

SMITHFIELD





COVER: AERIAL VIEW OF COASTAL NORTH CAROLINA BETWEEN FIGURE EIGHT ISLAND AND TOPSAIL BEACH. THIS ESTUARY SYSTEM IS SITUATED NEAR WILMINGTON, NC.

“Smithfield has adopted a comprehensive environmental management system approach to environmental protection on all of its farms — a big step in the right direction.”

JEAN-MARI PELTIER, AGRICULTURAL COUNSELOR TO THE ADMINISTRATOR, UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

“Establishing an efficient environmental management system is one of the important ways a company can incorporate sound environmental practices into everyday operations.”

DONALD S. WALSH, REGIONAL ADMINISTRATOR, UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

SMITHFIELD FOODS, INC. > 2002 ENVIRONMENTAL AND SAFETY ANNUAL REPORT

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EXECUTIVE MESSAGE >

FROM JOSEPH W. LUTER, III, CHAIRMAN AND CEO, AND
C. LARRY POPE, PRESIDENT AND COO

We are very pleased to present to you the Smithfield Foods 2002 Environmental and Safety Annual Report. Smithfield is one of the world's largest hog producers and processors with a proud tradition of providing the highest quality meat products to customers and strong financial returns to our shareholders while at the same time continuously strengthening our commitment to environmental and employee safety performance.

Smithfield has worked to be recognized as the industry leader in protecting our employees and the natural environments where we do business. During this reporting period, Smithfield focused on actions that would bring us closer to this vision:

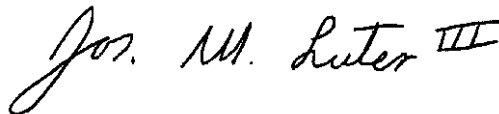
- We appointed a results-oriented senior leadership team comprising Robert F. Urell as senior vice president, corporate engineering and environmental affairs; and Dennis H. Treacy, formerly the director of the Virginia Department of Environmental Quality, as our vice president, environmental affairs and government relations;
- We have made considerable progress in phasing in environmental management systems (EMS) fully compatible with the internationally recognized standard ISO 14001 in hog production operations and are initiating the process in our meat processing operations;
- A number of Smithfield subsidiaries implemented innovative technologies that enabled them to go beyond compliance responsibilities, prevent pollution, and realize resource and cost-savings for our company; and
- Smithfield also continued demonstrating solid safety performance. We continued a strong emphasis on reducing workplace injuries through continuous improvement and goal-oriented accountability systems in our operating facilities. Our results have outperformed the industry employee safety average — in some cases by as much as 30 percent.



We are excited about the progress we have made as a result of the dedicated efforts of our talented and strongly committed employees. Clean air, clean water, and a safe workplace are their primary responsibilities. Our company, however, faces a number of challenges as we strive toward the realization of Smithfield's vision. Among them are finding innovative, cost-effective technologies and recycling methods to better manage wastes generated and natural resources used in our industry. Moreover, the nature of the meat production and processing industry carries with it a number of risks to workers, impacting safety performance.

Our EMS undertakings have been so successful that we are using the process to address other important issues in the company. Using its ISO 14001 EMS as a model, Murphy-Brown has developed an animal welfare management system (AWMS) that will be deployed on every company-owned and contract farm in the United States. Our pork and beef processing plants also have adopted comprehensive animal welfare programs.

More than just an account of Smithfield's actions over this past year, this report represents an important part of our vision. Through future reports and programs, we will communicate how we are addressing the challenges of our business and how we are protecting and benefiting all of Smithfield's stakeholders, the natural environment, and future generations. Thank you for your trust. We are proud of what we have accomplished to date. We recognize our social responsibility, and we remain committed to act in a manner consistent with that responsibility.



Joseph W. Luter, III
Chairman and CEO



C. Larry Pope
President and COO



**VICE PRESIDENTS'
MESSAGE >**

**FROM ROBERT F. URELL, SMITHFIELD FOODS SENIOR VICE PRESIDENT,
CORPORATE ENGINEERING AND ENVIRONMENTAL AFFAIRS, AND
DENNIS H. TREACY, VICE PRESIDENT, ENVIRONMENTAL AFFAIRS AND
GOVERNMENT RELATIONS**

SECTION 1 >

**SMITHFIELD'S STRATEGY FOR CONTINUOUS IMPROVEMENT
AND SUSTAINED GROWTH**

Smithfield's strategy for continuously improving our environmental and safety performance is designed to support the company's business strategy — and generate value for a greater range of stakeholders.

SUBSECTION 1.1 >

SMITHFIELD'S BUSINESS STRATEGY

By targeting companies with the potential to further our long-term vertical integration business strategy, Smithfield has grown rapidly over the past few years. (Vertical integration means that Smithfield's business encompasses both the production and processing segments of the industry.) Our keen focus on this strategy has guided Smithfield to a prominent position in the industry.

More importantly, vertical integration positions us to maintain consistent quality in everything we do. It promotes employee safety and superior levels of food safety, environmental performance, greater earnings stability, long-term profitability, stronger operational efficiencies — and a solid reputation for high-quality products, such as Smithfield Lean Generation Pork.™

SUBSECTION 1.2 >

ENVIRONMENTAL PERFORMANCE STRATEGY

Similar to Smithfield's acquisition choices, our approach to continuous environmental improvement is designed to support the overall strategy of our business. The environmental plan continues to focus on Smithfield's U.S. operations, which constitute 82 percent of our total sales. It comprises a number of different elements that will help us accomplish the following:



- Cultivate a company-wide environmental performance and accountability culture across Smithfield's diverse operations;
- Achieve 100 percent compliance, 100 percent of the time;
- Establish meaningful indicators and reduction targets for the combined impacts of our operations;
- Strengthen communications and relationships with diverse stakeholders;
- Implement innovative technologies to enhance operational efficiencies and realize additional opportunities, including performance improvement and cost-savings; and
- Participate in and help fund the development of leading-edge technologies to reduce the environmental impacts of our business.

Optimizing Our Restructured Corporate Environmental Organization

During this reporting period, Smithfield significantly modified our corporate environmental organization. In the coming years, this new structure will drive continuous improvement efforts.

We formalized our organization to help us benefit from the best practices of Smithfield's diverse subsidiaries — as well as develop and implement environmental policies, direction, and procedures. Smithfield's Environmental Policy Statement was officially communicated to our U.S. operations in fiscal year 2000.

This new organization has established clear lines of accountability and communication from the top of our organization down through each subsidiary. We are striving to ensure that all employees understand their responsibility for Smithfield's environmental performance, and that every member of our team is strongly encouraged to present ideas that help us accomplish our goals.







IMPROVING AIR QUALITY WITH ANIMAL FAT

In 2000, when Moyer Packing Company began exploring alternatives to increasingly expensive fossil fuels, the Pennsylvania-based beef processor found the solution in its own backyard. In the process, the company would improve the air quality around its Souderton plant and be honored with the Pennsylvania Governor's Award for Environmental Excellence. Moyer, now a subsidiary of Smithfield Foods, learned that the animal fat processed in its rendering division, combined with used vegetable oil collected from area restaurants, provided a less expensive, cleaner-burning energy source than traditional fuel oil. By switching to the environmentally friendly alternative, Moyer's annual emissions of air contaminant NO_x fell by 34 tons, and the plant enjoyed a 99 percent reduction in SO_x emissions.

ABOUT THIS PHOTO

With cleaner air a reality in the area around Moyer Packing's Souderton plant, the families of Moyer Packing employees Mike Bracrella and Walt McKenna enjoy an afternoon outing at a nearby park. Bracrella and McKenna have worked on a number of environmental initiatives. On another project, they reduced natural gas and fuel oil use by using rendering plant boiler exhaust to heat water for Moyer's nearby beef processing plant.

Please turn to page 41 to learn more.

In 2001, we also established an active research and development unit dedicated to identifying environmentally responsible and economical technologies for our operations. We appointed Dr. Garth Boyd as director of environmental technology and Dr. Prince Dugba as environmental engineer for technology development.

Implementing ISO 14001-Modeled Environmental Management Systems

The companies we have acquired over the past few years have — to varying degrees and in their own systematic fashion — addressed environmental management. Smithfield has a long-term strategy to implement consistent environmental management systems (EMS) modeled on the international standard ISO 14001 in all company-owned U.S. hog production and meat processing operations.

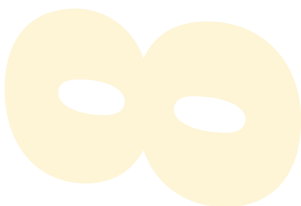
The benchmarking of facilities' current management systems against the developing corporate standard continued during fiscal year 2003.

Smithfield's hog production subsidiaries in North Carolina and Virginia have already fully implemented this ISO 14001-modeled EMS and attained ISO 14001 certification.

Developing Indicators of Success

The implementation of uniform environmental management systems also will assist in identifying company-wide best practices, gathering combined performance data, developing key indicators for benchmarking U.S.-wide performance, and targeting areas for continuous improvement.

To help track progress, Smithfield is expanding the monitoring of a number of indicators, including the following:



- Regulatory exceedances;
- Energy (including a green energy component with a subsection on greenhouse gases);
- Water usage;
- Manure management;
- Odor emissions;
- Percentage of farms that have implemented land management plans;
- Recycling and waste minimization management plans;
- Environmental issues data; and
- U.S. Toxics Release Inventory (TRI) information.

Improving Internal Communications

To engage our team and promote accountability for performance, Smithfield continues to further evolve corporate communications programs and information systems, including our corporate environmental Intranet site.

Currently, all serious incidents are reviewed with executive level environmental representatives. Corporate officials continually review a variety of indexes and parameters related to environmental performance of Smithfield's subsidiaries.

Newer programs, such as the Smithfield Foods Environmental Excellence Awards, also help cultivate the desired performance culture by promoting innovation, improvement, and initiative in our individual operations.



Enhancing Stakeholder Engagement Practices

At several individual facilities, Smithfield engages with external stakeholders to better understand their concerns. As a corporate entity, we're committed to participating in more dialogue. Smithfield's strategy includes the development of effective programs to facilitate this goal. The Smithfield Foods, Inc., 2002 Environmental and Safety Annual Report and future annual performance reports are an important part of these efforts to better communicate and cultivate improved relationships with our stakeholders.

Innovative Initiatives at Our Facilities

Smithfield's individual facilities are strongly encouraged to explore and implement leading-edge waste management, alternative energy production, and water conservation technologies. Smithfield is gaining valuable information on how some of these applications may be more broadly applied to similar types of operations throughout our company.

Funding for Technology Innovation

Continued growth in our industry means that we must continue to invest and explore technologies that reduce and productively reuse the byproducts of Smithfield's operations. Smithfield partners with governmental and nongovernmental organizations and provides financial support to help further the research and development of innovative treatment technologies for hog waste.



Safety Performance Strategy — Reducing Workplace Injuries

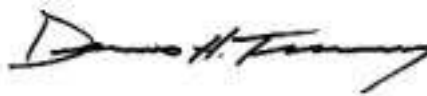
The safety of Smithfield employees is of paramount importance. We have strong policies and programs customized to protect people where they work, whether in our production or processing facilities, offices, or on the roads. Our achievements in this area have consistently outperformed the industry average. This is due in part to the key role safety performance plays in Smithfield's management performance evaluation program.

We will continue strengthening existing programs and ongoing training initiatives as well as implementing best practices to promote continuous improvement.

The solid foundation we've set in recent years is a testament to the hard work of everyone in our company. In the years to follow, we look forward to building on these accomplishments — and continuing to address our challenges. We are committed to achieving results that demonstrate exemplary health and safety protection for employees and superior environmental stewardship in the communities where we operate. At Smithfield, we want to achieve performance that is recognized as the gold standard for our industry.



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



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







REACHING THE ENVIRONMENTAL GOLD STANDARD

Smithfield's Murphy-Brown subsidiary has long set the gold standard when it comes to raising quality livestock. In 2001, its Carroll's Foods operation achieved that same level of excellence for its environmental management system (EMS). The Geneva-based International Organization for Standardization awarded Carroll's its coveted ISO 14001 certification, making ours the world's first agricultural livestock operation to receive such an honor. Over the past year, every Murphy-Brown company-owned hog farm east of the Mississippi has achieved this gold standard in environmental excellence. It signifies that each farm has developed clearly defined methods for monitoring and measuring the environmental impact of its activities and in identifying potential problems. In the next 12 months, we expect every one of our company-owned U.S. farms to be similarly certified, and plans are already underway to do the same at each of our North American processing operations.

ABOUT THIS PHOTO

As part of their EMS efforts, Murphy-Brown farms remove nutrients by using treated wastewater to fertilize a variety of crops. The coastal bermuda grass grown on this farm in Turkey, NC, is dried and converted into hay bales, which are then fed to area cattle.

Please turn to page 23 to learn more.

SMITHFIELD PROFILE >

HEADQUARTERED IN SMITHFIELD, VIRGINIA, SMITHFIELD FOODS, INC., IS THE WORLD'S LARGEST HOG PRODUCER AND PORK PROCESSOR.

WITH THE RECENT ACQUISITION OF MOYER PACKING COMPANY AND PACKERLAND HOLDINGS, WE ARE ALSO THE FIFTH-LARGEST BEEF PROCESSOR IN THE UNITED STATES. WITHIN THE LAST FIVE YEARS, WE HAVE EXPANDED GEOGRAPHICALLY WITH ACQUISITIONS IN CANADA, FRANCE, AND POLAND, AS WELL AS JOINT VENTURES IN BRAZIL, CHINA, AND MEXICO. OUR EMPLOYEES NUMBER 41,000, THE MAJORITY OF WHOM WORK IN OUR U.S. OPERATIONS.

IN FISCAL YEARS 2002 AND 2001, SMITHFIELD'S SALES WERE \$7.4 AND \$6.0 BILLION, RESPECTIVELY.

WITH A FIRM COMMITMENT TO A VERTICAL INTEGRATION BUSINESS STRATEGY, WE ARE ABLE TO EXERCISE COMPLETE CONTROL OVER OUR PRODUCTS — FROM GENETIC LINES AND NUTRITIONAL REGIMEN FOR OUR HOGS, TO THE METHODS USED TO PROCESS, PACKAGE, AND DELIVER PORK PRODUCTS TO OUR CUSTOMERS. THROUGH 400 COMPANY-OWNED FARMS AND 1,200 CONTRACT GROWERS, WE PRODUCE 12 MILLION HOGS A YEAR. WE PROCESS 20 MILLION HOGS ANNUALLY AND MARKET FRESH PORK AND PROCESSED MEATS PRODUCTS TO OUR CUSTOMERS.

SECTION 1 >**SMITHFIELD'S BUSINESSES AND MAJOR BRANDS**

Smithfield Foods comprises two industry segments: the Hog Production Group and the Meat Processing Group.

The Hog Production Group is more formally known as Murphy-Brown, LLC. Murphy-Brown is the largest producer of exceptionally lean hogs. The company owns and operates hog farms in Colorado, Illinois, North Carolina, Oklahoma, South Carolina, Texas, Utah, and Virginia.



Smithfield companies in the Meat Processing Group process hogs to produce fresh pork and process cattle to produce fresh beef. Also in this group are facilities that further process fresh pork into processed meats products, such as ham, bacon, hot dogs, sausage, and salami.

The company has fresh pork processing plants in Iowa, North Carolina, South Dakota, and Virginia. Beef processing facilities are located in Arizona, Michigan, Nebraska, Pennsylvania, and Wisconsin.

Further processed meats plants are in Florida, Illinois, Maryland, North Carolina, Pennsylvania, Texas, Virginia, and Wisconsin.

Canadian plants are located in British Columbia, Ontario, Quebec, and Saskatchewan.

SECTION 2>**SMITHFIELD FOODS' NORTH AMERICAN SUBSIDIARIES**

Gwaltney of Smithfield, Ltd.
John Morrell & Co.
Moyer Packing Company
North Side Foods Corp.
Packerland Holdings, Inc.
Patrick Cudahy Incorporated
Quik-To-Fix/Gorges Foods, Inc.
Schneider Corporation
The Smithfield Packing Company, Incorporated
Murphy-Brown, LLC
Stefano Foods, Inc.



SECTION 3>

SMITHFIELD FOODS' MAJOR BRANDS

The company markets its domestic processed meats products under labels that include Smithfield Premium, Gwaltney, Patrick Cudahy, and John Morrell, as well as Dinner Bell, Ember Farms, Esskay, Great, Kretschmar, Lykes, Patrick's Pride, Rath, and Valleydale.

The company has a national brand of fresh pork cuts: Smithfield Lean Generation Pork.

CONTACT>

WE INVITE YOU TO CONTACT US!

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NOTE>

THIRD PARTY CONTRACTS

In addition to Murphy-Brown's farms, we produce hogs through contracts with third-party farmers. Smithfield contracts for the following types of farms: sow breeding farms, nursery farms, and finishing farms. During its lifetime, a Smithfield hog will spend time on each of these types of farms, either company-owned or contractor-owned. Our network of contract growers is committed to environmental excellence, the basis of which is compliance with all applicable environmental laws and regulations.



POLICY / ORGANIZATION > A FOUNDATION FOR CONTINUOUS IMPROVEMENT

DURING THIS REPORTING PERIOD, CONSIDERABLE PROGRESS WAS MADE TO POSITION SMITHFIELD FOR CONTINUOUS ENVIRONMENTAL IMPROVEMENT. FROM PUTTING THE RIGHT PEOPLE IN PLACE TO SHARING INFORMATION AND LEARNING FROM PEERS, WE HAVE EFFECTIVELY SET A FOUNDATION FOR SUSTAINED GROWTH.

SECTION 1 >**GUIDING OUR ACTIONS: ENVIRONMENTAL POLICIES**

Adopted in 2000, Smithfield's Environmental Policy Statement currently applies to our U.S. operations. Operations outside of the United States must comply with all applicable environmental regulations within the countries where we do business.

SUBSECTION 1.1 >**ENVIRONMENTAL POLICY STATEMENT**

It is the corporate policy of Smithfield Foods, Inc., and its subsidiaries to conduct business in an ethical manner consistent with continual improvement in regard to protecting human health and the environment.

The following management principles are adopted to ensure this policy is endorsed and implemented throughout our organization:

- Maintaining an effective organizational and accountability structure for environmental performance;
- Establishing policies and practices for conducting operations in compliance with environmental laws, regulations, and other organizational policies;
- Training and motivating facility operators to conduct all activities in an environmentally responsible manner;







TESTING THE WATERS IN NORTH CAROLINA

In Tar Heel, NC, the world's largest pork processing facility and the state's largest river coexist in harmony. That's due in no small part to the \$3 million investment Smithfield Packing Company made five years ago to install a state-of-the-art water reuse system. Today, that system recycles more than 1 million gallons daily. This has allowed the Tar Heel facility to increase production while reducing the volume of treated water it discharges into the neighboring Cape Fear River. As a result, aquatic life in the river continues to thrive. The plant's water reuse system has also reduced the facility's overall groundwater use.

ABOUT THIS PHOTO

Smithfield Foods is part of the Cape Fear River Basin Association, which contracts with an independent lab to test the river's water quality on a regular basis. Lab technicians routinely monitor levels of alkalinity, chlorophyll, biological oxygen demand, nutrients, and suspended solids. On this trip, Charles Fiero, the Tar Heel facility's environmental manager, observes a technician as he tests the oxygen level of the river downstream of the plant's discharge.

Please turn to page 38 to learn more.

- Assessing the environmental impacts of changes in operations;
- Encouraging the operation of facilities with diligent consideration to pollution prevention and the sustainable use/reuse of energy and materials;
- Encouraging prompt reporting of any environmentally detrimental incidents to regulators and management;
- Providing facility operators with information relating to specific local or regional conditions, current and/or proposed environmental regulations, technologies, and stakeholder expectations;
- Providing for environmental performance goals, assessing performance, conducting audits, and sharing appropriate performance information throughout our organization;
- Promoting the adoption of these principles by suppliers, consultants, and others acting on behalf of the company; and
- Documenting development, implementation, and compliance efforts associated with these principles.

SUBSECTION 1.2>

PROTECTING AND PRESERVING NATURAL AREAS: SMITHFIELD'S LAND MANAGEMENT POLICY

To foster the preservation of biodiversity, Smithfield's wholly owned hog production group, Murphy-Brown, LLC, developed a comprehensive Land Management Policy for company-owned farms. This policy will guide site-specific planning for sustainable land management, providing for consideration of the following elements:

- Water quality protection;
- Soil conservation;
- Wildlife habitat development;
- Inclusion of buffers between irrigation fields and adjacent land; and
- Preservation of wetlands and natural areas.

By year-end, land management plans for our farms in Virginia and North Carolina will be completed. For company-owned farms in all other U.S. states, we anticipate the completion of land management planning by Fall 2003 and full implementation by Fall 2004.

SECTION 2>**RESTRUCTURED FOR RESULTS: SMITHFIELD'S ENVIRONMENTAL ORGANIZATION**

With considerable changes in Smithfield's overall organization over the past few years, we have expanded the Environmental Affairs Department to better support our commitment to performance and accountability.

SUBSECTION 2.1>**ACCOUNTABILITY AT THE TOP**

The senior management of the Environmental Affairs Group reports directly to Smithfield's president and chief operating officer.

Within business units, senior management is held strictly accountable for compliance. At each Smithfield processing facility, plant managers are responsible for environmental performance.

Executive-level officers review all serious incidents. Critical environmental issues and solutions are also discussed on a quarterly basis between the corporate environmental leadership team and our business units' senior management, which constitute Smithfield's Environmental Compliance Committee.

SUBSECTION 2.2>

THE CORPORATE ENVIRONMENTAL AFFAIRS DEPARTMENT

The expansion of Smithfield's Corporate Environmental Affairs Department better supports our strategy for continuous improvement. During 2001, we added two positions — director of environmental technology and environmental engineer for technology development. The new research and development unit is responsible for ongoing alternative technology research initiatives being pursued by Smithfield.

Additionally, Kelley Kline was appointed an assistant general counsel for environmental affairs. She is dedicated to Smithfield's Corporate Environmental Affairs Department to provide advice, insight, and guidance in the environmental sector.

SUBSECTION 2.3>

PERFORMANCE: OUR ENTIRE TEAM'S BUSINESS

Over the past two years, we have worked hard to enhance employees' awareness of Smithfield's corporate responsibility to protect and preserve the natural environment — and their individual responsibilities while working for our company. Our team is strongly encouraged to take initiative on projects that will positively impact performance. Exceptional efforts are recognized and rewarded through Smithfield Foods' Environmental Excellence Awards.

Our employees' job performance is evaluated not only on business results achieved, but also on how well they operate in accordance with Smithfield's Environmental Policy Statement. This is particularly true of our management team. The determination of salary adjustments, bonuses, and promotions are now dependent in part upon individual initiative to further environmental performance.



SECTION 3>**SETTING AN INDUSTRY STANDARD: ENVIRONMENTAL
MANAGEMENT SYSTEMS**

Setting the foundation for managing and measuring the environmental performance of Smithfield's combined U.S. operations is a priority for our company. Murphy-Brown, LLC, was the first to implement environmental management systems (EMS) in a number of our hog production facilities based on the international standard, ISO 14001. By December 2001, all of Murphy-Brown's company-owned operations in North Carolina and Virginia went the extra step to achieve ISO 14001 certification, making Murphy-Brown the first livestock production operation in the United States to do so.

Our effort to standardize EMS at Smithfield's U.S. operations advances at a steady pace. With the goal of extending an ISO 14001-compatible EMS to all of Murphy-Brown's U.S. operations by the end of calendar year 2002 — and our Meat Processing Group's U.S. operations by 2004 — we continue benchmarking the status of Smithfield's current systems relative to this standard.

All of our North American facilities will be developing EMS based on the ISO 14001 standard and seeking ISO 14001 certification. Overall system performance will be monitored by our corporate organization.

SUBSECTION 3.1>**PERFORMANCE INDICATORS**

To date, the ISO 14001-based EMS implemented at Murphy-Brown operations have yielded encouraging results. In the first full year of implementation, these operations have improved Murphy-Brown's compliance record by approximately 85 percent.







TRANSFORMING HOG WASTE INTO KILOWATTS

How do you turn swine waste into plump red tomatoes and green electricity? This is just one of the questions that North Carolina State University's (NCSU) Animal and Poultry Waste Management Center hopes to answer in its ongoing research for alternative hog waste disposal methods. Smithfield Foods has committed \$15 million to this initiative and has agreed to apply the technologies NCSU selects — if economically feasible — on all our company-owned farms. This contribution is helping fund environmental solutions that, among other things, strive to convert wastewater solids into energy, transform manure into fertilizer, and capture methane biogas for use in turbine generators.

ABOUT THIS PHOTO

Since 1998, this 28,000-square-foot greenhouse on a farm in Zebulon, NC, has been the site of a demonstration project for NCSU research. The greenhouse grows tomatoes fed by nutrient byproducts of hog waste. In addition, biogas electricity generated by this program meets nearly 70 percent of the farm's power needs. Dr. Prince Dugba (foreground), environmental engineer for technology development for Smithfield Foods, examines tomato plants along with farm owner Julian Barham.

Please turn to page 32 to learn more.

Currently, Murphy-Brown tracks a number of environmental indicators, including regulatory exceedances. In future years, we will be formalizing additional indicators to be tracked by our operations and setting targets for continuous performance improvement.

Due to the rigorous requirements of these ISO 14001-based EMS, we anticipate multiple benefits, including the following:

- Enhanced pollution prevention, energy and resource efficiencies, and associated bottom-line benefits;
- Reduced environmental liability and risks;
- Improved communications with our stakeholders; and
- Opportunities to go beyond compliance in our regulatory requirements.

SUBSECTION 3.2>

ORGANIZED FOR EMS IMPLEMENTATION

To support the development of EMS at our processing facilities, Smithfield has expanded the role and number of on-site facility environmental coordinator positions. During this reporting period, we developed a training program and manual for both coordinators and managers for assisting in the implementation of standardized EMS.

SUBSECTION 3.3>

MANAGING FOR RESULTS: ELEMENTS OF OUR EMS

Based on ISO 14001, Smithfield's environmental management systems clearly establish a structured approach for managing the environmental aspects and impacts of our varied operations. (An aspect is any element of our operations that can impact the environment. An impact is any change to the environment, whether adverse or beneficial, resulting from our activities.) Each facility will be developing a system with standardized elements that include the following:



- An EMS environmental policy that guides system development and maintenance;
- An organizational structure that clearly defines roles and responsibilities for maintaining each facility's system;
- A formalized documentation and record-keeping procedure that tracks progress toward objectives and targets;
- A training, competence-assessment, and awareness-building program to ensure employees receive appropriate training;
- Effective procedures for communications, emergency preparedness and response, monitoring and measurement, and corrective action; and
- Regular management review and audits for system performance.

SECTION 4>**STRENGTHENING OUR INTERNAL COMMUNICATIONS**

Smithfield recognizes that delivering on a commitment to continuous improvement will mean establishing effective communications programs within the company. We have made strides in a number of areas: from reporting to company-wide internal performance recognition.

SUBSECTION 4.1>**SMITHFIELD'S COMMUNICATIONS PROTOCOL**

Smithfield's Communications Protocol facilitates the swift communication of all environmental incidents or any situation requiring immediate reporting to regulatory agencies. The protocol provides detailed guidelines and contact numbers to ensure that any notice of violation, penalty notice, or similar environmental enforcement notice issued to any of our U.S. subsidiaries is reported to our executive management team in a timely manner.



SUBSECTION 4.2>

ONGOING INTRANET DEVELOPMENT

To provide environmental coordinators and plant management with a convenient, up-to-date information resource, an internal environmental Intranet site became active in Fall 2002. This site enables the efficient communication of policies and procedures.

SUBSECTION 4.3>

PROMOTING EXCEPTIONAL PERFORMANCE: THE SMITHFIELD FOODS ENVIRONMENTAL EXCELLENCE AWARDS

The company began a formalized program in 2001 to recognize Smithfield employees' innovative efforts to exceed our company's environmental performance expectations. Through the Smithfield Foods Environmental Excellence Awards, we promote the importance of environmental performance throughout our U.S. and Canadian-based operations. Those selected for an award receive a commemorative plaque and monetary gift, a portion of which is donated to a charity of their choice.

In fiscal 2002, we continued a program of recognition by honoring the following award winners:

- *MURPHY-BROWN* for the swift and successful development, implementation, and third-party certification of environmental management systems (EMS) in 150 facilities. These EMS have resulted in a substantial reduction in notices of deficiency and notices of violation.
- *SCHNEIDER CORPORATION* for successfully implementing a comprehensive and improved environmental management system at all of its facilities. This program has significantly improved compliance, achieved cost savings, and reduced waste.

- *MOYER PACKING COMPANY* for installing a condensing heat exchanger system on two boilers at its Elroy rendering facility. This system creates hot water for its Souderton beef slaughter and processing facility. And, it saves over 44,000 MCF (thousand cubic feet) of natural gas per year. It also cools boiler exhaust gas considerably before it enters the atmosphere, which reduces environmental impact.
- *SMITHFIELD PACKING COMPANY'S LYKES MEAT GROUP* for proactively and effectively addressing high levels of electrical conductivity in its plant's wastewater stream, a result of increased brine and pickle entering the waste stream due to increased production. (Electrical conductivity is the amount of total dissolved salts or ions in water. High levels of conductivity can adversely impact the biological treatment system at the packing plant and at the city's treatment plant.) The Lykes Meat Group's four-point plan led to increased water efficiencies as well as a significant reduction in brine and pickle waste and treatment system costs and surcharges.
- *SMITHFIELD PACKING COMPANY'S WILSON FACILITY* for the implementation of a wastewater collection system and other initiatives to reduce high water usage and address the quality of wastewater discharge. The facility's efforts helped foster relations with the City of Wilson, reduced wastewater discharges of brine/pickle by more than 200,000 gallons per year, realized considerable water efficiencies (from 48 gallons per 100 lbs of product produced to 26.6 gallons per 100 lbs of product produced) — and resulted in exemplary compliance for calendar year 2001.





REAPING THE BENEFITS OF A LOW-SALT DIET

The Smithfield and Lykes brands of ham and lunchmeat are real crowd pleasers, leading to expanded production over the past two years at Smithfield Packing's processed meats facility in Plant City, FL. With the use of salt and other pickling ingredients rising, plant personnel developed a monitoring and collection system that keeps wastewater conductivity levels in check. This ensures that the municipal reclamation facility can properly treat the plant's wastewater and lessens the threat to area marine life from water the city returns to the Hillsborough River. The Smithfield plant's solution has also curtailed the practice of transporting highly conductive wastewater for treatment elsewhere. As a result of this salt removal, water volume at Plant City's reclamation facility has increased, reducing the need for fresh water from the area's already stressed aquifer.

ABOUT THIS PHOTO

First at our Kinston, NC, operation and now in Plant City, Wastewater Supervisor Norman Johnson (left) continues to work with plant personnel and local regulators to generate effective programs for water conservation and pollution prevention. He is pictured with Plant Engineer Bruce Owens at Plant City's water reclamation facility.

Please turn to page 29 to learn more.

SUBSECTION 4.4>

PRESIDENT'S AWARD

Beginning with this year's Environmental Excellence Awards, Smithfield has included an additional recognition: the President's Award for Exemplary Environmental Performance. This award is used to honor the company facility that best exemplifies and represents the principles contained in our Corporate Environmental Policy. Overall compliance, as well as plant-wide environmental accountability, training programs, pollution prevention, and communications efforts are all considered in selecting the recipient. John Morrell's facility in Sioux Falls, South Dakota, was honored with this year's award.

SECTION 5>

MOVING OUR INDUSTRY FORWARD: SUPPORTING EXTERNAL RESEARCH

As a proactive company, Smithfield is committed to supporting the research and development of environmentally superior technologies for the treatment of hog wastes. In 1999, Smithfield made available \$15 million to further these types of projects. In 2000, we reached a voluntary agreement with the North Carolina Attorney General's Office in which this money was earmarked to pursue a research program of environmentally superior technologies to be conducted by North Carolina State University (NCSU).

NCSU continues its investigation of 18 different technologies to modify or replace current methods of hog waste treatment, recycling, and disposal. These technologies are in various stages of development, installation, and evaluation. In 2003, NCSU will provide a report on the status of its research. We will communicate progress on this groundbreaking initiative in our subsequent reports.

Smithfield is actively supporting these research efforts, and assisting with the piloting of leading-edge technologies. Smithfield's director of environmental technology and environmental engineer for technology development act as our liaisons for this program. Both are also tasked with implementing environmentally superior technology projects at Smithfield's hog farms in Missouri, North Carolina, Oklahoma, and Utah.



SUBSECTION 5.1 >

WASTE TO ENERGY: PROMISING ALTERNATIVE WASTE TREATMENT TECHNOLOGIES IN DEVELOPMENT

Selected for further development and evaluation by North Carolina State University, *BIOMASS ENERGY SUSTAINABLE TECHNOLOGY (BEST)* and *INNOVATIVE SUSTAINABLE SYSTEMS UTILIZING ECONOMICAL SOLUTIONS (ISSUES)* are two environmentally superior technologies that Smithfield is helping to pioneer and pilot at our facilities. Both technologies have the potential to help transform hog wastes into valuable commodities: energy and fertilizer.

SUBSECTION 5.2 >

BEST: HOW IT WORKS

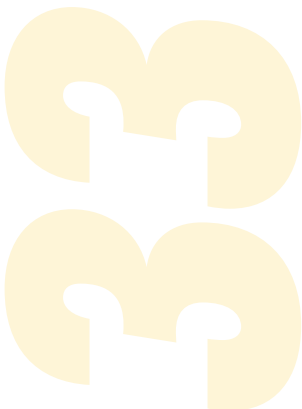
BEST is an on-farm system.

- It separates hog waste into a partially purified liquid and a solid material;
- The solid material is transported from the farm to a centralized processing facility where technologies are being used to transform these solids into various forms of energy, such as steam, electricity, methane, and methanol; and
- The ash can be used in fertilizer and the heat can be converted into steam or electricity.

SUBSECTION 5.3 >

ISSUES: HOW IT WORKS

The ISSUES technology encompasses three slightly different approaches for treating waste at the individual farm level. Each approach provides a number of benefits.



- **APPROACH ONE:** To reduce ammonia emissions and odor from anaerobic waste treatment basins or lagoons, a permeable cover is stretched over the basin. This cover provides a home for microbes that help absorb these emissions.
- **APPROACH TWO:** This second, more systematic approach uses treated water from the aerobic portion of the waste treatment process to create the same type of cover for the basin during the anaerobic portion of the treatment process.
- **APPROACH THREE:** To capture methane gas from the waste treatment process for electricity production, an insulated cover is stretched across the waste treatment basin during the anaerobic treatment stage. This approach also enables further treatment for possible water reuse at the farm site.

SECTION 6>**SMITHFIELD'S CORPORATE MEMBERSHIPS**

To keep abreast of issues in our industry and contribute to progressive policy and other developments, Smithfield is a member of a number of U.S. organizations. Among these are the following:

- United States Chamber of Commerce
- National Association of Manufacturers
- The National Pork Producers Council
- American Meat Institute
- Corporate Environmental Enforcement Council
- Environmental Law Institute

**ENVIRONMENTAL
PERFORMANCE
AND PROGRAMS>**

INDIVIDUAL SMITHFIELD FACILITIES ARE MAKING PERFORMANCE GAINS THROUGH INITIATIVES AND PILOT PROGRAMS USING INNOVATIVE TECHNOLOGIES.

DURING THIS REPORTING PERIOD, THESE EFFORTS FOCUSED ON IMPROVING SOME OF OUR COMPANY'S PRIMARY ENVIRONMENTAL IMPACTS THROUGH WATER CONSERVATION, ALTERNATIVE ENERGY PRODUCTION, AND SOLID WASTE REDUCTION EFFORTS.

THROUGH SMITHFIELD'S REDESIGNED CORPORATE ENVIRONMENTAL ORGANIZATION AND THE ONGOING IMPLEMENTATION OF STANDARDIZED ENVIRONMENTAL MANAGEMENT SYSTEMS, WE ARE NOW BETTER POSITIONED TO FURTHER THESE BEST MANAGEMENT PRACTICES THROUGHOUT THE COMPANY AND TO ASSEMBLE KEY PERFORMANCE INDICATORS FOR THE COMPANY'S U.S. OPERATIONS. IN FUTURE ENVIRONMENTAL AND SAFETY REPORTS, WE LOOK FORWARD TO SHARING OUR FINDINGS WITH YOU.

SECTION 1 >

CONSERVING WATER RESOURCES

Our industry requires a lot of water: for maintaining animal health, for cleaning farming facilities, for waste treatment, and in our processing operations — to name just a few applications. At Smithfield, we strongly encourage our subsidiaries to find creative, cost-effective ways to use less and reclaim more water.

To date, a number of facilities have installed water conservation programs using leading-edge technologies. Currently, Smithfield is evaluating these programs to develop corporate water conservation programs that will help measure and monitor our U.S. operations' total water usage and impact, as well as identify conservation opportunities.





Farm Wildlife Recovery Team





ROLLING OUT THE WELCOME MAT FOR WILDLIFE

Bobwhite quail, song birds, bluebirds, and a variety of small mammals are calling Murphy-Brown hog farms home these days. Through a recently completed land management plan for all its East Coast farms, the Smithfield Foods subsidiary has taken the lead in protecting wildlife habitats, wetlands, and other ecologically sensitive areas. The plan will be fully implemented over the next year and a half, although many of the practices it outlines have long been common practice on Murphy-Brown farms. For example, virtually all contain vegetated buffers around the farming areas that enhance water quality by decreasing soil erosion and nutrient loss. We want cleaner rivers running through hog country, protecting fish, water fowl, and other area marine life. The land management plan also provides protection for, among other things, mature longleaf pines, bald cypress trees, and bottom-land hardwoods.

ABOUT THIS PHOTO

Dawn Williamson, a Murphy-Brown technical specialist, monitors the mature natural undergrowth on a finishing farm's buffer zone in Bladen County near Ammon, NC. This early successional vegetation provides food and shelter for ground-nesting birds, migratory songbirds, rabbits, squirrels, and other small mammals.

Please turn to page 20 to learn more.

SUBSECTION 1.1>

SMITHFIELD PACKING COMPANY'S FACILITY IN TAR HEEL, NORTH CAROLINA

Installed in 1997, the innovative water treatment system at Smithfield Packing Company's Tar Heel facility enables the reuse of over 1 million gallons per day. This reduces the need for fresh groundwater by the same amount. The technology also minimizes the impact on Cape Fear River ecosystems by reducing the discharge of treated wastewater by 1 million gallons per day.

In late 2001, this plant installed a special pulsating valve on the water spray system used in livestock pens to keep the animals cool, cutting water needed for this function by half. This innovation saves roughly 100,000 gallons per day without compromising the comfort of the animals.

SUBSECTION 1.2>

SMITHFIELD PACKING COMPANY'S FACILITY IN KINSTON, NORTH CAROLINA

The installation of innovative water treatment and reclamation technologies at our Kinston processing plant achieved a reduction of 5 million gallons of water per month (and reduced stress on the water table). The technologies, which feature three "cooling towers," are capable of recirculating more than 200,000 gallons of water daily.

Similar technologies installed at our processing facilities in Wilson, North Carolina, and Smithfield and Portsmouth, Virginia, are furnishing comparable benefits to surrounding communities and our company.



SUBSECTION 1.3>

WATER USAGE IN MURPHY-BROWN HOG FARMS

The ISO 14001-certified environmental management systems (EMS) implemented on Murphy-Brown's North Carolina- and Virginia-based hog farms play a significant role in helping monitor the water usage at these facilities. Through these systems, water usage has been assessed against our program needs and reduced accordingly using a variety of technologies. For example, with the help of special watering systems, hogs are provided water as they need it. This not only conserves water but also creates less wastewater requiring treatment and reduces the amount of liquid waste.

SECTION 2>

CAPTURING GREENER ENERGY AND REALIZING ENERGY EFFICIENCIES

At Smithfield, the nature of our business provides a number of opportunities to move the industry toward more sustainable growth and even potentially assist communities in meeting their growing energy needs. Already, many of Smithfield's operations are harnessing the energy potential of methane, a gas generated from wastewater treatment, and other types of biomass to help power facilities and reduce air emissions as well as other environmental impacts.

To capture more of these opportunities, Smithfield is striving to better understand how we use energy throughout our entire U.S. operations. The more formalized monitoring and tracking capabilities of the environmental management systems being implemented throughout our U.S. operations will assist in this effort. Smithfield continues to review individual facility energy efficiency and alternative energy production best practices to determine how these can be applied to a greater number of facilities.

SUBSECTION 2.1 >

FUELING OUR OPERATIONS, REDUCING AIR EMISSIONS WITH BIOENERGY

During our reporting period, Smithfield's adoption of innovative technologies at a number of facilities has helped avoid the release of roughly 3,700 tons of methane.

In addition to the environmental benefits, we have also realized a considerable business benefit. Over the past two years, we have implemented several alternative energy production installations that derive over 214 trillion British thermal units (Btu) of energy annually from the use of methane or animal fats from the wastewater treatment processes. This is equivalent to the amount of energy required to meet the typical hot water needs of over 8 million households.

Additionally, these materials burn cleaner than if the same energy were being provided through certain fossil fuel-powered technologies.

SUBSECTION 2.2 >

CONVERTING WASTE TO ENERGY AT PATRICK CUDAHY

Using specially adapted boilers and leading-edge system technologies, Patrick Cudahy supplements fuel needs at its meat processing plants by recycling animal fats and other byproducts that are captured during the wastewater treatment process.

This unique installation provides Smithfield with a number of environmental and business benefits. The extraction of roughly 175,000–200,000 gallons of grease for reuse as fuel offsets the need to purchase fossil fuels such as natural gas for the same purpose. Compared to natural gas, the burning of animal grease produces lower nitrogen oxide (NO_x) and sulfur dioxide (SO₂) emissions; both contribute to the formation of acid rain. We have avoided the need to dispose of this solid waste in landfills, saving space and costs.

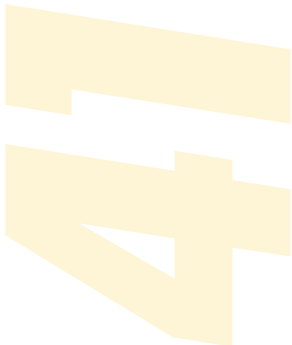
SECTION 3>**AWARD-WINNING ALTERNATIVE FUEL USE AT MOYER PACKING COMPANY**

Smithfield's southern Pennsylvania-based Moyer Packing Company's in-house solution to the rising costs of fossil fuel-generated energy was an award-winning decision. For its innovative approach to powering facilities using an environmentally superior mixture of animal fats and vegetable oils from rendering operations, MOPAC was recognized with a 2001 Pennsylvania Governor's Award for Environmental Excellence.

Using specially adapted boiler technology, Moyer has been able to realize a number of benefits from converting these products to cheap sources of fuel, including the production of far fewer air emissions. Compared to the roughly 80,000 pounds of NO_x and 200,000 pounds of SO_x generated from the company's use of fossil fuels in calendar year 2000, emissions decreased to roughly 12,000 pounds of NO_x and 355 pounds of SO_x in 2001.

SECTION 4>**TOWARD REDUCING ALL FORMS OF SOLID WASTE**

To more cost-effectively manage residual byproducts and achieve cost-savings in an environmentally responsible manner, Smithfield began the development of a Solid Waste Assessment program during fiscal year 2002. This program, for which implementation will begin in fiscal year 2003, sets the foundation for identifying the numerous types, quantities, and associated disposal costs of waste produced by our facilities. It will enable us to eventually set targets for reduction and monitor progress.







**SAFEGUARDING THE
SURROUNDINGS AT SCHNEIDERS**

It takes a lot less water these days to quench the thirst of the Schneiders processing plant in Kitchener, Ontario. Water consumption has fallen 68 percent from 471 million imperial gallons in 1989 to 149 million in 2002. The Kitchener facility also reduced its tonnage to land-fill by 50 percent. For example, some 60 tons of sawdust waste produced annually by its meat smoking operations now provide a rich source of carbon for municipal and private composting facilities. These are just two of many accomplishments that Smithfield's Canadian subsidiary has logged since it began developing a comprehensive environmental management system (EMS) in 1990. Through its EMS, Schneiders has established systems for monitoring and measuring the impact of its plants, identifying potential problems, implementing solutions, and training employees in compliance.

ABOUT THIS PHOTO

As manager of environmental affairs for Schneiders, Brad Erhardt has been responsible for implementing and improving its EMS. With 21 Schneiders facilities throughout Canada, he is concerned with the entire country's environmental quality. Here Erhardt enjoys the view of pristine Georgian Bay from among the birch trees of Lion's Head, Ontario.

Please turn to page 28 to learn more.

SAFETY PERFORMANCE AND PROGRAMS>

THE SAFETY OF SMITHFIELD EMPLOYEES IS A TOP PRIORITY FOR OUR COMPANY. WE ARE STRONGLY COMMITTED TO PROTECTING THEIR WELL-BEING AND CONTINUOUSLY IDENTIFYING AND REDUCING POTENTIAL WORKPLACE HAZARDS.

SECTION 1>

BEYOND COMPLIANCE: SMITHFIELD'S GOALS FOR SAFETY PERFORMANCE

Safety standards and goals for Smithfield's U.S. operations are high and very clearly communicated from the senior management of the company throughout our operations. Smithfield aims to achieve performance that surpasses the industry average — and to set the standard for top-tier performance. Our performance benchmarks are set to improve upon the recognized industry safety metrics by at least 30 percent. Generally, 75 percent of our operating units in the United States meet this goal. And each year, to promote continuous improvement, the bar is raised for each Smithfield facility that meets or exceeds these expectations.

All Smithfield facilities, in the U.S. and globally, are expected to comply with the applicable regulatory requirements of the countries in which they are located.

SUBSECTION 1.1>

AWARD-WINNING SAFETY PERFORMANCE

In 2001, the American Meat Institute recognized Smithfield's commitment to protecting employees with 19 safety awards.

SECTION 2>

DESIGNED FOR PERFORMANCE: SMITHFIELD'S SAFETY ORGANIZATION

At Smithfield, safety responsibilities are established at the subsidiary level. The corporate organization, directed by the president, communicates performance standards and monitors and measures safety performance and compliance responsibilities within U.S. subsidiaries' facilities. It also ensures our operational safety activities are aligned with corporate goals and expectations through use of benchmarking audits.



Productivity, quality, and safety are fully integrated into our business philosophy. We routinely use outside consultants in safety and risk management functions. They lend additional expertise, provide recommendations to complement our internal audits and safety assessments, and assist in exposure identification and analysis.

Through Smithfield's corporate safety program, we continuously cultivate a safety culture so that our team — management and employees alike — are fully aware of all proper safety procedures and understand their responsibilities for safe conduct and injury prevention.

SECTION 3>**A CHALLENGING INDUSTRY**

Meat processing and farming operations work environments are among the most challenging of any industry. Smithfield must comply with rules and regulations enforced by regulatory agencies to maintain safe operating equipment, workplace conditions, and employee safe-operating practices.

SUBSECTION 3.1>**FACILITY SAFETY MANAGEMENT PROGRAMS**

Each of our subsidiaries has a safety organization dedicated to managing effective safety programs related to operation-specific issues and regulatory requirements, and focused on continuous improvement. These programs incorporate overall corporate goals that address the causes of accidents and guide the implementation of specific measures to reduce the overall risk of injury.

In their business planning, which is reviewed at the corporate level, all of Smithfield's U.S. and Canadian facilities demonstrate a well-organized safety program that accomplishes the following:

- Effectively details, addresses, and documents safety issues that are associated with particular operations;
- Demonstrates how Smithfield's six internal safety metrics and accident drivers are addressed;
- Assesses work practices to minimize workplace injury;
- Ensures all employees understand their responsibilities for accident prevention;
- Documents performance improvement plans and addresses hazards and unsafe work practices through defined methods and corrective action;
- Ensures the immediate investigation of accidents to determine the root cause and prevent recurrence; and
- Establishes programs that meet the U.S. Occupational Safety and Health Administration (OSHA) and Environmental Protection Agency (EPA) requirements for process safety management, which call for a system to manage the use of chemicals and associated processes. This includes a Risk Management Program through which Smithfield coordinates with community agencies to establish emergency response practices.

At Smithfield, we are continuously upgrading our data collection systems to promote the most efficient and thorough safety analyses of our operations.

SECTION 4>

STRENGTHENING OUR FLEET SAFETY PERFORMANCE

With the acquisition of numerous companies over the past few years, Smithfield's transportation fleet has grown considerably. We now use over 1,500 vehicles. To ensure that employees transporting livestock, driving tractors, and delivering products



to customers are well-versed in driver safety procedures, Smithfield established a Corporate Fleet Safety Program in 1999. This program effectively replaced all subsidiary-specific programs and is tailored to promote driver safety in the range of vehicles we use across our operations.

SECTION 5>**CONTINUOUS IMPROVEMENT THROUGH INTERNAL COMMUNICATIONS PROGRAMS**

Our consistent and above average safety performance can be attributed in part to the effective communications programs we have established. These programs continue to evolve to meet our changing needs.

SUBSECTION 5.1>**SMITHFIELD'S ANNUAL SAFETY CONFERENCE**

For several years, Smithfield has been holding an annual Safety Conference for U.S. and Canadian safety teams. This forum provides an opportunity for Smithfield's safety personnel to come together and share ideas and best practices, as well as grow professionally. It is here that we emphasize competition among our subsidiaries and set goals for Smithfield's performance over the coming year. Awards are presented to subsidiaries that have demonstrated superior performance.

SUBSECTION 5.2>**THE SAFETY INTRANET SITE**

To keep communications flowing among Smithfield's safety personnel and facilitate the timely distribution of information, Smithfield has a dedicated internal safety Intranet site. Smithfield's safety professionals in our U.S. and Canadian operations use this secure site to share best practices and program information.







GOING THE EXTRA MILE TO PROTECT EMPLOYEES

Smithfield's Gwaltney subsidiary gives new meaning to the expression "safety in numbers." That's because Gwaltney's processing plant in Smithfield, VA, routinely experiences less than half the number of safety incidents than the meat packing industry average. Moreover, the plant has recently reduced the severity and frequency of safety incidents in recent years by an additional 40 percent. Every Gwaltney plant strives to exceed the standards set by regulatory bodies, whether they be related to safety or the environment. Gwaltney's safety training and implementation is far more detailed than the U.S. Occupational Safety and Health Administration (OSHA) requires, and the company has set the highest standards in areas such as machine guarding.

ABOUT THIS PHOTO

Regular training and inspections are part of the compliance efforts of every Smithfield Foods subsidiary. Matt O'Brien, Gwaltney's director of safety, environmental, and special projects, routinely visits 10 plants in North Carolina and Virginia to monitor their safety and environmental progress. He is shown en route to Gwaltney's processed meats plant in Portsmouth, VA.

Please turn to page 44 to learn more.

EXTERNAL RECOGNITION > SMITHFIELD'S COMMITMENT TO CONTINUOUS IMPROVEMENT IN ENVIRONMENTAL AND SAFETY PERFORMANCE WAS RECOGNIZED BY A NUMBER OF EXTERNAL ORGANIZATIONS. IN ADDITION TO OUR COMPANY'S INTERNAL AWARDS, THIS RECOGNITION SENDS A POSITIVE MESSAGE TO OUR TEAM THAT WE ARE ON THE RIGHT TRACK.

SECTION 1 >**ENVIRONMENTAL PERFORMANCE AWARDS**

- *2000 AND 2001 SILVER PRETREATMENT EXCELLENCE AWARD* from the Hampton Roads Sanitation District, Virginia, for demonstrating an exemplary compliance record and a commitment to environmental excellence. This award was presented to Smithfield Packing Company and Gwaltney facilities in Smithfield, Virginia.
- *2001 GOVERNOR'S AWARD FOR ENVIRONMENTAL EXCELLENCE* from the Pennsylvania Department of Environmental Protection for Moyer Packing Company's alternative fuel-source initiative.
- *2001 GOLD AWARD* from Wilson, North Carolina, for the exemplary compliance record of the Smithfield Packing Company's Wilson facility during calendar year 2001.

SECTION 2 >**SAFETY PERFORMANCE AWARDS**

The American Meat Institute (AMI) Foundation held its annual Safety Recognition Awards ceremony in March 2002. The AMI Foundation Safety Recognition Awards Program, administered by the non-profit National Safety Council, recognizes AMI members' efforts to demonstrate sound safety and health programs and achieve a high level of safety performance. For continuing efforts to reduce occupational injuries and illnesses, Smithfield received the following awards:



SUBSECTION 2.1>

2001 GOLDEN STAR AWARDS

The Golden Star Award recognizes the following plants with safety performance that is a 60 percent or greater improvement upon the industry safety average:

- GREAT BEND PACKING CO., A DIVISION OF JOHN MORRELL & CO., Great Bend, KS;
- GWALTNEY OF PORTSMOUTH, LTD., Portsmouth, VA;
- GWALTNEY OF SMITHFIELD, LTD., Smithfield, VA;
- HANCOCK'S OLD FASHION COUNTRY HAMS, A DIVISION OF GWALTNEY, LTD., Franklinville, NC;
- SMITHFIELD PACKING CO., KINSTON DIVISION, Kinston, NC;
- SMITHFIELD PACKING CO., NORFOLK DIVISION, Norfolk, VA;
- SMITHFIELD PACKING CO., TAR HEEL DIVISION, Tar Heel, NC; and
- MOYER PACKING COMPANY, Souderton, PA.

SUBSECTION 2.2>

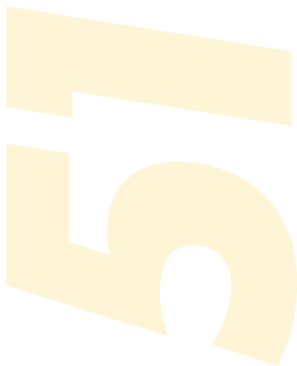
2001 AWARD OF HONOR

- HANCOCK'S OLD FASHION COUNTRY HAMS, A DIVISION OF GWALTNEY, LTD., Franklin, NC

SUBSECTION 2.3>

2001 AWARD OF MERIT

- SMITHFIELD PACKING CO., KINSTON DIVISION, Kinston, NC
- SMITHFIELD PACKING CO., NORFOLK DIVISION, Norfolk, VA
- SMITHFIELD PACKING CO., TAR HEEL DIVISION, Tar Heel, NC



SUBSECTION 2.4>

2001 AWARD OF COMMENDATION

- GREAT BEND PACKING CO., A DIVISION OF JOHN MORRELL & CO.,
Great Bend, KS
- GWALTNEY OF SMITHFIELD, LTD., Smithfield, VA
- JOHN MORRELL & CO., Sioux Falls, SD
- MOYER PACKING COMPANY, Souderton, PA

SUBSECTION 2.5>

2001 AWARD OF RECOGNITION

- PATRICK CUDAHY, INC., Cudahy, WI
- SMITHFIELD PACKING CO., Landover, MD
- SMITHFIELD PACKING CO., Smithfield, VA

In future reports we will provide you — and all our stakeholders — with updates on our progress, including quantitative measurements of key performance indicators.

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 the Smithfield Foods Form 10-K for fiscal year 2002.

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DESIGN: RKC! (ROBINSON KURTIN COMMUNICATIONS!) WRITING: AXELROD & STEELE, RKC! PHOTOGRAPHY: BURK UZZLE

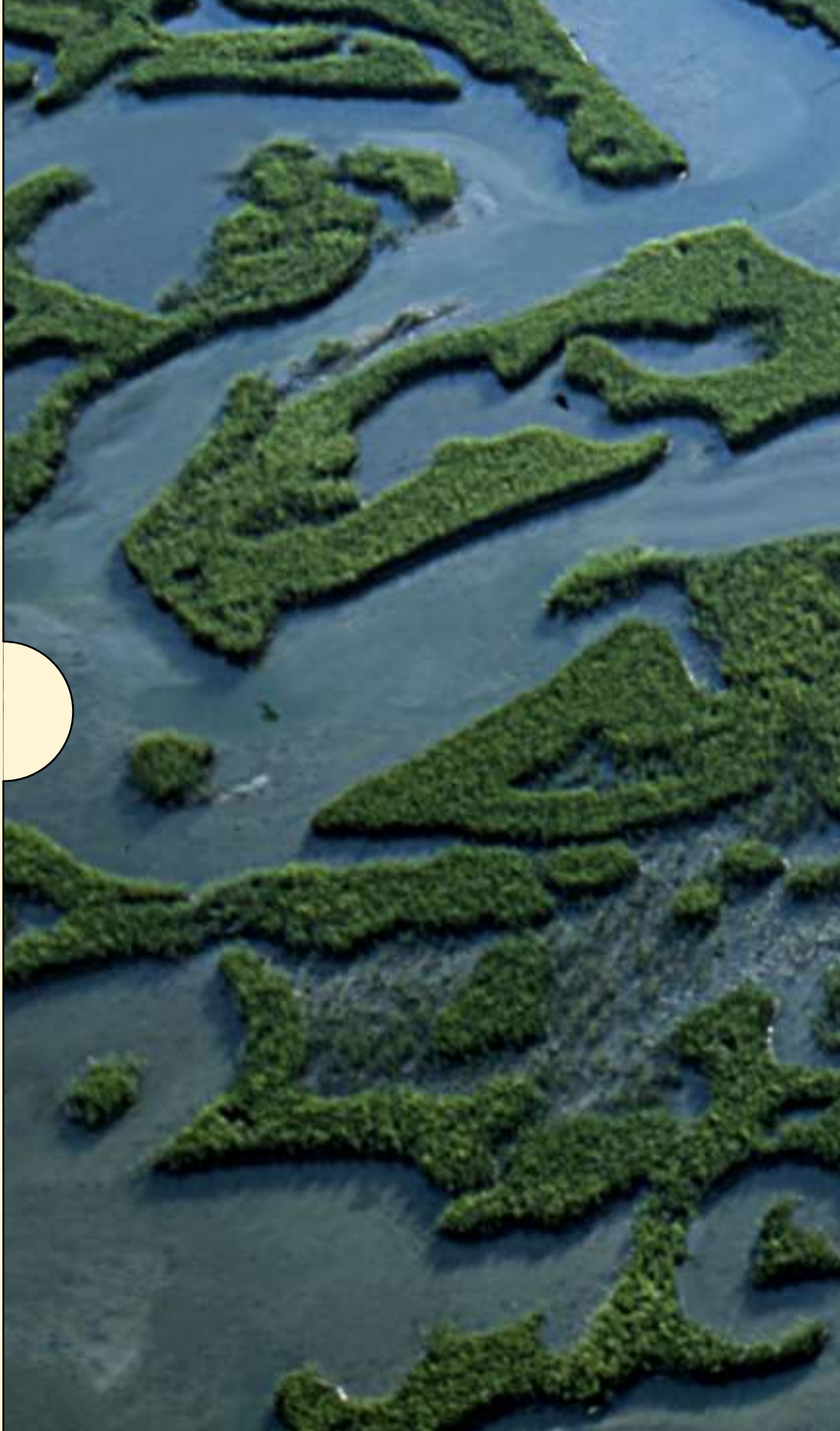
“As a partner with the Commonwealth in preserving our natural resources, Smithfield Foods takes a positive approach to environmental management that provides increasing benefits to the environment.”

ROBERT G. BURNLEY, DIRECTOR OF THE VIRGINIA DEPARTMENT OF ENVIRONMENTAL QUALITY

***“The Commonwealth is grateful for the
commitment Smithfield Foods has
given to environmental protection and
environmental education.”***

W. TAYLOR MURPHY, JR., SECRETARY OF NATURAL RESOURCES, COMMONWEALTH OF VIRGINIA

DESIGN: RKC! (ROBINSON KURTIN COMMUNICATIONS!) WRITING: AXELROD & STEELE, RKC! PHOTOGRAPHY: BURK UZZLE



SMITHFIELD

