institute. Yet GHG emissions have held constant, thanks to improved feed efficiencies and manure management strategies and better use of cropland.

According to the EPA, in 2007 only 2.8 percent of man-made GHG emissions in the United States came from animal agriculture, and pork production contributed even less: 0.33 percent of total U.S. GHG emissions. For more information, visit [www.epa.gov/climatechange/emissions/usinventoryreport.html](http://www.epa.gov/climatechange/emissions/usinventoryreport.html).



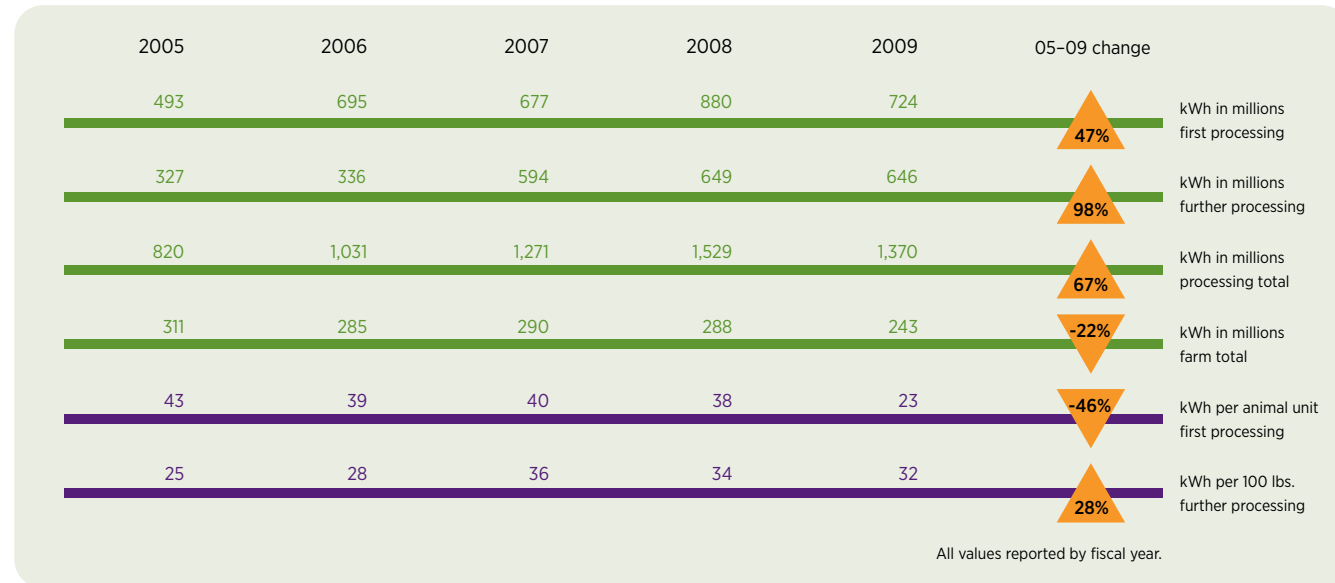
investigate opportunities and technologies related to the renewable energy potential of our operations. We are working with technology providers, utilities, and government agencies on an ongoing basis to help guide us toward the use of innovative technologies in a sustainable and cost-effective manner. Although the potential impacts of climate change on our business are not fully defined,

we are taking action to reduce our energy use and greenhouse gas emissions. Between 2007 and 2009, we reduced GHG emissions by 4 percent.

We have also set a new target to reduce normalized energy use to 10 percent below fiscal 2008 levels by fiscal 2016, which will reduce GHG emissions as well.

**Electricity Consumption [Reporting Facilities: Processing/42, Murphy-Brown/557, Premium Standard Farms/24]**

The energy data we report (electricity, natural gas, and propane use) account for more than 90 percent of our total energy use. Smithfield is focused on reducing our energy use and associated environmental impacts through energy efficiency improvements in our production processes.



Best practices are shared throughout the company, helping us to continuously raise the bar. Despite the growth of our business, we have cut the energy we use per 100 pounds of production by 5.9 percent this past year. Overall electricity use at our processing and farming facilities has fallen 11 percent since 2008. Electricity consumption at further processing facilities per 100 pounds of production has risen over time, due to a continuing shift to the production of fully cooked (ready-to-eat) products for foodservice customers and consumers.

### Processing Natural Gas Use [Reporting Facilities: 42]

We use natural gas in boilers to make hot water and in ovens to cook our food products. Smithfield's overall natural gas use has grown as production has increased and additional facilities have been purchased.



We have cut natural gas use per animal at first processing facilities by 44 percent since 2005 due to continued efficiency efforts over the time period. Natural gas use at further processing facilities per 100 pounds of production rose by 5 percent in 2009 due to a continuing shift to the production of fully cooked (ready-to-eat) products for foodservice customers and consumers.<sup>1</sup>

### Farm Natural Gas Use [Reporting Facilities: Murphy-Brown/75, Premium Standard Farms/3]



Natural gas use for employee and animal comfort at our hog production IOC farms is linked with operational output and fluctuates with the weather. Warmer temperatures in 2009, combined with facility improvements, led to lower use in 2009.

<sup>1</sup> Natural gas use data include a new further processing facility that cooks nuts and is not as efficient as other operations. We have included it this year because the data have become available through our centralized reporting system, and it is a wholly owned facility. For more information, visit [www.smithfieldfoods.com/consumers/shopping.aspx](http://www.smithfieldfoods.com/consumers/shopping.aspx).

### Liquid Propane Gas Use [Reporting Facilities: Murphy-Brown/443, Premium Standard Farms/19]



Liquid propane gas use for employee and animal comfort also fluctuates with the weather and with operational output.

### Greenhouse Gas Emissions

Smithfield reports greenhouse gas emissions using the Greenhouse Gas Protocol developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) ([www.ghgprotocol.org](http://www.ghgprotocol.org)). Publicly available emission figures are used where no reliable data is available from energy providers. We report on scope 1 emissions (direct) and scope 2 emissions, which include indirect emissions associated with the use of purchased electricity.

In 2009, company plants emitted the equivalent of 1.11 million metric tons of greenhouse gases, down 18 percent from 2008 and down 4 percent since 2007, illustrating the effectiveness of our energy-saving efforts. We reduced our further processing emissions per 100 pounds of production by 62 percent compared to 2007 (our baseline year) and our first processing emissions per animal by 62 percent compared to 2007 (our baseline year) and our first processing emissions per animal by 41 percent. These improvements were due, in part, to the divestiture of the beef group, which was more energy-intensive than our first-processing pork operations.

GHG EMISSIONS	EMISSIONS (Metric tons CO <sub>2</sub> e) <sup>1</sup>				EFFICIENCY <sup>2</sup>							
	2007	2008	2009	07-09 Change	First Processing (kg CO <sub>2</sub> e per animal unit)				Further Processing (kg CO <sub>2</sub> e per 100 lbs.)			
					2007	2008	2009	07-09 Change	2007	2008	2009	07-09 Change
Total Direct & Indirect Carbon Dioxide (CO <sub>2</sub> ) Emissions	1,150,346	1,348,988	1,111,261	-3%	37	35	22	-41%	37	28	14	-62%
Direct Methane (CH <sub>4</sub> ) Emissions <sup>3</sup>	200	229	132	-34%	0.006	0.006	0.004	-33%	0.006	0.004	0.003	-50%
Direct Nitrous Oxide (N <sub>2</sub> O) Emissions <sup>3</sup>	3,088	5,423	220	-93%	0.158	0.146	0.006	-96%	0.158	0.105	0.001	-99%
<b>Total Direct &amp; Indirect GHG Emissions</b>	<b>1,153,634</b>	<b>1,354,640</b>	<b>1,111,613</b>	<b>-4%</b>	<b>37</b>	<b>35</b>	<b>22</b>	<b>-41%</b>	<b>37</b>	<b>28</b>	<b>14</b>	<b>-62%</b>

All values reported by fiscal year. <sup>1</sup>The universal unit for global warming potential (GWP) expressed in GWP of one unit of CO<sub>2</sub>. <sup>2</sup>A lower value indicates improvement.

<sup>3</sup>The decrease in methane and nitrous oxide emissions was due to a shift toward natural gas, which burns cleaner than fuel oil used in prior years.

### GHG Emissions from Transportation

This is the second year we have reported on GHG emissions from company-owned trucks. The fleet data were assembled from Murphy-Brown and Smithfield Packing. Fuel use from Smithfield Packing also includes refrigeration units. GHG emissions were calculated using the WBCSD/WRI Global Greenhouse Gas Protocol. Because other subsidiaries use contracted trucks, they are not included in this data. Reductions are the result of efforts to improve fuel economy as well as improved routing.



### Biogas Production [Reporting Facilities: 4]

Since 1992, several plants have captured biogas, a byproduct of our anaerobic wastewater treatment, for use as fuel in modified steam boilers. This offsets fuel use and reduces methane emissions while using a waste product.



During fiscal 2009, four facilities produced enough biofuel to power 6,260 U.S. households for one year. Biogas use fell sharply this past year, due to the divestiture of our Beef Group, which had accounted for roughly 40 percent of biogas use.

### Air Emissions

The following tables display total and normalized emissions from 2004 through 2008 for 16 of our facilities that report air emissions to the EPA. (The 2009 data were not due to the EPA at publication time and thus are not included here.)

We have reduced normalized NO<sub>x</sub> and SO<sub>x</sub> emissions at many of our facilities by adding emission-control devices, upgrading equipment, and tuning boilers. We now use fossil fuels with lower sulfur content, as well. The rise in emissions for further processing facilities over five years is likely due to range reporting and improved data collection, as well as the continuing shift to fully cooked products.

### Processing NOx Emissions [Reporting Facilities: 16]



### Processing SOx Emissions [Reporting Facilities: 16]



## OUR PACKAGING REDUCTION EFFORTS

The packaging that surrounds our products ensures food quality and safety, offers protection during transit, and supplies consumers with important nutrition and safe handling information.

Smithfield uses a wide variety of materials when packaging our foods, including resin-based plastics such as clear film and bags for sealing meats and corrugated cardboard boxes for shipments. Other packaging items include foam trays, plastic boxes, absorbent liners, folding cartons, zipper bags, plastic tubs and lids, and rigid plastic trays.

Like many large food companies, even with a variety of reduction efforts to date, we acknowledge that our packaging could be more efficient. We believe there are significant opportunities for us—and for our packaging suppliers—to reduce our packaging and decrease the resulting environmental impacts. In recent years, our IOCs have introduced a host of changes, large and small, to reduce material usage and post-consumer waste, save money and improve transportation efficiencies. (With smaller packages, more boxes can be loaded on each truck, thus reducing the number of deliveries). Many of the packaging changes have been and/or will be replicated across our operations whenever possible.

However, we do face some constraints. Most notably, any packaging that directly touches food must meet federal regulatory requirements. In addition, our packages must meet certain specifications to allow for temperature fluctuations and high humidity. (Recycled fiber products, for example, do not hold up as well under such conditions.) Moreover, for our fresh meats, our packaging must be able to adjust for variations in the size, shape, and weight of each particular cut of meat.

In many instances, switching to new packaging formats requires significant capital outlays to purchase new equipment. Nonetheless, we are committed to developing additional sustainable packaging initiatives, particularly when they yield big environmental results.

Some examples of recent efforts include:

- ▶ In the summer of 2009, Armour-Eckrich replaced an oversized rectangular package for smoked sausage with crescent-style packaging. The new design, which contours to the shape of the sausage, is reducing the amount of plastic film and corrugated cardboard used by over 840,000 pounds per year.
- ▶ Several plants are switching to or have been testing a new bagging system that allows for greater flexibility when packaging fresh cuts of meat, such as a loin of pork. The John Morrell plant in Sioux Falls, South Dakota, successfully piloted the system for Smithfield in 2010, reducing the amount of plastic required by about 40,600 pounds a year.
- ▶ Farmland Foods has reduced the amount of corrugated packaging entering waste streams by more than 5 million pounds per year through continued investments in mechanical packaging technology. More and more Farmland products are being packed in corrugated cartons that are mechanically put together. These boxes are just as strong as those erected by hand, yet they require less wood fiber to produce. Farmland's corrugated boxes are manufactured to Sustainable Forestry Initiative standards, and each box includes printed information for our customers on how to recycle them.
- ▶ Smithfield Packing reduced the size of its resealable, reusable tubs for deli meat, using 17 percent less plastic for each container; although the tub size is now shorter, the amount of meat per package has remained the same. More tubs can now be included in a truckload, reducing fuel usage in shipping the product to customers. Smithfield Packing also reduced the size of the boxes that transport chicken frankfurters to its largest customer, eliminating about 20,000 pounds of corrugated material a year.

## Materials Use and Waste to Landfill

Waste management costs are increasing around the world, and landfill space is becoming increasingly scarce. Our major customers are showing growing

concern about packaging and are beginning to require that we meet environmental standards related to waste management. Our waste management strategy is to divert materials with a residual value from our waste streams for recycling or reuse.

### Waste to Landfill [Reporting Facilities: 42]

Overall waste generation has increased since 2005 due primarily to the acquisition of new facilities and improved reporting.

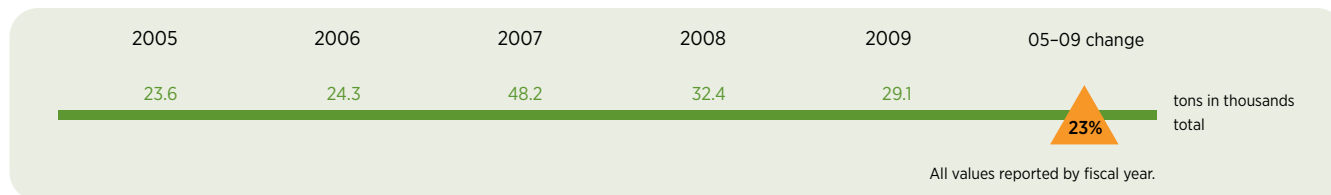


Facilities occasionally switch between the land application (not included in these figures) and landfilling (included in these figures) of wastewater residuals. A shift from land application to landfilling by several facilities was also a likely contributor to the unusually high volumes reported for 2008.

Nevertheless, we have reduced first processing solid waste generation per animal unit by 29 percent since 2005.

### Cardboard Recycling [Reporting Facilities: 42]

Our plants recycle baled cardboard using local service providers. Our recycling rate fell 10 percent in 2009 due to a companywide effort to reuse the cardboard totes used to transport product between plants. Office paper, cardboard, aluminum, and, in some cases, plastic soda bottles are recycled at our offices, but amounts are not tracked.



Instead of disposing of each cardboard tote after a shipment, we now inspect each one and, whenever possible, place a new plastic liner inside. This allows us to reuse each one up to five times before recycling it, reducing costs by hundreds of thousands of dollars and diverting tons of cardboard from landfills. We expect cardboard recycling rates to continue to fall as we implement packaging design improvements, removing materials from the waste stream before they enter our production process.



## Compliance

We seek full compliance with local, state, and federal environmental requirements at all times. To this end, our goal is to optimize existing environmental programs through improved coordination and communication within the company to accomplish the following:

- ▶ Improve overall environmental performance and eliminate NOVs
- ▶ Effectively analyze and communicate EMS and ISO audit results to IOCs and plants
- ▶ Increase training conference attendance and expand training programs

## Armour-Eckrich Meats: Turning Trash Into Profits

Our Armour-Eckrich Meats (AEM) facility in Junction City, Kansas, increased its fiscal 2009 recycling rate by 78 percent compared to fiscal 2008. Specifically, it reduced the amount of solid waste landfilled by 27 percent, from 2,185 tons in 2008 to 1,605 tons in 2009. AEM's recycling program, which is managed by one hourly employee and overseen by the powerhouse supervisor, handles a variety of materials. In 2009, AEM recycled the following:

- ▶ 218 tons of spent ash
- ▶ 693 tons of cardboard and plastic
- ▶ 35 tons of metal
- ▶ 2,929 gallons of used oil

The recycling program generated an income to the plant of \$116,405 in fiscal 2009, compared to \$35,743 in fiscal 2008.

- ▶ Advance participation in the Smithfield Foods Awards program
- ▶ Earn more third-party recognition
- ▶ Share results annually with management, to drive continuous improvement

We track several indicators of compliance, including NOVs and penalties. Our wholly owned domestic subsidiaries, including hog production IOCs, received 36 NOVs in 2009. Total fines for domestic facilities rose by about \$12,000 in 2009. We work with regulators to resolve all environmental issues as they arise.

Going forward, our IOCs will be working to reduce NOVs to zero each year.

## Notices of Violation and Fines



Between 2006 and 2007, \$160,000 was voluntarily paid as part of the National Air Emissions Monitoring Study (NAEMS) discussed on page 48.

## Farm Notices of Violation



## Environmental Performance of Contract Producers

Smithfield's independent operating companies use roughly 2,785 contract farms (nearly 2,155 of which are in the United States) to supply our processing facilities with hogs. Murphy-Brown supplies the livestock, feed, and veterinary care to the contract farms, while the contract producers provide the initial facility investment, labor, and front-line management. In fiscal 2009, approximately 60 percent of our Hog Production segment's market hogs were finished on contract farms. Smithfield requires, as a condition of their contracts, that all contract producers comply with all relevant environmental laws and permit requirements. Violations may result in contract terminations or the removal of livestock from a producer's farm until the problem is resolved. Although we do not report the environmental performance for contract farms, we informally monitor their compliance. In 2009 our approximately 2,155 domestic contract farms received 46 NOVs from environmental agencies. The vast majority related to alleged record-keeping deficiencies. Our 480 farms operated by Murphy-Brown and its subsidiaries had five NOVs.

### Air Quality

We are participating in the National Air Emissions Monitoring Study (NAEMS), which was established in 2006 by a voluntary Air Compliance Agreement between the EPA and the pork, dairy, egg, and broiler industries to address the

lack of scientific data surrounding local air quality. Data is being collected at select sites to assess emissions from livestock operations. The study's goal is threefold: assess our industry's impact on air quality, compile a database of emission rates, and advance a national consensus on emissions-estimation methods and procedures from livestock operations. Two Murphy-Brown farms are participating, and we expect to present the study's findings in our next report.

Our hog production IOCs remain in compliance with all state odor regulations. We track and monitor complaints, including odor complaints, and are constantly trialing new and innovative methods to address odor, including microbial/enzyme additives, lagoon covers, biofilters, vegetative environmental buffers, and barn scraper technology. We believe properly functioning lagoons reduce odors substantially, so we work diligently to make sure that our lagoons are performing as efficiently as possible.

### Ongoing Compliance Issues

Before being purchased by Smithfield Foods and becoming a Murphy-Brown subsidiary, Premium Standard Farms (PSF) signed a state consent judgment in Missouri to implement "next-generation technology" to improve manure handling and reduce or eliminate the release of pollutants and odors. PSF continues to participate in the development and installation of next-generation

technology for certain PSF farms in Missouri and has spent more than \$40 million on these efforts.

The Missouri Attorney General and PSF have both recognized that the process established by the consent judgment has resulted in significant accomplishments, including the following: reducing the use of traveling irrigation sprayers by more than 90 percent; successfully testing and implementing numerous scientifically advanced technologies that had not previously been applied to agricultural manure management; extensive air-quality data collection and analysis; and detailed water-quality sampling and analysis, all leading to superior and advanced manure management systems for the industry. PSF has also worked on at least 18 different odor reduction technologies and evaluated dozens of other products as part of this process. We anticipate new developments during the coming year and plan to include an update in next year's report.<sup>1</sup>

In Pennsylvania, we continue to monitor ongoing environmental enforcement relative to wastewater releases and an operational upset at our former Souderton beef processing facility, which is now owned by JBS Souderton, Inc., a wholly owned subsidiary of JBS Packerland, Inc. The investigation into these incidents by the EPA, the Pennsylvania Department of Environmental Protection, and the Pennsylvania Fish and Boat Commission continues and is the subject of a lawsuit filed in the federal court in Pennsylvania by the United States against JBS. We are expecting a large civil penalty and will present a summary in next year's report. For more information, read our Form 10-K Annual Report for fiscal 2010, available at [investors.smithfieldfoods.com/SEC.cfm](http://investors.smithfieldfoods.com/SEC.cfm).

## Biodiversity

Protecting biodiversity is an issue of growing scientific and public concern. Scientists and conservation organizations have identified several factors that threaten biodiversity, such as habitat destruction, invasive species, pollution, human overpopulation, and overharvesting. As a company dependent on the natural world for our raw materials, we are responsible for avoiding and minimizing

business impacts on biodiversity. We do so by not operating in protected habitats or areas of high biodiversity value. It is our understanding that there are no protected species with habitats in areas where we operate domestically. Furthermore, several of our facilities feature buffers and other natural areas, preserving local natural habitat. We also support a variety of efforts to conserve and protect the local ecosystems in the regions where we operate.

## Third-Party Recognition

Last October, four subsidiary facilities were among the nine recipients of Environmental Achievement Awards from the American Meat Institute Foundation (AMIF). These biennial awards are presented to member companies that surpass environmental compliance by designing and successfully implementing an innovative plant upgrade, environmental program, or outreach initiative. The Smithfield Foods recipients were as follows:

- ▶ John Morrell & Co. (Sioux Falls, SD)  
First Place: Advances in Environmental Technology
- ▶ Farmland Foods, Inc. (Monmouth, IL)  
Second Place: Environmental Outreach to the Public
- ▶ Curly's Foods, Inc. (Sioux City, Iowa)  
Second Place: Environmental Training Programs
- ▶ The Smithfield Packing Company, Inc. (Tar Heel, NC)  
First Place: Resource Conservation

In April 2010 in Kansas City, Missouri, the American Meat Institute recognized 33 Smithfield facilities in 18 states with Environmental MAPS Recognition Awards. These awards were given in recognition of the facilities' longstanding commitment to environmental stewardship through the organization and implementation of environmental management systems and/or achievement of ISO 14001 certification.

To see the winners, visit [www.smithfieldfoods.com/media/news.aspx](http://www.smithfieldfoods.com/media/news.aspx).

<sup>1</sup> PSF is also currently a defendant in lawsuits based on state nuisance law brought by many private plaintiffs. Missouri's law does not limit recovery for these types of actions to the value of a plaintiff's real property, and, as a result, the state has become very attractive to plaintiffs' attorneys from Georgia, New York, and Kansas. PSF is currently appealing a recent judgment in Kansas City awarding 15 neighbors \$11 million. The trial preceding this most recent verdict resulted in a zero dollar verdict.

## INTERNAL AWARDS PROGRAM SPURS INNOVATION

Smithfield Foods' Environmental Excellence Awards program encourages our subsidiaries to practice environmental stewardship by recognizing outstanding efforts in this area. Winning facilities receive recognition by senior management and cash awards of \$5,000, of which \$3,000 is donated to a charity of the winning team's choice. Sharing best practices among the facilities drives improvements throughout the company. Our President's Awards recognize large numbers of employees involved in specific projects. Winning programs are selected based on several factors, including environmental impact and social significance, efficiency, cost-effectiveness, originality, and technical value.<sup>1</sup>

### 2009 Environmental Excellence Awards Winners

#### THE SMITHFIELD PACKING COMPANY (Tar Heel, NC)

##### Best Recycling of a Previous Year's Project

Retrofitted natural gas pressure regulators to save \$252,672 and cut use by 25,626 decatherms.

#### THE SMITHFIELD PACKING COMPANY (Wilson, NC)

##### Cleaner/Greener Production Processes and/or Packaging

Reduced more than 1.5 million square feet of packaging material by replacing clamshell boxes with regular slotted container boxes. This also eliminated the need for 48 deliveries, saving fuel, and wear and tear on vehicles. Total cost reductions were \$350,981.

#### FARMLAND FOODS (Wichita, KS)

##### Energy and Water Conservation

Added a photo sensor to control wash water for hot dogs, reducing overall water use by 14 percent and cutting rinse water use by 41 percent.

#### ANIMEX (Poland)

##### Waste Reduction and Pollution Prevention

Implemented a closed-loop, glycol water-cooling system, saving 2.4 million gallons of water.

#### PATRICK CUDAHY (Cudahy, WI)

##### Environmental Management—ISO 14001

Closed on-site landfill and donated the property to the city.

#### SMITHFIELD PROD (Romania)

##### Community Outreach

Planted 450 trees in a planting project with a local elementary school. Donated funds from a paper-recycling program for the purchase of 40 additional trees.

#### THE SMITHFIELD PACKING COMPANY (Grayson, KY)

##### Wastewater Handling and Treatment

Developed a cost-based pH management system, lowering chemical use and generating operational savings.

#### FARMLAND FOODS (Salt Lake City, UT)

##### Cleaner/Greener Production Processes and/or Packaging, Second Place

Expanded pilot project for shipping full trucks, saving more than \$300,000.

#### NORTH SIDE FOODS (Cumming, GA)

##### Best Recycling of a Previous Year's Project, Second Place

Installed a closed-loop cooling system for Formax machines, reducing water use by more than 1.5 million gallons and saving \$12,400 in sewage costs.

### 2009 Smithfield's President's Award Winners

#### ARMOUR-ECKRICH (Junction City, KS)—Community Outreach

Employees donated time and \$30,000 to the victims of a tornado in Chapman, Kansas, as part of an Extreme Makeover: Home Edition production.

#### JOHN MORRELL & CO.—Energy and Water Conservation

Completed a companywide energy survey and found that plant refrigeration systems could be decreased with no adverse effects, saving more than \$400,000 in energy costs.

#### MURPHY-BROWN—Manure Handling and Treatment

Handheld data collectors were issued to land- and nutrient-management personnel for Murphy-Brown East farms, allowing real-time data uploading to Murphy-Brown computers and automating nutrient management reporting.

<sup>1</sup> Cost reductions reported are per year.

# ANIMAL WELFARE

## OUR COMMITMENT TO ANIMAL WELL-BEING

Our animals are the reason we are in business. We do everything we can to protect and promote their well-being—not just because it is the right thing to do but because it is also integral to our company’s success. Our aim is for our animals to be safe, comfortable, and healthy.

We have been leading our industry by setting new standards for responsible animal production. We were the first pork producer to develop and implement a comprehensive, systematic animal welfare management program to monitor and measure animal well-being on our Murphy-Brown and contract farms. (For more on the evolution of our animal welfare programs, please see the “Sustainability Journey” story on pages 6 to 9.)

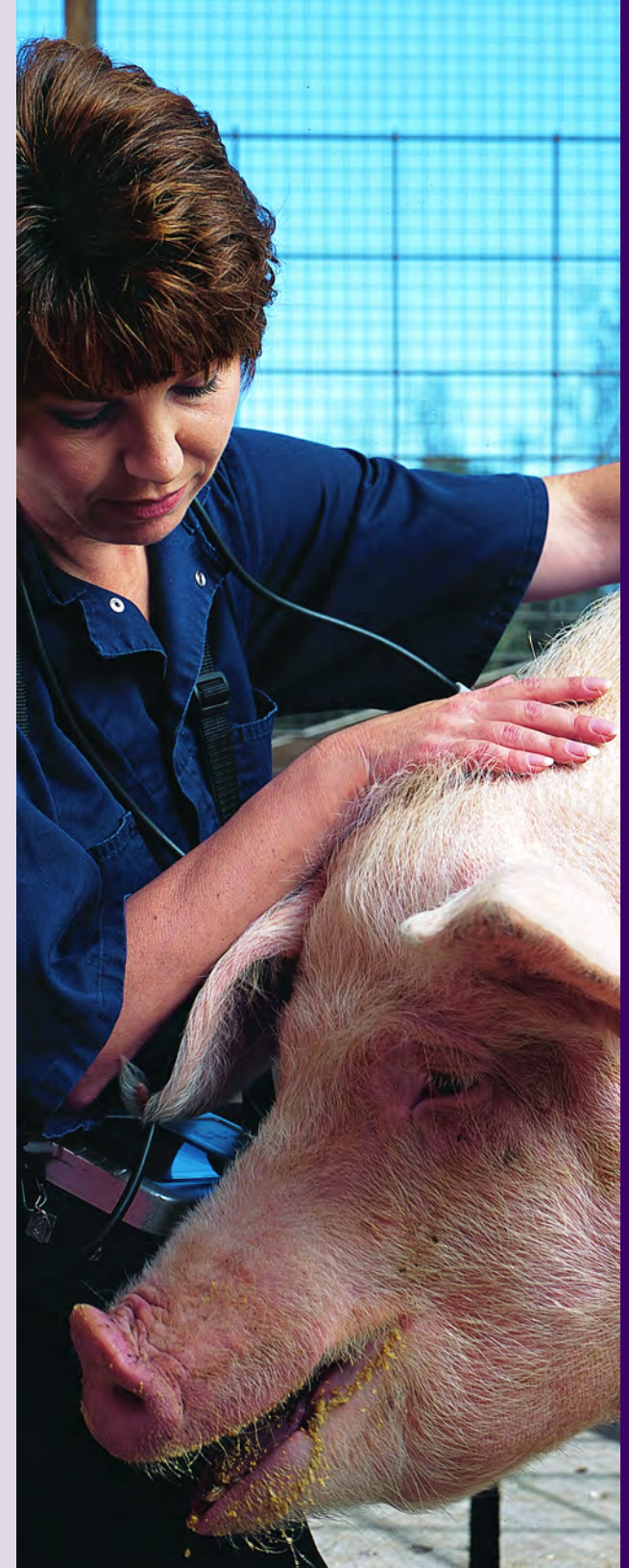
Farm employees and contract hog producers must all employ the methods and techniques of our animal welfare management program and take steps to verify their compliance. Our comprehensive animal welfare management system guides the proper and humane care of our animals at every stage of their lives, from gestation to transport to processing plant. Together, Murphy-Brown and its contract producers share a responsibility to provide nutritious food and fresh water, sound veterinary care, appropriate treatment (including timely euthanasia for sick or injured animals), protection from weather conditions, and freedom from willful neglect or abuse.

## MANAGING ANIMAL WELFARE

As the world’s largest producer of pork, our hog production independent operating companies (IOCs) own approximately 480 farms and contract with 2,155 contract hog producers in the United States alone. Smithfield also receives pigs from a variety of independent hog producers.

Two groups within Smithfield oversee animal welfare issues: the corporate-level Smithfield Foods Animal Welfare Committee and the subsidiary-level Murphy-Brown Animal Welfare Committee. Each meets regularly and reviews internal policies and procedures to ensure that they are adequate and effective at delivering sound animal care. They also ensure the policies are in keeping with our commitment to continuously improve the well-being of the animals in our care.

Murphy-Brown unveiled the swine industry’s most comprehensive animal welfare management system nearly a decade ago.



## Animal Welfare on Our Farms

Our hog production IOC—Murphy-Brown—raises animals according to the National Pork Board's (NPB) Pork Quality Assurance Plus Program (PQA Plus®). Murphy-Brown recently transitioned to this program, which has established concepts and methods similar to Murphy-Brown's Animal Welfare Management System (AWMS) developed more than a decade ago.

Murphy-Brown decided to make the switch because PQA Plus offers a unified, industry approach for animal welfare and food safety issues. All 67,000 U.S. hog producers are encouraged to participate. As of early 2010, nearly 40,000 of America's pork producers were certified.

Murphy-Brown employees and contract hog producers become PQA Plus certified only after attending a training session on good production practices (which includes topics such as responsible animal handling, disease prevention, biosecurity, responsible antibiotic use, and appropriate feeding). Farms entered into the program undergo regular on-farm site assessments and become eligible for random third-party audits. PQA Plus certification must be updated at least every three years.

### Farm Audits

All farms owned by our hog production subsidiaries and all contract farms were site-assessed under the PQA Plus program by the end of 2009. The program's random third-party audits will complement Murphy-Brown's own internal auditing system. This internal audit program is designed to evaluate day-to-day practices relative to our strict animal care guidelines, and legal and regulatory requirements. This practice of regular evaluation and training allows us to identify any areas of concern and make adjustments to procedures before problems occur. Many of our production staff are also trained auditors who visit every contract farm at least once a month.

As part of our new CSR goals and targets, Murphy-Brown is aiming to maintain 100 percent PQA Plus certification and site assessments at all farms.

Adherence to proper animal care is a condition of employment and a condition of agreements with contract producers. Contract producers found to be in violation of these agreements must take appropriate corrective actions. Those growers who fail to take corrective action or who are found to condone willful abuse or neglect of animals are subject to immediate termination. In the eight years since the audit program began, Murphy-Brown has terminated contracts with nine growers who did not manage the farms in accordance with their contract commitments and the standards we require. We encourage anyone who observes neglectful or abusive behavior on farms with our animals to anonymously contact our toll-free reporting hotline.

Our plants and the Murphy-Brown farms that supply them, as well as many external suppliers, also participate in the U.S. Department of Agriculture's (USDA) Process Verified Program (PVP), which is modeled on ISO 9000 quality management and assurance standards.

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

### Training

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

### Our Animal Welfare Goal:

- ▶ *Keep our animals safe, comfortable, and healthy*

### Our Animal Welfare Targets:

- ▶ *Maintain 100% PQA Plus certification and site assessments*

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

### Housing of Pregnant Sows

We have made a commitment to phase out individual gestation stalls for pregnant sows at all 275 Murphy-Brown sow farms and replace them with group housing. While we originally hoped to complete the conversions within 10 years, tough economic times slowed our progress. We estimate the total cost of our transition to group pens will be in excess of \$300 million.

Nevertheless, we remain committed to implementing the program, which we announced in 2007. Group housing conversions have been completed at two existing farms in North Carolina and Colorado and at two new facilities at the Circle Four location in Milford, Utah. Those two new 5,000-sow farms provide pregnant sows access to individual stalls to eat, drink, and rest, but also allow them to freely move into an open pen area. This housing design gives our animals the privacy and protection of an individual stall, yet lets them move around and socialize with the other sows in the pen.

We expect to convert additional farms in 2010. Meanwhile, we have been analyzing our sow farms to determine the best possible way to convert to group sow housing at each location. Few farms are exactly alike. Some require extensive retrofits and reconfiguration; many will require new permits from state agencies in order to make any significant changes.

Sows housed in group pens require different animal husbandry practices than sows in individual stalls, and our farm workers receive specific training to

carry out the different techniques. For example, we need to ensure that docile sows are not harassed by more aggressive animals. The first animals to be produced from our new group housing facilities reached the market in early 2009.

A growing number of our customers, including some restaurant chains, are considering or have adopted policies that spell out specific raising practices for the products they purchase. Our own research shows that both group housing and individual gestation stalls can work equally well from an animal well-being and production standpoint. Our decision to switch to group housing demonstrates our responsiveness to our stakeholders, many of whom perceive group housing as preferable to individual stalls.

The American Veterinary Medical Association (AVMA) has come to the conclusion that no one housing system is clearly better than any other and each system has both advantages and disadvantages. The association states that sow housing systems should do the following:

- ▶ Minimize aggression and competition among sows
- ▶ Protect sows from detrimental effects associated with environmental extremes, particularly temperature extremes
- ▶ Reduce exposure to hazards that result in injuries, pain, or disease
- ▶ Provide every animal with daily access to appropriate food and water
- ▶ Facilitate individual animal care
- ▶ Allow sows to express most normal patterns of behavior

The complete AVMA policy can be found at the following Web address:  
[www.avma.org/issues/policy/animal\\_welfare/pregnant\\_sow\\_housing.asp](http://www.avma.org/issues/policy/animal_welfare/pregnant_sow_housing.asp).

## What Is a Contract Producer?

**Murphy-Brown relies on independent farmers to raise about 60 percent of its animals. The company supplies each farmer with pigs, feed, veterinary services, management assistance, and consultation advice. The farmer provides the land, the facilities, and the day-to-day caregiving for the animals.**

**The contract producers, also known as contract growers, are paid under contracts that typically run for five years. This protects them from pricing shifts in the market. Murphy-Brown has been able to increase production significantly by engaging with contract farmers.**

**In the United States, approximately 80 percent of all pigs are raised under some form of contract growing arrangement.**

# ANTIBIOTICS USE IN HOGS

At Smithfield, we are committed to the highest standards of food safety and animal well-being on Murphy-Brown farms and at contract farms. This includes the appropriate administration of antibiotics to treat and control diseases and to ensure good health in our pigs.<sup>1</sup> We strive to limit antibiotics use through enhanced management practices and vaccines intended to improve animal health.

Since 2002, we have had a formal and publicly available antibiotics policy that outlines our commitments and our usage requirements. Adherence to the policy is obligatory for anyone who works with the animals owned or managed by Smithfield. We review our antibiotics policy periodically to ensure it is up-to-date with the best science of the day.

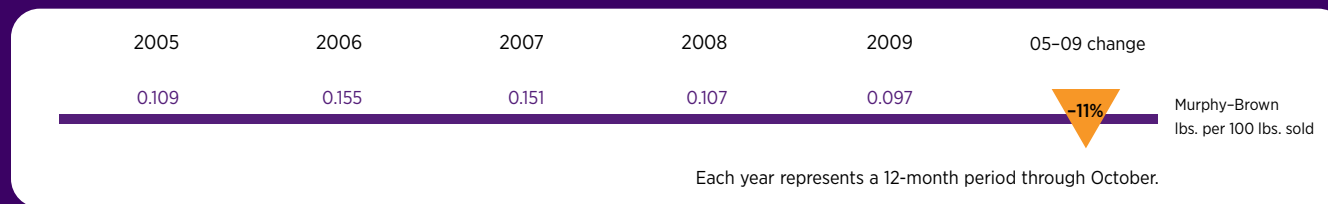
Our policy calls for the responsible use of antibiotics for the specific purposes of the treatment of sick animals, and to help prevent the spread or onset of sickness with proper diagnostic confirmation. Sound science tells us that the healthier the animal, the safer the food. Antibiotics are given strategically when pigs are sick or injured, or when they are susceptible or exposed to illnesses. Contrary to popular perception, we do not continuously feed antibiotics to our animals. We do not use antibiotics to promote animal growth. In addition, the Food and Drug Administration (FDA) prohibits feeding hormones to swine.

Company and contract farmers administer antibiotics only when we believe it is necessary for the health and welfare of the animal and, by extension, for the health and welfare of the ultimate consumers. Whether treating one individual animal or administering to an entire herd, all antibiotics choices and applications are based on guidance from one of our licensed veterinarians.

We believe that responsible use of antibiotics protects our animals and enhances their quality of life, and we have been a leader in our industry on this issue. For example, in 2005, in a first-of-its-kind initiative, we partnered with the foodservice giant Compass Group North America and the Environmental Defense Fund to develop a purchasing policy for responsible antibiotics use and reporting. Compass buys more than half the pork it uses annually from Smithfield. As a result of the agreement, which built upon our existing antibiotics policy, we now report and track our use of feed-grade antibiotics.

Hog-raising operations at Murphy-Brown employ a team of about 15 licensed staff veterinarians who scrutinize, evaluate, and adjust the antibiotics used on our farms. The veterinarians consult with our staff nutritionists and hog geneticists to make informed, science-based decisions about which type of antibiotics to use, when and how the antibiotics should be administered, and for how long. National organizations, such as the National Pork Board and its

## FEED-GRADE ANTIBIOTICS USE <sup>2</sup>



<sup>1</sup> When we refer to “our pigs,” we mean all animals produced by Smithfield’s livestock production subsidiary Murphy-Brown, inclusive of contract farms.

<sup>2</sup> Feed-grade antibiotics purchased varies from year to year based on a number of factors, including weather conditions, emergence of illnesses, and other issues.



PQA Plus Program, provide additional guidance on best industry practices.

Our animal caregivers evaluate every pig, every day, to determine which animals may be in need of medical attention.

Before we prescribe antibiotics, we always first look for other ways to assist a sick pig, such as placement in a hospital pen with supplemental heat and/or special feed. Often, these treatments help the pig. In some cases, however, an injectable antibiotic may be needed to promote recovery because hogs sometimes won't eat or drink as much if they don't feel well.<sup>3</sup>

Livestock producers use two types of antibiotics: therapeutic and prophylactic (preventive). Therapeutic antibiotics are prescribed by veterinarians and administered when an animal shows clinical signs of an illness or a disease. Prophylactic antibiotics are administered to prevent disease. For example, we provide preventive antibiotics when the pigs are moved from our nursery facilities to finishing barns, where they will come into contact with much larger, more diverse groups of hogs from several different farms.

### A HIGHLY REGULATED INDUSTRY

Every antibiotic we use is regulated by the U.S. Food and Drug Administration. As part of this, we comply strictly with all antibiotic withdrawal timelines—the amount of time needed to allow the antibiotics to clear an animal's system before slaughter—as established by the U.S. Department of Agriculture (USDA) and the Food Animal Residue Avoidance Databank.

Some countries, such as Japan, Russia, and several nations in the European Union, require longer antibiotic withdrawal times than the United States.

Because we sell our products globally, we always adhere to the guidelines of those countries with which we do business.

Domestically, the USDA monitors all meat and poultry to ensure that there are no antibiotic residues and, if there are, that they do not exceed the safety levels established by federal agencies. The National Residue Program (NRP) tests animal tissues to monitor antibiotic residue.

There is no conclusive scientific evidence that antibiotics used in farm animals have a significant impact on the effectiveness of antibiotics in people. Peer-reviewed studies indicate that more than 95 percent of antibiotics resistance in human medicine is unrelated to animal antibiotics use.<sup>4</sup>

Research from the National Antimicrobial Resistance Monitoring System—a collaboration among the Centers for Disease Control and Prevention, the FDA, and the USDA—shows that resistance in animal products and food-borne diseases has been steady or declining in recent years.

### ANTIBIOTICS-FREE

A small percentage of Murphy-Brown's hogs are raised without antibiotics on designated farms in response to a niche market segment. However, if one of the pigs in this program becomes ill, we will treat that animal with antibiotics and remove it from the antibiotics-free program. This program is targeted at a select group of customers who are willing to pay up to 30 percent more to cover the higher production costs for hogs raised in this manner.

<sup>3</sup> We do not report on our use of injectable antibiotics because they can fluctuate greatly from one year to the next.

<sup>4</sup> Casewell and Bywater, 2000, *Journal of Antimicrobial Chemotherapy*, 46:639-645

As part of our sow housing conversion process, we are increasing the age at which we wean piglets. As we convert to group housing, we will wean pigs at an average of 22 to 24 days, rather than 19 to 21 days. Already, we have been updating the designs of existing farrowing stalls. We believe the older weaning age will translate into stronger pigs and, ultimately, healthier animals.

### Animal Cloning

Although the U.S. Food and Drug Administration has concluded that meat products from cloned animals are safe for human consumption, Smithfield Foods does not produce meat products from cloned animals and has no plans to do so in the future. The science involved in cloning animals is relatively new. We will continue to monitor further scientific research on this technology.

We continue to maintain our focus on the development and improvement of our meat products through careful selective breeding and genetic research. Our team of staff geneticists evaluates our pigs for superior features such as growth rate, feeding efficiency—i.e., how much food it takes for the pig to reach market weight—and the marbling and texture of the meat once processed. This method uses traditional animal breeding techniques and is wholly unrelated to cloning.

### Safe Transportation

How we transport our animals from farms to processing plants is an important element of our animal well-being program. Each year, Smithfield’s approximately 200 company-owned trailers and 170 contract haulers log more than 50 million miles transporting live animals from farms to processing plants.

We comply strictly with federal animal transport time guidelines and have systems in place to maximize the comfort and safety of our animals. For example, we maintain animal comfort in hot weather by strategically placing fans and water misters; in colder months, we protect animals with added panels and extra bedding.

Although infrequent, accidents can happen. Several years ago, we revamped our live-haul accident-response procedures into what are widely regarded by animal welfare experts as the best in the industry. As an example, in our Eastern operations, Murphy-Brown has pre-positioned five equipment trailers, known as “rescue units,” in key areas where our businesses are concentrated. These trailers are stocked with a variety of equipment, such as lights, penning equipment, saws, generators, and other devices that are needed when a truck carrying our animals is involved in an accident. When an accident occurs, designated company

### TRANSPORTATION ACCIDENTS INVOLVING MARKET HOGS

	NUMBER OF ACCIDENTS			NUMBER OF MARKET HOGS INVOLVED			HOG FATALITIES		
	Murphy-Brown	Premium Standard Farms <sup>1</sup>	Total <sup>1</sup>	Murphy-Brown	Premium Standard Farms <sup>1</sup>	Total <sup>1</sup>	Murphy-Brown	Premium Standard Farms <sup>1</sup>	Total <sup>1</sup>
2007	3	N/A	N/A	533	N/A	N/A	83	N/A	N/A
2008	6	N/A	N/A	1,106	N/A	N/A	243	N/A	N/A
2009 <sup>2</sup>	5	1	6	912	84	996	336	20	356
2010	7	2	9	1,270	339	1,609	361	105	466

All values reported by fiscal year.

<sup>1</sup> Premium Standard Farms data prior to fiscal 2009 are not available.

<sup>2</sup> The numbers for 2009 were incorrectly reported in our 2008/09 report. The correct figures are included here.

employees are dispatched to pick up a rescue truck and bring it to the accident site. Our aim is to have a rescue unit arrive at an accident site within the first hour of the incident. Injured animals that are put down do not go into the food supply.

All drivers who transport our animals must be trained and certified under the National Pork Board's Transport Quality Assurance Program (TQA), which provides education for transporters, producers, and animal handlers on all aspects of hog handling and transportation.

### Animal Welfare at Our Plants

Animals are treated with respect at our processing plants, just as they are when they are growing at our farms. We have systems and procedures in place to minimize stress and discomfort for our animals during their time at the plants. At all our slaughter facilities, we use a systematic approach that includes the following:

- ▶ An animal welfare and handling manual
- ▶ A comprehensive training program
- ▶ An auditing system with internal verification and third-party audits

We ensure that the animals that come to our plants were raised where management systems address health, welfare, and proper use of antibiotics. Suppliers are certified to the PQA Plus guidelines and are progressing toward completing the on-farm site assessment portion of the Pork Board's new PQA Plus program.

### Our Systematic Approach

In addition to the PQA Plus requirements, our eight animal processing plants follow a quality management program based on the American Meat Institute's (AMI) Animal Handling Guidelines. The guidelines, which were updated in 2010, were first developed by Colorado State University's Dr. Temple Grandin, on

whose animal welfare expertise Smithfield has relied for many years. (Visit [www.grandin.com](http://www.grandin.com) for information on Dr. Grandin's work.)

Our plants all have developed quality programs following the standards set in the USDA's Process Verified Program, as described on page 52. Our PVP programs monitor aspects of traceability, country of origin, PQA, and TQA status of farms. All Murphy-Brown farms that send animals to our plants must participate in the program, and many other suppliers participate as well.

Key elements of our animal welfare management program at the processing plants include the following:



- ▶ **Animal Welfare Program.** Each plant maintains a comprehensive, written animal welfare program modeled after the AMI Guidelines, which include seven core criteria. Plant guidelines meet USDA regulations and associated directives that address animal handling and welfare. Each plant also has an animal welfare committee, composed of employees from all aspects of the production process, that seeks ways to continuously improve our handling of animals.
- ▶ **Expert Personnel.** Our animal welfare professionals must undergo training and certification through the Professional Animal Auditor Certification Organization ([www.animalauditor.org/paaco](http://www.animalauditor.org/paaco)). Smithfield Foods is also actively involved with the AMI and NPB Animal Welfare Committees, which establish standards, best practices, and continuing education programs for our industry.
- ▶ **Training.** Training programs are developed and maintained for all employees who work with live animals. Employees are trained when they join the company and, subsequently, at least once per year. Employees understand that we have a zero-tolerance policy for animal abuse or mishandling. Any employee found to be in violation will be subject to discipline, up to and

including termination. Willful neglect or abuse of animals by any Smithfield Foods employee is grounds for immediate dismissal, and offenders may also be subject to criminal prosecution under applicable law. (This also applies to the employees who work with the animals on our farms.)

- ▶ **Auditing.** Our programs are audited internally and by third parties to verify, enhance, and update current company practices. Third-party audits at our facilities are conducted by a recognized, qualified independent audit firm or by the USDA's Agricultural Marketing Service. Copies of audit reports may be made available to customers upon request.
- ▶ **Supplier Expectations.** All live-animal suppliers are encouraged to be PQA Plus certified, and all truck drivers—including contract drivers—are expected to be TQA certified. Producers and transporters of animals are subject to immediate termination if they fail to take adequate steps to uphold appropriate animal welfare practices.

- ▶ **Regulatory Compliance.** Animals that need to be housed at processing plants before slaughter are cared for in accordance with all regulatory requirements, under accepted standards for animal care and welfare. We employ timely use of humane methods to euthanize sick or injured animals that do not respond to appropriate treatments.

#### **Enhanced Hog Handling and Quality at Processing Plants**

Smithfield has led the U.S. pork industry toward a slaughter procedure known as CO<sub>2</sub> anesthetizing. All our slaughtering facilities now use the Butina® CO<sub>2</sub> Backloader anesthetizing stunner. These systems allow us to move pigs slowly, in small groups, which is much less stressful for the animals and their handlers. As herd animals, hogs are most comfortable moving in groups, and these systems let them move at their own pace. CO<sub>2</sub> anesthetizing is very effective and produces higher-quality meat than the older, single file, electrical stunning systems.



### **McDonald's Best Practices**

Smithfield is proud to have been recognized in 2010 by McDonald's for our animal welfare practices. McDonald's recognized select suppliers for improving ethical, environmental, and economic outcomes in a variety of areas.

We were selected for our superior animal welfare programs. Visit the following Web address for more information:  
[bestpractices.mcdonalds.com/sections/2-best-of-sustainable-supply](http://bestpractices.mcdonalds.com/sections/2-best-of-sustainable-supply)

## Smithfield Foods' Animal Welfare Chain

Every Murphy-Brown hog farm adheres to the guidelines of the National Pork Board's Pork Quality Assurance Plus (PQA Plus) program.

PQA Plus provides guidelines for proper care of animals to ensure optimal health and welfare. It includes on-farm assessments and third-party verification that proper care is being implemented.



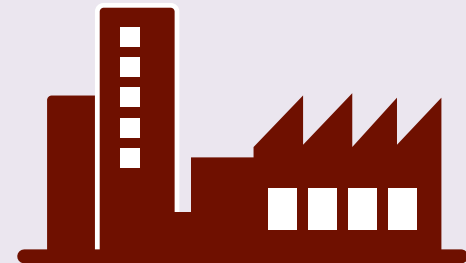
All drivers who transport our animals, including contract and supplier drivers, must be trained and certified under the National Pork Board's Transport Quality Assurance (TQA) program.

TQA provides education for transporters, producers, and animal handlers on all aspects of hog handling and transportation.



Animals are treated with respect at our processing plants, just as they are when they are growing at our farms.

Each plant uses a systematic approach to animal care that includes an animal welfare and handling manual, a comprehensive training program, and an auditing system with internal verification and third-party audits.





## FOOD SAFETY AND QUALITY

### OUR FOOD SAFETY AND QUALITY COMMITMENT

The safety and quality of our foods is our top priority. Smithfield Foods companies work together to ensure the traceability of the majority of our livestock and produce the highest-quality meats and packaged foods. Our vertically integrated business model helps us manage the safety of our products across our supply chain through appropriate management, strict policies, and dedicated employees.

We collaborate with industry, government, and independent experts to create and implement rigorous food safety practices in all our processing facilities. We believe we have some of the best systems in the industry, and we work hard to ensure we are using the most up-to-date, science-based procedures. Our recent pork group restructuring has enabled us to further consolidate our food safety systems and processes.

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

For information on food safety as it relates to animal health, please see the Animal Welfare section of this report.

### MANAGING FOOD SAFETY AND QUALITY AT PROCESSING PLANTS

Producing high-quality, safe, nourishing food is critical to our success as a business. All Smithfield companies take a comprehensive approach to food safety that addresses facility, equipment, and process design; operating and sanitation procedures; employee training; and auditing of our facilities.

Smithfield has senior-level safety managers at each independent operating company (IOC), and all Smithfield managers are trained in food safety issues. Across our operations, we have dozens of professionals, including a team of leading industry microbiologists, who are responsible for ensuring optimal food safety management and product quality.

In order to share knowledge and foster continuous improvement in food safety, we have a senior-level, cross-functional Food Safety Council that represents our major subsidiaries. Members evaluate the consistency of our food safety practices and provide guidance and direction to the company. Council members consult with

**A number of state-of-the-art technologies take food safety to the next level at Smithfield Packing's ham processing plant in Kinston, North Carolina.**

each other on an ongoing basis, meeting at least twice each year to discuss current scientific and technical food safety information. The Council, which also advises on emerging food safety technologies and relevant government regulations, develops policies, standards, and best practices that meet or exceed all regulatory requirements. These policies are individualized and maintained by each of our independent operating companies.

The Council developed our Food Safety Policy, based on the Hazard Analysis and Critical Control Point (HACCP) system, which is a requirement of all meat and poultry companies producing products in the United States. HACCP is a comprehensive food safety control system designed to address all reasonably occurring physical, chemical, and biological hazards, and keep potentially hazardous products from going to market. These systems are reviewed and validated annually by qualified third parties, and our facilities routinely score very high on these audits.

Two years ago, the Council mandated that all facilities pursue Global Food Safety Initiative (GFSI) certification. This audit scheme, which certifies a plant's compliance with a set of food safety standards that are recognized domestically and internationally, is making food safety and quality assessments more efficient.

Smithfield's food safety strategy is to anticipate points in the production process at which food safety challenges exist and then develop programs to avert problems. For example, our Food Safety Council and the Engineering Council representatives regularly work together to develop comprehensive engineering standards for the construction of new plants and the renovation of facilities. These standards facilitate strict adherence to personal hygiene, minimize direct human contact with food, and enable precise tracking of products across our operations.

Food safety is integrated into our business practices and remains a top priority, even in difficult economic times. We require a Food Safety Checklist for every capital funding request. This checklist must be approved by the food safety representative for each facility to ensure that we are addressing product safety issues as part of every capital expenditure.

Smithfield invests millions of dollars each year in capital improvements to facilities and equipment to increase the safety of our products and protect our employees, while simultaneously enhancing production at existing and

new facilities. Last year, Smithfield Foods spent more than \$4.2 million on projects that were specifically requested to address food safety issues, such as ventilation/air filtration, separation of floor drains between ready-to-eat and raw material areas, and provisions to minimize potential cross-contamination between raw and cooked products.

### Training

Providing safe food requires that our employees be familiar with best practices and capable of meeting our strict food safety requirements. To this end, all Smithfield employees undergo extensive training in food safety policies and procedures—tailored to each of Smithfield's companies—to keep our foods safe. Each worker is trained upon hiring and is retrained on a regular basis, depending on his or her job requirements. Each company spends thousands of man-hours training their employees in proper food safety procedures.

Our Food Safety Training Policy outlines required food safety training topics, trainer qualifications, and the frequency of training at all of our subsidiary processing facilities. Each operating company is responsible for adapting the policy for its facilities and conducting site- and job-specific training. Training at each facility is documented, and employees are tested to assess their

### Our Food Safety and Quality Goals:

- ▶ *Deliver safe, high-quality meat products with no recalls*
- ▶ *100% compliance 100% of the time*

### Our Food Safety and Quality Targets:

- ▶ *Obtain 100% GFSI certification for all relevant facilities*
- ▶ *Assure wide variety for different diets and needs and include products designed to address health and wellness in accordance with accepted standards*

understanding of the training as well as the training program's effectiveness. The food safety staffs of each IOC remain on the cutting edge of food safety by attending and speaking at educational seminars, professional meetings, and regulatory meetings.

### Auditing, Inspections, and Testing

Our comprehensive auditing protocols were first developed about 30 years ago and have been regularly updated and enhanced in the decades since. Our current auditing program, introduced in 2006, ensures our products are of the highest quality and meet all internal and government standards. Each facility is subject to a variety of inspections and audits, as follows:

- ▶ All applicable facilities—34 in total—are GFSI certified and subject to annual third-party audits.
- ▶ Each of our facilities regularly conducts mock product recalls (also called product tracing exercises) that are supervised by food safety professionals. In these mock exercises, facility staff must locate and collect 99.9 percent of affected food products within four hours.
- ▶ Plant personnel conduct self audits and mock product recall scenarios throughout the year.
- ▶ Many of our larger customers send their own food safety officials to perform audits at our plants and/or request the results of independent, third-party audits paid for by Smithfield.
- ▶ Government officials regularly inspect our facilities and products.

Typically, our facilities are audited about four times each year in addition to ongoing government inspections. Any nonconformance identified by an audit is addressed promptly at each facility. A follow-up is conducted after the initial audit to ensure that any problems have been corrected.

In addition, various microbiological testing programs are a significant part of our ready-to-eat food safety programs. These programs include testing of the following operational aspects:

- ▶ Environmental metrics (plant structure, air, and water)
- ▶ Equipment
- ▶ Raw materials
- ▶ Finished and ready-to-eat products

### OUR PRODUCTS

#### Consumer Health and Safety

We believe our food safety responsibilities continue well after our products leave our facilities, so we developed the following Web page to educate consumers on proper food handling, storage, and preparation: [www.smithfieldfoods.com/consumers/prep.aspx](http://www.smithfieldfoods.com/consumers/prep.aspx).

#### Nutrition

At Smithfield, we believe it is important to provide consumers with a wide range of dietary choices. Our research and development (R&D) team of nutritionists, chefs, and food scientists works with our customers—including supermarkets, public school systems, and restaurant chains—to develop new products that respond to evolving customer requests.

Consumer preferences vary greatly. That is why we produce a broad spectrum of products customized to different needs and tastes, so that consumers can make choices that suit their individual lifestyles. Over the years, we have developed leaner cuts of pork and have modified many products to be lower in fat, salt, and/or sugar. Several of our products meet the American Heart Association's certification criteria for foods that are low in saturated fat and sodium.

**2006**  
*In Kinston, North Carolina, Smithfield Packing opens the world's most fully automated ham processing plant. It incorporates the latest technologies designed to prevent the spread of bacteria.*



We recognize that we have a responsibility to offer products that contribute to a healthy lifestyle.

Salt is a key ingredient in many of our products, particularly cured meats, where it is essential for preservation and food safety. Our consumer research surveys have demonstrated that consumer salt preferences can vary significantly by regions of the United States, and we respond accordingly with products aimed toward particular markets.

We have reduced the sodium content in some of our products over the years, yet decided not to tout the reduction on the label. We have found that consumers are often reluctant to purchase lower-salt products because they perceive they won't taste as good. In fact, they typically don't notice the reduction.

### Marketing and Labeling

Smithfield strives to ensure that our consumers receive the most current information about the ingredients and nutritional value of our products. Our labeling is clear and accurate, conforming to the unique labeling requirements of each country in which we sell our foods. Smithfield has not had any penalties or fines associated with product labeling regulations since our last report. We have been working on ways to improve our product labeling and adjust ingredients to help consumers better understand exactly what goes into our products.

Very few of our products are marketed to children. Less than 1 percent of advertising and promotion is geared toward children under the age of 12, according to an analysis we conducted in 2007.

### Compliance

Smithfield Foods had one recall during the latest reporting period. In November 2009, Curly's Foods, Inc., in Sioux City, Iowa, recalled approximately 12,180 pounds of roast beef deli products because they were inadvertently mislabeled and contained an undeclared allergen: soy. The products were produced on October 5, 2009 and October 12, 2009, and they were distributed to retail-type delicatessens and Department of Defense commissaries in 15 states.

Curly's Foods discovered the problem following a product check. The U.S. Department of Agriculture's Food Safety and Inspection Service has received no reports of adverse reactions due to consumption of these products. Curly's Foods conducted an extensive investigation to understand how the problem arose. Based on the findings, the company implemented a number of operational changes to prevent similar occurrences.

Several Smithfield facilities were affected by trade-related activities in China, Russia, and Mexico, which banned the import of products from specific plants.

None of these actions, however, was related to food safety. Many of our domestic competitors were similarly affected by import bans from those countries.

Under Country of Origin labeling laws, meat packers are required to provide information to retailers with the name of the country where animals are produced. Smithfield's U.S. operations began processing only U.S.-born-and-raised hogs starting in April 2009. Smithfield's vertically integrated model positions us well to comply with these standards.

### Pork Nutrition Facts

- ▶ **Less than 50 percent of the fat in pork is saturated.**
- ▶ **On average, the fat and cholesterol content of lean, trimmed pork is 31 percent lower today than 20 years ago.**
- ▶ **A 3-ounce serving of cooked lean pork has 78 milligrams of cholesterol, compared with 76 milligrams in cooked, skinless chicken.**
- ▶ **In addition to providing protein, pork is an excellent source of zinc, vitamins B12 and B5, thiamine, and iron.**



## HELPING COMMUNITIES

### OUR COMMITMENT TO OUR COMMUNITIES

Making a positive impact on our communities is one of our core values at Smithfield Foods. Even in difficult financial times, we believe it is critical to maintain our commitments to our communities. True to this pledge, we continued over the past year to support charitable programs, particularly those that nourish the body and the mind.

We're proud of our ongoing support of food programs and passionate about our educational initiatives, which offer learning opportunities for those who may not otherwise have them. In addition to hunger- and learning-related initiatives, we provide significant support for local and international environmental stewardship efforts.

In many of the rural areas where we do business, Smithfield is the primary employer in the community. Helping our employees and those who live around our farms and our plants helps us become a stronger, more vital company. From a business standpoint, our philanthropic efforts also correlate directly with our ability to recruit and retain good workers.

We are well aware of the ripple effects our operations can have on a community, particularly when we make the difficult decision to close plants and reduce jobs. For more information on the impact of our 2009 restructuring, see the Employees section on page 68.

### Corporate-Level Educational Programs

#### The Smithfield-Luter Foundation

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

In 2009, the Foundation awarded 39 scholarships totaling \$196,500 for the education of our employees' children and grandchildren. To be eligible, a student must be a dependent of a Smithfield employee, demonstrate financial need, and be accepted by one of seven schools we have named as partners. Since the inception of this program, we have awarded 74 annual scholarships worth nearly \$1.7 million.

**Smithfield product donations help support Feeding America food banks and Kids Cafes across the United States.**

The Smithfield-Luter Foundation also gives \$100,000 a year to Christopher Newport University in Virginia for student scholarships. The university decides which students will share in the awards. The program began in 2006 and has provided grant money to 259 students to date.

### Learners to Leaders®

Launched in 2006, Learners to Leaders is a national education alliance funded by the Smithfield-Luter Foundation. With additional support and expertise from our independent operating companies and local educational partners, the program works to close the education gap for underprivileged students in our employees' communities. Learners to Leaders focuses on people from disadvantaged backgrounds who have the desire to succeed but don't yet have the skills to overcome their challenges—whether academic, social, or economic. These often include first-generation college-bound students or low-income or minority individuals. Over four years, the Foundation has made \$1.35 million in contributions to Learners to Leaders.

The first Learners to Leaders program began in Sioux Falls, South Dakota. Since then, we have funded programs in Green Bay, Wisconsin; Denison, Iowa; Northwest Iowa; Norfolk, Virginia; and Milan, Missouri, and we're continuing to establish partnerships across the United States and Europe. Our Learners to Leaders program in Northwest Iowa is an alliance with the National FFA Organization. Smithfield Foods committed \$200,000 to enroll high school students in FFA programs that emphasize agribusiness. Two dozen Northwest Iowa FFA members recently graduated from the program.

We also support a Learners to Leaders student development program that helps economically disadvantaged high school students in Lumberton, North Carolina, prepare for college. Students who complete the program, which includes laptop computers for every participant, receive a \$1,000 scholarship and up to \$500 for books if they attend Robeson Community College after graduation.

### Other Community Outreach Programs

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

- ▶ In addition to our Learners to Leaders-FFA partnership, we support the National FFA Organization's career development events. In 2009, we sponsored our fourth FFA Environmental and Natural Resources Career Development Contest, in which high school students test their agricultural and environmental conservation skills, such as water and air quality analyses and soil testing.

#### Our Community Goal:

- ▶ *Provide food to the needy and enhance education in our communities*

#### Our Targets:

- ▶ *Provide 1 million servings a year of food for the needy through our Pork Group*
- ▶ *Expand Learners to Leaders program*
- ▶ *Increase number of cleanup days*

- ▶ We are a corporate sponsor of the Hampton Roads Urban League in Virginia and are actively exploring direct partnerships for work force development and training. The partnership enables us to recruit a more diverse work force.

- ▶ Smithfield is a corporate sponsor of An Achievable Dream Academy, a year-round, extended-day school for economically disadvantaged children in Newport News, Virginia, which believes education is the key to breaking the cycle of poverty.

- ▶ In 2009, Smithfield raised more than \$135,000 for breast cancer awareness through sales of our Lean

Generation Deli® line of meats. Through a partnership with the National Breast Cancer Foundation, Smithfield donates a portion of every Lean Generation purchase for early breast cancer detection and treatment.

- ▶ Smithfield sponsors a series of baseball clinics for students from Washington, D.C., as part of our effort to promote education, exercise, and proper nutrition among young people. More than 600 kids, aged four to 18, participated last year in monthly clinics taught by coaches of the Washington Nationals baseball team during the team's season. For the

2010 season, we added a clinic for children with disabilities. Smithfield also provides baseball gloves to inner city youth baseball players in the Washington, D.C., area.

- ▶ Smithfield sponsored a joint program between Lions Club International chapters in Virginia and in Timis, Romania, that sent prescription eyeglasses from the United States to low-income patients in Romania. Smithfield covered the shipping costs for the glasses.

### Corporate-Level Hunger Relief Efforts

As a global food company, it makes sense for us to focus many of our community efforts on hunger relief. More than 37 million people in the United States live in households considered to be food insecure, including more than 14 million children—and the numbers have been rising in recent years as the nation’s economy has worsened. As part of our new Sustainability Management program, we have set a target to provide at least 1 million servings a year of food for the needy through our Pork Group.

Our hunger relief programs support families faced with food insecurity issues through four main activities:

- ▶ **Food banks.** We provide ongoing support to Feeding America (the national network of food banks formerly called America’s Second Harvest) and to local food banks through product and monetary donations and/or awareness campaigns.
- ▶ **School nutrition programs.** We supply food to the children who need it most through school-based nutrition programs such as Kids Cafe, which provides free meals and snacks to low-income children.
- ▶ **Disaster relief.** We support relief efforts in the wake of natural disasters.

In 2010, for example, Smithfield Foods partnered with the American Red Cross to aid the victims of the massive earthquake in Haiti. Employees raised more than \$26,000, which was matched by an additional \$26,000 from Smithfield.

- ▶ **Community outreach.** We assist community-based groups that reach out to local families in need, including families of soldiers serving overseas.

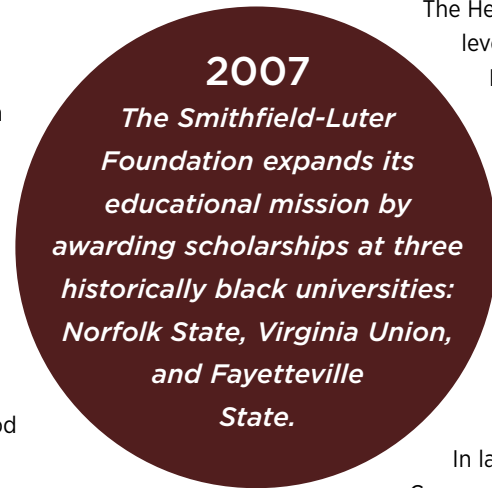
### Helping Hungry Homes®

The Helping Hungry Homes initiative is Smithfield’s own corporate-level effort to provide food for those in need. Celebrity cook Paula Deen helped us launch the program in early 2008 with our Helping Hungry Homes tour around the United States. We have continued the program in the years since.

Overall in fiscal 2010, Smithfield Foods distributed approximately 2.9 million pounds of meat. Donations were distributed primarily through food banks affiliated with Feeding America, the nation’s largest hunger-relief organization and our charity of choice for product donations.

In late 2009, we teamed up with the United Food and Commercial Workers International Union to donate almost 20 million servings of protein to Feeding America over three years. (A serving is estimated at a quarter-pound of meat.) Together, we plan to donate more than 1.6 million pounds of protein each year to help families and individuals.

We continued our partnership with Chef Jeff Henderson, the author and Food Network celebrity who found his passion for cooking while incarcerated for drug trafficking. After serving 10 years in federal prison, he rose through the ranks of top restaurants in Las Vegas.



## Subsidiary Community Involvement Highlights

Our subsidiary companies have numerous programs that support their local communities, ranging from food donations to charity road races to river cleanups. However, Smithfield Foods does not currently have a method to quantify the total dollars contributed or number of employee volunteer hours contributed across all our independent operating companies. With our new sustainability goals, we are tracking companywide donations and hope to be able to report more fully on our subsidiary involvement in future reports.

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

- ▶ Farmland Foods donated more than \$30,000 to the American Heart Association.
- ▶ John Morrell donated nearly \$390,000 to the United Way in 2009. John Morrell employees and corporate pledges have provided \$2.5 million to the United Way since 2005.
- ▶ Smithfield Packing's Clinton, North Carolina, plant contributed \$65,000 to the United Way this past year.
- ▶ Each year, volunteers from John Morrell's Sioux Falls, South Dakota, plant rally teams from corporations, congregations, and civic groups to paint the homes of low-income seniors and people with disabilities. The program helps homeowners remain living independently in their own homes and improves neighborhoods throughout the Sioux Falls area.

## Supporting Local Emergency Workers

Our Murphy-Brown Eastern division has made it a priority to donate funds to volunteer fire and emergency services departments in North Carolina and Virginia. Murphy-Brown has donated more than \$100,000 over five years to help purchase equipment and provide training for the volunteers. That figure includes donations of pigs, which the volunteers can in turn use for fundraisers.

In addition to these programs, Murphy-Brown makes it a point to contribute money each year to the FFA and 4-H clubs in an effort to encourage future generations interested in agriculture.



## EMPLOYEES

### OUR WORK FORCE

Our 48,000 global employees are our greatest asset. In addition to protecting their health and safety, we are committed to the fair and ethical treatment of our employees. We work to provide our employees with opportunities to further their educations and advance within our company.

The majority of our workers can be found raising animals on farms, driving transport trucks, and preparing food in processing plants. We know that these are demanding jobs. That is why we place such great emphasis on workplace safety, and employee health and wellness. In our industry, employee turnover can exceed 50 percent. Although we are always seeking to improve employee retention rates, our turnover rate at Smithfield is consistently below the industry average. Our success as a company depends in large part on our ability to maintain a skilled work force.

During this reporting period, we completed the restructuring of our business, which resulted in the loss of approximately 1,800 jobs. We also closed a processing plant in Sioux City, Iowa, in early 2010, affecting about 1,450 employees. Layoffs and plant closings are difficult but necessary decisions, and we empathize with the employees negatively impacted by the restructuring.

Whenever possible, Smithfield offered transfers to other company facilities. For example, we were able to find new positions for all of those who wanted them when we closed our Smithfield South facility in Virginia. Most went to our Smithfield North plant, while a few others transferred to North Carolina. In addition, we have worked with employees and with applicable union officials to help employees affected by the restructuring to find new jobs. We held job fairs and coordinated with area businesses and government agencies to help find local opportunities for employees. We also worked with unemployment offices to assist with claims and job applications.

Smithfield fully complies with the federal Worker Adjustment and Retraining Notification (WARN) Act, which requires 60-day notifications of plant closures to employees. Under the WARN Act, the company also notifies state-level dislocated worker units so they can offer prompt assistance.

In Springfield, Massachusetts, employees participate in stretching exercises that help reduce the risk of strains and sprains.

## Immigration

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

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

We are committed to complying with all federal laws and welcome opportunities to enhance our compliance. We participate in the U.S. Immigration and Customs Enforcement's (ICE) IMAGE program—ICE Mutual Agreement between Government and Employers. The voluntary program, which began in 2007, works in targeted sectors to reduce unauthorized employment. As an associate member of IMAGE, we are committed to working with ICE to strengthen our hiring practices and develop a more secure work force. In addition, all of our plants are members of E-Verify, a voluntary, Internet-based program run by the U.S. Citizenship and Immigration Services to help determine employment eligibility.

We do everything we can to ensure the integrity of our work force. However, we and other employers face significant challenges in determining the eligibility of employees due in part to identity theft and the increasing availability of high-quality forged documents that allow undocumented workers to thwart even the best hiring practices and skirt the laws.

## Collective Bargaining

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

Last year, Smithfield monitored the progression of the Employee Free Choice Act, known more colloquially as the “card check bill,” which was introduced in Congress in early 2009 to allow workers to unionize without a secret-ballot election. Smithfield believes the secret ballot should be protected, and company executives have spoken out about the importance of affording employees the right to a secret-ballot election when deciding whether or not to form a union.

### EMPLOYEE RELATIONS

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

We are working hard to engage our employees through management safety committees and have taken steps at our IOCs to evaluate—and enhance—employee satisfaction.

We ask a lot of our employees, but we believe that we give them a lot in return. We provide competitive wages and benefits, educational scholarships, and a variety of programs that go beyond industry norms.

### Our Health & Safety Goal:

- ▶ *Reduce employee injury rates*

### Our Health & Safety Target:

- ▶ *Meet or beat general manufacturing industry national average for injuries*

## Diversity

Smithfield is committed to promoting and cultivating a work force that will enhance the company's competitiveness in an increasingly diverse and interconnected world. Our global perspective and commitment to inclusion are central to our mission to produce good food, responsibly, and ultimately maximize shareholder value. We recently rolled the functions of our Diversity Advisory Committee into our new Sustainability Committee. The issue remains important to Smithfield, and we will continue to work to foster a diverse working environment. To view our Diversity Statement, visit the following address: [www.smithfieldfoods.com/responsibility/diversity.aspx](http://www.smithfieldfoods.com/responsibility/diversity.aspx).

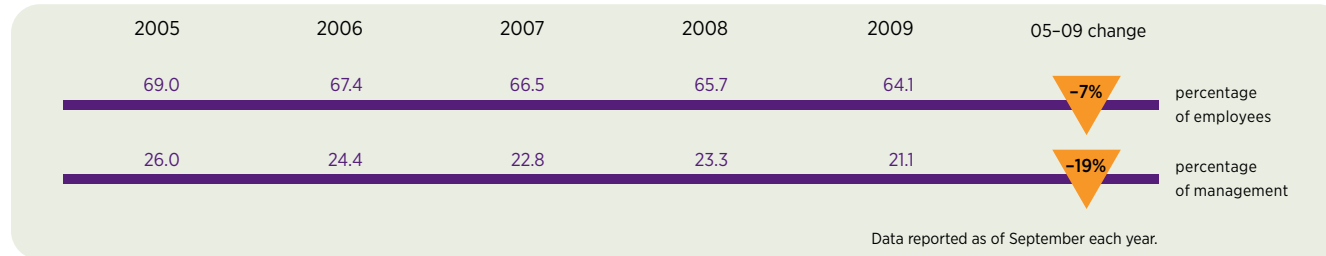
Smithfield Foods does not discriminate against any employee or any applicant because of race, color, religion, ethnic or national origin, gender, sexual preference, age, disability, veteran status, or any other status protected by federal law.

The company works hard to provide employees of all backgrounds with opportunities for training and advancement at all levels. All Smithfield Foods facilities adhere to our Equal Employment Opportunity policies and programs.

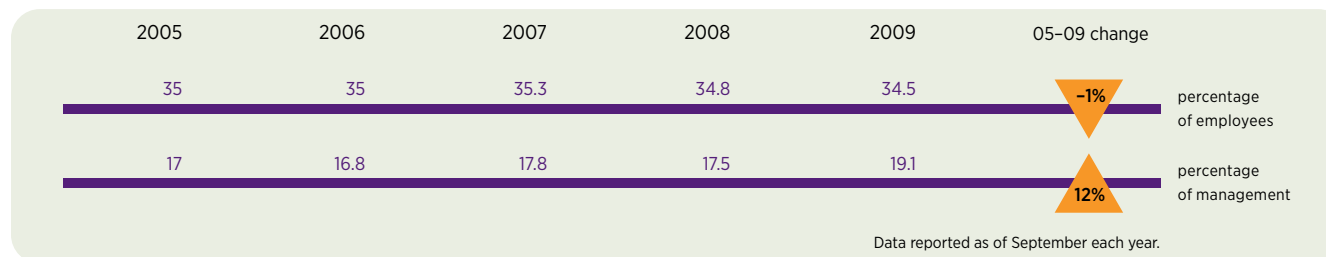
Smithfield runs a company Leadership Institute, a weeklong course designed to encourage minority employees toward management positions.

As of September 2009, women represented an estimated 34.5 percent of our U.S.-based employees and 19.1 percent of management. Minorities represented 64.1 percent of U.S.-based employees and 21.1 percent of management. To determine the representation 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 and the development of future employee programs.

### MINORITIES AT SMITHFIELD FOODS



### WOMEN AT SMITHFIELD FOODS





## Human Rights

We have a Human Rights Policy to ensure the fair treatment of our employees throughout the company and in all our subsidiaries. We provide copies of the policy to all our employees, including new hires, and encourage our workers to call our toll-free Smithfield hotline to report any violations. We also communicate our Human Rights Policy to all major suppliers.

The policy spells out expectations in the areas of equal opportunity health, environment, and safety; harassment and violence; rights of employees; and other key topics. The policy can be viewed on our Web site at [www.smithfieldfoods.com/employees/human.aspx](http://www.smithfieldfoods.com/employees/human.aspx).

We implemented a formal Human Rights Policy in 2007 to specifically address human rights although we have long had a Code of Business Conduct and Ethics to protect the rights of workers. Our Code of Business Conduct and Ethics, which is communicated to all employees, sets forth our expectations for appropriate employee behavior, as well as corporate hiring and disciplinary policies.

## Employee Engagement

Several of our operating companies use employee engagement surveys to identify, measure, and prioritize issues that affect our workers and drive business results. The surveys, which are typically offered in English and in Spanish, evaluate topics such as communications, safety, supervisory relationships, benefits, and leadership. For example, Murphy-Brown's Western operation has conducted three employee engagement surveys since 2007, with scoring improvements in each successive year. We continue to see strong scores for employee-supervisor relationships, as well as employee safety. As a result of the surveys, we have been increasing our communications between managers and employees throughout the organization and are in the process of developing more effective recognition programs for our workers.

Other IOCs, including Smithfield Packing and Farmland Foods, have also conducted engagement surveys in recent years, leading to changes in leadership training programs and improvements to facilities, among other changes.

## Employee Benefit Programs

Smithfield Foods offers competitive wage and benefit programs that vary according to operating company, location, and position. Employees in Tar Heel, North Carolina, for example, earn a starting wage of \$10 per hour, significantly higher than the current federal and North Carolina minimum wage of \$7.25 (the new minimum as of July 24, 2009). We offer comprehensive health insurance and other traditional benefits, including 401(k) plans, life insurance, and vision and dental care. Several of our subsidiaries provide on-site medical care and preventive health screenings.

Many of our facilities offer English as a Second Language courses for our workers. Some locations also offer Spanish classes for English-speaking managers who want to improve their communications with Spanish-speaking employees.

## Employee Educational Assistance

Smithfield and our IOCs offer tuition reimbursement to help employees pursue their educational goals. Tuition programs vary by subsidiary and typically cover between 50 percent and 100 percent of tuition and lab fees.

For example, in 2009, Farmland Foods provided tuition assistance totaling more than \$285,000 to employees. John Morrell granted \$63,200, and Murphy-Brown provided \$123,000 in tuition assistance to employees this past year.

Smithfield's philanthropic arm—the Smithfield-Luter Foundation—also provides a source of grants and tuition assistance for the children and grandchildren of our employees. For more information, see the Community section of this report.

## EMPLOYEE HEALTH AND SAFETY

Meat production can be dangerous. At Smithfield, employee health and safety is essential. We do not accept that worker injuries are a cost of doing business. Our extensive safety systems and programs, which go well beyond regulatory compliance, yield measurable results and protect employees while reducing our workers' compensation costs.

While we have always aimed to reduce worker injuries, we set new targets in 2010 to meet—or beat—the meat industry averages for three categories that we report to the Occupational Safety & Health Administration (OSHA): Total Case Rate; Days Away, Restricted, or Transferred; and Days Away From Work Injury and Illness.

In addition to setting the targets, we also advanced our safety systems during this reporting period through the following:

- ▶ Completing Employee Injury Prevention Management System (EIPMS) audits to pinpoint improvement opportunities
- ▶ Updating EIPMS training for health and safety professionals and management
- ▶ Developing and implementing a new Safety Performance Scorecard for each facility
- ▶ Introducing a new Return to Work program for injured employees
- ▶ Rolling out our Behavioral Risk Improvement process at two plants to reduce the frequency and cost of injuries, with plans to expand to other facilities
- ▶ Holding our Annual Safety Conference

### **Corporate and Senior Management Commitment to Health and Safety**

Our Employee Safety Policy communicates our desire to lead the industry in health and safety practices, and assigns safety responsibilities at all levels of the company.

Smithfield has a corporate director of health and safety, as well as senior-level safety managers at each IOC. At the supervisory level, all Smithfield managers—from line supervisors to plant and farm managers—are trained in health and safety issues. Across the company, we have 61 professionals tasked with providing technical information and resources to support health and safety management and employee welfare.

A corporate-level steering committee, made up of 11 senior health and safety officials from Smithfield and our IOCs, holds monthly teleconferences to discuss

safety initiatives, best practices, upcoming regulatory changes, and any emerging issues identified at the company. Several committee members also sit on an American Meat Institute committee that is working to foster an industry-wide culture of injury prevention. For more information, visit [www.meatami.com/ht/d/sp/i/239/pid/239](http://www.meatami.com/ht/d/sp/i/239/pid/239). The steering committee is placing greater emphasis on preventing incidents associated with non-routine activities, such as producing seasonal products or making changes to equipment, machinery, or procedures.

We aim to achieve superior safety performance through hazard identification and risk assessment, training programs, measuring and monitoring, and audits to ensure compliance with all regulatory, local, and corporate requirements.

### **Employee Injury Prevention Management System**

The cornerstone of Smithfield's safety efforts is our corporation-wide Employee Injury Prevention Management System (EIPMS), which builds on the success of our Environmental Management System. EIPMS is based on Occupational Health and Safety Assessment System (OHSAS) 18001, supplemented by the American National Standards Institute's Z10 standard and OSHA Voluntary Protection Program guidelines. EIPMS provides a systematic, process-oriented methodology for injury prevention, rather than the more traditional safety "inspection" approach.

Required at all farms and processing plants, the EIPMS is designed to minimize potential risks to employees and others, improve business performance, and build a responsible image within the marketplace. With a strong focus on the well-being of employees, the program promotes the sharing of best practices and open communication among our IOCs.

Under the guidelines of the EIPMS, each wholly owned or subsidiary Smithfield facility must do the following:

- ▶ Develop effective safety operating control measures and training programs
- ▶ Set safety management goals; use performance metrics to measure progress

- ▶ Create procedures to identify and control potential risks
- ▶ Develop emergency action plans
- ▶ Establish, document, and communicate responsibilities for all involved staff
- ▶ Identify nonconformance, accidents, and near misses to prevent future incidents
- ▶ Regularly assess the management system

Smithfield fully implemented the EIPMS at all locations in July 2007, with positive results. Smithfield outperforms OSHA benchmarks for the meatpacking industry, and we continue to improve our performance each year. (See data charts on page 76.)

### Training

All Smithfield employees at our farms and processing plants must complete a new-hire safety training program, conducted in English and other languages where necessary, that emphasizes machine and tool safety and the correct use of personal protective equipment. Mentoring programs also allow employees to discuss safety issues with and learn techniques from experienced staff.

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

This year in the United States, about 37,400 Smithfield company employees underwent a total of nearly 300,000 hours of training, which equates to approximately eight hours per person. We were pleased to hold our in-person

Annual Safety Conference in Kansas City—attended by about 93 Smithfield safety and operations professionals—in November 2009. Economic conditions arising from the 2008 recession prevented us from hosting the conference the previous year.

We work to increase employee engagement in safety activities, encouraging employee participation in safety program reviews and development of new systems. Many locations maintain employee safety teams focused on ergonomics, emergency response and evacuation planning, incident investigations, health and safety awareness, hazardous energy isolation, machine guarding, chemical awareness, mobile equipment, personal protective equipment, and safety awards and recognition.

The type of safety-related activities conducted and the number of hourly employees involved are now formally documented as part of a new monthly EIPMS scorecard we have implemented for each Smithfield Foods location. Smithfield's monthly Health and Safety Performance Scorecard tracks each location's performance across nine metrics. Three are performance metrics; the other six measure specific activities in which personnel, hourly employees, and management must be engaged to support continuous progress in reducing employee injury and illness. Each metric has a facility goal (e.g., a certain percentage completion of EIPMS objectives and management plans and health and safety work orders by targeted dates, completion of worksite safety inspections, full senior management participation in safety tours) that must be reported against each month. Scorecard results are communicated to senior-level management at Smithfield and each of the IOCs. Senior managers from each encourage continuous improvement by recognizing those facilities with the strongest performance results and by fostering healthy competition among locations across the organization.

To enhance the EIPMS, Smithfield is developing guidelines that include minimum requirements for control measures associated with high-risk hazards such as



lockout/tagout, confined space entry, process safety management, emergency action plans, elevated work, electrical safety, and contractor safety. Training will be conducted throughout the year as guidelines are developed and rolled out to the organization.

### **Auditing and Inspections**

Our success in reducing injury rates can be attributed in part to our stringent auditing process. Each location has an internal audit program that evaluates whether the EIPMS is effective. The EIPMS audit focuses on hazard identification and injury prevention, supplemented with a high-level review of regulatory compliance. These efforts help us identify hazards and risks, and employ solutions to correct them.

These site-specific audits are complemented by annual audits conducted by teams trained and led by Smithfield-certified lead auditors. Our auditors and our director of corporate safety regularly evaluate our domestic facilities for compliance with OSHA and company-specific safety policies. The findings of each audit are scored, documented, and shared with site operations, safety managers, and senior management at the subsidiary and corporate level. We use the first year of audits as a baseline and require annual improvement as audits continue.

At all facilities, we audit for operational controls such as training, machine and tool safety, personal protective equipment, chemical safety, hearing conservation, emergency planning and response, as well as employee engagement. Facilities that perform well are encouraged to share their best practices with other Smithfield sites. Those that show poor results are expected to correct their practices and are subject to more frequent audits. Failure to improve audit scores results in increased involvement from the director of health and safety and higher-level corporate leaders, if necessary, to facilitate improvement.

Audits and assessments conducted in early 2010 identified several opportunities for health and safety improvements, including new training opportunities, enhanced control measures for certain types of injuries, and improved investigations for nonconformances that do not result in injuries or property damage, among others.

## **Farmland Foods: Retaining Employees**

Our Farmland Foods subsidiary has been actively exploring ways to enhance the workplace environment and, as a result, reduce employee turnover. Historically, nearly three-quarters of all serious injuries in our industry occur within the first six months of employment. So the longer our workers stay at our company, the lower the chances that they will suffer a serious injury.

We're proud that our turnover rate for our Farmland Foods facilities in fiscal 2010 was 22.5 percent—far below an industry average that hovers near 50 percent.

Meanwhile, we have been enhancing our benefit programs and working to improve participation rates. For example, as part of a Smithfield-wide effort, we recently changed our 401(k) plan from an “opt in” to an “opt out” program. That is, participation is automatic unless employees tell us they do not want to take part in the savings plan. We have been talking to our employees about the benefits of 401(k) participation and have provided educational tools in English, Spanish, and Vietnamese.

Farmland has also been working on health and wellness initiatives, including the installation of blood pressure monitors at four processing plants. After installation of the machines, about 40 percent of our workers at those plants discovered they have high blood pressure and are now being treated for conditions that may otherwise have gone undetected.

In addition to the EIPMS audit process, Smithfield conducts rigorous audits of compliance and hazard control programs at our U.S. worksites on a rotating schedule. These audits, led by independent personnel with experience in the meatpacking industry, complement the management systems audits through in-depth examination of worksites' control of injury and illness hazards.

### **Behavioral Risk Improvement Process**

Workplace safety programs have historically focused on conditions and processes. To make conditions safer, companies implement equipment changes, such as machine guards, handrails, and other improvements. At the same time, they look for ways to institute process changes—requiring workers to wear safety glasses or steel-toed boots, for example—to improve the overall environment for employees. Companies also publish written regulations and provide training so workers understand the safety rules and know when—and how—to apply them.

Yet, even with proper equipment, tools, and extensive rules and regulations, most workplace injuries occur because the workers themselves take risks. That is why we recently implemented a Behavioral Risk Improvement (BRI) process at two facilities to help our employees make safety a matter of habit. In this system, hourly employees are encouraged by management to watch out for each other and help make safe decisions. BRI provides another avenue for employees to bring issues of concern to management for analysis.

BRI helps identify safe behaviors that are positively reinforced through observation and performance feedback. Although no current statistics are available for the Smithfield locations involved in the BRI project, studies demonstrate a 10 to 12 percent reduction in injury and illness rates after facilities fully implement the program. Additional benefits include improved morale, reduced absenteeism, enhanced production, and a stronger culture of safety among employees. BRI is recognized as especially effective in situations where a facility already is demonstrating good safety performance but wants to improve injury results further.

Two other Smithfield locations have been identified for future BRI training. We are also developing an internal team of BRI consultants to support ongoing implementation of the program throughout the company.

### **Return to Work**

In 2009, Smithfield began developing a new Return to Work program. Traditional programs may bring employees back to light work but fail to transition them to full regular work. Smithfield established a goal to return every injured employee, whenever possible, to full and regular work as soon as practicable. We have developed a formal procedural manual to help guide the process and expected full implementation by June 2010.

### **Performance**

The hog production and meat processing industry has improved worker safety and protection over the past decade, significantly reducing the rate of injury. Nonetheless, on average, U.S. beef and pork processors report 7.5 injuries per 100 employees—more than twice the average for all private industry occupations, according to 2008 data from the U.S. Department of Labor's Bureau of Labor Statistics. At 6.17, Smithfield's injury rate is 18 percent less than the industry average of 7.5.<sup>1</sup>

In fiscal 2009, Smithfield demonstrated continued improvement and outperformed our peer companies. Our OSHA Total Case Rate, Days Away, Restricted, Transferred (DART), and Days Away From Work Injury and Illness (DAFWII) rates continued to improve and compare favorably with industry rates, as shown below.

#### **OSHA Total Case Rate (TCR):<sup>2</sup>**

The number of work-related injuries and illnesses per 100 employees that result in medical treatment has fallen steadily since 2005.

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

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

<sup>1</sup> At time of publication, the most recent data available. <sup>2</sup> Total Case Rate was labeled "Total Injury and Illness Frequency Rate" (TIFR) in prior reports. We changed the terminology to be more consistent with OSHA reporting.

in an employee missing work, having restricted duty, or being transferred from his or her regular duty work assignment fell last year, after rising in the prior year. We remain 15 percent lower than national averages.

**OSHA Days Away From Work Injury and Illness (DAFWII) Rate:**

The number of work-related injuries and illnesses that result in one or more days away from work per 100 employees has steadily fallen each year since 2005.

**TCR, DART, and DAFWII Rates**



**OSHA Violation Notices**

This year, Smithfield had 17 regulatory inspections conducted at locations across the country, receiving 20 citations with penalties totaling \$23,275. The number

of citations and resulting penalties dropped from 2008, during a period of time when OSHA had stepped up its enforcement actions around the country.

**OSHA NOVs and Penalties**



## External Recognitions

Smithfield's significant safety efforts have been recognized by our industry, including the American Meat Institute, which commended 18 Smithfield facilities in 2009. All our Pork Group subsidiaries were recognized in this year's awards program for their safety performance as well as implementation of effective health and safety programs, including John Morrell, Farmland Foods, and Smithfield Packing.

## Smithfield Foods President's Awards

The 2009 President's Award for Health & Safety went to Farmland Foods in Milan, Missouri. The Farmland facility—one of Smithfield's largest processing facilities—scored the highest among all of our companies on its EIPMS audit scores. Overall injury and illness rates were less than half the national average and well below the averages for Smithfield overall. In addition, employees expressed a high level of trust in their management team to help keep them safe.

John Morrell in Omaha, Nebraska, was the first runner-up, receiving the Award of Commendation for its management commitment to safety. The second runner-up was The Smithfield Packing Company in Kinston, North Carolina, for its employee participation.



## INTERNATIONAL OPERATIONS

Smithfield Foods' wholly owned international operations consist of four subsidiaries in Poland and Romania as well as two food distribution operations in the United Kingdom and Romania. AgriPlus is one of Poland's largest hog producers and provides a substantial portion of its hogs to our Polish meat processing affiliate, Animex. Smithfield Ferme raises hogs principally for the pork processor Smithfield Prod. Smithfield Prod recently purchased Agroalim, the largest food distributor in Romania. Together, our hog-raising operations in Poland and Romania produced approximately 1.9 million market hogs in fiscal 2010. This year, we are pleased to report two years of data and other information about our international operations.<sup>1</sup>

For Smithfield, our journey in the international arena has only recently begun. Following our acquisition of operations in Poland and Romania, we had a number of challenges that we have already overcome.

### ENVIRONMENT

#### ENVIRONMENTAL MANAGEMENT

The environmental goals of our international operations are similar to those of our domestic operations:

- ▶ Achieving 100 percent compliance with relevant environmental laws
- ▶ Certification of an environmental management system (EMS) for each site
- ▶ Improved communication with stakeholders (e.g., local communities, governments, etc.)
- ▶ Reduced environmental incidents through training, preventive actions, and response measures
- ▶ Reduced fuel consumption and improved energy efficiency

Since 2005, our Polish farms have maintained ISO 14001 certification, and in 2010 we obtained ISO 14001 certification for four feed mills. Our processing plant in the Polish city of Elk has also achieved full ISO 14001 certification. In 2010 and 2011, the remaining Polish processing plants are working toward full implementation and certification of ISO 14001 or the equivalent.

Our Romanian processing plant completed ISO 14001 certification in September 2009, and our distribution company is in the process of completing its own certification. In late 2009, the farm group completed an integrated implementation and certification process certifying its management systems in environment

**A stake in Campofrío Food Group extends Smithfield's European presence to 10 countries.**

<sup>1</sup> We have other business activities in Europe, but our "international operations" refer only to the wholly owned subsidiaries in Poland and Romania specified in this report.



(ISO 14001), quality (ISO 9001), and occupational health and safety (OHSAS 18001) for all operations.

Our Polish and Romanian operations are regulated in accordance with EU directives, which are administered by the national regulatory agencies. For instance, all our processing facilities and most of our farms are required to obtain Integrated Pollution Prevention and Control permits issued by the Polish and Romanian governments. These permits require an integrated approach to preventing pollution and controlling the facilities' emissions to air, land, and water, including direct environmental releases. Our European operations are also subject to national environmental requirements that complement EU directives.

Our European facilities seek to reduce the environmental impacts identified by our environmental management systems through energy- and water-consumption reduction programs that emphasize innovation and improvements. At our processing plants, managers track each project and provide regular status updates to management to maintain accountability. Some examples of the efforts include the following:

- ▶ Utilizing heat-reuse systems in boiler rooms
- ▶ Adopting closed loop water cooling systems
- ▶ Training employees about natural resources use reduction
- ▶ Installing low-energy light bulbs and motion sensors
- ▶ Training in office equipment energy management
- ▶ Improving hot water and heating pipes thermal insulation

### Auditing and Monitoring

Smithfield's international operations diligently manage risks and the environmental performance of plants and farms through regular monitoring, internal audits, and, in some cases, third-party audits. These reviews verify that the facilities' environmental management is effective and assess compliance

with all relevant environmental regulations. The results of all audits are reported to facility management for corrective actions, as needed.

- ▶ Regulatory agencies conduct regular audits at both farms and processing plants to assess compliance with facility permits, EU directives, and national regulations.
- ▶ Each company conducts internal audits to verify compliance with national regulations and company protocols at least annually.
- ▶ We also cooperate with any customers seeking to conduct their own environmental audits as part of their animal welfare efforts. (See more on these efforts in the Animal Welfare portion later in this section.)



### Contract Growers

As in the United States, we provide assistance to contract farmers, from the design phase of building the hog-raising facilities to implementation. We also provide practical training and advice on farm management. In our European operations, contract farmers provide the initial facility investment, labor, and management. We provide the hogs and feed. Our contract growers must comply with all relevant environmental laws and permit requirements. Violations may result in contract terminations or the removal of livestock from a grower's farm until the problem is resolved.

Our Polish farming operation works with roughly 650 contract farms. Our Polish processing operation has supply agreements with many hog and poultry farmers but does not use contract farms. In 2009, our Romanian farm group began its first contract grower program, working with local farmers in the first phase of a wean-to-finish contract farm initiative. We expect to contract with additional farmers, who will build hog-raising facilities with a capacity of 8,000 hogs each, over the coming years. The contract and supply arrangements provide many economic benefits to rural communities.

## ENVIRONMENTAL PERFORMANCE

### Data Collection and Management

For our U.S. operations, we present data separately for first and further processing facilities and include normalized data to demonstrate improved efficiencies.

Because the European facilities operate and manage their data differently, we are reporting all data in absolute terms; normalized metrics have not been developed.

### Changes in Reporting

We continue our efforts to enhance our reporting. The data reported below account for all the processing and hog farming operations managed by our

European subsidiaries. This year, the number of processing plants reporting environmental metrics remains at nine, but we have added data for additional hog farming facilities and feed mills, bringing the total to 68. As a result, the values for a number of our metrics appear to have risen because we are not reporting on a normalized basis. We are also reporting the following for the first time:

- ▶ Two years of data for all international environmental metrics
- ▶ Waste generation and cardboard recycling totals for farming operations
- ▶ Total GHG emissions from farming operations transportation

In addition, there are a small number of poultry hatching, breeding, and feed mills in Poland that we will work toward including in next year's report.

### SUMMARY OF INTERNATIONAL PROCESSING OPERATIONS KEY PERFORMANCE INDICATORS 2008-2009

	2009	2008
Facilities <sup>1</sup>	9	9
Electricity (kWh in millions)	143	151
Natural gas (gigajoules)	471,089	531,668
Direct & indirect GHG emissions (metric tons CO <sub>2</sub> e)	192,928	197,859
NOx emissions (metric tons) <sup>2</sup>	123	173
SOx emissions (metric tons) <sup>2</sup>	206	276
Water use (cubic meters)	4,101,680	4,035,815
Solid waste generation (metric tons)	77,469	89,223
Cardboard recycling (metric tons)	3,045	1,277
NOVs	0	1
Fines (\$U.S.)	0	4,474

We calculated greenhouse gas (GHG) processing emissions using the WBCSD/WRI Global Greenhouse Gas Protocol, quantifying scope 1 and 2 emissions, which include direct emissions associated with the use of purchased electricity and steam. Coal, oil, and purchased steam were also used, but because we do not report oil consumption domestically, these values are not reported. However, these energy sources are reflected in the total GHG emissions.

All values reported by calendar year.

<sup>1</sup> Processing data covers eight facilities in Poland and one facility in Romania.

<sup>2</sup> NOx and SOx emissions were not required to be recorded at Smithfield Prod's facility.

SUMMARY OF INTERNATIONAL FARMS  
KEY PERFORMANCE INDICATORS 2008–2009

	2009	2008
Farms	68 <sup>1</sup>	50
Electricity (kWh in millions)	45	33
Natural gas (gigajoules)	41,811	45,111
Liquid propane gas (gigajoules) <sup>2</sup>	165,904	124,658
Transportation GHG emissions (metric tons CO <sub>2</sub> e) <sup>3</sup>	4,882	Not Available
Water use (cubic meters)	1,947,765	1,688,747
Solid waste generation (metric tons) <sup>3</sup>	394	Not Available
Cardboard recycling (metric tons) <sup>3</sup>	0	Not Available
NOVs	22	14
Fines (\$U.S.)	3,497	17,995

All values reported by calendar year. <sup>1</sup> Includes six feed mills <sup>2</sup> Liquid propane gas use was previously reported in millions of liters.  
<sup>3</sup> Transportation GHG emissions, solid waste generation, and cardboard recycling totals were not collected prior to 2009.

### Animal Manure Treatment Systems and Crops Produced

All our European farms manage manure by applying it to crops as fertilizer. Treatments and storage processes vary, depending on the facility. The cold climates do not allow for the anaerobic digestion and lagoon storage processes that we use in most of our domestic operations. In Poland, approximately 25 percent of facilities use storage lagoons. The remaining farms either use storage tanks or combine the manure with straw bedding prior to land application.

Detailed and comprehensive nutrient management plans for applying manure as organic fertilizer to local land are prepared for each of our farms in Europe. In Poland, we prepare plans for review and approval by the local authorities; in Romania, the plans are prepared by the local authorities. The plans include crops and projected yields, soil and manure test information, and rates of application to balance with the crops' fertilization needs. The use of manure as an organic fertilizer provides nutrients and financial benefits to local farmers and promotes soil health. Hog manure was applied to 25,005 hectares (61,789 acres) of crops in 2009 by our European operations.

### ANIMAL WELFARE

#### MANAGING ANIMAL WELFARE

Our hog production operations in Europe employ an Animal Welfare Management System (AWMS) that follows the strict guidelines of the European Union. The health and well-being of our animals is a top priority. Our subsidiary in Poland established a formal AWMS policy in 2006, and our Romanian operations did the same in 2008. Neglect or abuse of animals is not tolerated and is grounds for termination. Offenders may also be subject to criminal prosecution under applicable local laws.

Animal welfare initiatives in Europe date back several decades. In 1998, a directive was passed regarding the protection of animals grown for the production of food. These rules, based on the European Convention for the Protection of Animals Kept for Farming Purposes, reflect the so-called "Five Freedoms" as adopted by the Farm Animal Welfare Council, an independent advisory body in the United Kingdom:

- ▶ Freedom from hunger and thirst
- ▶ Freedom from discomfort
- ▶ Freedom from pain, injury, and disease
- ▶ Freedom to express normal behavior
- ▶ Freedom from fear and distress

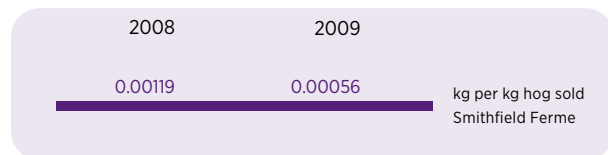
### Audits

In Romania, the Local Veterinary Directorate, or DSV, inspects each farm at least twice annually, under the supervision of the National Sanitary Veterinary and Food Safety Authority. Additional random inspections by the DSV also take place throughout the year. These external audits verify compliance with Romanian laws on animal welfare and biosecurity measures. In 2009, our Romanian farms were inspected 83 times by the DSV, with no penalties or findings of noncompliance. We also conduct our own twice-yearly internal audits of our Smithfield Ferme operations to verify animal welfare compliance and appropriate employee training.

At our Romanian hog-raising facilities, all animal caretakers and veterinary technicians/livestock specialists participate in training certification courses.

In Poland, animal welfare issues are regulated and overseen by Polish Veterinary Law; government veterinarians inspect our farms frequently. In 2009, there were no penalties or findings of noncompliance. Trained auditors evaluate animal welfare, training programs, and transportation systems via internal farm audits at least once a year. Violations are subject to immediate corrective action. As major suppliers to prominent supermarket chains, our Polish farms must be certified by Product Authentication International, which is accredited by the United Kingdom

### Feed-Grade Antibiotics Use [Farms: 68]<sup>1</sup>



AgriPlus does not use feed-grade antibiotics. It does use some water-based medication to treat sick pigs.

All values reported by calendar year.

<sup>1</sup> Feed-grade antibiotics purchased varies from year to year based on a number of factors, including weather conditions, emergence of illnesses, and other issues.

Accreditation Service for food and farm product certification. As part of this process, Genesis Quality Assurance, a third-party auditor, reviews our farms annually. In addition, some individual supermarket chains require a random selection of our farms to undergo external audits twice per year by Integra, an industry-recognized third-party auditor in the United Kingdom.

### Housing of Pregnant Sows

A 2001 European Union Directive sets minimum standards for the protection of pigs and aims in particular to ban the use of individual stalls for pregnant sows during the majority of the gestation period.

As of January 2003, these requirements were applicable to all newly built or rebuilt facilities. As of January 2013, all existing facilities must meet these provisions. Our company-owned farms in Europe comply with these requirements. In Poland and Romania, approximately 80 percent and 90 percent, respectively, of the raw meats used in our products come from farms that already meet these requirements. The remaining contract farms and suppliers are working toward meeting the 2013 schedule for completion.

### Antibiotics Use

Antibiotics are given strategically when pigs are sick or injured or when they are susceptible or exposed to illnesses. In Romania, which has significantly reduced antibiotics used this past year, only limited antibiotics are delivered through feed; the remainder are water-soluble antibiotics. The Polish operations use only water-soluble antibiotics. Authorized veterinarians oversee the usage of antibiotics on company-owned and contract farms, monitoring them on a weekly basis. Our antibiotics administration process is overseen and controlled by regulatory agencies in each country where we operate. Our European farms comply with all antibiotic withdrawal timelines and follow guidelines issued by the EU, which in 2006 banned the use of antibiotics for growth promotion.

## TRANSPORTATION ACCIDENTS INVOLVING MARKET HOGS

	NUMBER OF ACCIDENTS			NUMBER OF HOGS INVOLVED			HOG FATALITIES		
	AgriPlus	Smithfield Ferme	Total	AgriPlus	Smithfield Ferme	Total	AgriPlus	Smithfield Ferme	Total
2007	0	0	0	0	0	0	0	0	0
2008	1	0	1	500	0	500	57	0	57
2009	1	0	1	500	0	500	100	0	100
2010	2	0	2	700	0	700	77	0	77

All values reported by fiscal year.

### Safe Transportation

Smithfield Ferme reported no transportation accidents in fiscal 2010. AgriPlus had two accidents in fiscal 2010 involving pigs hauled by contract haulers. Our European companies are in the process of developing accident response procedures modeled after those used by our U.S. operations.

### Enhanced Slaughter Methods

In accordance with European Commission regulations, all employees who work with live animals in our European processing plants must undergo regular training to ensure the protection and welfare of the hogs that arrive at our facilities. Veterinary authorities provide ongoing supervision and support.

Our European pork operations use a slaughter procedure known as CO<sub>2</sub> anesthetizing, which causes animals to quickly lose consciousness. These systems allow us to move pigs slowly, in small groups, which is much less stressful for the animals and their handlers. As herd animals, hogs are most

comfortable moving in groups, and these systems let them move at their own pace. CO<sub>2</sub> anesthetizing is more effective and produces higher-quality meat than the older, single-file electrical stunning systems.

## FOOD SAFETY AND QUALITY

### MANAGING FOOD SAFETY AND QUALITY

Smithfield Foods' international food processing operations collaborate with industry, government, and independent experts to supply safe, high-quality foods that meet regulatory requirements and customer expectations. We apply necessary resources to develop and implement our rigorous food safety practices in all our facilities and manufacturing processes. We also provide information on nutrition and safe food handling to consumers through our product labels and other outreach efforts.

At Smithfield Prod and Animex, food safety is a top priority. We use a number of food safety processes and programs throughout our plants. To develop and

implement the company's food safety goals, our operations have cross-functional food safety teams representing quality managers from each of our major facilities. Team members consult with each other on an ongoing basis to discuss current scientific and technical food safety information and evaluate the soundness of our food safety practices. We also closely monitor all relevant EU feed law changes, which allows us to better conform to changes within the law and effectively communicate them to our suppliers.

All our European hog production and food processing facilities have implemented a Hazard Analysis and Critical Control Point (HACCP)-based Food Safety Policy that addresses all reasonably occurring physical, chemical, and biological hazards. HACCP, which is mandatory in all EU countries, is a comprehensive food safety control system. Smithfield's international HACCP systems are reviewed and validated annually by qualified third parties.

In addition to HACCP, our Polish processing facilities are certified to Global Food Safety Initiative (GFSI) and British Retail Consortium protocols. Four of the Polish facilities are also ISO 9001 certified. Our Romanian processing operation has obtained ISO 22000:2005 certifications for their food safety management systems. The Romanian slaughter and rendering operations achieved certification in February 2009. The first third-party audits for rendering facilities and second round of audits for our slaughtering facilities are scheduled to take place in September 2010. To ensure quality control throughout the supply chain, our Romanian food distributor is also certified to HACCP and is in the process of implementing ISO 22000:2005.

In 2006 our Polish hog-raising company obtained ISO 22000 certification. In July 2009, their four feed mills and all feed production departments successfully passed third-party recertification audits. In September 2009, the feed mill located in the town of Czarne Małe passed an audit carried out on behalf of a large U.K.-based customer and is now fully approved to supply pork products. In early 2010, our Romanian farming group began implementing its own ISO 22000:2005 certified food safety management system and expected to be certified by the end of 2010.

## Training

Providing safe food requires that our employees be familiar with best practices and capable of meeting our strict food safety requirements. To this end, all Smithfield employees undergo extensive training in food safety policies and procedures—tailored to each of Smithfield's companies—to keep our foods safe. Each worker is trained upon hiring and is retrained on a regular basis, depending on his or her job requirements.

In order to foster continuous improvement in food safety, the food safety teams constantly look for new ways to incorporate emerging food safety innovations into our products and processes. The team also regularly presents scientific papers at national conferences and attends educational seminars, professional meetings, and regulatory meetings, using the latest techniques they've learned to train other employees.

## Auditing and Inspections

Our European operations comply with strict EU food safety requirements. Each facility is subject to a variety of inspections and audits, as follows:

- ▶ All GFSI and/or ISO 22000:2005 systems are subject to annual third-party audits.
- ▶ Each of our facilities regularly conducts mock product recalls (also called product tracing exercises) that are supervised by food safety professionals. In these mock exercises, facility staff must locate and collect 99.9 percent of affected food products within four hours.
- ▶ Many of our larger customers send their own food safety officials to perform audits at our plants and/or request the results of independent, third-party audits paid for by Smithfield.
- ▶ Government officials regularly inspect our facilities and products.

- ▶ Plant personnel conduct self-audits and mock product recall scenarios throughout the year.

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

All European processing facilities also conduct a variety of tests as part of their food safety programs. The following are regularly tested and reported:

- ▶ Microbiological counts
- ▶ Equipment cleanliness (with microbiological hygiene tests)
- ▶ Personal protection equipment
- ▶ Raw materials
- ▶ Finished products

## OUR PRODUCTS

### Nutrition

Our European operations offer fresh meats and packaged foods that satisfy a wide variety of consumer needs and tastes. Our fresh and packaged meat products from Romania and Poland meet all EU nutrition and labeling standards. Our Polish plants also provide testing of nutrition values for our meat products to meet additional customer requirements from grocery store chains operating in the United Kingdom.

### Product and Service Labeling

Smithfield's European operations strive to ensure that our consumers receive the most current information about the ingredients and nutritional value of our products. Our product labeling is clear and accurate, conforming to the unique labeling requirements of each country in which we sell our foods. Smithfield's European operations are fully compliant with all EU labeling requirements and have not had any significant penalties or fines related to labeling since our last report.

## Compliance

There were no recalls of any of our products in Europe during the current reporting period. No significant penalties or fines associated with food safety were assessed at any of our European operations.

## HELPING COMMUNITIES

Responsible involvement with local communities represents one of Smithfield's core values. Our European operations support a wide range of programs that are important to the people who live in and around our communities. Like Smithfield's U.S. operations, our international operations support hunger relief efforts, environmental outreach, and education. We also support cultural awareness programs that build on the rich heritages of the communities in which we operate. Other volunteer projects include home building for the needy, organizing voluntary fire brigades, and sponsoring local medical rescue units.

Some of the highlights from the 2009/10 reporting period include the following:

### HUNGER RELIEF

- ▶ Inspired by Smithfield Foods' Helping Hungry Homes program in the United States, our Romanian processing company launched Food for Souls in February 2009, to give fresh meats and hot meals to disadvantaged citizens of Timisoara and the surrounding area. This past year, we partnered with more than a dozen local charities to feed over 10,000 people in need.
- ▶ In December 2009, employees from our Romanian hog-raising company provided Christmas food baskets and basic foods to 350 local families. In 2010 during the Easter holidays, the company's volunteers gave food baskets to 50 needy families.
- ▶ Our Polish processing company supports school lunch campaigns in a number of districts and donates meat products to help our communities.

In 2009, we provided 61,000 kilograms (134,000 pounds) of meats and processed foods.

## ENVIRONMENTAL OUTREACH

- ▶ In 2010, our Romanian processor started GreenWeek@SmithfieldProd to educate and encourage employees to plant trees, clean public areas, and live a greener lifestyle at work and at home. Our employees work closely with local volunteers to meet those goals.
- ▶ For five years, Smithfield has been a primary sponsor of Millions of People, Millions of Trees, a tree planting initiative in partnership with the Romanian Ministry for Environment and the Romanian National Environmental Guard. In 2009, our employees planted more than 5,000 trees around 11 farms and one processing plant. Our volunteers expected to plant an additional 3,000 trees around 10 of the company's farms by the end of 2010. As a result of our efforts, Utvin village now has its first public park, and over 15,000 trees have been planted around the country.
- ▶ Our Romanian employees and a team of local kindergarten students spent one day planting 456 trees in the village near the company's production facility. We showed the children how to plant trees and take care of them. Each child who participated received one fruit-bearing tree to plant at home.
- ▶ Smithfield Foods has sponsored World Water Monitoring Day, an international outreach program organized by the Water Environment Federation, since 2003. Every year, on or around October 18, the Federation holds a series of events to build awareness and involvement in protecting global water resources. Students test local waters for pH, turbidity, dissolved oxygen, and temperature, with assistance from their teachers and oversight from the International Water Association.

- ▶ On March 26, employees from our Romanian farm in Masloc, students, and local leaders celebrated World Water Day by inaugurating a fountain in the schoolyard, where 25 lime trees have been planted. They also renovated a community park to mark the occasion.
- ▶ Smithfield Ferme organized and co-sponsored its second European Mobility Day and Day Without Cars in September 2009 in partnership with the Romanian Environmental Protection Agency. For these efforts, Smithfield Ferme received a special diploma for its involvement in environmental actions and educational projects.

## SUPPORTING LOCAL EDUCATION

- ▶ Over the past three years, our Romanian farming group has supported more than 5,700 local students in 36 villages through its Back to School educational program, which supplies backpacks, pencil cases, and other school essentials to preschool and primary school children, enhancing their access to education. We also provide the students and their families with educational materials that promote a healthy lifestyle and a balanced diet. In 2009, we offered financial support to Nitchidorf village's school and provided a newly furnished classroom, complete with wooden desks and chairs. At the end of the school year, we awarded 500 students with grade-specific study guides and encyclopedias. In 2009, our Romanian processing group started its own Back to School program, focused on children in Utvin kindergarten and children of disadvantaged families in the local community.
- ▶ Our Romanian farming group recently donated \$2,200 to support the opening of an education center for 60 children with special needs. The program was developed in partnership with the Open Society Mental Health Initiative, Timis County School Inspectorate, Masloc village City Hall and the Forderverein Rumanienhilfe Marpingen Foundation. This partnership will offer special services, including student evaluation, psychological help, speech and language intervention, and general support.



- ▶ In 2007, our Polish processing facility launched the Animex Foundation to fund scholarships for children of farmers from rural areas. The program, which began with 12 scholarships, grew to 72 scholarships in 2009. Last year's scholarships totaled about \$43,000. Our scholarship program is aimed at local students, in part under the assumption that some of them will become Animex employees after finishing their studies.
- ▶ Our Polish farming group runs charity and sponsorship programs focused on education and sports for children and teenagers who live in the poorest rural areas where we operate, helping schools purchase much-needed equipment. We also give significant assistance to local sports clubs and sporting events.

## LOCAL FESTIVALS

Romania is culturally diverse, with traditions observed by communities originating from Romania, Bulgaria, Germany, Hungary, and Serbia. Smithfield is proud to support a variety of traditional festivals, including concerts, dance contests, craftsmanship fairs, and sporting events, such as horse cart racing.

Our “Be one of us!” community program aims to support the unique local traditions of more than 20 rural villages in Romania. For example, in July 2009 we organized a folklore costume parade as part of the popular local St. Ilie Day Folk Art Festival. Another festival was held in March 2010. For photos of the festivals, please visit [www.smithfieldferme.ro/responsibility.html](http://www.smithfieldferme.ro/responsibility.html).

## EMPLOYEES

Smithfield has nearly 10,000 employees in Europe. Human resources issues are handled within each independent company, just as they are in our U.S. operations. About half of our processing plant employees are covered by collective bargaining agreements. Our hog farming group companies do not have any labor unions or work councils at their facilities although all employees are covered by a collective bargaining agreement, by law.

We believe we play an important role by providing good jobs in rural villages with high unemployment rates. In many regions where we operate, we are one of the largest employers. Moreover, we are often the largest buyer of local feed grain.

## WORK FORCE COMPOSITION

In 2009, our employees at our Polish farms and processing plants were almost uniformly Polish nationals. Of 8,371 employees, approximately 53 percent were women. Women made up 22 percent of senior management.

In Romania, of the 1,428 employees, 96 percent were Romanian nationals and 31 percent were women. Women made up 30 percent of the management team.

## EMPLOYEE HEALTH AND SAFETY

Worker health and safety is one of the most important and highly developed aspects of EU policy on employment and social affairs. The European Agency for Safety and Health at Work (EU-OSHA) was established in 1996 by the European Union to serve as the main EU reference point for safety and health at work. The agency works with governments, employers, and workers to promote a culture of risk prevention, with a goal of reducing work-related accidents by 25 percent between 2007 and 2012. As a result of these and other efforts by companies including Smithfield, working conditions have improved for meat processing facilities over the past decade, significantly reducing the rate of injury. Despite these improvements, pork processors still have higher injury rates than many other private industry occupations.

## MANAGING INTERNATIONAL EMPLOYEE HEALTH AND SAFETY

Smithfield's wholly owned international operations have developed employee health and safety policies designed to prevent injury, illness, and fatalities, while promoting health and safety in the workplace. These policies are expected to align with EU directives and national regulations.

In 2009, our Romanian hog farming group implemented an integrated management system in accordance with ISO 9001, ISO 14001, and OHSAS:18001 (occupational health and safety management systems) requirements. The same year, our Romanian processor was approved for an EU CARE (Competence, Adaptability, Responsibility and Efficiency in Occupational Health & Safety) project. The general objective of the project is to improve working conditions by ensuring safety protection, training and educating employees, and providing occupational risk protection. Through this project, we aim to develop and implement an organizational framework that will continue and enhance a culture of health and safety and improve worker productivity. Smithfield Prod also plans to implement OHSAS certification.

In Poland, we have a team of dedicated safety professionals at the plants who track performance monthly and work to lower the accident rate.

### **Training**

At all our European operations, each new employee completes a new-hire safety training program, focused on basic preventive measures, machine and tool safety, and the correct use of personal protective equipment.

Periodic follow-up classes continue throughout an employee's career and include training in topics such as emergency plans, ergonomics, chemical safety,

personal protective equipment, and hearing conservation. Training materials are made available at all locations. As employees move into more specialized occupations, additional training is conducted to meet safety needs, such as process safety management, hot work procedures for cutting, welding, and grinding, electrical safety, and confined space entry.

### **Auditing and Inspections**

Smithfield's international operations conduct regular internal audits and work with all third-party inspections, including regular audits by relevant regulating bodies. Each location keeps health and safety records. All violations identified by external audits are reported to site managers for immediate correction. After two to three months, a re-inspection verifies that the issues were addressed. Internal auditors conduct facility-wide inspections biannually to ensure adherence to the processes put in place to protect our employees.

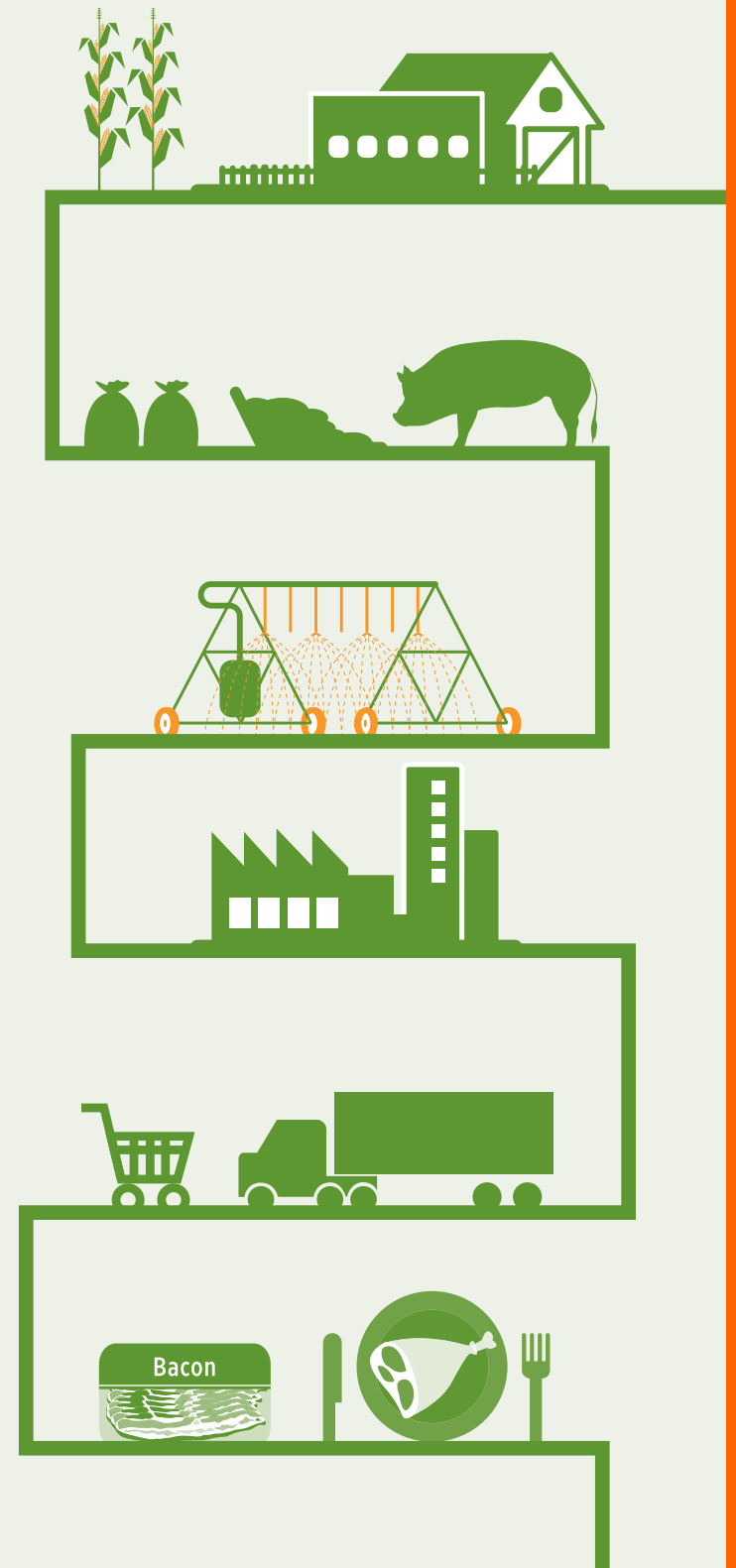
### **Performance**

Smithfield is working on developing international safety metrics that are consistent with the way they are reported in the United States. We hope to present the information in future CSR reports.

# Smithfield

## OUR FAMILY OF COMPANIES

Smithfield Foods consists of a number of independent operating companies (IOCs). Although every IOC follows Smithfield's overall guidelines and policies, they also pursue their own CSR initiatives and share the results of their efforts across the company. We invite you to learn more about each IOC and its CSR accomplishments on the pages that follow.



# Smithfield

The Smithfield Packing Company, Inc., was founded in 1936 by Joseph W. Luter and his son, Joseph W. Luter, Jr. Primary lines of business include fresh pork, smoked meats, bacon, cooked hams and hot dogs for retail, foodservice, and deli channels. The company exports products to approximately 30 countries.

In addition to the Smithfield brand, its Gwaltney, Esskay, and Cumberland Gap products are among the leaders in their respective markets. Smithfield Specialty Foods Group is home of the Genuine Smithfield Ham, The Peanut Shop of Williamsburg, and other gourmet offerings.

[www.smithfield.com](http://www.smithfield.com)

## HEADQUARTERS:

Smithfield, VA

## PRESIDENT:

Timothy O. Schellpeper

**EMPLOYEES:** 13,000

## FISCAL 2010 SALES:

\$3.2 billion

Note: Fiscal 2010 sales reflect intrasegment and intersegment sales.

## MAJOR BRANDS

Cumberland Gap, Esskay, Great, Gwaltney, Smithfield, Smithfield Self Basting, Smithfield Tender 'n Easy

## MAJOR SUBSIDIARIES

Cumberland Gap Provision Co., Esskay, Smithfield Specialty Foods Group

## PROCESSING FACILITIES

Grayson and Middlesboro, KY; Landover, MD; Clinton, Kinston, Wilson, and Tar Heel, NC; Smithfield and Portsmouth, VA

## RECENT CSR ACHIEVEMENTS

- ▶ Achieved ISO 14001 certification of environmental management systems at all processing facilities
- ▶ Recycled approximately 500 million gallons of water per year at Tar Heel plant from 2007 through 2009
- ▶ Captured biogas at Tar Heel plant to burn in boilers, saving an average natural gas equivalent of 162,000 decatherms per year from 2007 through 2009
- ▶ Replaced spray nozzles at Portsmouth plant in 2009, resulting in 40 percent reduction in water use
- ▶ Improved nitrogen removal system at Tar Heel plant in 2009
- ▶ Recycled 13,000 tons of cardboard in 2009

## KEY PERFORMANCE INDICATORS

	FY 2009	07-09 Change
Water Use (gallons in billions)	2.02	23%
Solid Waste Generation (tons in thousands)	20.7	13%
Direct & Indirect Greenhouse Gas Emissions (metric tons CO <sub>2</sub> e)	444,465	15.5%
Food Donations (lbs.)	813,000	33%
Donations to Programs/Charities (\$U.S.)	136,000	50%
Fresh Pork Produced (lbs.)	1.9 billion	50%
Packaged Meats Produced (lbs.)	927 million	7%

John Morrell & Co. was founded in England in 1827 and is the oldest continuously operating meat manufacturer in the United States. Serving the retail, foodservice, and deli channels, its primary product lines include smoked sausages, hot dogs, natural smoked hams, bacon, deli meats, corned beef, and fresh pork products.

The company sells products under the flagship John Morrell brand and more than a half-dozen others. Its celebrated Kretschmar Deli brand offers a full line of German-style favorites for the service deli. John Morrell & Co. is also one of the nation's largest producers of private-label packaged meats.



[www.johnmorrell.com](http://www.johnmorrell.com)

MAJOR BRANDS	MAJOR SUBSIDIARIES	PROCESSING FACILITIES
Armour, Carando, Curly's, Eckrich, E-Z-Cut Hams, Hunter, John Morrell, Kretschmar Deli, Margarita, Patrick Cudahy	Armour-Eckrich Meats, LLC; Curly's Foods, Inc.; Mohawk Packing Company; Patrick Cudahy, Inc.; Saratoga Food Specialties; Stefano Foods	San Jose, CA; Denver, CO; St. Charles and Bolingbrook, IL; Peru, IN; Sioux City, Sioux Center, and Mason City, IA; Junction City, KS; Springfield, MA; St. James, MN; Omaha, NE; Elizabeth, NJ; Cincinnati, OH; Sioux Falls, SD; Cudahy, WI

**HEADQUARTERS:**  
Cincinnati, OH

**PRESIDENT:**  
Joseph B. Sebring

**EMPLOYEES:** 10,000

**FISCAL 2010 SALES:**  
\$3.2 billion

Note: Fiscal 2010 sales reflect intrasegment and intersegment sales.

## RECENT CSR ACHIEVEMENTS

- ▶ Achieved ISO 14001 certification of environmental management systems at all processing facilities
- ▶ Reduced companywide environmental compliance issues by 76 percent from 2007 through 2009
- ▶ Optimized refrigeration systems, lowering demand for electricity by 5.67 million kWh in 2009
- ▶ Captured biogas at Sioux Falls plant to burn in boilers, reducing natural gas usage for heating by approximately 69,709 MMBtu in 2009 and lowering greenhouse gas emissions by the equivalent of 3.82 metric tons of CO<sub>2</sub>

## KEY PERFORMANCE INDICATORS

	<b>FY 2009</b>	<b>07-09 Change</b>
Water Use (gallons in billions)	2.68	4%
Solid Waste Generation (tons in thousands)	49.25	18%
Direct & Indirect Greenhouse Gas Emissions (metric tons CO <sub>2</sub> e)	433,787	5%
Overall Food Donations (\$U.S.)	1.84 million	92%
Donations to Programs/Charities (\$U.S.)	289,881	63%
Fresh Pork Produced (lbs.)	1.63 billion	17%
Packaged Meats Produced (lbs.)	604.9 million	7%



[www.farmlandfoods.com](http://www.farmlandfoods.com)

**HEADQUARTERS:**

Kansas City, MO

**PRESIDENT:**

James C. Sbarro

**EMPLOYEES:** 9,000

**FISCAL 2010 SALES:**

\$3.6 billion

Note: Fiscal 2010 sales reflect intrasegment and intersegment sales.

Farmland Foods, Inc., provides a broad selection of pork products for retail and foodservice customers in the United States and abroad. Its primary lines of business include fresh pork, case ready pork, hams, bacon, fresh sausage, processed sausage, lunchmeat, and specialty sausage. Since its founding in 1959, Farmland Foods

has maintained a proud heritage of working side by side with American farm families. Smithfield Foods acquired the company in 2003. Farmland Foods has a large and growing international business, exporting products to more than 60 countries across six continents.

**MAJOR BRANDS**

Cook's, Ember Farms, Farmland, Premium Standard Farms

**SUBSIDIARIES**

Cook's Ham, Inc.; North Side Foods

**PROCESSING FACILITIES**

Cumming, GA; Monmouth, IL; Carroll and Denison, IA; Wichita, KS; Kansas City and Milan, MO; Crete and Lincoln, NE; Arnold, PA; Salt Lake City, UT

**RECENT CSR ACHIEVEMENTS**

- ▶ Installed economizers on boiler exhaust stacks to capture waste heat, thereby reducing natural gas usage and lowering greenhouse gas emissions
- ▶ Implemented water reduction initiatives at Wichita plant in 2009, saving 38 million gallons annually
- ▶ Used proceeds from recycling scrap metal at Crete and Monmouth plants to provide scholarships to local high school students
- ▶ Provided nearly 10 million gallons of sludge from wastewater treatment plants in 2009 as fertilizer to local farmers
- ▶ Launched annual employee health and wellness fairs at all Farmland production and corporate locations

**KEY PERFORMANCE INDICATORS**

	<b>FY 2009</b>	<b>07-09 Change</b>
Water Use (gallons in billions)	1.995	-2%
Solid Waste Generation (tons in thousands)	13.09	-23%
Direct & Indirect Greenhouse Gas Emissions (metric tons CO <sub>2</sub> e)	324,228	27%
Overall Food Donations (lbs.)	458,876	55%
Donations to Programs/Charities (\$U.S.)	115,549	125%
Fresh Pork Produced (lbs.)	2.2 billion	149%
Packaged Meats Produced (lbs.)	870.8 million	147%

The livestock production subsidiary of Smithfield Foods, Inc., Murphy-Brown, LLC, is the world's largest producer of hogs. It is also one of the nation's leading turkey producers. Murphy-Brown is committed to producing high-quality products while protecting the environment and preserving family farms. In the United States, the

company owns approximately 888,000 sows and brings more than 17 million hogs to market annually. Operations include 450 company-owned farms and 2,500 family farms across 12 states. Its Smithfield Premium Genetics subsidiary, based in Rose Hill, North Carolina, is responsible for improving swine genetics.

**Murphy-Brown** LLC

[www.murphybrownllc.com](http://www.murphybrownllc.com)

**LOCATIONS**

Colorado, Illinois, Iowa, Missouri, North Carolina, Oklahoma, Pennsylvania, South Carolina, South Dakota, Texas, Utah, Virginia

**SUBSIDIARIES**

Premium Standard Farms, Smithfield Premium Genetics

**HEADQUARTERS:**

Warsaw, NC

**PRESIDENT:**

Jerry H. Godwin

**EMPLOYEES:** 5,200

**FISCAL 2010 SALES:**

\$2.3 billion

Note: Fiscal 2010 sales reflect intrasegment and intersegment sales.

**RECENT CSR ACHIEVEMENTS**

- ▶ Completed PQA Plus certification of all company-owned and contract grower farms in 2009
- ▶ Forged partnership with NC Wildlife Resources Commission to allow planting of 60 acres of native grasses on company-owned farms as well as installation of 150 acres of field borders
- ▶ Made company-owned farms available for research under the National Air Emissions Monitoring Survey
- ▶ Changed specifications for live haul truck fleet so that new trailers have larger rear openings to minimize stress on animals
- ▶ Developed and implemented hand-held system for record keeping in land and nutrient management

**KEY PERFORMANCE INDICATORS**

	<b>FY 2009</b>	<b>07-09 Change</b>
Water Use (gallons per pig per day)	21.90	-3%
Electricity Consumption (kWh in millions)	243	-16%
Natural Gas Use (decatherms in millions)	.255	-8%
Liquid Propane Gas Use (decatherms in millions)	.94	-11%
Feed-Grade Antibiotics Use (lbs. per 100 lbs. sold)	.097	-36%



[www.animex.pl](http://www.animex.pl)

**HEADQUARTERS:**

Warsaw, Poland

**PRESIDENT:**

Darek Nowakowski

**EMPLOYEES:** 7,900

**FISCAL 2010 SALES:**

\$1.1 billion

Note: Fiscal 2010 sales reflect intrasegment and intersegment sales.

Animex is Poland's largest producer of fresh and packaged meats. The company is also home to the prized Krakus Ham. Primary lines of business include fresh pork, beef, and poultry as well as smoked and cooked hams, sausages, hot dogs, bacon, canned meats, and pâtés. Animex products are available in more than 50 countries

at retail and through foodservice channels. The company operates four red meat facilities in Elk, Morliny, Starachowice, and Szczecin; four white meat facilities in Ilawa, Suwalki, Debica, and Opole; two feed mills in Grodkow and Zamosc; and one raw material supply facility in Ilawa.

**MAJOR BRANDS**

Krakus, Mazury, Morliny, Yano

**PROCESSING FACILITIES**

Debica, Elk, Ilawa, Morliny, Opole, Starachowice, Suwalki, Szczecin

**RECENT CSR ACHIEVEMENTS**

- ▶ Granted 72 scholarships in 2009 through the Animex Foundation to help educate children of employees and suppliers
- ▶ Donated 61,000 kilograms of meat products to local organizations in 2009
- ▶ Contributed funds raised through annual company auctions to a variety of causes, including aid to orphans whose parents—both Animex employees—lost their lives in an apartment fire
- ▶ Participated in World Water Monitoring Day every year since 2005, organizing the activities of employees at eight plants along with representatives of local schools

**KEY PERFORMANCE INDICATORS**

	<b>CY 2009</b>	<b>08-09 Change</b>
Water Use (gallons in billions)	.96	-1%
Solid Waste Generation (tons in thousands)	81.35	-12%
Direct & Indirect Greenhouse Gas Emissions (metric tons CO <sub>2</sub> e)	181,876	-4%
Food Donations (lbs.)	134,482	N/A <sup>1</sup>
Donations to Programs/Charities (\$U.S.)	69,000	N/A <sup>1</sup>
	<b>FY 2010</b>	<b>09-10 Change</b>
Fresh Meat Produced (lbs.)	949,165	-1%
Packaged Meats Produced (lbs.)	868,837	18%

<sup>1</sup> This information was not available prior to calendar year 2009.



Smithfield Foods entered the Romanian meat products market in 2004 by acquiring Agrotorvis. Smithfield Prod is today the nation's largest producer of fresh pork products, sold primarily to retail customers under the Comtim brand. The company also owns rendering operations. Subsidiary companies include Agroalim,

which has distribution centers in Bucharest and nine other cities in Romania. Other Romanian holdings include a nearly 50 percent stake in cold storage and vegetable production company Frigorifer, which sells products under the Casa Taraneasca brand.



[www.smithfield.ro](http://www.smithfield.ro)

**HEADQUARTERS:**  
Timisoara, Romania

**PRESIDENT:**  
Morten Jensen

**EMPLOYEES:** 900

**FISCAL 2010 SALES:**  
\$181 million

Note: Fiscal 2010 sales reflect intrasegment and intersegment sales.

### MAJOR BRANDS

Casa Taraneasca, Comtim, Del Mare

### SUBSIDIARIES

Agroalim

### PROCESSING FACILITIES

Timisoara, Tulcea

## RECENT CSR ACHIEVEMENTS

- ▶ Launched GreenWeek@SmithfieldProd in 2010, which encourages employees to volunteer for a wide range of environmental causes
- ▶ Continued to support Romania's Millions of People, Millions of Trees planting program with funding and employee volunteer efforts
- ▶ Launched Food for Souls in 2009 to provide food contributions to the hungry through local partners
- ▶ Supported village festivals in Utvin and Sânmihaiu for the past three years as well as cultural programs in other Smithfield Prod communities
- ▶ Provided support for fundraising campaign to assist the elderly and children with disabilities

## KEY PERFORMANCE INDICATORS

	CY 2009	08-09 Change
Water Use (gallons in billions)	.12	25%
Solid Waste Generation (tons in thousands)	4.05	-27%
Direct & Indirect Greenhouse Gas Emissions (metric tons CO <sub>2</sub> e)	11,052	21%
Overall Food Donations (lbs.)	21,671	218%
Donations to Programs/Charities (\$U.S.)	10,000	219%
Fresh Pork Produced (lbs.)	115 million	13%

#### HEADQUARTERS:

Warsaw, NC

#### PRESIDENT:

Gregg Schmidt

EMPLOYEES: 4,300

#### FISCAL 2010 SALES:

\$574 million<sup>1</sup>

Note: Fiscal 2010 sales reflect intrasegment and intersegment sales.

Smithfield Foods' international hog production division owns more than 200,000 sows in Mexico, Poland, and Romania through subsidiaries and joint ventures. They brought a combined total of nearly 3.5 million hogs to market in fiscal 2010.<sup>2</sup> The Mexican operations consist of 50 percent stakes in Granjas Carroll de México and Norson, a vertically integrated hog producer and meat processor. AgriPlus is one of Poland's largest hog producers and provides a substantial portion of its hogs to Smithfield's Animex meat processing subsidiary. Smithfield Ferme produces hogs in Romania principally for pork processor Smithfield Prod.

<sup>1</sup> This figure includes joint venture sales, but it does not include Norson's meat processing operations.

<sup>2</sup> This total includes joint ventures GCM and Norson.

## INTERNATIONAL HOG PRODUCTION



[www.agriplus.pl](http://www.agriplus.pl)

Headquarters: Poznan, Poland

Hogs Produced in Fiscal 2010: 1.2 million

### RECENT CSR ACHIEVEMENTS

- ▶ Donated more than four tons of pork to nearby communities and supported area schools with purchases of books and school supplies
- ▶ Committed to improving roads near our farms at company expense, supporting medical rescue units with the supplies they need, and providing equipment and financial support for volunteer fire brigades



[www.granjascarroll.com](http://www.granjascarroll.com)

Headquarters: Perote, Mexico

Hogs Produced in Fiscal 2010: 1.1 million

### RECENT CSR ACHIEVEMENTS

- ▶ Received "Empresa Socialmente Responsable" recognition for activities that included the donation of more than \$50,000 to nearby schools
- ▶ Invested more than \$130,000 toward reforestation, development of biodigestors, and the distribution of more efficient wood stoves
- ▶ Donated more than \$100,000 toward roads and community centers in poor areas of Veracruz and Puebla



[www.smithfieldferme.ro](http://www.smithfieldferme.ro)

Headquarters: Timisoara, Romania

Hogs Produced in Fiscal 2010: 680,000

### RECENT CSR ACHIEVEMENTS

- ▶ Added six new locations to the Back to School program, sponsoring more than 3,000 children and 32 schools
- ▶ Sponsored environmental projects that included Millions of People, Millions of Trees; Your World, a Clean One; World Water Monitoring Day; and European Mobility Day
- ▶ Launched Helping Hungry Homes to provide protein to vulnerable families



[www.norson.net](http://www.norson.net)

Headquarters: Hermosillo, Mexico

Hogs Produced in Fiscal 2010: 600,000

### RECENT CSR ACHIEVEMENTS

- ▶ Provided money and in-kind donations to eight schools in the state of Sonora
- ▶ Donated more than two tons of pork to local communities, benefiting more than 10,000 people
- ▶ Implemented Academic Excellence program that provides 300 educational scholarships to employees' children based on performance

# MANAGEMENT

## OFFICERS

### C. LARRY POPE

President and  
Chief Executive Officer

### GEORGE H. RICHTER

President and Chief  
Operating Officer, Pork Group

### JOSEPH W. LUTER, IV

Executive Vice President

### ROBERT W. MANLY, IV

Executive Vice President  
and Chief Financial Officer

### RICHARD J.M. POULSON

Executive Vice President

### MICHAEL H. COLE

Vice President,  
Chief Legal Officer and  
Secretary

### JEFFREY A. DEEL

Vice President and  
Corporate Controller

### BART ELLIS

Vice President,  
Operations Analysis

### MICHAEL D. FLEMMING

Vice President and  
Senior Counsel

### CRAIG R. HARLOW

Vice President, Internal Audit

### BRIAN J. HENNESSY

Chief Financial Officer,  
Pork Group

### HENRY L. MORRIS

Senior Corporate Vice President,  
Operations and Engineering

### KENNETH M. SULLIVAN

Vice President and  
Chief Accounting Officer

### DHAMU THAMODARAN

Senior Vice President  
and Chief Commodity  
Hedging Officer

### DENNIS H. TREACY

Senior Vice President,  
Corporate Affairs, and  
Chief Sustainability Officer

### VERNON T. TURNER

Vice President, Corporate Tax

### MANSOUR ZADEH

Chief Information Officer

## DIRECTORS

### JOSEPH W. LUTER, III

Chairman of the Board

### C. LARRY POPE

President and  
Chief Executive Officer,  
Smithfield Foods, Inc.

### ROBERT L. BURRUS, JR.

Chairman Emeritus of  
the law firm of  
McGuireWoods LLP

### HON. CAROL T. CRAWFORD

Former Commissioner,  
U.S. International Trade Commission

### RAY A. GOLDBERG

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

### WENDELL H. MURPHY

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

### DAVID C. NELSON

Portfolio Manager,  
Altima One World  
Agriculture Fund

### GAONING NING

Chairman, COFCO Limited

### FRANK S. ROYAL, M.D.

Physician

### JOHN T. SCHWIETERS

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

### HON. PAUL S. TRIBLE, JR.

President,  
Christopher Newport University

### MELVIN O. WRIGHT

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

## GRI INDEX

Smithfield used the 2006 G3 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) at a GRI-checked B level. This index covers all core indicators and those additional GRI indicators (shown in italics) on which we have fully or partially reported. Please visit [www.globalreporting.org](http://www.globalreporting.org) for the full text of the indicators and other information on the Guidelines.

Key to Indicators: **Reported** **Partially Reported** **Not Covered** **Our Family of Companies** **International Operations**

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<sup>1</sup> Appendices are available online at [www.smithfieldfoods.com/PDF/Governance-Appendix2010.pdf](http://www.smithfieldfoods.com/PDF/Governance-Appendix2010.pdf).

<sup>2</sup> Annual Report is available at <http://investors.smithfieldfoods.com/annuals.cfm>.

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## CONTACT US

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

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The Smithfield Foods 2009/10 Corporate Social Responsibility Report achieved the following by printing on paper with recycled content compared with 100 percent virgin paper:

Trees preserved for the future	103
Waterborne waste not created	297 pounds
Wastewater flow saved	43,635 gallons
Solid waste not generated	4,828 pounds
Net greenhouse gases prevented	9,506 pounds
Energy not consumed	72.76 million BTUs
GHG emissions not generated	11,770 pounds
Fuel oil unused	13 barrels



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

REPORT APPLICATION LEVELS

		2002 In Accordance					
		C	C+	B	B+	A	A+
Mandatory	Self Declared			✓			
	Third Party Checked		Report Externally Assured		Report Externally Assured		
Optional	GRI Checked			✓			Report Externally Assured



## THIRD-PARTY RECOGNITION

Smithfield Foods is proud to have received external recognition from a number of businesses and organizations during the past year:

- ▶ American Meat Institute Annual Safety Awards
- ▶ American Meat Institute Environmental MAPS Recognition Awards
- ▶ American Meat Institute Foundation Environmental Achievement Awards
- ▶ FTSE4Good Index Member Company
- ▶ McDonald’s Best of Sustainable Supply—Comprehensive Pork Welfare
- ▶ Recognized in the American Society for Quality 2010 *Pathways to Social Responsibility* publication
- ▶ American Red Cross “Heroes Among Us” Program
- ▶ Xcel Energy’s Energy Efficiency Award
- ▶ Kansas Water Environment Association Award
- ▶ Membership in Maryland’s Green Registry
- ▶ North Carolina Department of Labor Safety Awards Program
- ▶ City of Wilson (NC) Gold Award in Wastewater Treatment
- ▶ Hampton Roads (VA) Sanitation District (HRSD) Silver Award for Wastewater Pretreatment Program Excellence
- ▶ Safety Council of Western New England Commercial Vehicle Safety Award
- ▶ Safety Council of Western New England Occupational Safety Incident Rate Reduction
- ▶ Western Illinois Economic Development Partnership Environmental Impact Award

Smithfield Foods is the world's largest pork processor and hog producer, with revenues exceeding \$11 billion in fiscal 2010. In the United States, we are also the leader in turkey processing and numerous packaged meats categories. From national brands and regional powerhouses in the United States to some of the best-known European brands, Smithfield Foods products are prized by retail, foodservice, and deli customers alike.

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