

Smithfield

CORPORATE SOCIAL RESPONSIBILITY

REPORT 2006/07

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SMITHFIELD FOODS IS the world's largest pork processor and hog producer, with revenues approaching \$12 billion in fiscal 2007. In the United States, we are also the leader in turkey processing, cattle feeding, and several processed meats categories as well as the fifth-largest beef processor. From national brands and regional powerhouses in the United States to some of the best-known European brands, Smithfield Foods packaged meats are prized by retail, foodservice, and deli customers alike.

Smithfield

Fiscal Years Ended (in millions, except per share data)	April 29, 2007	April 30, 2006	May 1, 2005
Sales	\$ 11,911.1	\$ 11,403.6	\$ 11,248.4
Income from continuing operations	188.4	185.2	300.7
Net income	166.8	172.7	296.2
Income from continuing operations per diluted share	1.68	1.65	2.68
Net income per diluted share	1.49	1.54	2.64
Weighted average diluted shares outstanding	111.9	112.0	112.3
Additional Information			
Capital expenditures	\$ 477.7	\$ 381.6	\$ 193.2
Depreciation expense	219.3	200.1	187.0
Working capital	1,372.5	1,161.3	1,421.2
Total debt ¹	3,092.9	2,558.3	2,274.7
Shareholders' equity	2,240.8	2,028.2	1,901.4
Total debt to total capitalization ²	58.0%	55.8%	54.5%

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

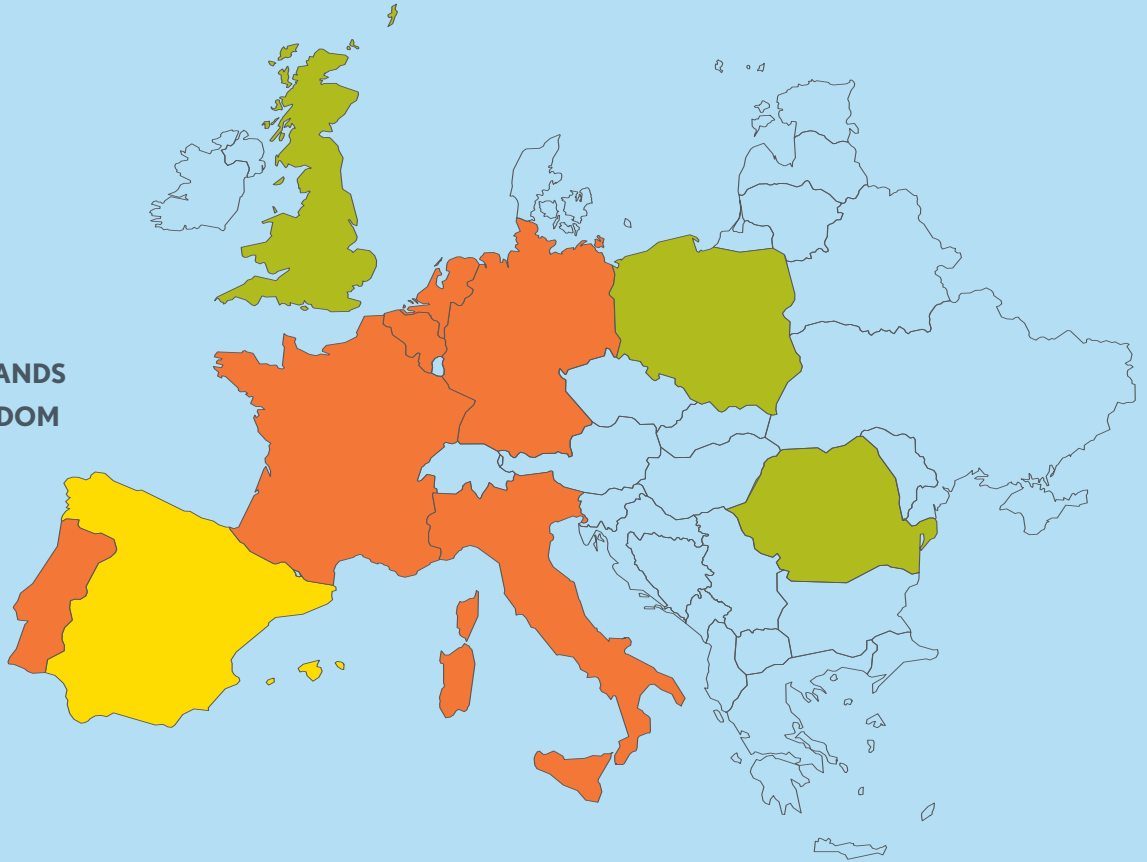
² Computed using total debt divided by total debt and shareholders' equity.

MAP OF OPERATIONS

Smithfield Foods now has operations in **13 countries** through wholly owned subsidiaries and joint ventures.







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



CHINA



-  Wholly owned Smithfield Foods operations as well as the Butterball, LLC, and Five Rivers Ranch Cattle Feeding LLC joint ventures in the United States.
-  Our presence in these countries is through a 50% ownership stake in Groupe Smithfield.
-  Smithfield owns a 23% stake in Campofrio.
-  Our presence in China and Mexico is through a 50% ownership stake in joint ventures.

Dear Smithfield Foods Stakeholder:

Thank you for taking the time to review the *2006/07 Smithfield Corporate Social Responsibility Report*, which focuses on key developments and topics of importance to our company and many stakeholders.

Our commitment to Corporate Social Responsibility is important not only because it is the ethical thing to do and expected of us, but also because it brings value to our shareholders, customers, employees, and communities, and to the quality of life for our livestock. It advances our goal of becoming the most trusted leader in the livestock production and meat processing industries.

This commitment has Smithfield well positioned to address CSR issues common to most companies and specific to our industry, such as environmental management, animal welfare, employee health and safety, and food safety. I am very pleased that food safety, employee safety, and environmental safety have become the cornerstone of Smithfield's culture. These are principles that we never compromise.

We have accomplished much in our CSR program since our last report, including the following:

- An announcement to phase out individual sow gestation stalls and phase in group housing over the next decade.
- An enhanced Employee Safety Policy, informed by ISO 18000.
- Development of a new Food Safety Policy.
- Development of a Human Rights Policy.

Others have recognized us for our positive efforts as well. For instance, Smithfield ranked prominently in *Fortune's* annual list of America's Most Admired Companies for the sixth consecutive year. We rank first in "most admired" beef and pork producers.

CSR is an integral component of our vertically integrated business strategy; our ambitious geographic growth plans; the continued expansion of our higher-value, fully processed and cooked-products business; and our emphasis on efficiency, profitability, and innovation. I would like to share just a few examples of what we've accomplished in these areas, and I'll start with our 50/50 joint venture in Europe with Oaktree Capital Management. Together, we acquired Sara Lee's European Meats business, a strong, branded \$1.5 billion business with large positions in France, Portugal, the Netherlands, and Germany. We have merged our Groupe Jean Caby assets with the acquired French operations, and the new company, Groupe Smithfield, is the largest packaged meats producer in Europe.



In acquiring the branded meats business of ConAgra Foods, Inc., we increased the volume of our core packaged meats operations in the United States by 20 percent. This is a \$1 billion business with well-known brands such as Armour and Eckrich, with large shares in key product areas such as pre-cooked bacon, smoked sausage, and dry sausage.

We acquired ConAgra's Butterball turkey business through a 49-percent-owned joint venture with Maxwell Farms. The combination of Butterball and Carolina Turkeys, owned by the joint venture, was renamed Butterball, LLC, and is now the largest U.S. turkey producer with sales of more than \$1 billion.

A week after the closing of fiscal year 2007, we completed the acquisition of Premium Standard Farms, a vertically integrated provider of pork products. This enabled Smithfield to capitalize on our vertically integrated model and expand our share in hog production to 17 percent from 14 percent. The merger increased our share in pork processing to 31 percent from 26 percent.

Europe represents significant potential for Smithfield, and we continue our focus on building a solid pan-European business. The Sara Lee European Meats acquisition has provided the vehicle to pursue broad, branded distribution in Western Europe. Simultaneously, our long-term strategy is to build vertically integrated and low-cost production in Eastern Europe. In Poland, we have become the largest hog producer and pork processor and will use vertical integration to expand the business. After years of investment, we have achieved solid profitability.

In total, we plan to invest up to \$1 billion in Romania by 2010 through company-owned and contract grower agreements to revitalize the pork industry and develop a fully integrated business model and infrastructure. This year we successfully reopened a mothballed pork processing plant which we acquired, and we will continue to ramp up production there.

We hope you enjoy learning more about Smithfield's CSR plans and activities.

C. Larry Pope
President and Chief Executive Officer

June 15, 2007

Dear Smithfield Foods Stakeholder:

I am pleased to report that during 2006/07, employees throughout the Smithfield Foods family of companies worked very hard to contribute to our performance as a socially responsible company. Our employees have demonstrated their dedication by achieving significant accomplishments in the performance areas of environmental stewardship, animal welfare, employee health and safety, food safety, and community involvement worldwide.

As you examine our 2006/07 *Smithfield Corporate Social Responsibility Report*, you will find that we continue to explore innovative approaches to protecting the environment and ensuring the safety of our employees, the well-being of our animals, and the wholesomeness of our products. We also have made great strides in promoting education and providing hunger relief in the communities where we live, work, and raise our families.

By focusing on strengthening our communities, we are establishing and maintaining solid relationships in the places where we operate, which serves to further enhance our reputation as a socially responsible company.

I would like to point out a few of our accomplishments that merit your attention:

- We enhanced our commitment to reducing greenhouse gases (GHGs) by joining the Chicago Climate Exchange, and we've already made significant strides in meeting our goal of cutting GHG emissions in the United States by a minimum of 6 percent by 2010.
- Understanding the importance of developing alternative energy sources, we created a Bioenergy Task Force to explore alternative energy options. We already are capturing biogas (methane) from our anaerobic wastewater treatment process and burning it to help power our operations at several processing plants. We also joined the North Carolina Pork Council and Progress Energy in a proposed pilot project to convert methane into electricity on our Murphy-Brown or other farms in North Carolina. This project is dependent upon the passage of certain enabling legislation in North Carolina.
- To help promote education, we launched Learners to Leaders™, an educational alliance funded by Smithfield Foods and made up of Smithfield's independent operating companies and local educational partners. We're helping individuals from disadvantaged backgrounds become tomorrow's leaders. We also provided support to An Achievable Dream, a program that gives students who are at risk of failure a chance to succeed.
- The Smithfield-Luter Foundation continued its charitable giving through scholarships for our employees' children and grandchildren, and a \$5 million gift for cancer research and treatment at the University of Virginia Health System.

- Working with America's Second Harvest, the country's largest hunger-relief charity, several of our independent operating companies helped support local food banks.
- In our ongoing commitment to reduce on-the-job injuries as a critical part of maintaining a safe working environment, we launched a new safety management system.

Like any large company, Smithfield faced its share of challenges in 2006. In the environmental arena, 2006 saw an increase in our number of Notices of Violations (NOVs). We are working aggressively to reduce these numbers in 2007.

While we are understandably proud of our social responsibility achievements, we also recognize that there is much more we must continue to do to become the most trusted leader in our industry. That is our ultimate goal, and our commitment will not waver.



Dennis H. Treacy

Vice President, Environmental and Corporate Affairs

Smithfield

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

Fiscal Years (in millions, except per share data)	2007	2006	2005
Sales	\$ 11,911.1	\$ 11,403.6	\$ 11,248.4
Cost of sales	10,776.3	10,311.3	10,036.1
Gross profit	1,134.8	1,092.3	1,212.3
Selling, general and administrative expenses	745.6	673.8	643.6
Interest expense	175.4	148.6	132.2
Equity in income of affiliates	(38.9)	(9.2)	(17.5)
Income from continuing operations before income taxes	252.7	279.1	454.0
Income taxes	64.3	93.9	153.3
Income from continuing operations	188.4	185.2	300.7
Loss from discontinued operations	(21.6)	(12.5)	(4.5)
Net income	\$ 166.8	\$ 172.7	\$ 296.2
Income from continuing operations per diluted common share	\$ 1.68	\$ 1.65	\$ 2.68
Net income per diluted common share	\$ 1.49	\$ 1.54	\$ 2.64

CONSOLIDATED CONDENSED BALANCE SHEETS

Fiscal Years Ended (in millions)	April 29, 2007	April 30, 2006
ASSETS		
Cash and cash equivalents	\$ 57.8	\$ 89.4
Accounts receivable	689.1	650.0
Inventories	1,805.8	1,584.2
Prepaid expenses and other current assets	181.0	151.7
Total current assets	2,733.7	2,475.3
Property, plant and equipment, net	2,345.1	2,040.9
Goodwill and other intangible assets	997.8	936.9
Investments and other assets	892.0	724.2
Total assets	\$ 6,968.6	\$ 6,177.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes payable	\$ 15.2	\$ 43.1
Current portions of long-term debt and capital lease obligations	239.1	215.7
Accounts payable	524.0	516.2
Accrued expenses and other current liabilities	582.9	539.0
Total current liabilities	1,361.2	1,314.0
Long-term debt and capital lease obligations	2,838.6	2,299.5
Deferred income taxes and other long-term liabilities	514.1	517.3
Total liabilities	4,713.9	4,130.8
Minority interests	13.9	18.3
Total shareholders' equity	2,240.8	2,028.2
Total liabilities and shareholders' equity	\$ 6,968.6	\$ 6,177.3



CSR CLOSE-UPS

As Smithfield Foods expands in the United States and internationally, we have continued to increase our focus on initiatives that benefit the communities where we have a presence. Over the next several pages, we invite you to read stories about the strides we are making in protecting the environment, supporting education, ensuring worker safety, and many other areas of corporate social responsibility.







SMITHFIELD-LUTER FOUNDATION HELPS STUDENTS FURTHER THEIR EDUCATION

Thanks to Smithfield Foods' John Morrell & Co. subsidiary, 25 rising high school seniors from Sioux Falls, South Dakota, are on the way to pursuing an associate's degree along with a diploma. These students are the first to benefit from Learners to Leaders, a national educational alliance funded by the Smithfield-Luter Foundation. Made up of Smithfield's independent operating companies and local education partners, Learners to Leaders wants to close the economic gap that keeps many students from obtaining further education.

The Sioux Falls students are spending this summer beginning work on an associate of applied science (AAS) degree in business administration at nearby Southeast Technical Institute (STI). Dually enrolled at high school and STI during their senior years, they will have finished half of their AAS coursework by the end of summer 2008. These students are typically the first generation in their families to receive a post-secondary education.

Smithfield subsidiaries in Green Bay, Wisconsin, and Denison, Iowa, have since launched their own Learners to Leaders programs, with several more in the works. In Denison, Farmland Foods has teamed with the Denison Community School District to help 60 to 75 eighth-through-12th-grade students participate in Iowa State University's Science Bound program.

Beyond Learners to Leaders, Smithfield also supports the work of An Achievable Dream. This organization provides underprivileged children in the Newport News, Virginia, area with a solid education that prepares them for college. As sponsor of its 2006 high school graduating class, Smithfield has given more than 30 students a merit scholarship worth \$2,000 annually for four years of college.

ABOUT THIS PHOTO Torro Huggins (left), a recent graduate of An Achievable Dream Academy, takes some time to visit nearby Christopher Newport University. Lee Vreeland, An Achievable Dream's director of counseling and student services, has carefully monitored his progress and that of the program's other students. Huggins' three older brothers participated in An Achievable Dream and now attend college.





SMITHFIELD BEEF GROUP TAKES WORKER SAFETY TO THE NEXT LEVEL

Take one look at the Smithfield Beef Group's latest OSHA recordables, and it's clear that the nation's fifth-largest beef processor makes worker safety a top priority at its four U.S. plants. U.S. beef and pork processors record an average of 9.1 injuries per 100 employees, which have to be reported to the U.S. Department of Labor's Occupational Safety and Health Administration. The Smithfield Beef Group currently averages just 6.21 such injuries, 32 percent less than the industry norm.

The company claims no magic bullet in its success; instead, it focuses on doing dozens of little things right every day to maintain a safe work environment. For example, every employee takes basic safety training, and management encourages line employees and supervisors to make safety discussions part of their daily interaction. Weekly teleconferences among plant-level safety personnel allow each plant to share its best practices with the others. In addition, all plants maintain their own health care units staffed by nurse practitioners, certified medical technicians, or emergency medical technicians.

Not content to maintain the status quo, the Smithfield Beef Group has taken steps to improve upon its current performance. Among them, the company named its first corporate-level director of safety this past February. Moreover, it just hired a full-time athletic trainer at its plant in Green Bay, Wisconsin, who spends most of his workday on the floor addressing the early onset of musculo-skeletal problems, assessing work stations for ergonomic issues, and following up with previously injured employees. The company expects to fill similar positions at its other plants as well.

ABOUT THIS PHOTO At the Smithfield Beef Group's Packerland Packing plant in Green Bay, Wisconsin, Training Supervisor Octavio Guzman provides some direction on wearing personal protective equipment to employee Alicia Rodriguez. The Green Bay plant employs a total of 1,300 people, and, as with all Smithfield Beef Group employees, they must undergo mandatory safety training.

MURPHY-BROWN TO PHASE OUT INDIVIDUAL SOW GESTATION STALLS

Pregnant sows on Murphy-Brown farms will find themselves in new quarters in the coming years. In January 2007, Smithfield Foods' hog production subsidiary announced that it will begin phasing out individual gestation stalls on all company-owned farms over the next decade in favor of group housing. It will encourage contract growers to do the same and offer them assistance to complete the process.

Many Smithfield Foods customers have asked the company to make this switch because they believe that group housing is more comfortable for the animals. That led Murphy-Brown to launch a three-year research study to determine its impact on the sows. After two years, preliminary results indicated that group housing arrangements are equally as good as gestation stalls in providing them with proper care during their pregnancies.

As of June 2007, Murphy-Brown had established a team to manage the conversion process. They have begun determining schedules and investigating the equipment and supplies that will be necessary to complete the transition.

Murphy-Brown has long been a leader among hog producers in the area of animal welfare. In 2003, the company undertook a comprehensive animal welfare management program on more than 1,200 company-owned and contract grower farms east of the Mississippi. This program ensures that hogs are kept safe and comfortable and that they receive proper medical care throughout their life spans. All remaining Murphy-Brown farms have since completed implementing this program.

ABOUT THIS PHOTO Since 2005, Murphy-Brown has been running group housing pilot programs for its sows on three company-owned farms in North Carolina and Virginia. They include this 2,400-sow farm in Delway, North Carolina, where breeding coordinator Jose Zapata checks on the group of 58 sows in his care.







POLARVISION

EMERGENCY STOP

ALARM

FAULT

RELEASE

Wolf-tec, INC. POLAR TECHNOLOGY



NEW PROCESSING PLANT IN KINSTON LEADS THE WAY IN FOOD SAFETY

Every Smithfield Foods plant places a premium on food safety, but the company's Smithfield Packing subsidiary was able to take these efforts to the next level in the new deli ham and sliced lunchmeat plant it opened in Kinston, North Carolina, in 2006. The \$100 million facility, dubbed "K2" to distinguish it from the company's other processing operation across town, is the most automated ham processing plant in the world.

Keeping raw meat and the people who handle it separate from cooked products is one of the keys to avoiding food contamination. K2's use of the Armor Inox Thermix™ system virtually eliminates the need for workers who monitor the cooking process to touch products after raw meat is first stuffed into casings. Developed in France, the Thermix system departs from typical industry methods by cooking and then chilling hams in the same tank using a continuous water flow system.

Smithfield Packing designed the plant from the ground up to prevent the spread of bacteria. Among its safeguards, workers sport radio frequency identification tags to ensure that employees from the raw meat side of the plant cannot enter the cooked foods areas. K2 houses its seven slicing lines in separate halls, and food never leaves a hall until it has been packaged. Isolating problems is the key to controlling them, so each hall comes with its own dedicated drainage system. That makes it impossible for water that goes down one drain to back up into another. Each of the raw and ready-to-eat rooms also features dedicated air handling units that separately control temperature and relative humidity to eliminate condensation.

ABOUT THIS PHOTO Operator Jimmy Brown monitors the state-of-the-art MES/SCADA controller for the K2 plant's pre-massaging equipment. Thirty-seven of these controllers fill the plant and ensure that the correct meat, ingredients, and supplies are used in every step of the production process. They are a key component of K2's approach to food safety and product quality, removing much of the potential for error among its 300 employees.

FARMLAND WATER-SAVING EFFORTS WIN AWARDS IN IOWA AND ILLINOIS

Producing fresh pork and processed meats requires large amounts of water, but Smithfield's Farmland Foods subsidiary has been finding innovative ways to make do with less at several of its plants in the Midwest. In fact, facilities in Monmouth, Illinois, and Denison, Iowa, both recently received governor's awards in their respective states for their success at water reduction and other environmental accomplishments.

Monmouth won the 2006 Illinois Governor's Pollution Prevention Award for its efforts. Processing more than 10,000 hogs daily, the plant actually consumes less water than it did seven years ago when it processed some 37 percent fewer hogs. Among its initiatives, Monmouth invested approximately \$85,000 in early 2005 to retrofit its four air compressors so that they could use ethylene glycol as a coolant instead of water. Whereas water's temperature rises dramatically so that it has to be replaced after a single cycle, the ethylene glycol can run continuously in a closed loop. The water savings: approximately 22 million gallons annually.

The Denison plant, winner of the 2005 Iowa Governor's Environmental Excellence Award, smokes hams and bacon in seven large smokehouses. It formerly used smoke generators that burned large amounts of wood chips and required significant quantities of water to flush them away and cool the equipment. By replacing them with smoke generators that heat the wood chips more precisely, Denison has reduced the water each smokehouse consumes by 1.3 million gallons annually. That adds up to more than 9 million gallons of water saved each year.

ABOUT THIS PHOTO Along with its success at reducing overall water usage, Farmland Foods' Monmouth plant also releases less wastewater. That benefits nearby Cedar Creek, where Engineering Assistant Robin Scanlan (left) and Microbiologist/HACCP Meghan Billups enjoy a welcome break in the day. Scanlan plays a role in developing and implementing the plant's many environmental projects. Billups ensures that proper procedures are followed when chemicals enter and leave the plant.





CANCER RESEARCH IN VIRGINIA GETS A \$5 MILLION BOOST FROM SMITHFIELD

Since the Smithfield-Luter Foundation was established in 2002, its financial contributions have benefited several not-for-profit institutions in Virginia. The University of Virginia in Charlottesville joined that list recently with the foundation's \$5 million commitment to the UVA Cancer Center. Made in memory of longtime Smithfield Foods board member Palmer Weber, the gift will support ongoing cancer prevention, research, and treatment programs and help recruit an internationally recognized cancer research and prevention specialist.

The UVA Cancer Center treats approximately 2,500 new patients annually and is ranked among the nation's top 30 cancer centers by *U.S. News & World Report*. Its research focuses largely on understanding how cancer attacks the body at the molecular level. This information is leading to individualized cancer prevention and treatment strategies based on specific gene profiles. Unique among major cancer centers, UVA's serves a largely rural area. Many patients must drive two hours or more each way for treatment. As a result, its doctors are exploring cancer therapies that can ultimately be administered by local community hospitals as well.

The Smithfield-Luter Foundation has contributed \$2 million to UVA's efforts thus far and will give an additional \$1 million annually through 2010. Among its other recent gifts, the foundation awarded \$5 million to Christopher Newport University to endow its business school and fund the university's leadership scholarship program. The foundation also provides ongoing scholarships at Wake Forest, Iowa State, Virginia Tech, and Johnson & Wales universities for dependent children or grandchildren of employees.



ABOUT THIS PHOTO The UVA Cancer Center is currently conducting clinical trials for vaccines that prevent recurrences of melanoma as well as breast, ovarian, and colon cancers. Dr. Craig Slingluff, professor of surgery and director of its Human Immune Therapy Center, is leading this effort. Shown with patient Susan Munson, his research has identified some of the specific cancer molecules that can be attacked by the body's immune system.





NORTH CAROLINA WETLANDS INITIATIVE BENEFITS FROM SMITHFIELD FUNDING

Roughly half of North Carolina's wetlands have disappeared over the past three decades, largely due to a combination of agriculture, development, and logging. That has led to a decline in waterfowl, bald eagles, wood storks, and other species that depend upon these fragile ecosystems during all or part of their life cycles. Smithfield Foods, through the funding the company provides for environmental enhancement grants in North Carolina, has been helping Ducks Unlimited reverse this trend

With the Sound CARE initiative it began in 2003, Ducks Unlimited has conserved or restored some 10,000 acres of wetlands out of a long-term goal of 22,000. Smithfield has funded this effort and many others through its \$2 million annual contributions, made pursuant to a 2000 agreement reached with the Attorney General of North Carolina. In 2007, Ducks Unlimited received \$475,000 to restore, enhance, and protect 900 additional acres.

Aside from the benefit to area wildlife, Ducks Unlimited's wetlands efforts should help contribute to cleaner water in the Tar-Pamlico River Basin. Wetlands naturally filter pollutants from runoff before this water reaches nearby waterways. Moreover, wetlands play a key role in recharging aquifers, and they are able to store large amounts of storm water to help control flooding in coastal areas.

Among the other 2007 grant recipients, the North Carolina Coastal Federation received \$410,000 to create oyster habitat, restore shorelines and salt marshes, and construct an oyster shell loading pier in Onslow County.

ABOUT THIS PHOTO Coy Sullivan, an engineering technician for Ducks Unlimited, prepares his equipment for a topographical wetlands survey in North Carolina's Mattamuskeet National Wildlife Refuge. Ducks Unlimited began a three-month, 272-acre wetlands enhancement project here in July 2007. A new pump system will allow the U.S. Fish and Wildlife Service to control the water levels and manage wildlife habitat more effectively.

COMPANY PLANTS CAPTURE METHANE TO REDUCE GREENHOUSE GAS EMISSIONS

Adjacent to Smithfield Packing Company's pork processing plant in Tar Heel, North Carolina, billowing tarpaulins spread over 6.5 acres play a key role in the capture and use of a potent greenhouse gas. Sitting atop the plant's pair of anaerobic wastewater treatment basins, the tarps prevent the methane biogas created as a byproduct from escaping into the atmosphere. Instead, the plant channels it through pipes to fuel modified steam boilers.

Tar Heel has been capturing methane in this manner since the plant opened in 1992. During the 2007 fiscal year, the facility utilized more than 175 million standard cubic feet of biogas in its boilers. At the same time, that kept it from consuming approximately 130,000 decatherms, or 130 billion BTUs, of natural gas.

Tar Heel is one of five company plants that capture and burn methane in this manner. (See page 28 for a diagram of the process.) The others include Smithfield Beef Group facilities in Michigan and Wisconsin, John Morrell & Co.'s South Dakota plant, and the Cook's Ham plant in Kentucky. Combined, the five burned enough methane in fiscal 2007 to offset approximately 511,500 decatherms of fossil fuel.

With global warming an issue of ever-increasing importance, Smithfield Foods has made the reduction of greenhouse gas emissions a top priority. In February 2007, Smithfield joined the Chicago Climate Exchange (CCX). This is the world's first and North America's only voluntary, legally binding greenhouse gas emissions reduction, registry, and trading program. By joining CCX, the company has committed to cutting its greenhouse gas emissions in the United States by a minimum of 6 percent by 2010.

ABOUT THIS PHOTO

Wastewater Operator Rick Bowen (left) and Reuse Water Operator Larry Smith check the integrity of one of the covers that help capture methane from the wastewater basins at Smithfield Packing's Tar Heel plant. Situated amidst thick North Carolina greenery, the basins can hold as much as 27.5 million gallons of wastewater at a time.







FOOD BANK
OF CENTRAL & EASTERN
HONOLULU

Gwaltney
Hardwood Smoked
Premium Sliced Bacon



PARTNERSHIP WITH FOOD BANKS HELPS FEED THE NATION'S HUNGRY

The Smithfield Packing Company made local headlines this past December when it teamed up with two prominent supermarket chains to donate 60,000 pounds of pork to North Carolina food banks. The gift at holiday time was certainly a welcome one for the many families in need across the state. Long after the Christmas decorations have come down, though, Smithfield Foods subsidiaries continue to help feed the hungry across the country. For the first four months of 2007 alone, the Smithfield Packing Company, John Morrell & Co., Farmland Foods, Curly's, and North Side Foods donated more than 1.4 million pounds of meat combined to support the critical efforts of food banks.

Smithfield Foods channels its donations primarily through America's Second Harvest, the Chicago-based nonprofit organization that secures and distributes more than 2 billion pounds of donated food and grocery products annually. Approximately 35 million individuals in the United States are designated as "food insecure," and Second Harvest's network of some 200 member food banks reaches more than 25 million individuals. More than 9 million are children, and nearly 3 million are seniors.

In North Carolina, the Food Bank of Central & Eastern North Carolina has been one of the chief recipients of Smithfield donations for more than a decade. During the past year, the company provided this single food bank with 179,000 pounds of product. It distributes the meat to many of the 895 hunger relief organizations in its 34-county service area. Among its programs, this food bank sponsors 23 Kids Cafes that provide meals and snacks to low-income children.

ABOUT THIS PHOTO James Kelliehan (right) of Wilmington, North Carolina, receives regular home deliveries of diabetic-friendly foods through a partnership between the Food Bank of Central & Eastern North Carolina, Tilston Outreach, and generous donors such as Smithfield Foods. Tommy Taylor is the outreach coordinator for the food bank's Wilmington branch.





ROMANIAN SUBSIDIARY SUPPORTS COUNTRY'S TREE-PLANTING PROGRAM

The rise in greenhouse gas levels and its correlation with global warming have made the preservation and planting of trees more important than ever. Smithfield Foods has taken that mission to heart in Romania by supporting the PRAIS Foundation's ambitious "Millions of People, Millions of Trees" initiative.

Launched in October 2006, this three-year program encourages the nation's businesses and other organizations to plant trees and other greenery across the country. This is particularly important in Romania, a country that has lost many of its trees through deforestation, flooding, and ground slides.

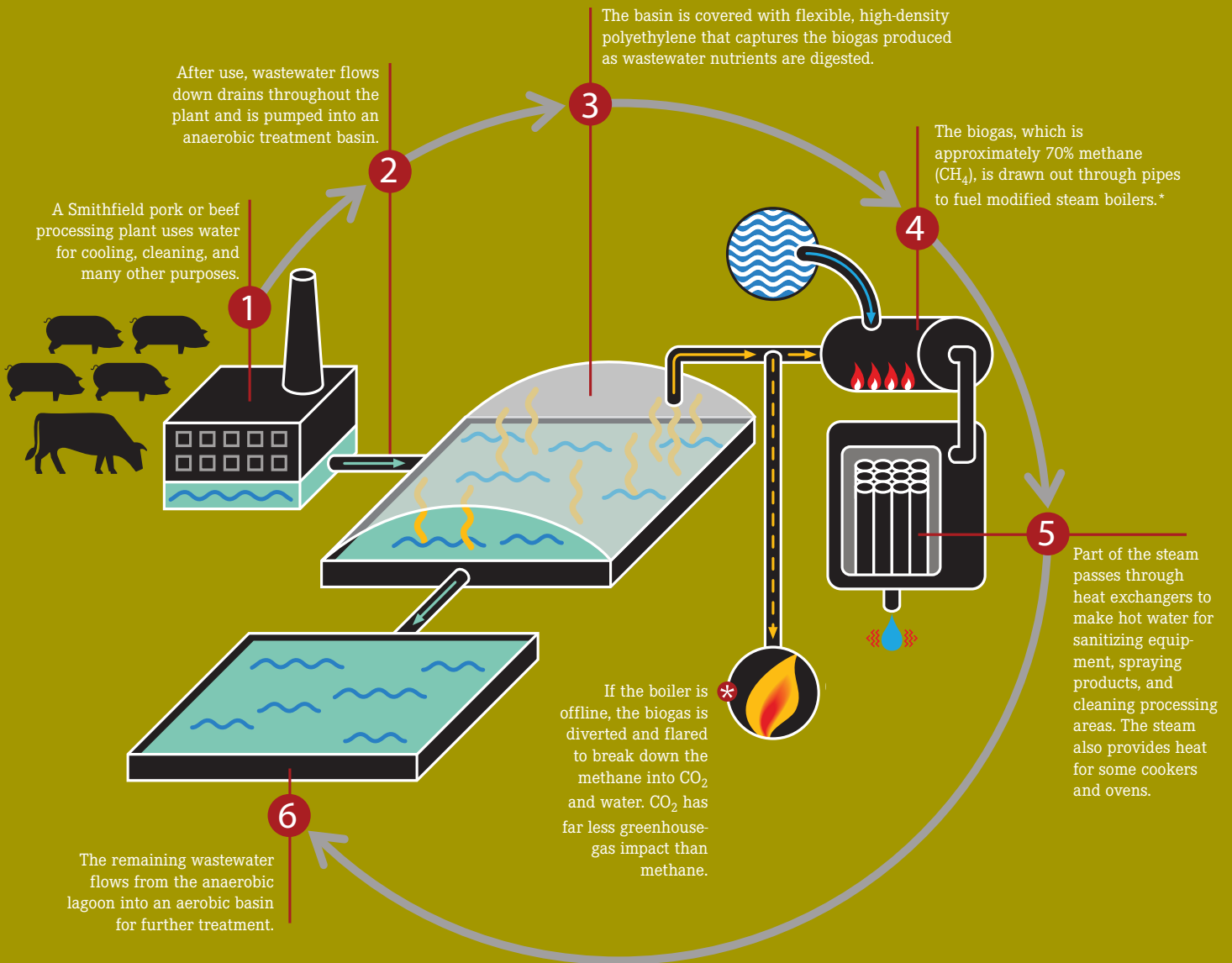
Although the program does not use public funding, PRAIS has partnered with Romania's Ministry of Environment and Sustainable Development for expertise and logistical support. As of May 2007, volunteers had planted more than 147,000 trees and nearly 182,000 plants. Ultimately, PRAIS hopes that its program leads to a broader national environmental movement.

The PRAIS Foundation has used the money provided by Smithfield Romania and its other corporate sponsors to promote the program in a variety of ways. It developed an informative Web site in Romanian and English that also helps PRAIS track its progress. Companies and organizations that wish to participate register at www.millionsoftrees.ro and then return to the site after planting to record the results of their efforts. In addition to Smithfield's financial contribution, employees have planted trees in Timis County, where Smithfield's Romanian operations are largely based.

ABOUT THIS PHOTO As part of the "Millions of People, Millions of Trees" initiative, a group of approximately 60 volunteers gathered in April 2007 to plant 100 linden trees in Bucharest's Alexandru Ioan Cuza Park. Such trees are particularly well-suited for urban landscapes. More than 17,000 people from approximately 120 companies and other organizations in Romania have participated in this effort thus far.

OUR PROCESSING PLANTS CAPTURE ENERGY FROM WASTEWATER

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





CSR IN-DEPTH REPORTING

Our operating subsidiaries have worked diligently to achieve the environmental accomplishments detailed in the pages that follow. In addition to reporting on our progress in meeting our environmental objectives, we outline our advances in workplace safety, educational support, and other cornerstones of corporate social responsibility.



SCOPE OF REPORTING

Smithfield Foods, Inc.'s goal is to become the most trusted leader in the livestock production and meat processing industry.* The Smithfield Foods 2006/07 Corporate Social Responsibility Report supports this goal by covering developments and topics of importance to our company and our many stakeholders.

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

With the exception of the "About Smithfield Foods" section, and unless otherwise indicated, the information and metrics within our report pertain to Smithfield Foods' wholly-owned companies and joint ventures in which we have a controlling (51 percent or more) interest. The content focuses primarily on calendar year 2006 but includes fiscal year 2007 financial information and discussion of some key developments that occurred in early 2007. Smithfield's fiscal year runs from May to April. Some of the metrics cover fiscal year 2006 and are clearly designated as such.

We have also provided discussion on our management approach to contract farming, primarily in the areas of environment and animal welfare. We do not report on the environmental performance of our contract growers because they are independent businesses.

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 year 2007.

CORRECTIONS: In our 2004 and 2005 reports, the U.S. natural gas metrics for our company-owned farms were incorrectly labeled as "decatherms in millions." The correct unit of measure is "therms." This report restates the information correctly.

The U.S. Environmental Protection Agency (EPA) Form R Nitrates metrics reported for calendar years 2001–2004 for two of our first processing facilities included only releases directly to the environment and did not include nitrates discharged to Publicly Owned Treatment Works for further treatment. These metrics have been adjusted and included in this report.

In our 2005 report, we reported that all U.S. Murphy-Brown farms had achieved U.S. Department of Agriculture Process Verified certification. This was correct for our Eastern operations but not for our Western operations, which are currently undergoing certification. See the "Animal Welfare" section for more information.

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

ABOUT SMITHFIELD FOODS

A Diversified Food Production and Marketing Company

Based in Smithfield, Virginia, United States, Smithfield Foods, Inc., is a global company and the world's largest hog producer and pork processor. The company also produces and packages other meat products. Our sales for fiscal year 2007 reached \$11.9 billion compared with \$11.4 billion in fiscal year 2006. For the sixth consecutive year, Smithfield Foods made *Fortune's* annual list of America's Most Admired Companies.

The majority of our operations and our 53,100 employees are located in the United States. We also have controlling interests in meat production and packaging operations located mainly in Poland, Romania, and the United Kingdom, along with joint ventures and minority interests located mainly in France, Spain, Mexico, Romania, and China. Our International segment accounts for approximately 9,100 employees.

In fiscal year 2007, our Murphy-Brown hog production subsidiary produced hogs on approximately 565 company-owned farms, 496 of which are located in the United States. It also produced hogs on approximately 1,950 contract farms worldwide, roughly 1,700 of which are located in the United States. Our U.S. operations and contract farmers produced 12.8 million hogs. Smithfield Foods' U.S. operations processed 13.6 million hogs last year.

Our international operations produced 4.1 million hogs and processed approximately 544 million pounds of meat products.

In our U.S. operations, Smithfield Foods processed 2 million cattle for beef and packaged meats products, which represented 6 percent of the U.S. market. That made Smithfield Foods the fifth-largest beef processor in the United States.

Acquisitions and Significant Joint Ventures

In October 2006, Smithfield completed its acquisition of substantially all of the non-turkey product assets of the branded meats business of ConAgra Foods, Inc. The business includes the packaged meats products sold under the Armour, Eckrich, Margherita, and LunchMakers brands and operates under the banner of Armour-Eckrich Meats LLC. Concurrent with Smithfield's acquisition of Armour-Eckrich, Carolina Turkeys, LLC, an existing partnership of which Smithfield owns 49 percent, financed and purchased the Butterball and Longmont turkey products business of the ConAgra branded meats business and changed its name to Butterball, LLC. The combined annual sales of the businesses was about \$1.8 billion.*

In August 2006, Smithfield entered into a 50/50 joint venture with Oaktree Capital Management, LLC to acquire the European meats business of Sara Lee Corporation and form Groupe Smithfield S.L., headquartered in Paris. As part of the agreement, Smithfield contributed the Groupe Jean Caby S.A. operations to the joint venture. Jean Caby had sales of \$372 million in fiscal year 2006. It is a major producer of branded and private-label packaged meats to

* Performance data and information regarding joint ventures in which Smithfield does not have a controlling interest are not covered in this report.

retail and foodservice customers in France and other European countries. Sara Lee’s European meats business had sales of \$1.5 billion in fiscal year 2006. Its largest positions were in France, Portugal, and the Benelux region, with popular European brands such as Aoste, Justin Bridou, and Nobre.

In April 2006, Smithfield acquired substantially all the assets of the Cook’s Hams business of ConAgra Foods Packaged Foods Company, Inc. from ConAgra Foods, Inc. Cook’s annual sales are about \$330 million.

In May 2005 (fiscal year 2006) our company entered into a 50/50 joint venture with ContiGroup Companies, Inc. to form Five Rivers Ranch Cattle Feeding LLC, a stand-alone company with a combined total of 10 feedlots in Colorado, Idaho, Kansas, Oklahoma, and Texas. Five Rivers has a one-time total feeding capacity of 811,000 head of cattle.

Structure of Our Main Businesses

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

Pork Segment

The Pork segment produces a wide variety of fresh pork and processed meats products in the United States and markets them nationwide and to numerous foreign markets, including Japan, Mexico, Canada, and Australia.

Beef Segment

The Beef segment is composed mainly of two U.S. beef processing subsidiaries, Smithfield’s cattle feeding operations and our interests in cattle feeding operations.

International Segment

The International segment includes Smithfield’s international meat processing operations that produce a wide variety of fresh and packaged meats products.

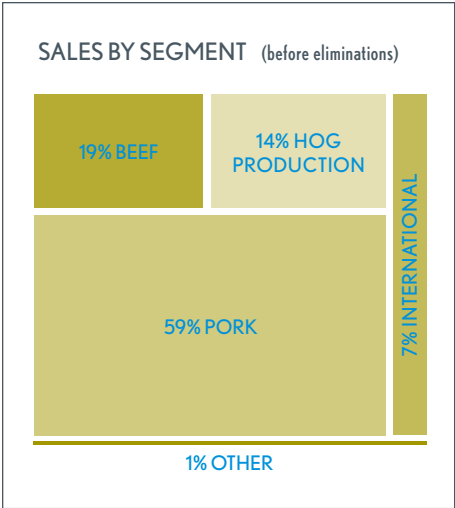
Hog Production Segment

As a complement to Smithfield’s Pork and International segments, we have vertically integrated into hog production. The Hog Production segment is the world’s largest hog producer.

Other Segment

The Other segment includes Smithfield’s turkey production operations and its 49-percent interest in Butterball, LLC, the nation’s largest turkey processor. Butterball, LLC, is also a turkey producer.

Read Smithfield Foods’ Form 10-K for a detailed description of our businesses.



A STRATEGY FOR CONTINUOUS IMPROVEMENT

Management Approach

Smithfield Foods' commitment to continuous CSR performance improvement has helped us to anticipate and meet the increasing expectations of customers, consumers, regulatory bodies, host communities, and other key stakeholders. Our policies, organizations, management systems, and programs provide the framework for maintaining and advancing this commitment.

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

Smithfield continues to focus on system-based approaches for effective performance management and accountability, based on our success in the areas of environmental performance and animal welfare. We also continue to foster a decentralized culture of operational excellence, while improving our ability to articulate company-wide expectations and centralize knowledge and information.

Training and communications are also important strategies. Our internal communications programs, including the annual Smithfield Foods Environmental Excellence and President's Awards and the annual Safety Awards, encourage, challenge, and provide incentives for subsidiaries and facilities to develop and adopt best practices. Through external communications efforts, we engage with stakeholders, seek to understand concerns and needs, state our positions on issues clearly, and share what we're learning along the way.

Smithfield's Sustainability Committee brings together representatives from Human Resources, Environment, Safety, Legal, and Finance to explore how Smithfield Foods might better balance financial, environmental, and social performance aspects in our business decision-making processes and corporate policies.

Stakeholder Engagement

Smithfield takes an open, issue-driven approach to stakeholder engagement. We welcome and honor productive engagement requests from non-governmental organizations (NGOs) and other stakeholders and believe we have demonstrated responsiveness to their views. We also look for partnering opportunities with stakeholders that have the potential to inform CSR knowledge and performance beyond the boundaries of our company.

In 2005 and 2006, our North Side Foods subsidiary participated in The Facility Reporting Project, a multi-stakeholder initiative developed by the Tellus Institute, Ceres, and Dr. Shelley Metzenbaum to establish a generally accepted facility-level economic, environmental, and social sustainability reporting framework. North Side Foods' first Facility-Level Sustainability Report was released in December 2006.

More information related to our CSR strategy can be found in applicable sections of this publication.

ADVANCING ENVIRONMENTAL STEWARDSHIP

Balancing centralized expectations, oversight, and knowledge with subsidiary and facility-level empowerment and recognition, Smithfield's approach to environmental management stresses environmental compliance and protection, performance tracking, and continuous improvement.

Smithfield's environmental strategy and management functions are governed by our Environmental Policy and overseen by the Corporate Environmental Affairs Group, headed by our vice president of Environmental and Corporate Affairs. Our strategy is implemented through ISO 14001-certified* environmental management systems (EMSs). The success of our EMSs has led us to introduce system-based approaches to other aspects of CSR management within the company.

Goals, Challenges, and Performance

Working from a baseline goal of 100-percent compliance 100 percent of the time, we are committed to continuous improvement and to taking advantage of opportunities afforded by innovation and technology.

During the reporting period, we advanced our commitment to continuous environmental performance improvement through the following actions:

- Joined the Chicago Climate Exchange (CCX), a greenhouse gas (GHG) emission registry, reduction, and trading system.
- Formed a BioEnergy Task Force comprising corporate and subsidiary energy representatives.
- Continued to explore innovative technologies for capturing the energy value of methane gas resulting from the anaerobic treatment of animal byproducts.
- Achieved ISO 14001 certification for one recently acquired facility and began the process for 14 more.
- Conserved substantial quantities of natural gas, electricity, and diesel fuel through various energy-efficiency initiatives.

Raising and processing livestock requires significant amounts of energy and natural resources. Our energy and water conservation efforts continue to trend downward on a per-unit basis, although expansion and production shifts have sometimes resulted in higher overall totals.

Our energy use and the wastes produced by our production processes produce GHGs associated with global warming. Over the next several years, we will set and strive to achieve GHG emission reduction targets, as required by our voluntary membership in CCX.

During 2006, the number of Notices of Violation (NOVs) received at our U.S. facilities increased from calendar year 2005 due to a variety of factors. We will work aggressively in 2007 to reduce—with the goal of eliminating—the number of NOVs received by our U.S. facilities.

* To maintain ISO 14001 certification, an organization must have its EMSs audited for conformance to the ISO standard at least annually by accredited third-party auditors. To help ensure EMS compliance and obtain optimal value from our EMSs, Smithfield has elected to conduct these external management system audits at twice as many facilities as required by the ISO standard.

“**S**mithfield is showing that understanding your energy use and managing your carbon emissions is a smart business decision. It enables the company to be proactive on an issue that is becoming more and more important to its customers and shareholders. Membership in the Chicago Climate Exchange (CCX) achieves this objective by providing an emissions management system and a disclosure mechanism. Smithfield is also building, together with the CCX membership, the infrastructure for a well-designed emissions trading system that rewards innovation in the American agricultural sector. We are proud to have Smithfield as a CCX member and value its intellectual input and leadership on the issue of market-based solutions to environmental concerns.”

Dr. Richard Sandor

Chairman and CEO

Chicago Climate Exchange

OUR STAKEHOLDERS SPEAK...

“**I commend your company’s exemplary efforts in reducing waste by directly targeting the source. Your accomplishments have truly benefited all citizens of this state by giving them a healthier and safer environment in which to live. With the dedicated assistance of your organization, Illinois has made terrific progress in the continuing quest to protect our environment.**”

Rod R. Blagojevich

Governor of Illinois

(To the Farmland Foods Monmouth plant)

A long-term goal for our international facilities is to adapt many of the best practices we've developed in our U.S. operations, with due consideration for the diverse regulatory requirements and circumstances of our facilities and their communities' needs.

Environmental Management Systems

Since 2000, we have aggressively implemented EMSs throughout our company that have been ISO 14001 certified. Internationally, this includes our farms and one of our processing facilities in Poland. Our system-wide ISO 14001 certification of EMSs, save recent acquisitions, was an industry first in hog production and processing.

In 2006, one of our recent acquisitions also became ISO 14001 certified: the Smithfield Beef Group's Calf Source feedlot in Morrison, Wisconsin. Additionally, 14 other recently acquired facilities are currently implementing EMS programs and should become certified in calendar years 2007 and 2008. As new facilities are acquired, we will work toward ISO 14001 certification for their EMSs. Over the next several years, Smithfield's EMS program will expand to additional international operations.

Training

Training is fundamental to continuous improvement and to maintaining ISO 14001-certified EMSs in our production and processing operations. In August 2006, more than 80 facility managers, engineers, and environmental coordinators attended Smithfield Foods' fifth annual Environmental Training Conference.

The conference provided an excellent opportunity for employees to network and learn. New attendees were taken through an environmental "boot camp," and employees made presentations on recycling programs and projects, WebEMS software training, environmental legal overview, incident notification procedures and requirements, wastewater treatment, and water conservation programs and projects.

In addition, our facilities spearhead training efforts that are aligned with their specific operational priorities.

Management Approach to Contract Farms

In addition to running our company-owned farms, Smithfield contracts with approximately 1,950 contract farms worldwide. Roughly 1,700 of these are located in the United States. Under these contracts, our Murphy-Brown hog production subsidiary provides the livestock, feed, veterinary care, and transportation of animals and feed to the contract farmers. The contract farmers provide the initial facility investment, labor, and front-line management in exchange for a specified payment. During fiscal year 2006, approximately 72 percent of Smithfield's Hog Production segment's market hogs were finished on contract farms.

Because contract farmers operate independent businesses, we do not publicly report their environmental performance. However, our contractual relationships with these farmers require compliance with all environmental laws applicable to their operations. As with company-owned farms, contract farmers are closely monitored by governmental regulatory agencies. Although regulatory requirements for farms vary by state, all contract farms

must comply with state and/or federal permit requirements. Smithfield plans to use its best efforts to compile a synopsis of publicly available information gathered with the assistance of state regulatory agencies on the number of NOV's received by our contract U.S. growing operations during calendar year 2007. We expect to include this synopsis as part of our next annual CSR report.

If contract farmers are found to be in violation of their environmental permit requirements, Murphy-Brown can employ a number of remedies, including removal of our livestock from their farms until the problem is resolved, or termination of the contract.

MANAGING ENVIRONMENTAL PERFORMANCE

Compliance and Regulatory Overview

Compliance with environmental laws and all Smithfield Foods policies is the single-highest priority for our environmental program. Smithfield Foods' production and processing activities are subject to many environmental, health, and safety laws and regulations that address releases to air, discharges to water, disposal of hazardous and nonhazardous wastes, transportation of hazardous materials, management of chemical substances, and emergency planning. Our operations are subject to state, federal, and international regulatory schemes requiring permits or imposing other regulatory requirements with which our operations must comply.

NOVs and Fines

Because Notices of Violation (NOVs) are used consistently in all U.S. states by their environmental agencies, Smithfield Foods provides NOV data in our report. We do not provide Notice of Deficiency or Notice of Noncompliance data because they are not issued by all state agencies. Unfortunately, the number of NOV's received increased in calendar year 2006 from calendar year 2005 due to a variety of factors. Each facility has implemented, or is in the process of implementing, corrective actions that we believe either have addressed, or will address, the deficiency identified. In addition, we will be working aggressively in 2007 to reduce, with the goal of eliminating, the number of NOV's received. It should be noted that in some cases, the NOV's reported encompass one or more alleged exceedances of wastewater discharge permit limits. In these cases, the number of such exceedances is not separately reported.

In calendar year 2006, several instances of episodic wastewater permit exceedances drove our increased NOV numbers. For instance, our Patrick Cudahy's 814 Americas facility in Elizabeth, New Jersey, experienced periodic wastewater violations that resulted in a total of 14 NOV's and a Settlement Agreement, which included a fine of \$17,000. In response, we implemented upgrades to the wastewater treatment system.

NOTICES OF VIOLATION—U.S. WHOLLY OR MAJORITY-OWNED OPERATIONS

06		64
05		33
04		82

All totals are for calendar years.

FINES—U.S. WHOLLY OR MAJORITY-OWNED OPERATIONS

06		\$123,952*
05		\$124,978
04	\$57,280	

All totals are for calendar years.

Regulatory/Legal Developments

U.S. EPA Air Quality Compliance Agreement

In 2006, upon approval from the U.S. Environmental Protection Agency (EPA) Environmental Appeals Board, the EPA finalized a voluntary Air Quality Compliance Agreement (“Agreement”) for livestock producers of all types throughout the United States to gather air emissions data from agricultural operations and to ensure compliance with environmental laws.

A variety of livestock interests elected to sign up for the Agreement, including the company-owned farms of our Murphy-Brown subsidiary. As part of the Agreement, participating farms agreed to conduct air emissions monitoring at their facilities to further the state of knowledge related to the quantity and type of air emissions from livestock facilities. Three Murphy-Brown farms from our Eastern U.S. operations have been selected for this monitoring effort, which is taking place during 2007.

At the conclusion of the research effort called for by the Agreement, the EPA anticipates evaluating the data and publishing emissions-estimating methodologies that will allow livestock operations to better estimate their emissions and comply with applicable federal regulatory requirements as appropriate. More information on the Air Quality Compliance Agreement can be found at www.epa.gov/compliance/resources/agreements/caa/cafo-agr-0604.html.

U.S. EPA National Pollutant Discharge Elimination System Program

In 2006, the EPA, through a proposed rulemaking, offered several important clarifications to the Clean Water Act’s National Pollutant Discharge Elimination System (NPDES) program related to the permitting of concentrated animal feeding operations (CAFOs). The U.S. Second Circuit Court of Appeals had previously reached a decision on several important aspects of the CAFO Rule, and it had remanded several technical issues to the EPA for its consideration.

This proposed regulation would revise several aspects of the CAFO Rule in response to the Second Circuit Court decision, including most significantly:

* Not included in this total are: (i) a Supplemental Environmental Project valued at approximately \$60,000 and undertaken pursuant to a Consent Agreement and Final Order between Murphy-Brown and U.S. EPA Region IV related to a spill that occurred at a North Carolina feed mill, and (ii) the penalty agreed to by Murphy-Brown in electing to participate in the voluntary federal Air Quality Compliance Agreement. Participation entailed an agreement to a cumulative penalty of \$100,000 for the participation of all of our company-owned farms. Although this Agreement was signed during calendar year 2006, the U.S. EPA had not yet assessed the penalty as of year-end, so this amount is not included in our cumulative total fines for calendar year 2006.

- Requiring only CAFOs that discharge, or propose to discharge, to apply for a permit.
- Requiring greater public participation in the issuance of an NPDES permit by requiring the submittal of facility-specific nutrient management plans with permit applications or notices of intent.
- Removing the 100-year, 24-hour storm containment structure standard for certain CAFOs and replacing it with a zero-discharge requirement.

As of the end of 2006, these proposed revisions had not been finalized. More information on the proposed revisions to the CAFO Rule can be found at www.epa.gov/npdes/afo/revisedrule.

Smithfield Foods and the Waterkeeper Alliance Agreement

Also in 2006, Murphy-Brown and the Waterkeeper Alliance announced an important settlement of two lawsuits originally filed in 2001, involving two Murphy-Brown farms in North Carolina. The agreement included new measures to enhance environmental protections at approximately 275 hog production facilities in North Carolina. Under the agreement, Murphy-Brown will fund major programs to do the following:

- Identify and eliminate potential lagoon risks to groundwater.
- Monitor potential surface water runoff from land application areas.
- Increase stream buffers, wetlands, and other methods for protecting public waterways.

In addition, Murphy-Brown will implement enhanced manure management measures at all hog production facilities it owns and operates in North Carolina. These enhancements include a computerized Precipitation Alert System that uses National Weather Service data to prevent the spraying of liquid manure before, during, and immediately after rainstorms, and the use of automatic devices to shut down spraying when wind speeds exceed 15 miles per hour.

The Smithfield Foods North Carolina Attorney General Agreement

Another important milestone was achieved in 2006, regarding the voluntary agreement Smithfield reached with the North Carolina Office of the Attorney General in 2000 (the Smithfield Foods North Carolina Attorney General Agreement). In association with the Agreement, Smithfield earmarked \$15 million to pursue a research and development program of environmentally superior and economically feasible technologies (ESTs) as potential alternatives to the existing lagoon and sprayfield system of hog waste treatment.

In March 2006, Dr. Mike Williams, associate professor at North Carolina State University (NCSU) and director of the Animal and Poultry Waste Management Center, issued his Phase 3 Technology Determination Report concluding the research portion of the Agreement. Dr. Williams had previously selected 18 technology candidates (three of which were dropped) from a competitive review process. The process included input and comment from Dr. Williams' multistakeholder advisory panel. Scientists tested these technologies on the NCSU campus, Murphy-Brown and Premium Standard farms, and at other locations. To be considered environmentally superior, as defined by the Agreement, the technologies studied were required to meet specific technical, operational, and economic

feasibility standards. Dr. Williams' final report concluded that the technologies previously identified as contingent ESTs had not met the economic feasibility conditions that would require implementation on existing farms in North Carolina. Thus, there were no affirmative EST determinations for existing farms.

Dr. Williams went on to conclude that the combination of a particular solids separation/nitrification-denitrification/soluble phosphorus removal system, in combination with one of four identified solids treatment systems, would meet the EST criteria for new farm construction. Dr. Williams also made a series of recommendations for moving the process forward. These included the following:

- Continuing current efforts by targeted technology providers to improve their processes.
- Establishing a framework or process to consider additional technologies.
- Identifying incentives, public policies, and byproduct markets that will provide sources of revenue to increase the affordability of the technologies for farmers.

To learn more about this process and these technologies, visit www.cals.ncsu.edu/waste_mgt/smithfield_projects/smithfieldsite.htm.

Measuring Continuous Improvement: Environmental Metrics

Scope

Smithfield Foods' Environmental Management Systems (EMSs) allow the company to collect performance metrics that go beyond the disclosure associated with regulatory requirements and permitting information. Eventually, we plan to integrate metrics reporting for our U.S. and international operations. In this report, the metrics are reported separately.

Our international environmental metrics represent our Animex subsidiary's pork and poultry first processing operations. In past reports, our international metrics also included data from our Groupe Jean Caby S.A. subsidiary. However, in August 2006, Smithfield contributed the Jean Caby operations to the Groupe Smithfield, S.L. 50/50 joint venture between Smithfield Foods and Oaktree Capital Management, LLC. As such, Jean Caby's metrics are beyond the scope of this report. Additionally, we continue to work with our Animex subsidiary on consistent metrics data collection and reporting procedures. As such, year-to-year comparisons may not be appropriate.

The regulatory reporting data we provide in this report, namely U.S. Toxics Release Inventory (TRI) data, represent approximately 60 percent of our processing facilities and are based on calendar year 2005. That is the most recent reporting year.

All other processing metrics, including air emissions data, cover 95 percent of Smithfield Foods' total usage for U.S. processing facilities and are based on fiscal year 2006. In past reports, air emissions data were provided only for facilities required to report such information. This year, we have included NO_x and SO_x emissions data for all first and further processing facilities based on natural gas and fuel oil consumption. (See the Air Emissions section for additional information.)

Not included in our processing metrics are facilities acquired in 2006 and some smaller further processing facilities representing less than 1 percent of the metrics totals. Except for our farm water metrics, farm metrics represent all of Murphy-Brown's U.S. farms. Our farm water metrics are for Murphy-Brown's East Coast farms only, which represent approximately 55 percent of Murphy-Brown's total U.S. farms. Farm metrics are based on fiscal year 2006.

Smithfield Foods' processing facility metrics are divided into "first" and "further" processing facilities.

First processing facilities primarily provide products to other facilities for further processing, as well as case-ready items that usually require cooking or further preparation. Production is measured in "animal units," the primary input for these facilities.

Further processing facilities receive raw meat products from first processing facilities and produce convenient-to-prepare products, such as precooked hams, for consumers. Production is measured in pounds because the primary input for these facilities is pounds of raw meat.

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

While our normalized numbers remained fairly steady, increased totals for a number of metrics can be attributed to the incorporation of data associated with continued expansion of many of our facilities and increased production utilization at many recently acquired facilities.

Also, the company's trend toward increased production of further processed meats continued. The production of these products typically requires more resources and generates more waste than producing first processed meats. However, in many cases, conservation, recycling, and pollution prevention efforts have continued to improve or foster the improvement of trends. Our focus on water and fossil fuel conservation and efficiency is reflected in consistent downward trends in normalized data. U.S. TRI data continues to vary, at times significantly, due to factors described in the section covering TRI data.

U.S. Toxics Release Inventory Data

Our U.S. Toxics Release Inventory (TRI) metrics represent TRI data for calendar year 2005 for processing facilities governed by these regulations. Tier II data represent the amount of chemicals kept on site, and Form R data represent the chemical fate to the environment over the year. The normalized data do not pertain to all first and further processing facilities, but only those that must report TRI data.

Our TRI data, particularly for ammonia and chlorine, have been affected—increases and decreases—by the company's trend toward reporting based on the ranges provided by the U.S. Environmental Protection Agency (EPA). Although we collect actual measures for some TRI data, some states require that Tier II data be reported in ranges and some facilities opt to report in ranges as specified in the data submission forms. Typically, these ranges describe an order

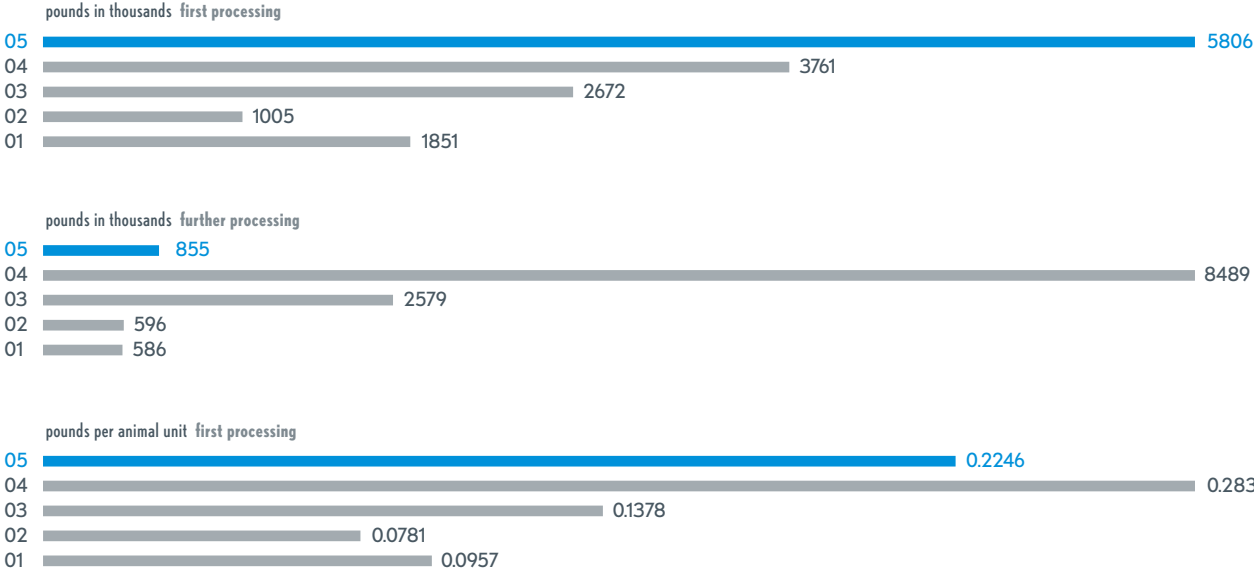
of magnitude; for example, “less than 100,000 pounds” (<100,000) would be one range, and the next range up would be “100,000 to <1,000,000 pounds.” To ensure we do not understate our metrics, Smithfield Foods uses the upper end of the range for our metrics calculations. Therefore, some facilities (both first and further processing) that reported in previous years in the <100,000-pound range, reported in the 100,000 to <1,000,000-pound range in subsequent years because of slight increases due to production fluctuations. Also, some facilities switched from actual to range-based reporting. Therefore, a facility that had an actual value of 100,001 pounds would have been assessed as 999,999 pounds under our metrics protocol. As data are reviewed year-to-year, it appears that range reporting has a significant impact on our TRI metrics and trends. Efforts continue, through Environmental Management System (EMS) initiatives, to reduce the overall use of these materials. Additional explanations for increases and decreases accompany each graph.

Visit www.epa.gov/tri for a more in-depth explanation of the U.S. EPA's TRI program.

Ammonia

Tier II and Form R data from our plants are based on purchases of ammonia, which are easier to determine and are usually quite accurate. However, ammonia releases through minor maintenance and upgrades, although subject to proper capture methods and disposal, cannot be documented as precisely. For this reason, we tend to conservatively overreport these types of releases. We believe that ongoing refrigeration system upgrades and expansions at some of our plants have contributed to the increases for 2006. The largest factor, however, is the impact from reporting in EPA-specified ranges, as discussed in the preceding section, which results in both increases and decreases in the reported data.

TIER II AMMONIA

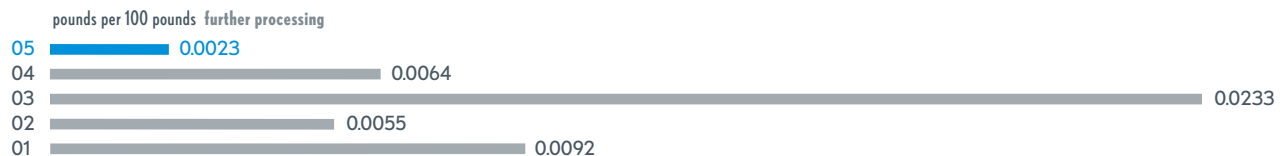
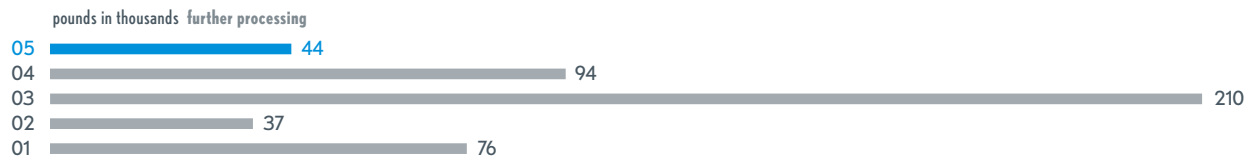


TIER II AMMONIA--CONTINUED



All totals are for calendar years.

FORM R AMMONIA



All totals are for calendar years.

Chlorine

Chlorine is used to disinfect our water supply. Releases continued to remain low for our further processing facilities. The increase for first processing facilities is due primarily to the impact of range reporting, as discussed in the section on the TRI. Since a relatively small percentage of our first processing facilities are required to report TRI data, range reporting, more so than changes in actual usage, contributes to the significant variations shown from year to year.

“**O**ur Learners to Leaders Alliance is a result of the kind and generous support of Smithfield Foods. It's not every day that a school district gets the funding to make post-secondary education possible for kids who might not otherwise have the chance. It all started when a representative of John Morrell & Co. called to express the company's interest in supporting local education initiatives. The alliance has been phenomenal on a number of levels. For example, Smithfield recognized early on the importance of hiring someone who could counsel the kids throughout their year of dual enrollment in high school and technical school.”

Dr. Pamela Homan

Superintendent

Sioux Falls School District

South Dakota

OUR STAKEHOLDERS SPEAK...

“**S**mithfield's announcement that it will phase out sow gestation stalls has started an important trend. It has been an industry leader in animal welfare initiatives, and the conversion of farms to group housing is a welcome development.”

Temple Grandin, Ph.D.

Professor of Animal Science

Colorado State University

TIER II CHLORINE

pounds in thousands first processing



pounds in thousands further processing



pounds per animal unit first processing



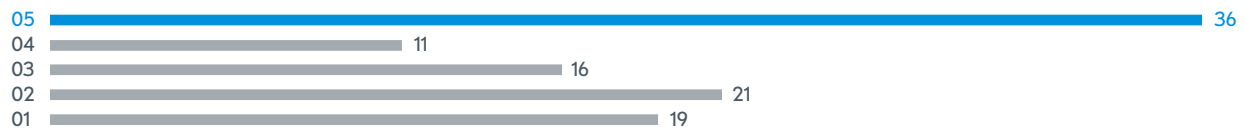
pounds per 100 pounds further processing



All totals are for calendar years.

FORM R CHLORINE

pounds in thousands first processing

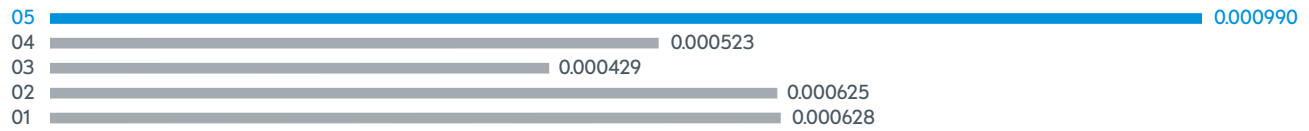


pounds in thousands further processing



FORM R CHLORINE—CONTINUED

pounds per animal unit first processing



pounds per 100 pounds further processing



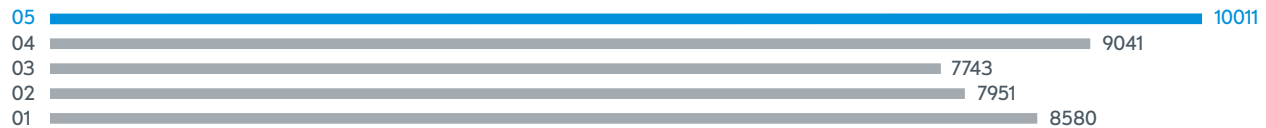
All totals are for calendar years.

Nitrates

Nitrates are released through permitted wastewater discharges. The release of nitrates, largely generated from biological wastewater treatment by our first and further processing facilities, remained fairly steady overall.

FORM R NITRATES

pounds in thousands first processing



pounds in thousands further processing



pounds per animal unit first processing



FORM R NITRATES—CONTINUED

pounds per 100 pounds further processing



All totals are for calendar years.

The U.S. EPA Form R Nitrates metrics reported for calendar years 2001–2004 for two of our first processing facilities included only releases directly to the environment and did not include nitrates discharged to Publicly Owned Treatment Works for further treatment. These metrics have been adjusted and included in this report.

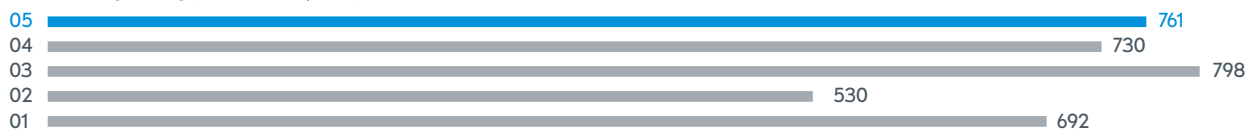
Air Emissions

Smithfield Foods' air emissions metrics represent air emissions created as a byproduct of burning fossil fuel, primarily natural gas. The graphs below show quantities associated with facilities that require air permits and reporting of emissions. Below each graph is a notation that indicates the amount of emissions associated with our remaining first and further processing facilities, those that are not required to have permits or report emissions. Moving forward, we plan to continue this more inclusive approach to air emissions reporting.

Normalized air emissions numbers for this reporting period have also been impacted, primarily by a proportional increase in the usage of fuel oil instead of natural gas due to market conditions. In an effort to offset the higher cost of natural gas, some facilities burned more fuel oil instead. Fuel oils tend to generate more NO_x and SO_x emissions. Although normalized first processing figures reflect a steady to slightly increasing trend, normalized further processing figures were significantly reduced. The further processing results were affected in part by conservation efforts and by less opportunity to switch to fuel oil for cooking and smoking processes.

SO_x

tons first processing (facilities with air permits)



For facilities with no air permit required, SO_x totaled 837 tons in 2005.

tons further processing (facilities with air permits)



For facilities with no air permit required, SO_x totaled .18 tons in 2005.

SO_x-CONTINUED

tons per animal unit first processing (facilities with air permits)



For facilities with no air permit required, SO_x totaled .0000165 in 2005.

tons per 100 pounds further processing (facilities with air permits)



For facilities with no air permit required, SO_x totaled .0000033 in 2005.

All totals are for calendar years.

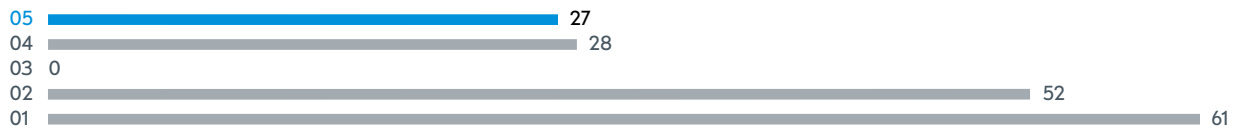
NO_x

tons first processing (facilities with air permits)



For facilities with no air permit required, NO_x totaled 403 tons in 2005.

tons further processing (facilities with air permits)



For facilities with no air permit required, NO_x totaled 81 tons in 2005.

tons per animal unit first processing (facilities with air permits)



For facilities with no air permit required, NO_x totaled .0000154 in 2005.

tons per 100 pounds further processing (facilities with air permits)



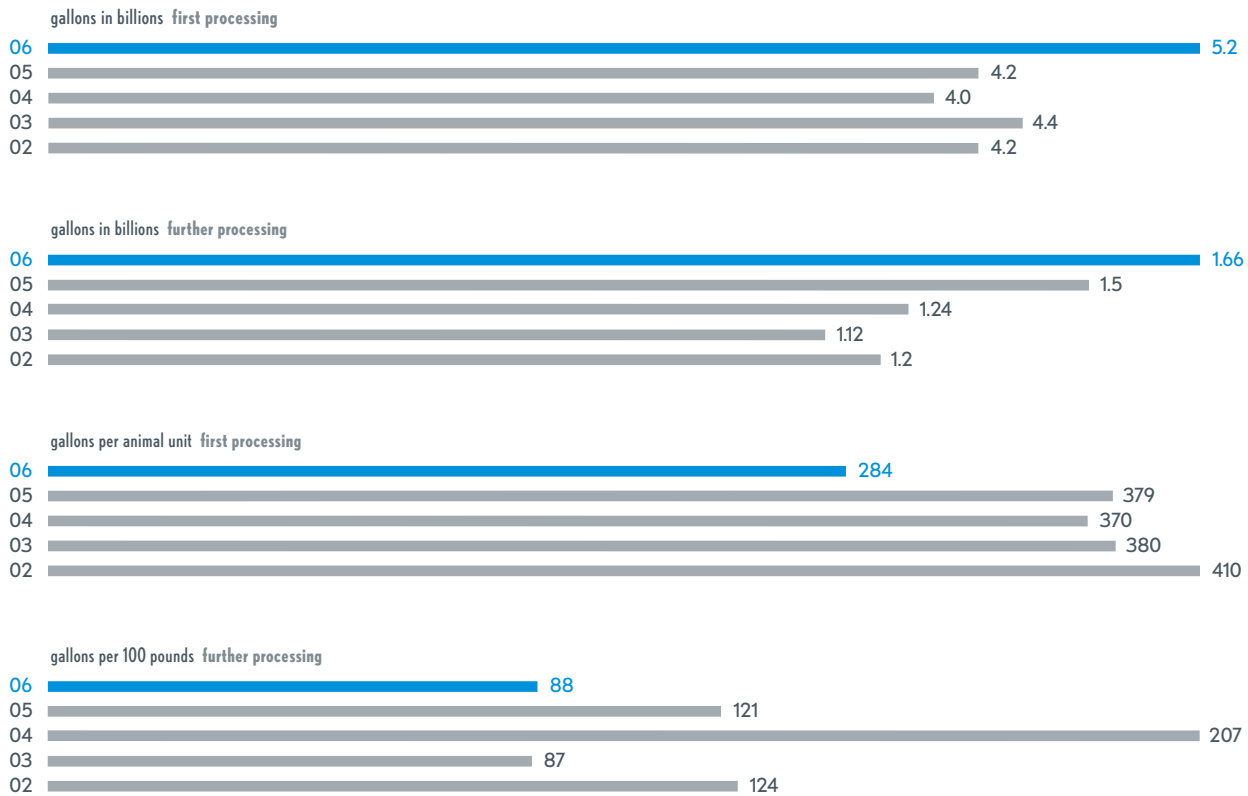
For facilities with no air permit required, NO_x totaled .0000042 tons in 2005.

All totals are for calendar years.

Water Usage

Smithfield Foods' processing water usage metrics represent the potable water entering first and further processing facilities for all purposes, including processing, cooling, and sanitation requirements; restrooms; truck washing; and use in our products. In fiscal year 2006, we improved our efficiency of water usage at both our first and further processing facilities through our continued focus on water conservation. Our farm water metrics represent the water used for maintaining animal health and for cleaning farming facilities.

WATER USAGE (U.S.)



All totals are for fiscal years.

WATER USAGE (INTERNATIONAL)



WATER USAGE (INTERNATIONAL)–CONTINUED

gallons per animal unit first processing

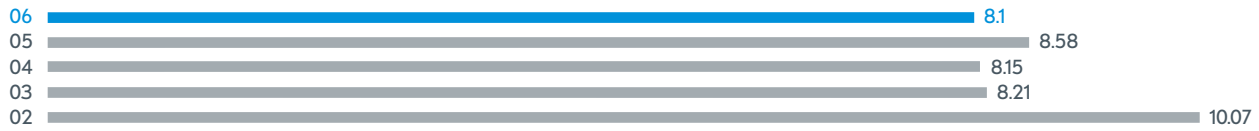


FARM WATER USAGE FOR MURPHY-BROWN EAST

gallons per pig per day farrow to finish



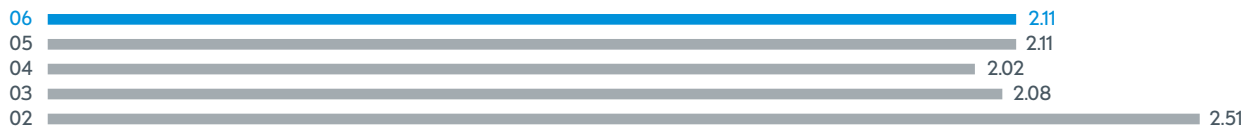
gallons per pig per day farrow to feeder



gallons per pig per day farrow to wean



gallons per pig per day finishing



All totals are for fiscal years.

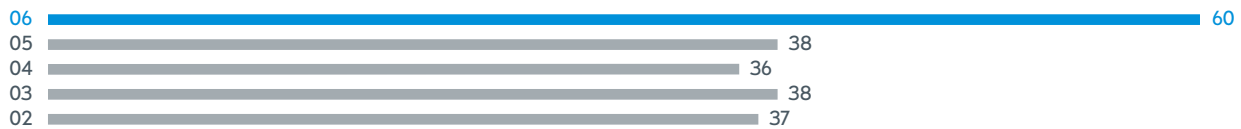
Solid Waste

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

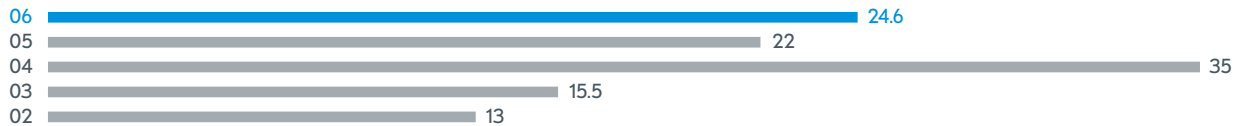
The increase of total solid waste in our first processing facilities is attributable in large part to the inclusion of paunch materials in solid waste data from our Beef Group facilities, which had the effect of increasing total solid waste numbers. Some of this is also attributable to an increase in the landfilling of wastewater residuals instead of land application, as land availability, cost, and public sentiment make land application more difficult. As a result, these residuals become solid waste, rather than a recyclable under our metrics protocol.

SOLID WASTE (U.S.)

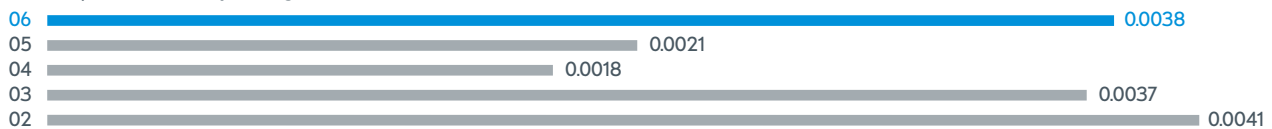
tons in thousands first processing



tons in thousands further processing



tons per animal unit first processing



tons per 100 pounds further processing



All totals are for fiscal years.

SOLID WASTE (INTERNATIONAL)

tons in thousands first processing



tons per animal unit first processing



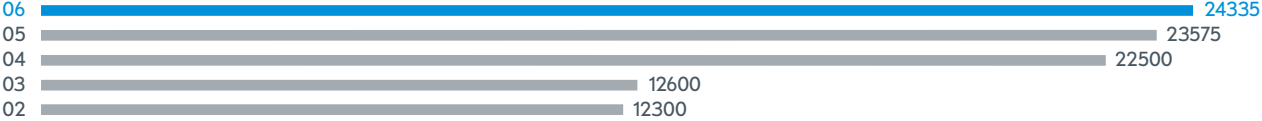
All totals are for fiscal years.

Cardboard Recycling Metrics

The 2003 U.S. cardboard recycling metrics represent 23.6 percent of our total solid waste; the 2004 metrics represent 31.7 percent; the 2005 metrics represent 39 percent; and the 2006 metrics represent 31 percent. The total amount of cardboard recycled continues to increase as our business and recycling efforts expand. The reduction in the ratio of recycled cardboard to total solid waste is due to factors discussed in the section on total solid waste above.

CARDBOARD RECYCLED—ALL PLANTS (U.S.)

tons



CARDBOARD RECYCLED—ALL PLANTS (INTERNATIONAL)

tons



All totals are for fiscal years.

“**S**mithfield Foods has been a great neighbor to the Food Bank. Its financial and in-kind support has allowed us to grow our distribution to better fight hunger in our 34-county service area. The donation of three tractor-trailers trimmed one of our largest expenses—our transportation costs. With 400,000 people at risk of hunger in our area—half of them children or elderly—we need all hands on deck. Smithfield meets our most critical need by providing a reliable source of lean protein. In the past 12 months, thanks to Smithfield, we distributed an additional 600,000 servings of lean meat.”

Anna Davenport

Food Resources Manager

Food Bank of Central & Eastern North Carolina

OUR STAKEHOLDERS SPEAK...

“I grew up in Smithfield, and my father is a regional sales manager for the company. The Smithfield-Luter Foundation Scholarship has been a tremendous help financially for me as I am sure it has been for the other recipients. It covers all my tuition and books and most of my living expenses. The scholarship has also provided a wonderful opportunity to meet many great individuals at Smithfield Foods and Virginia Tech. I'm earning a bachelor's degree in human nutrition, foods, and exercise, and I hope one day to pursue a career with the company.”

Erin Griffin

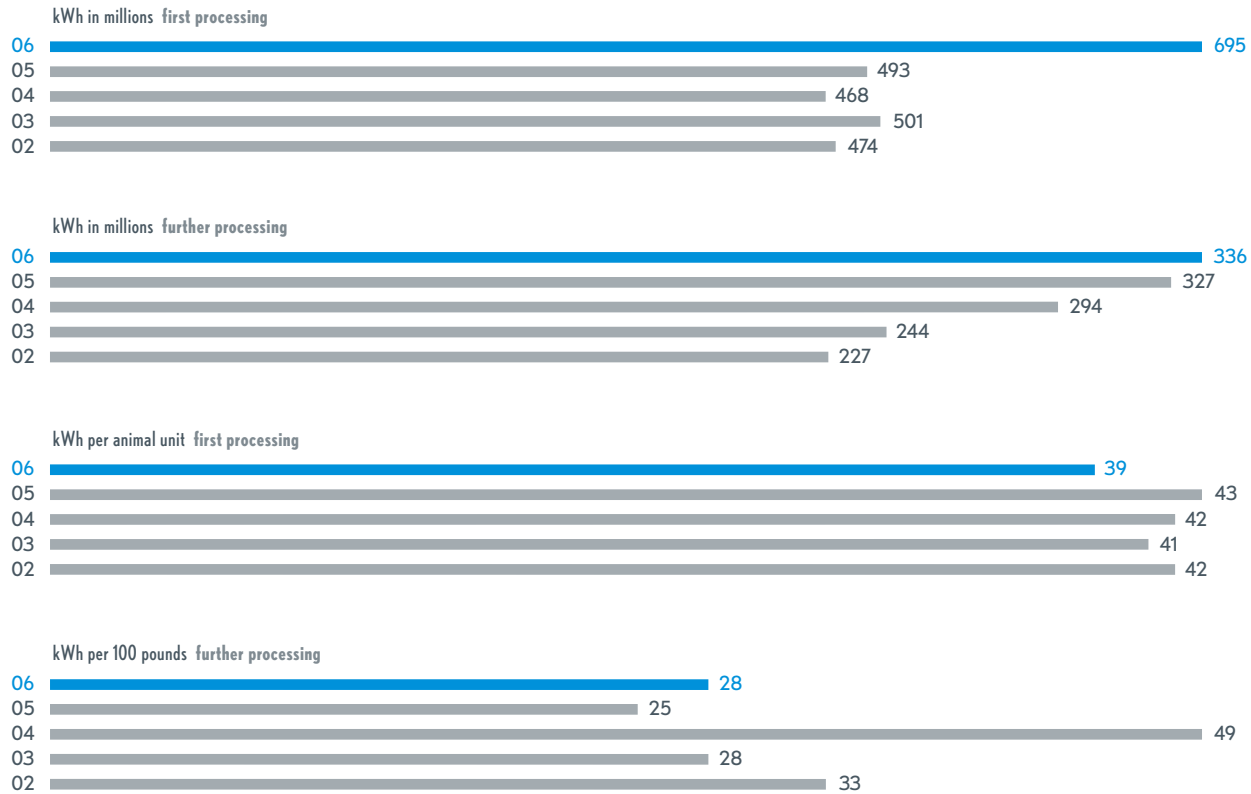
Senior

Virginia Polytechnic Institute and State University

Electricity Metrics

Our electricity metrics represent electricity usage at our first and further processing facilities and farms. In 2006, electrical usage was up slightly due, in part, to mild weather late in the year at many locations, which required more energy to maintain the temperatures in our coolers and freezers.

ELECTRICITY USAGE (U.S.)



All totals are for fiscal years.

ELECTRICITY USAGE (INTERNATIONAL)



All totals are for fiscal years.

Natural Gas Metrics

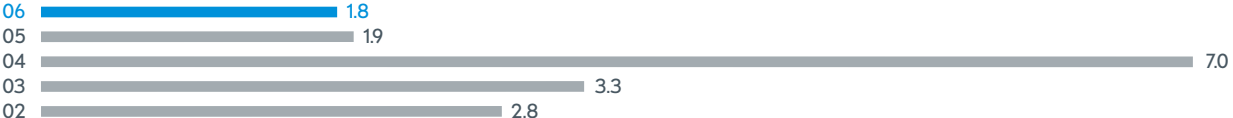
Our natural gas metrics represent the amount of gas used at our first and further processing facilities for all purposes, including comfort heating, boilers and process ovens. In 2006, natural gas energy usage was down due, in part, to a continued focus on energy efficiency, but also due to the use of fuel oil in place of natural gas during periods where economics favored the use of fuel oil.

NATURAL GAS USAGE (U.S.)

decatherms in millions first processing



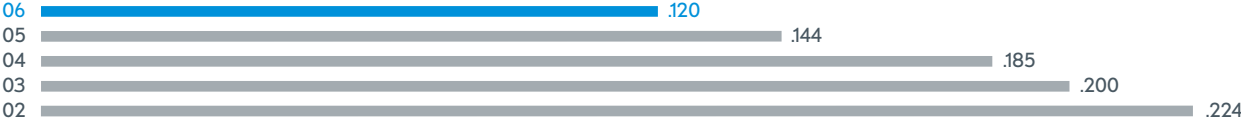
decatherms in millions further processing



decatherms per animal unit first processing

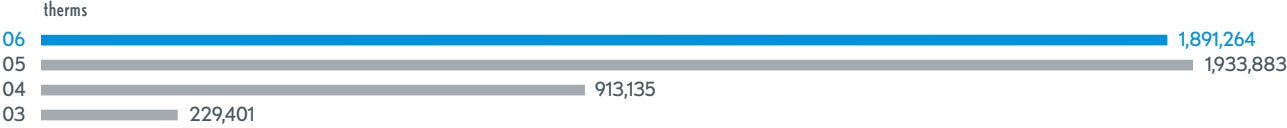


decatherms per 100 pounds further processing



All totals are for fiscal years.

FARM NATURAL GAS USAGE



All totals are for fiscal years.

CORRECTION: In our 2004 and 2005 reports, the U.S. natural gas metrics for our company-owned farms were incorrectly labeled as “decatherms in millions.” The correct unit of measure is “therms”. This report restates the information correctly.

NATURAL GAS USAGE (INTERNATIONAL)

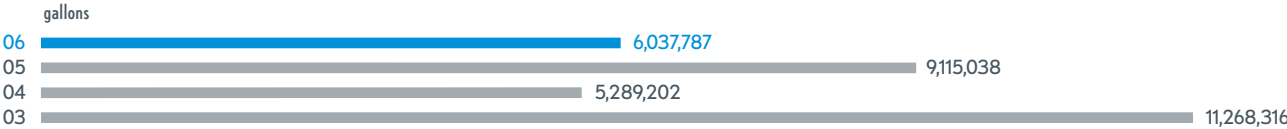


All totals are for fiscal years.

Liquid Propane Gas Metrics

These metrics apply to Murphy-Brown farms only and represent liquid propane (LP) gas used for employee comfort heating and heating for newborn and nursery pigs. LP metrics tend to fluctuate depending on the weather conditions during the year. Though we continue to analyze our performance in this area, the increase in LP usage in 2006 appears to be related to weather patterns.

LP GAS USAGE

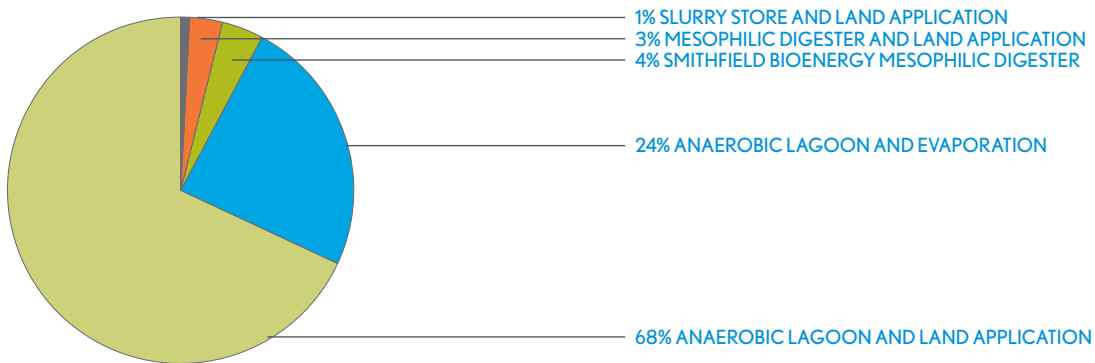


All totals are for fiscal years.

Animal Waste Treatment Systems and Crops Produced by Murphy-Brown

The following pie chart describes the type and approximate extent of waste treatment systems employed by Murphy-Brown in 2006. These data remained unchanged from 2004 and 2005 because waste treatment and crop planting practices remained substantially the same.

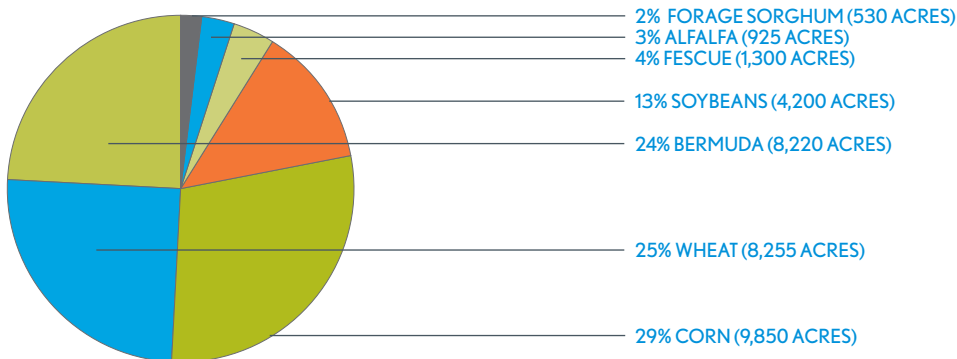
ANIMAL WASTE TREATMENT SYSTEMS EMPLOYED BY MURPHY-BROWN



The following pie chart describes the types and approximate acreage of crops grown by Murphy-Brown in 2006 that were fertilized with treated hog waste from the lagoon and sprayfield system.

CROPS PRODUCED BY MURPHY-BROWN

TOTAL ACREAGE: 33,280



Beyond-Compliance Programs

In addition to our programs aimed at compliance assurance and environmental performance, Smithfield engages in a number of beyond-compliance and pollution prevention programs.

Greenhouse Gas Reduction

For a number of years, Smithfield has engaged in activities that help reduce our direct and indirect greenhouse gas (GHG) emissions. GHGs resulting from human activity are believed to contribute to global climate change.

Inherent in Smithfield's operations are significant emissions of two GHGs: carbon dioxide (CO₂), primarily related to the burning of fossil fuels; and methane, primarily related to anaerobic treatment of animal production facility wastewater and wastewater generated by our first and further processing facilities. Many activities that curb GHGs, such as energy conservation initiatives and renewable energy usage, also help reduce emissions of other airborne pollutants such as SO_x and NO_x.

During the reporting period, Smithfield bolstered our commitment to reducing GHGs by joining the Chicago Climate Exchange (CCX). CCX is the world's first—and North America's only—voluntary, legally binding, and rules-based GHG emissions reduction and trading system. Members of CCX make a voluntary, but legally binding, commitment to reduce GHG emissions.

Smithfield will meet our CCX obligations primarily through the application of innovative technologies and opportunities that capture the energy value of methane from our operations. One of our initial efforts will be to collect and submit the data required by our membership in CCX so that reduction requirements and available offsets can be determined.

Other GHG reduction and mitigation efforts include our ongoing energy-efficiency initiatives, which help reduce our emissions of CO₂.

Biogas Utilization

At a number of our processing facilities, biogas (methane) is captured from our anaerobic wastewater treatment process and burned to help power our operations at these plants. This approach reduces GHG emissions by keeping methane from the atmosphere and by offsetting the amount of fossil fuel we need to burn. It also helps reduce costs. In 2006 alone, we estimate a savings of \$5 million by reducing our need to purchase natural gas. Facilities that employ this method include the following:

- The Smithfield Packing facility in Tar Heel, North Carolina.
- Smithfield Beef Group facilities in Plainwell, Michigan, and Green Bay, Wisconsin.
- The John Morrell facility in Sioux Falls, South Dakota.
- The Farmland/Cook's facility in Grayson, Kentucky.

Animal manure can be a valuable crop nutrient and a source of energy-rich methane gas. Smithfield continues to employ and explore innovative ways of capturing the energy value of this waste, and Murphy-Brown continues to develop and test technologies for methane capture at its farms.

For example, Murphy-Brown has partnered with the North Carolina Pork Council and Progress Energy to promote a pilot project to capture methane from anaerobic treatment systems on Murphy-Brown or other farms, and to utilize the methane to fuel engine generators that produce electricity. The electricity may be utilized on the farms or sold to the electric grid. In order for this project to become a reality, the North Carolina General Assembly must pass enabling legislation related to the current electric rate structure in North Carolina. At the time of this report, such legislation was pending.

The Smithfield Bioenergy LLC facility in Utah collects biogas from animal manure generated at Murphy-Brown farms at the site into digesters. Due to recent improvements in animal genetics and feed conversion, less waste (and consequently less biogas) is being generated than was anticipated in the original design of the facility. Thus, the use of biogas to make methanol at this facility has been discontinued due to market conditions and economics. Smithfield Bioenergy is working with Murphy-Brown to find additional uses for the biogas.

Bioenergy Task Force

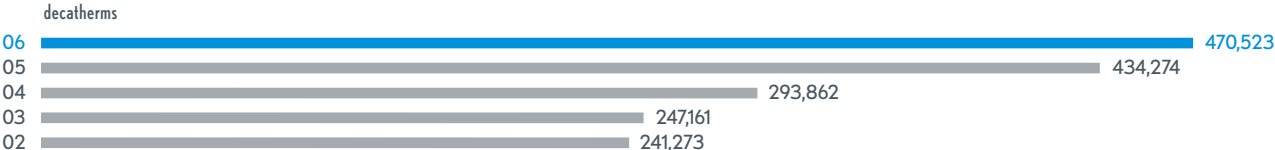
In 2006, Smithfield Foods formed a Bioenergy Task Force, made up of corporate and subsidiary energy representatives. With an aim toward furthering our alternative energy options, the Task Force will help facilitate the following:

- Data collection and sharing.
- Technology development and transfer.
- The pursuit and identification of incentives and subsidies.
- The sharing of best management practices.

Biogas Usage Decatherms

Smithfield’s biogas metrics represent the amount of biogas—a fuel source derived from our wastewater—used by our operations. This fuel source partially offsets our need to purchase other fuel sources and enables us to productively re-use a waste product.

BIOGAS USAGE (U.S.)



All totals are for fiscal years.

Improving Energy Efficiencies in Production, Processing, and Transportation

Smithfield has implemented a number of energy-saving initiatives in connection with our ISO 14001-certified EMSs, reducing both greenhouse gases and other air emissions. Results of these efforts can be found in the Environmental Metrics section of this report.

We estimate that in 2006, our energy-efficiency efforts resulted in the following:

- Savings of over 54,738 mcf of natural gas annually.
- Savings of over 5,676,877 kWh of electricity per year.
- Savings of over 300,000 gallons per year in diesel fuel for our transportation fleet.

Water Quantity and Quality Initiatives

As part of a water-intensive industry, Smithfield is focused on using water more efficiently and ensuring adequate supply for our operations. Many of our facilities are connected to municipal systems where supply from surface or groundwater sources is not an issue.

However, in some locations near Smithfield facilities, fresh water supplies are considered strained due to overall withdrawal by all users. At its facility in Tar Heel, North Carolina, Smithfield Packing has partnered with the Lower Cape Fear Water and Sewer Authority to develop a regional water treatment facility. It will be located on Smithfield property and withdraw water from the Cape Fear River. Smithfield has agreed to become the primary initial customer for this new system.

Smithfield also participates in a number of water quality improvement efforts. One such effort is World Water Monitoring Day (WWMD), organized by the Water Environment Federation as an international outreach program to build public awareness and involvement in protecting water resources around the world.

In 2006, employees from 22 Smithfield subsidiaries in the United States, Poland, and Romania participated in WWMD activities, using a simple water testing kit to collect samples from local waterways and perform four key tests. The water sampling data was then entered into the WWMD database, available to the public at www.worldwatermonitoringday.org. The data will be used to draft summary comparisons reflecting water quality conditions around the world. Smithfield Foods has been a corporate sponsor of WWMD since 2003.

Promoting Biodiversity

Many of Smithfield's farms and other facilities feature buffers and other natural areas, which provide us with an excellent opportunity to help preserve and promote biodiversity.

In 2006, Murphy-Brown continued its cooperative research efforts with the North Carolina Wildlife Resources Commission to develop methods to enhance habitat for, and increase the population of, the bobwhite quail. This is a species whose numbers have been declining for the past few years. This research has produced encouraging results in the number of these birds present in the research area. Additionally, utilizing the same acreage, the research has expanded to include the introduction of certain beneficial plant species into the area. These plants are providing additional food sources for the quail and are attracting beneficial predatory insects that prey on insects harmful to adjacent croplands. The objective is to take advantage of natural predator/prey relationships within the insect population and reduce the need for insecticides.

Internationally, Smithfield Romania participated in the Millions of People, Millions of Trees program. This campaign to plant trees and plants was developed in partnership with Romania's Ministry of Environment and Water Management, and the Ministry of Agriculture, Forestry, and Rural Development. Funding and volunteers from leading companies, including Smithfield Romania, will help meet the program's objectives.

Facility and Departmental Leadership: 2006 Highlights

Internal Efforts and Awards

Smithfield strives to keep environmental information and innovation flowing freely through online newsletters, such as Smithfield Foods News (www.smithfieldfoodsnews.com), conferences, ongoing training opportunities, and the Smithfield Foods Environmental Excellence Awards and President's Awards. These internal award programs recognize and reward people, departments, and facilities for innovative technologies, processes, and ideas that reduce costs and enhance environmental quality. Through the award programs, best practices are shared throughout the company. Other areas of the company are, in turn, encouraged and rewarded for adapting them to their operations.

“**W**e’re very grateful for the \$5 million that the Smithfield-Luter Foundation has committed to support our research into preventing and treating cancer. We’re working hard to bring new knowledge from the lab to the clinic and to bring the results of clinical studies back to the lab. Part of the money will endow a chair—the Smithfield Palmer Weber Professorship—for a leading cancer prevention specialist. On a personal note, I think it speaks to Smithfield’s strong sense of loyalty that it still recognizes the contributions my father made to the company some 20 years ago by naming this gift in his memory.”

Michael J. Weber, Ph.D.

Director, Cancer Center

Professor of Microbiology and Weaver Professor of Oncology

University of Virginia Health System

OUR STAKEHOLDERS SPEAK...

“Smithfield Foods has been a supporter of our Sound CARE initiative from the beginning. The company’s funding is helping us restore and enhance wetlands in North Carolina that are so vital to our waterfowl population and other wildlife. Smithfield, through its Murphy-Brown subsidiary, has shown itself ready and willing to assist in other ways as well.”

Craig LeSchack

Director of Conservation Programs

Ducks Unlimited, South Atlantic Field Office

In 2006, 12 Environmental Excellence Awards were handed out in six major categories, including wastewater handling and treatment, environmental training, energy and water conservation, and waste reduction/pollution prevention. Included were awards to two facilities for adapting previous-year award-winning projects to their facilities, clearly demonstrating the value of sharing best practices in this centralized manner. Four President's Awards were chosen this year for exemplary environmental performance.

In concert with facility and departmental leadership, our internal awards program has proven to be an effective catalyst for sparking innovation. This year, our facilities submitted more than 90 projects for consideration with impressive overall results, including an annual cost savings of more than \$7 million and the following annual benefits:

- Overall water savings of more than 116 million gallons.
- Removal of 312,000 gallons of brine from wastewater systems.
- Savings of over 250,000 kWh of electricity.
- Savings of over 45,000 decatherms in the amount of natural gas used.
- Recycling of over 3.5 million pounds of solid waste materials that otherwise may have been sent to landfills.

The four 2006 President's Awards winners are described below in detail:

SUN LAND BEEF COMPANY, TOLLESON, ARIZONA—ENERGY AND WATER CONSERVATION

This plant-wide effort involved many types of conservation initiatives, resulting in plant-wide savings of 125 gallons of water per animal harvested, a savings of 24 percent; a 5-percent reduction in the removal of groundwater for plant processes; a 54-percent reduction in wastewater chemical usage; and a \$198,000 savings to the bottom line.

MURPHY-BROWN—ENERGY AND WATER CONSERVATION

This initiative resulted in a \$1 million savings per year in electricity costs by shifting the manner in which piglets are kept warm. When breeding piglets, heat lamps are typically used to provide needed warmth. Facility personnel located heat pads that could do the same job using much less energy and that allowed for the removal of the lights. This information was shared with our contract growers to assist them in lowering their energy footprint as well.

SMITHFIELD PACKING FACILITY, TAR HEEL, NORTH CAROLINA—POLLUTION PREVENTION

The Tar Heel facility entered into a full-scale recycling program last year, and other Smithfield sites participated to boost the total of available goods. This made the items more attractive to the recycler and drastically increased the prices offered for them. The facility collected an additional \$160,752 via this recycling program.

FARMLAND FOODS, DENISON, IOWA—ENVIRONMENTAL MANAGEMENT, ISO 14001

The Denison facility increased its production by 14 percent. However, during that same time period—through conservation efforts—natural gas usage increased only 4 percent. Electrical usage went up only 9 percent. They also increased their recycling to include an additional 458 tons of cardboard worth \$83,000 to the bottom line. In association with this effort, the facility received the 2006 Iowa Governor's Award for Sustainability.

Visit www.smithfieldfoods.com/Enviro/Awards/2006.asp for a complete listing of this year's awards.

External Performance Recognition

Increasingly, the quality of Smithfield's environmental stewardship efforts has been acknowledged by government, industry groups and other stakeholders. In 2006, we were honored to receive the following recognition:

Two Smithfield companies joined the U.S. Environmental Protection Agency's Performance Track Program, which recognizes companies that go beyond meeting legal requirements in key areas of environmental protection.

Facilities received 44 awards across 19 U.S. states from the American Meat Institute (AMI). Eight Smithfield Foods facilities in six states received the Environmental Achievement Award for exceeding AMI's compliance standards for environmental outreach to the public, pollution prevention, resource conservation, sustainability, and training programs. Thirty-six Smithfield Foods facilities in 13 states earned the Environmental Recognition Award for companies that assess their own environmental challenges and develop unique solutions that encourage continuous improvement. Visit www.smithfieldfoodsnews.com/VolumeIII_NumberII/index.html for a complete listing of these awards.

Our Farmland Foods subsidiary received the 2005 Iowa Governor's Environmental Excellence Award for leadership and innovation in protecting Iowa's natural resources, in connection with achieving ISO 14001 certification at two Iowa facilities. Our Farmland Foods Denison, Iowa, facility was awarded the 2006 Iowa Governor's Award for Sustainability for its energy conservation and recycling efforts. Farmland was also honored with the 2006 Illinois Pork Producer Allied Industry Partnership Award at a ceremony in January at the Illinois Pork Expo in Peoria, Illinois, and Farmland's Monmouth, Illinois, facility received the Illinois Governor's Pollution Prevention Award.

Environmental projects by three Smithfield facilities received the Commonwealth of Virginia's 11th annual Governor's Environmental Excellence Award. The award encourages excellence in environmental management by recognizing achievements that go beyond compliance toward environmental stewardship.

A number of Smithfield Packing facilities were honored for environmental excellence, encompassing various facility-level accomplishments, such as the following:

- The Smithfield-Wilson facility received the City of Wilson's Gold Award for Wastewater Treatment.
- The Smithfield North and South facilities received a Gold Award for Wastewater Treatment from the Hampton Roads Sanitation District. Smithfield North was also honored by the Virginia Department of Health with the Virginia Excellence in Waterworks Award.
- The Portsmouth facility was awarded the Silver Award from the Hampton Roads Sanitation District for its wastewater activities, and received Pollution Prevention Partnership Recognition as well.

Visit www.smithfieldfoodsnews.com/VolumeIV_NumberI/PageV.html for more comprehensive information on Smithfield Packing's awards.

PRODUCING OUR PRODUCTS RESPONSIBLY

As a food production and processing company, Smithfield views our commitment to product responsibility in two primary categories: animal welfare and food safety. We strive to ensure that our consumers can enjoy our products confidently. Unique to a large-scale livestock operation, however, is our responsibility to the animals.

Animal Welfare Management—Leading the Way

Smithfield recognizes and embraces our animal welfare responsibilities. We are determined to lead the industry in adherence to sound, science-based animal welfare practices. Our commitment to animal welfare is firmly rooted in Smithfield Foods' and Murphy-Brown's science-based animal welfare policies, and Murphy-Brown's signature animal welfare management program. These policies and this program apply both to company-owned and contract farms.

Two groups within Smithfield have oversight for animal welfare issues: the corporate-level Smithfield Foods Animal Welfare Council, and the subsidiary-level Murphy-Brown Animal Welfare Committee.

Animal Welfare Management Program

Described as a model for the entire U.S. pork industry by two of the world's foremost experts in animal well-being, Drs. Stan Curtis and Temple Grandin, Murphy-Brown's comprehensive Animal Welfare Management System (AWMS) forms the basis for managing animal welfare on our farms, from gestation to transport. The AWMS is a formalized, science-based, and auditable approach to help ensure the health, well-being, and humane treatment of animals raised for food production.

During the reporting period, there were a number of developments in the area of animal well-being. In calendar year 2007, we anticipate further evolution of our program as the audit component of the company's animal welfare program will be rolled into the recently developed POA Plus program.

HOUSING PREGNANT SOWS. In early January 2007, we announced a program to phase out individual gestation stalls at all our company-owned sow farms, and to replace them with group housing over the next 10 years. Gestation stalls and group housing are methods used by hog producers to house pregnant sows and closely monitor their progress during pregnancy, which lasts about 16 weeks.

This decision demonstrates our responsiveness to customers, many of whom believe that group housing is a more animal-friendly form of sow housing. Extensive research into sow housing, including our own three-year study, has concluded both gestation stalls and group pens provide for the well-being of pregnant sows and work equally well from a production standpoint. There is no scientific consensus on which system is superior, and we do not endorse one management system over the other.

While group housing presents some challenges, with proper management, we believe it is equally as effective as gestation stalls in providing proper care for pregnant sows. We do not expect it to have a detrimental effect on our animals or the way we run our business. Additional research will help guide our 10-year phase-in process.

IMPROVED LIVE HAUL ACCIDENT PROCEDURES. Murphy-Brown's live haul accident response procedures are widely regarded by animal welfare experts as the best in the industry. In 2006, Smithfield further enhanced these procedures with new equipment trailers known as "rescue units." These trailers are fully stocked with a variety of equipment (lights, penning equipment, saws, and other devices), which may be needed in the event of vehicle accidents involving our animals. Additional employee training, and cross-training between employees and first responders, has been conducted to ensure efficient, effective, and cooperative efforts by company personnel, local first responders, and law enforcement.

The new procedures facilitate swift and humane action, and are designed to protect both animals and handlers, as well as safeguard the public. In association with Murphy-Brown's Trucker Quality Assurance program, Murphy-Brown drivers were trained in these new procedures. Specific examples of training include proper techniques for entering overturned trailers, animal extraction, timely euthanasia of injured animals, crowd control, and communications related to accidents.

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

ENHANCED SLAUGHTER METHODS. During 2006, Smithfield continued with implementation of a slaughter procedure that animal scientists, veterinarians, and other experts view as less stressful, particularly for hogs. Known as CO₂ stunning, this method processes the animals in groups, rather than single file, and exposes them to CO₂ gas, which causes them to quietly lose consciousness.

The CO₂ stunning process has been in place at our Farmland Foods facility in Crete, Nebraska, and in one of our facilities in Poland for some time. In 2006, the process was introduced to the Smithfield Packing North facility and our slaughter operation in Romania. Installation at our Smithfield Packing facility in Tar Heel, North Carolina, was completed in the first half of 2007. Plans are also in place to have this system installed at our Farmland Foods facility in Monmouth, Illinois, by the end of 2007.

Ongoing Efforts and Activities

Smithfield engages in a number of ongoing processes to help ensure animal welfare. Here is a brief summary of these efforts.

U.S. DEPARTMENT OF AGRICULTURE'S (USDA) PROCESS VERIFIED PROGRAM. The USDA's Process Verified Program is modeled on the ISO 9000 quality management and assurance standards, and requires strict compliance with all USDA rules and regulations and those of other applicable regulatory agencies. Within our Eastern operations, all Murphy-Brown farms have received the USDA Process Verified certification for their Animal Welfare Management System. Within our Western operations, our company-owned farms in Utah and Colorado, and contract farms in South Dakota, have also received Process Verified certification. The balance of the company-owned farms west of the Mississippi will be seeking certification in the summer of 2007.* For more information about the Process Verified program, please visit <http://processverified.usda.gov>.

EXTERNAL AND INTERNAL AUDITS. To assure adherence to the requirements of our Animal Welfare Management System, the program is audited by the USDA's Process Verified certification program. Smithfield also employs an internal audit program, with each company-owned farm being audited annually. As part of the USDA Process Verified program, USDA auditors may select any of the farms for random third-party audits.

RESPONSIBLE ANTIBIOTICS USAGE. Our company and contract farmers use antibiotics responsibly in animal husbandry practices to optimize animal health and well-being, prevent disease, and maintain the highest standards of food safety. Murphy-Brown's Antibiotics Policy applies to the hogs raised by our company (including those on contract farms), as well as to all turkeys. Murphy-Brown strictly complies with all antibiotic withdrawal timelines established by the USDA and the Food Animal Residue Avoidance Databank.

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

FEED-GRADE MEDICATIONS PURCHASED NATIONWIDE

pounds purchased per CWT



All totals are for 12-month periods ending in October.

The Feed-Grade Medications Purchased Nationwide metric included on page 54 of Smithfield's 2005 CSR report reported purchases by our Eastern and Western U.S. operations separately. These numbers accurately reflect the purchases by the respective divisions; however, the purchases were for the May 2004–April 2005 fiscal year rather than the period ending October 31, as indicated. The Feed-Grade Medications Purchased metric in the current report accurately reflects purchases (Eastern and Western divisions combined) for the periods ending October 31, 2005 and 2006.

* In our 2005 report, we reported that all U.S. Murphy-Brown farms had achieved the U.S. Department of Agriculture's Process Verified certification. This was correct for our Eastern operations, but not for our Western operations, which are currently undergoing certification.

Food Safety—Our Steadfast Commitment

Smithfield's food safety mission is to make certain that Smithfield Foods companies worldwide work together to be the industry leader in producing the safest products possible, to help ensure the traceability of our livestock, and to ensure the quality and safety of our meat products. We are working with industry, government, and independent experts to create and implement best-practice policies governing food safety.

Smithfield's systematic approach to food safety is supported by our new Food Safety Policy, along with specific policies governing pathogen control, food security, and food safety training. The Smithfield Food Safety Council's primary function will be to develop and maintain a uniform set of Food Safety Policies, Standards, and Best Practices for all Smithfield Foods companies worldwide. These policies, standards, and best practices will be maintained to meet or exceed all current regulatory requirements.

The Council will meet regularly to discuss current scientific and technical food safety information. It will utilize this information to evaluate the soundness of our food safety policies, standards, and best practices. During these meetings, the Council will evaluate and advise Smithfield Foods on emerging food safety technologies and pertinent government regulations. The Council has implemented an internal audit function to help ensure compliance with our food safety policies, standards, and best practices. Our food safety audit function is structured to maintain food safety as our top operational priority.

Managing Food Safety

FOOD SAFETY AUDITING

In 2006, Smithfield Foods introduced new auditing protocols to help further ensure compliance with internal and government standards as well as with customer expectations. Each facility undergoes an annual third-party audit and mock product recall scenario performed by food safety professionals. The facilities must achieve a score of at least 90 percent regarding compliance with processes and standards. Any nonconformances identified by this process must be addressed in a timely manner at the facility level.

Internal audits and mock product recall scenarios are also conducted at each plant on an annual basis, with oversight from Smithfield's corporate Risk Management Group. Each facility features a site quality assurance manager, whose team includes a group of technicians.

Additionally, Smithfield's meat processing facilities and products are inspected continually by federal authorities. Many customers perform their own audits and/or request that we send them the results of the third-party audits conducted at our facilities.

TRACEABILITY AND FOOD SAFETY

In today's meat production and processing industry, product traceability is of paramount importance to our customers, and to consumer health and safety.

In 2006, the Smithfield Packing subsidiary achieved U.S. Department of Agriculture Process Verified certification for three of its facilities, making it the largest fresh pork company in the world to be 100-percent Process Verified. Two facilities were certified in 2006, while our Tar Heel, North Carolina, processing plant had been certified in 2005. This certification assures retailers and consumers of the following:

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

FACILITIES AND FOOD SAFETY

An essential element to achieving our business goal of increasing our processed meats business is to have state-of-the-art facilities. Smithfield has invested millions of dollars in capital improvements for existing and new facilities that place great emphasis on comprehensively incorporating food safety, productivity improvement, risk management, and employee safety considerations.

In 2006, Smithfield Packing completed construction of a 235,000 square foot deli and sliced ham-processing facility in Kinston, North Carolina. This facility embodies the highest food safety and product quality standards in the industry. The plant features a complete separation of the raw and ready-to-eat manufacturing functions. Processes and facilities have been designed to control employee flow, ensure strict adherence to personal hygiene standards, minimize direct human intervention with products, and enable precise tracking of products throughout all operations.

FOOD SAFETY TECHNOLOGY

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

FOOD SAFETY TRAINING

Smithfield Foods makes significant investments in hiring and training the right people for the job. Our Food Safety Training Policy defines requirements for the implementation and documentation of food safety training standards at all our subsidiary processing facilities. Specifically, the Policy outlines required and suggested food safety training topics, trainer qualifications, and training cycles. The Policy also requires that food safety training be documented and that employees are tested to evaluate the effectiveness of the training program.

BUILDING STRONGER COMMUNITIES

As a food company that depends upon the hard work of a large employee population, Smithfield focuses our community efforts primarily in two key areas: hunger relief and education. By focusing on nourishing the minds and bodies of our employees, neighbors, and customers, we hope to establish and maintain solid relationships in the communities in which we operate. We also provide significant support for local and international environmental stewardship efforts.

Our relationship-building efforts, however, extend far more broadly. They encompass our corporate contributions to community well-being by providing jobs, tax revenues, and economic growth; our subsidiaries' efforts to engage with members of the community; and our employees' monetary and time contributions to various causes.

In 2006, Smithfield was named Meat Processor of the Year by *The National Provisioner* magazine, in large part due to our environmental and other corporate social responsibility efforts and performance.

Community Outreach Programs

Corporate-Level Educational Programs

LEARNERS TO LEADERS™ ALLIANCE

Launched as a corporate initiative in December 2006, the Learners to Leaders Alliance is an educational alliance funded by Smithfield Foods and made up of Smithfield's independent operating companies and local educational partners.

By providing underprivileged students with opportunities to advance their education beyond high school, Learners to Leaders will help not only the recipients themselves, but local communities and businesses as well. Participating students benefit beyond the classroom in the form of internships and other practical business experiences. The program aids local communities by helping to develop tomorrow's leaders and provides an expanded and diverse talent pool from which businesses can draw.

The first Smithfield Foods Learners to Leaders programs in the United States were launched in Sioux Falls, South Dakota; Green Bay, Wisconsin; and Denison, Iowa. Additional partnerships will follow in communities across the United States and in Europe.

The Sioux Falls School District will channel 25 qualified students into the business administration curriculum at Southeast Technical Institute (STI), where the Smithfield Foods Learners to Leaders Alliance will fund each student's first year of STI's two-year Associate of Applied Science degree in business administration. In Green Bay, the program will be administered locally by Green Bay-based Destination Education. This nonprofit organization provides support services to educational institutions and communities to promote the importance of education and its role in cultivating the skills necessary for students to become productive, caring, and responsible citizens.

THE SMITHFIELD-LUTER FOUNDATION

Since its inception in 2002, the Smithfield-Luter Foundation has supported access to education for our employees' children and grandchildren at select universities and colleges.

In 2006, the Smithfield-Luter Foundation announced a \$5 million gift for cancer research and treatment to the University of Virginia Health System (UVHS) in honor of longtime Smithfield associate and director Palmer Weber. The gift will make a significant contribution to UVHS's effort to recruit an internationally recognized cancer prevention specialist and expand its cancer prevention research team. It will also help the school find new ways to assess cancer risk, detect cancer earlier, and develop individualized prevention therapies.

AN ACHIEVABLE DREAM

Smithfield Foods and our subsidiary Smithfield Packing were very proud to provide support to An Achievable Dream in 2006. This nonprofit organization, based in Newport News, Virginia, is a partnership between the business community and Newport News Public Schools that gives children who are at risk of failure in school a chance to succeed. An Achievable Dream offers children in kindergarten through grade 12 a high-quality education in a nurturing environment. In future years, this program will become an integral part of our Learners to Leaders initiative.

In 2006, Smithfield honored 34 graduates participating in An Achievable Dream for their outstanding academic achievements. We will provide each of these graduates with a \$2,000 college scholarship every year for four years. All of the program's 2006 graduates are going on to college, except two who will join the U.S. Armed Forces. Smithfield hosted a reception to honor the graduating students and give them an opportunity to meet their sponsors.

FUTURE FARMERS OF AMERICA

Smithfield supports the national Future Farmers of America organization through sponsorship of the Environmental and Natural Resources Career Development Contest. This competitive event takes place on multiple levels across the United States and provides an opportunity for high school leaders to test the skills they learned through engagement in local agricultural science education classes in their high schools. Students compete in areas involving global environmental issues; water, air, and soil analysis; ecosystem management; and waste management.

Corporate-Level Hunger Relief Efforts

AMERICA'S SECOND HARVEST

For many years, a number of Smithfield Foods subsidiaries have had active relationships with food banks in their regions, donating wholesome food to help those in need. In 2005, Smithfield Foods designated America's Second Harvest as the company's charity of choice for product donations.

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

During the reporting period, a number of our subsidiaries worked through America's Second Harvest to support local food banks. For example, Smithfield Packing Company entered into a joint partnership with the Foodbank of the Virginia Peninsula and the Foodbank of Southeastern Virginia to address child hunger in the Hampton Roads area.

Considered the largest food supplier to either food bank, the company will be providing 16,000 meals a month during the nine-month school year, and 8,000 meals a month for the three summer months to all 48 Kids Cafe sites throughout Southside Hampton Roads and the Virginia Peninsula neighborhoods. This equates to 168,000 meals a year comprising 84,000 pounds of various meat products.

Kids Cafe is a national program founded by America's Second Harvest that provides nutritious after-school meals to low-income, elementary-aged children. The after-school program also offers children a variety of recreational social activities as well as educational assistance.

Corporate-Level Environmental Stewardship Efforts

WORLD WATER MONITORING DAY

World Water Monitoring Day (WWMD) is an international outreach program organized by the Water Environment Federation to build public awareness and involvement in protecting water resources around the world. On or around October 18 each year, a series of events are held that promote the goals of the program. Smithfield has been a sponsor of WWMD since 2003.

In 2006, employees from 22 Smithfield Foods subsidiaries in 18 U.S. states, Poland, and Romania led hundreds of local volunteers to collect and test water samples from at least 57 bodies of water. They used a simple water testing kit to collect samples from local waterways to perform four key tests. Participants were instructed to enter their water sampling data into the WWMD database, available to the public at www.worldwatermonitoringday.org. The data will be used to draft summary comparisons reflecting water quality conditions throughout the world.

Supporting our commitment not only to environmental stewardship but also to community education, many of the local volunteers were students ranging from grade school to college age. Boy Scout and Girl Scout groups participated as well.

THE SMITHFIELD FOODS ENVIRONMENTAL EXCELLENCE AWARDS

Our annual internal awards program recognizes environmental innovation and performance improvement throughout our subsidiaries and facilities. In association with this recognition, winning teams receive \$3,000 to contribute to a charitable organization of their choice, as well as an employee cash award.

This year's winning teams directed their winnings to a number of charities, including well-known U.S.-based organizations, such as United Way, Make-A-Wish Foundation, Humane Society, American Cancer Society, American Heart Association, and Pheasants Forever, as well as to a variety of local community and environmental groups and schools, including several schools in Poland.

Subsidiary Community Involvement Highlights

SMITHFIELD ROMANIA

Smithfield Romania is among several sponsors of the Save the Danube Delta program. Located in southeast Romania and home to more than 300 migratory and permanent bird species, 160 kinds of fish, and 800 plant families, the 1,678,000-acre Danube Delta is the largest and best-preserved of Europe's deltas. It is recognized as a United Nations Educational, Scientific and Cultural Organization (UNESCO) Natural World Heritage Site.

In early 2007, Smithfield Romania employees were among the volunteers serving alongside Romania's president, minister of the environment, and other leaders in Save the Danube Delta activities. The group spent a day at the Delta where they performed environmental clean-up chores and disseminated educational and cleaning kits to tourists.

Smithfield Romania also participated in the Millions of People, Millions of Trees program. See the Environmental Stewardship section under the Promoting Biodiversity heading for more information.

SMITHFIELD PACKING

During 2006, Smithfield Packing employees at several facilities helped clean up the environment. As part of our Kinston, North Carolina, plant's Litter Sweep Campaign, employees worked alongside community members and government workers to help clean state-maintained roads. Employees from our North and South processing facilities participated in Clean the Bay Day, picking up 1,500 pounds of trash around Chesapeake Bay tributaries.

FARMLAND FOODS

The Illinois Pork Producers Association honored Farmland Foods with the 2006 Illinois Pork Producer Allied Industry Partnership Award in recognition of its efforts to provide programs and services for the benefit of its members. The Farmland plant in Monmouth, Illinois, donated 2,500 pounds of pork loins to the Illinois State Fair.

JOHN MORRELL

In November 2006, the John Morrell facility in Sioux Falls, South Dakota, was featured in a segment on ABC TV's *20/20* program as part of a story on the generosity of people in America's heartland. Several John Morrell employees were interviewed, and one of the interviews aired on the show. Some of the efforts for which the facility was recognized included raising \$387,000 in employee contributions for United Way, donating 150,000 pounds of food to the local food bank, and sponsoring holiday gift-giving initiatives for children and families in need.

The John Morrell facility in Cincinnati, Ohio, participated in a number of activities to raise money for worthy organizations and causes, including the American Heart Association's Heart Mini-Marathon and the American Cancer Society's Making Strides Against Breast Cancer Walk.

MURPHY-BROWN

Our Murphy-Brown subsidiary sponsored, donated to, and/or participated in a number of community activities including raising money for cancer research, providing donations for food to benefit a domestic violence center, and providing financial support to help establish a local hospice.

NORTH SIDE FOODS

The Cumming, Georgia, location of our North Side Foods subsidiary participated in the Lake Lanier Association's 18th Annual Shore Sweep, held in September 2006. Employees, families, and friends worked with approximately 1,000 volunteers to remove 28 tons of trash and debris from Lake Lanier's shoreline. North Side Foods has participated for several years in this activity, both as a corporate sponsor and with active participation from employees.

ENHANCING EMPLOYEE RELATIONS, HEALTH, AND SAFETY

Smithfield Foods is committed to providing employment and advancement opportunities that are valued by our people and new recruits, to treating our employees fairly and ethically, and to protecting their health and safety.

The Smithfield Foods corporate director of Health & Safety has primary responsibility for developing and overseeing the policies and programs that shape the company's approach to safety performance. This individual provides oversight and assistance to our subsidiaries, each of which is responsible for ensuring that operations uphold the Smithfield Foods Employee Safety Policy and comply with federal, state, and local laws.

Goals, Challenges, and Performance

Meat production and processing is a labor-intensive industry in which workers handle and transport live animals, operate heavy and sometimes sharp machinery, perform repetitive motions, work in close proximity to one another, and are exposed to wet environments.

Smithfield's key challenges include keeping workers safe on the job and ensuring access to an engaged and productive work force.

During the reporting period, we made important strides in addressing these challenges, including the following:

- Developed a Human Rights Policy (final adoption in 2007).
- Enhanced our Employee Safety Policy.
- Developed and implemented a new safety management system, the Employee Injury Prevention Management System.
- Began working with U.S. Immigration and Customs Enforcement (ICE) to join its new program, ICE Mutual Agreement Between Government and Employers.

These and other efforts, along with well-trained people, have us well positioned to meet the challenges inherent in our industry and company. Our safety record compares favorably with industry benchmarks, and we are striving to set the bar higher.

Building Strong Employee Relations

Human Rights Policy

While Smithfield's Code of Business Conduct and Ethics has long protected the rights of our workers, we have also developed a company-wide policy specifically addressing human rights. Smithfield's new Human Rights 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 chief objective of the policy is to help ensure fair treatment of our employees throughout the company and all our subsidiaries. We believe it is an important step in addressing inquiries from certain stakeholder groups on this issue and in enhancing our domestic and international stewardship efforts. We will begin implementation of the policy in 2007.

Smithfield Packing Employee Engagement Survey

During the reporting period, Smithfield Packing implemented a subsidiary-wide Employee Engagement Survey to identify, measure, and prioritize issues that influence employee engagement and drive business results.

In the early summer of 2006, a paper questionnaire went to over 11,000 employees, yielding a 71-percent response rate. The survey was presented to employees in both English and Spanish, and employees were given time during working hours to complete the survey. To encourage candid responses, employees were not asked to identify themselves. Survey results and next steps were shared with all Smithfield Packing employees in the fall of 2006.

The results confirmed that we are doing a lot of things that employees like and respect, but they also identified opportunities for improvement. Specifically, employees are proud to be part of the organization and are extremely satisfied with the company as a place to work. Areas identified for improvement include increasing two-way communication and establishing a clearer link between individual work and company goals. Some of the actions we have taken as a result of the survey include the following:

- Employee engagement meetings to increase two-way communication.
- Employee award programs to recognize length of service and high achievement.
- Training to help managers develop action plans to address individual survey results.

Employee Benefit Programs

Smithfield Foods offers employees very competitive wage and benefit programs. Specific programs vary by operating company, location, and position.

During the reporting period, our Farmland Foods subsidiary received the 2006 HREvolution award from *National Provisioner* magazine and a private employee benefits provider for excellence in response to human capital challenges in the meat and poultry industries. The award recognized the company's recruitment and employee retention initiatives, as well as our worker safety programs.

Employee Educational Assistance

Smithfield Foods offers employees tuition reimbursement to help them pursue their educational goals. Some employees have taken advantage of these programs to pursue English as a Second Language courses, General Educational Development (GED) certificates, and undergraduate and graduate degrees. These programs vary by subsidiary, but generally employees are provided assistance based on the grade obtained in the subject and/or passing in a pass/fail course. Reimbursement has traditionally included cost of tuition and lab fees and may range from 50 to 100 percent.

The Smithfield-Luter Foundation

Founded in 2002, the nonprofit Smithfield-Luter Foundation provides scholarships for dependent children and grandchildren of full-time or retired employees of Smithfield Foods' family of companies. Based on financial need, these scholarships are available to children who receive acceptance into Wake Forest University, Iowa State University, Johnson & Wales University, or Virginia Polytechnic Institute and State University. In 2006, the Smithfield-Luter Foundation disbursed 24 scholarships totaling over \$282,000 for the 2006–2007 school year.

Smithfield Packing's On-Site Health Care Facility at Tar Heel

Smithfield Packing Company continues to operate its dedicated Family Medical Center for its employees and their families. The Medical Center saw over 8,000 patients and filled over 48,000 prescriptions in 2006. The facility offers primary care, laboratory, X-ray, and pharmacy services six days a week. Employees are provided high-quality health care at a low cost of \$10 per visit.

Employee Professional Development and Personal Support

Strengthening Employee Support

To varying degrees, many of our locations provide programs to support employees on the job, such as coaching or mentoring programs. Some also provide access to personal support services, such as counseling. In 2006, a number of facilities implemented improvements to their programs. Some subsidiary employee support programs include the following:

- The Patrick Cudahy subsidiary created 10 \$2,000 scholarships for the children of its employees, initiated in-house smoking cessation classes, and established a corporate fitness program in conjunction with Bally Total Fitness and the YMCA.
- The John Morrell Sioux Falls, South Dakota, facility sponsors annual health and wellness programs for all its employees and their families and provides flu shots to employees and retirees free of charge. In 2006, the company's Cincinnati, Ohio, facility sponsored a successful employee smoking cessation program in association with the facility's new smoke-free policy.

Equal Employment Opportunity Policies and Programs

Our company strongly believes in promoting diversity and cultivating a U.S. work force representative of society. In recruitment, hiring, training, promotion, and other terms and conditions of employment, Smithfield Foods does not permit discrimination against any employee or any applicant because of race, color, religion, ethnic or national origin, gender, sexual preference, age, disability, veteran status, or any other status protected by federal law. All Smithfield Foods facilities have Equal Employment Opportunity policies and programs.

REPRESENTATION OF WOMEN AND MINORITIES IN SMITHFIELD'S U.S. WORK FORCE

As of September 2006, across all U.S. facilities, women were estimated to represent 35 percent of our employees and 16.8 percent of all officials and managers. Minorities represented 67.4 percent of employees and 24.4 percent of all officials and managers. To determine representations of women and minorities for reporting to the federal government, each Smithfield Foods subsidiary with more than 50 employees produces the requisite report using a standard methodology. The information is then centralized for corporate analysis.

Labor Relations

COLLECTIVE BARGAINING

Smithfield Foods is committed to a positive and constructive relationship with our employees. Our company has both unionized and non-unionized facilities. If a facility is unionized, Smithfield Foods honors and complies with the terms and conditions of the collective bargaining agreement. In unionized facilities, we have good relations with the unions, and we have partnered on several employee programs that go above and beyond our collective bargaining obligations. As of April 2006, approximately 43 percent of Smithfield Foods' work force in the United States was covered by collective bargaining agreements. This percentage represents approximately 18,100 Pork segment employees and 2,400 Beef segment employees.

Immigrant Workers

Smithfield has been following the U.S. Congressional debate over new immigration legislation very closely because we have many valued employees who are immigrants. These employees bring diversity that has enriched the communities where we live and work.

In recognition of A Day Without an Immigrant, a national event held on May 1, 2006, to draw attention to the plight of immigrant workers, Smithfield assisted our employees in making their voices heard. We helped them write their senators and representatives in Congress to ask them to pass just legislation that protects legal immigrants and their employers, provides a path to citizenship for those willing to work, and that does not separate family members.

Regardless of Smithfield's perspectives on immigration reform, we are committed to complying with all federal laws and welcome opportunities to enhance our compliance. With that in mind, we have been working closely with U.S. Immigration and Customs Enforcement (ICE) to join its new program called the ICE Mutual Agreement Between Government and Employers (IMAGE). Through the IMAGE program, Smithfield will build a cooperative relationship with ICE to strengthen our hiring practices and reduce employment of unauthorized workers.

Clear Company-Wide Expectations for Employee Behavior

Smithfield's Code of Business Conduct and Ethics sets forth clear expectations for appropriate employee behavior as well as corporate hiring and disciplinary policies. The Code is communicated to all Smithfield Foods employees and continually reinforced. Smithfield Foods has established policies and protocols to help ensure that employees at all levels of our company act responsibly and respectfully within the workplace. For more information, please see our Web site at www.smithfieldfoods.com.

Helping to Ensure Employee Health and Safety

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

Smithfield's safety efforts have yielded measurable results, providing protection to employees and bottom-line improvements. In addition to injury rates trending generally downward, our worker's compensation costs have decreased significantly.

In 2006, a number of high-level developments reinforced our firm commitment to worker safety.

Enhanced Corporate Safety Policy and New Employee Injury Prevention Management System

We strengthened the foundation of all our safety efforts by implementing improvements to our Corporate Safety Policy and re-issuing it in August 2006. This upgrade was initiated to better document specific measures that will foster continual improvement in the management of workplace injury and illness risks and demonstrate our commitment to health and safety.

Smithfield's new Employee Injury Prevention Management System (EIPMS) is an outgrowth of our 2005 Safety Elements effort and builds on the success of our Environmental Management System (EMS). EIPMS is based on the Occupational Health and Safety Assessment System (OHSAS) 18001 guideline. Although OHSAS 18001 is not a standard, this guideline is being used for third-party certifications and has a structure almost identical to ISO 14001. To further supplement the material from the OHSAS 18001 guideline, EIPMS also incorporated elements of the American National Standards Institute Z10, the U.S. standard for safety and health management systems adopted in 1995. The management system was labeled the Employee Injury Prevention Management System in order to emphasize the focus on injury prevention.

Key target dates for implementation included November 2006 for all core teams to be trained and February 2007 for implementation of the Key EIPMS Elements. Full implementation was in place at all locations by June 2007.

Hazard identification and risk assessment are the cornerstones of our EIPMS. During this portion of the management process, emphasis is placed on the importance of including both non-routine and routine tasks. Hazard identification is the foundation of prevention. Its goal is identifying hazards prior to their occurrence and initiating appropriate control measures to eliminate the hazard and the associated potential for injury.

Safety Organization Restructuring

Smithfield's corporate safety organization underwent some restructuring in 2006, with the goal of promoting best practices and helping all company interests move in the same direction with regard to worker safety.

Primary changes included the establishment of Smithfield Foods' new corporate director of Health & Safety position, as well as new high-level positions established in our Beef Group, John Morrell, and Armour-Eckrich Meats subsidiaries.

Annual Safety Conference

In 2006, Smithfield Foods held its annual Safety Conference. This past year provided a platform for introducing EIPMS to all our locations at the same time. In addition to providing training on our safety programs, the conference emphasized the need for implementation of EIPMS and stressed that it was built around the same framework as our successful Environmental Management System.

An overview of each EIPMS element was provided, with additional time spent on one of the most important: Hazard Identification and Risk Assessment. Four different Hazard Identification and Risk Assessment tools were reviewed, and exercises were conducted to provide participants with the opportunity to work through each tool themselves. Other topics included safety regulations updates, asbestos abatement, fire alarm systems, capital appropriations request requirements, and ergonomics assessments.

This conference culminated in a presentation of the annual Safety Awards by Smithfield's president and CEO.

Partnership Efforts

During the reporting period, Smithfield worked with the American Meat Institute (AMI) and the U.S. Occupational Safety and Health Administration (OSHA) to foster a culture of illness and injury prevention in the meat industry. Through the AMI/OSHA alliance, Smithfield assists in promoting safe and healthful working conditions for meat industry employees. Through our work with the University of North Carolina in developing a 10-hour OSHA general industry course specific to the meat and poultry industry, Smithfield will assist in providing AMI and industry members with ongoing information and guidance. In particular, we are helping prevent and reduce exposure to ergonomic hazards in the workplace.

Our partnership with OSHA also extends to its Voluntary Protection Program (VPP), in which management, labor, and OSHA establish cooperative relationships at workplaces that have implemented a comprehensive safety and health management system. Approval into VPP is OSHA's official recognition of the outstanding efforts of employers and employees who have achieved exemplary occupational safety and health.

There are only about 1,600 total VPP facilities in the United States across all industries. Currently, two of these facilities belong to Smithfield and our subsidiaries. At the corporate level, Smithfield is encouraging our locations to work toward achieving OSHA VPP status.

During the reporting period, Smithfield also began talks with OSHA regarding the new VPP Corporate Pilot Program. VPP Pilot Program participants are typically large corporations that have adopted VPP on a large scale for protecting employee safety and health.

For more information on OSHA's VPP, visit www.osha.gov/dcsp/vpp/index.html.

Subsidiary-Specific Safety Updates

SMITHFIELD BEEF GROUP

During the reporting period, Smithfield Beef Group (SBG) added a subsidiary-wide safety manager position to assist in coordinating efforts with the Smithfield Foods corporate safety function, as well as with SBG's facility-level safety management teams. By maintaining initiatives introduced in 2005, SBG has realized significant reductions in injuries and illnesses, as well as worker's compensation costs.

JOHN MORRELL

During the reporting period, John Morrell brought two new subsidiary-wide corporate safety directors on board to support its 18 full-time safety professionals. John Morrell also supports the efforts of the AMI worker safety and health committee. In addition to implementation of EIPMS, the subsidiary has put in place an initiative to restructure/build its hourly safety and health committees. John Morrell has two locations that have been recognized by OSHA.

Safety Performance

Our safety benchmarks are set at a 30-percent improvement upon the U.S. industry safety average. Although Smithfield's employee population grew by more than 4,000 during the reporting period, our total number of occupational injuries and illnesses declined. As detailed by the graphs that follow, Smithfield's Total OSHA Recordable; Days Away, Restricted, Transferred; and Days Away From Work rates were all reduced over the previous year. Smithfield's rates are comparable to others in the meat industry. As elements of our EIPMS are developed to full implementation in 2007, we expect injury and illness rates to fall below others in the industry.

Safety Metrics

Smithfield Foods' health and safety performance compares favorably with our industry peers; however, our goal with the implementation of EIPMS is to raise the bar in the industry.

This year we have added a significant safety metric to our reporting—the Days Away, Restricted, Transferred (DART) rate. This OSHA measurement is the standard throughout industry for measuring worker safety performance because it provides a measurement for the severity of injuries and illnesses. The DART rate is a measurement that OSHA utilizes in judging a company's performance. The DART rate is also used to assist in determining eligibility for OSHA's Voluntary Protection Program. Smithfield is pleased to report that we have not only reduced total injuries and illnesses but also decreased severity rates during this reporting period.

OSHA RECORDABLE RATE



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

OSHA DAYS AWAY, RESTRICTED, TRANSFERRED (DART) RATE



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

OSHA DAYS AWAY FROM WORK (DAW) RATE

(NOTE: The DAW rate was labeled the Lost Workday Case Rate in our 2005 CSR report, but the data below refer to the same measurement.)



The OSHA DAW rate represents the number of work-related injuries and illnesses that result in one or more days away from work per 100 employees.

Smithfield Foods Internal Safety Awards

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

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

This year, highest honors went to Farmland's Denison, Iowa, facility, which received the Smithfield President's trophy. Murphy-Brown's Texhoma, Oklahoma, division received the Smithfield Award of Merit.

External Recognition

AMERICAN MEAT INSTITUTE AWARDS

Twelve Smithfield Foods facilities were recognized in April 2006 in a ceremony for the American Meat Institute (AMI) Foundation's 2005 Worker Safety Recognition award program. The primary goals of the AMI Safety Awards program are to motivate employers to improve their safety performance at the plant level and to recognize those plants that have achieved a high level of safety performance. The awards are based on an evaluation of each plant's actual safety performance, as well as the implementation of key components of an effective safety and health program.

The subsidiaries represented included Farmland Foods, John Morrell, North Side Foods, Smithfield Beef Group, and Smithfield Packing. Among those facilities honored was Farmland's processing and packing plant in New Riegel, Ohio. At the time of the award, it had been over two years since the facility's last lost-time accident.

SMITHFIELD PACKING

The North Carolina Trucking Association Safety Management Council awarded a Smithfield Packing driver its 2006 Driver of the Year award for his many years of safe driving. In 34 years of service, our Driver of the Year recipient has never had a preventable accident. The Council also recognizes drivers on a monthly basis. In 2006, 24 Smithfield Packing drivers received Driver of the Month awards.

The Smithfield Foods, Inc., Human Rights Policy follows on the next page.

Information on other Smithfield Foods policies can be found at www.smithfieldfoods.com.

SMITHFIELD FOODS, INC., HUMAN RIGHTS POLICY

Smithfield is committed to the protection and advancement of human rights, as enshrined in the Universal Declaration of Human Rights (UDHR) issued by the General Assembly of the United Nations on December 10, 1948.

The Smithfield Human Rights Policy is grounded in the Smithfield Code of Business Conduct (the “Code”) and operates in conjunction with the Code (available on the Smithfield Web site). The Code, in conjunction with the Human Rights Policy, sets forth Smithfield’s policies and practices relating to conducting our business in an ethical and responsible manner that supports and respects the protection of human rights. It reflects the company’s core values and high ethical standards.

As used in this Policy and the Code, the term “Smithfield” means Smithfield Foods, Inc., and all foreign or domestic subsidiaries and joint ventures in which Smithfield has a majority interest and/or management responsibility; the terms “employees” or “representatives” mean and include all Smithfield employees, officers, and directors; and the term “supervisor” refers to the person to whom an employee reports. Smithfield will communicate this policy to its direct supply chain partners.

The Compliance Committee is responsible for the oversight and implementation of this policy, and shall define the company’s implementation and monitoring efforts to conform to this policy and advance our commitment to continuous improvement.

1. Equal Opportunity

Smithfield does not discriminate against any employee or applicant for employment because of race, color, religion, ethnic or national origin, gender, sexual preference, age, disability, or veteran status. This applies to recruitment, hiring, training, promotion, disciplinary practices, and other terms and conditions of employment. Discrimination against any employee or applicant for employment is a serious violation of equal employment opportunity law and of Smithfield’s corporate policies. It is the responsibility of every supervisory employee to ensure that discrimination does not occur and for every employee to report violations to our policy or the law.

Smithfield will take action to ensure that qualified applicants are given equal opportunity to be employed and promoted. All personnel actions and company-sponsored programs shall continue to be administered on a non-discriminatory basis. Violations of policy will be reviewed and investigated, and appropriate action taken based on the facts.

2. Health, Environment, and Safety

Smithfield is committed to ensuring the health, safety, and well-being of our employees, the people living and working in communities near our facilities, and the environment and will provide the human, physical, and financial resources necessary to meet this commitment. These resources will be used to enable employees and

contractors to work safely and comply with company policies and the law, to prevent pollution, and to protect the environment. Our employees are expected to comply fully with company policies and to adhere, at a minimum, to the applicable health, environmental, and safety legal requirements of their host country. Training will be provided to our employees on these company policies and legal requirements.

3. Harassment and Violence

Smithfield is committed to providing our employees with a non-discriminatory work environment free of any type of harassment, per company policy and the law. Supervisory employees must investigate all complaints of harassment, and employees are advised on their responsibility to report violations. The company will take appropriate disciplinary actions for violation of policy or law.

All verbal and physical threats of violent behavior are unacceptable and should be reported as outlined in the Smithfield Code of Conduct. Every report of violence or threat of violence will be investigated. Employees who engage in violence or threats of violence will be subject to disciplinary action, up to and including termination of employment as well as criminal prosecution.

4. Rights of Employees

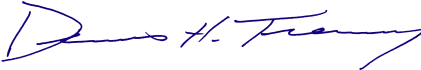
Smithfield does not use forced or compulsory labor. Workers are recruited and receive competitive wages and benefit packages. Smithfield will not use child labor and respects the rights of children to be protected from economic exploitation. Smithfield recognizes and respects employees' rights and freedom to choose whether to join or not join third-party organizations or to associate freely and bargain collectively. Where applicable, Smithfield supports the rights of its employees to make these choices through fairly conducted secret ballot elections. Smithfield recognizes that in some countries workers are not free to organize and join unions, and in such circumstances the company is open to other forms of worker representation.

5. Implementation

This Human Rights Policy will be implemented by Smithfield through communication and training programs for staff on human rights issues generally, and on the requirements of Smithfield's Human Rights Policy specifically.

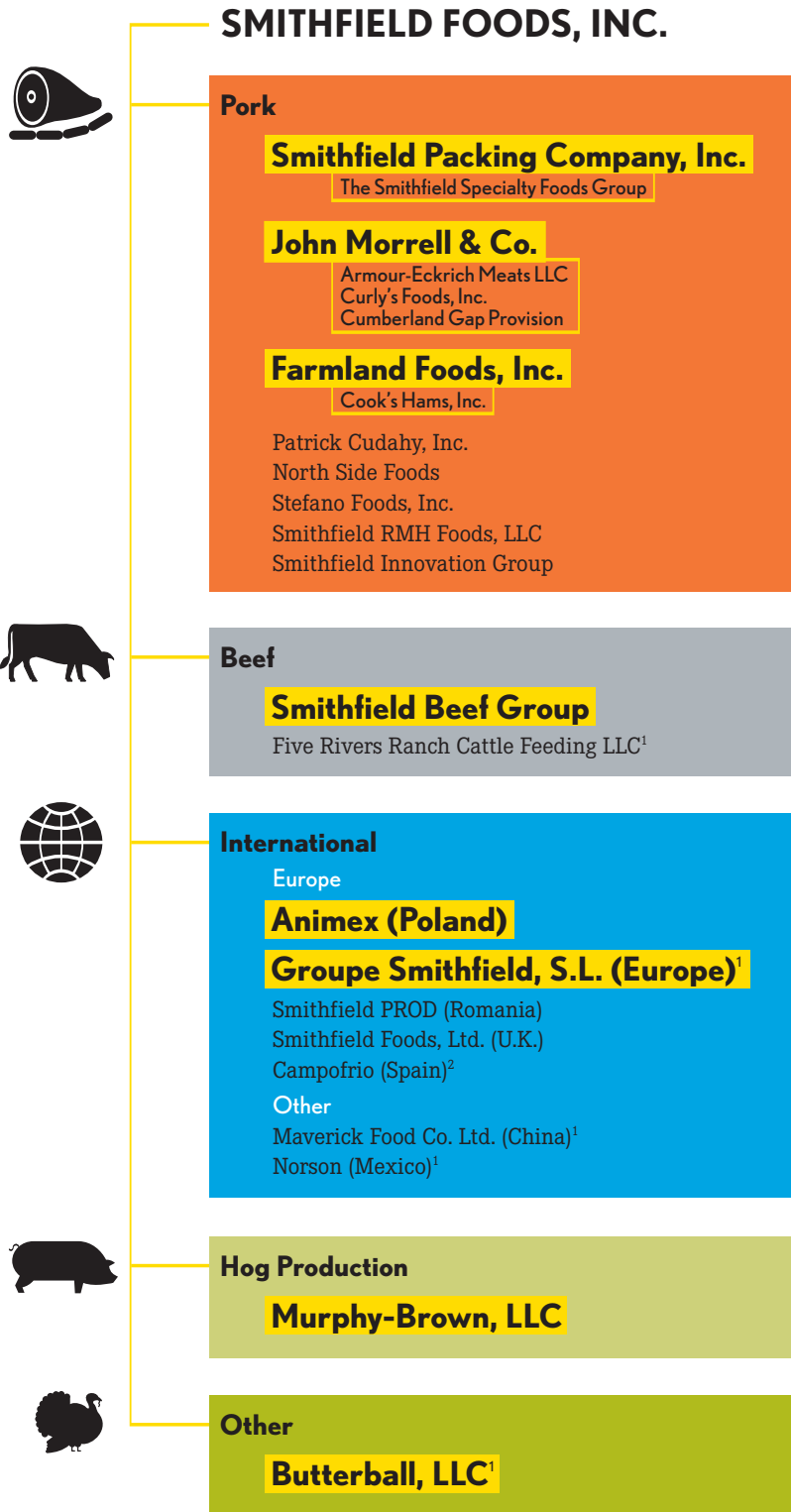


C. Larry Pope
President and Chief Executive Officer



Dennis H. Treacy
Vice President, Environmental and Corporate Affairs

OUR ORGANIZATIONAL STRUCTURE



¹ Joint venture

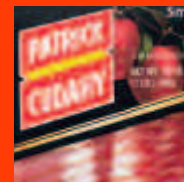
² Smithfield Foods owns a 23% stake.



OUR FAMILY OF COMPANIES

A series of successful acquisitions completed largely over the past decade have transformed Smithfield Foods into a global food company with annual revenue approaching \$12 billion. Here is a breakdown of our fiscal 2007 sales by operating segment: Pork (59%), Beef (19%), Hog Production (14%), International (7%), and Other (1%).

Our operating companies and joint ventures maintain their individual identities, but together they make Smithfield Foods a leader in several key categories. The following pages provide snapshots of these companies, including selected brands and markets as well as highlights from the latest fiscal year.



Smithfield

www.smithfield.com

The Smithfield Packing Company today enjoys annual sales of more than \$2.5 billion. Primary lines of business include fresh pork, smoked meats, bacon, cooked hams, and hot dogs for retail, foodservice, and deli channels. The company exports products to more than 30 countries. In addition to the Smithfield brand, its Gwaltney, Esskay, and Valleydale products are among the leaders in their respective markets.

HEADQUARTERS:
Smithfield, VA

PRESIDENT:
Joseph W. Luter, IV

EMPLOYEES: 12,000

MAJOR BRANDS

- Smithfield
- Gwaltney
- Smithfield Tender N Easy
- Great
- Smithfield Self Basting
- Esskay

MAJOR MARKETS

- United States
- Asia
- Mexico
- Canada

PROCESSING FACILITIES

- Smithfield, VA
- Kinston, NC
- Landover, MD
- Wilson, NC
- Tar Heel, NC
- Plant City, FL
- Elon, NC
- Portsmouth, VA

FISCAL 2007 HIGHLIGHTS

- Forged a marketing partnership with Paula Deen that has generated increased consumer awareness of the Smithfield brand and substantial interest among trade partners
- Increased sales of Gwaltney-branded hot dogs by 3 percent over the previous year, securing Gwaltney's position as the No. 1 brand of retail hot dogs in its core marketing area and the No. 4 brand of hot dogs in the United States
- Expanded retail distribution level of Smithfield bacon in core Eastern U.S. markets from 69 percent to 80 percent, according to ACNielsen
- Installed CO₂ stunning at its plants in Smithfield, Virginia, and Tar Heel, North Carolina
- Opened the most modern, efficient cooked-ham plant in the United States in Kinston, North Carolina





www.johnmorrell.com

John Morrell & Co. enjoys annual sales of approximately \$2 billion. 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 John Morrell and Kretschmar Deli brands as well as many others. Subsidiaries include Armour-Eckrich Meats, Cumberland Gap Provision, Curly's Foods, Mohawk Packing, and Henry's Hickory House.

HEADQUARTERS:
Cincinnati, OH

PRESIDENT:
Joseph B. Sebring

EMPLOYEES: 6,700

MAJOR BRANDS

- John Morrell
- Mosey's Corned Beef
- Armour
- Curly's
- Kretschmar Deli
- Rath Blackhawk
- Eckrich
- Cumberland Gap

MAJOR MARKETS

- United States
- Eastern Asia

PROCESSING FACILITIES

- Sioux Falls, SD
- Great Bend, KS
- Cincinnati, OH
- Sioux City, IA
- San Jose, CA

FISCAL 2007 HIGHLIGHTS

- Restaged John Morrell brand with new logo and package graphics, a new advertising and promotional campaign, and NFL quarterback Carson Palmer as brand spokesperson
- Introduced several retail products, including ham and poultry cuts in resealable packages, cocktail smokies, resealable tub bacon, Bavarian branded boneless hams, quarter spiral bone-in hams, and deli party trays
- Gained more than 800 distribution points as a result of new retail offerings
- Rolled out 13 cheeses for the service deli channel under the Kretschmar brand
- Grew to the No. 1 brand of ham cuts in the United States and the No. 2 brand of cocktail links





www.farmlandfoods.com
www.carando.com

Farmland Foods, Inc., derives the majority of its more than \$2.2 billion in annual sales from a broad selection of pork products for retail and foodservice customers. Primary lines of business include fresh pork, case-ready pork, hams, bacon, fresh sausage, cooked sausage, lunchmeat, dry sausage, and specialty sausage. Farmland Foods exports products to more than 60 countries across six continents. Its Carando Foods subsidiary is one of the largest U.S.-based suppliers of Italian deli and specialty meats.

HEADQUARTERS:
Kansas City, MO

PRESIDENT:
George Richter

EMPLOYEES: 6,500

MAJOR BRANDS

- Farmland
- Carando
- Cook's

MAJOR MARKETS

- United States
- Japan
- Mexico
- Russia

PROCESSING FACILITIES

- Crete, NE
- Monmouth, IL
- Carroll, IA
- New Riegel, OH
- Denison, IA
- Wichita, KS
- Springfield, MA
- Salt Lake City, UT

FISCAL 2007 HIGHLIGHTS

- Worked with Murphy-Brown to develop a new herd of vegetarian-fed, antibiotic-free animals for Farmland Simply Natural brand
- Launched 15 Farmland Simply Natural and 13 Farmland All Natural products in January 2007
- Secured a contract as Sodexho's exclusive pork supplier, with annual volume estimated at 36 million pounds
- Opened new distribution center in Crete, Nebraska
- Received EU certification to begin exporting products from Crete, Nebraska, plant





HEADQUARTERS:
Cudahy, WI

PRESIDENT:
William G. Otis

EMPLOYEES: 2,300

www.patrickcudahy.com
www.814americas.com

Patrick Cudahy specializes in high-quality, branded packaged meats for the foodservice, deli, and retail channels. Primary lines of business include microwave and traditional bacon, dry sausage, ham, and sliced meats. The company has long been identified with Sweet Apple-Wood Smoke Flavor®, one of its most popular bacon varieties. Its 814 Americas subsidiary serves the Hispanic market.

MAJOR BRANDS

- Patrick Cudahy
- La Abuelita
- Pavone

MAJOR MARKETS

- United States
- Canada
- Japan
- Mexico
- Caribbean

FISCAL 2007 HIGHLIGHTS

- Enjoyed 10-percent volume growth for premium dry sausage and specialty Italian deli products
- Increased volume and revenue by 15 percent in the Hispanic foods segment through expanded distribution and new products



www.emberfarms.com

HEADQUARTERS:
Arnold, PA

PRESIDENT:
Robert G. Hofmann, II

EMPLOYEES: 325

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

MAJOR BRANDS

- Ember Farms

MAJOR MARKETS

- Eastern U.S.
- Midwest/Western U.S.
- Canada

FISCAL 2007 HIGHLIGHTS

- Completed plant expansion in Georgia, increasing the company's production capacity by 33 percent
- Broadened market reach into Canada with the addition of a major quick-serve account





HEADQUARTERS:

Charlotte, NC

www.stefanofoods.com

PRESIDENT:

Enrico Piraino

EMPLOYEES: 95

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

MAJOR BRANDS

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

MAJOR MARKETS

- United States
- Canada
- Mexico

FISCAL 2007 HIGHLIGHTS

- Increased sales by more than 45 percent, with retail and fund raising providing the greatest gains
- Tripled grilled panini sales, mostly through the retail channel



www.rmhfoods.com

HEADQUARTERS:

Morton, IL

PRESIDENT:

Jonathan Rocke

EMPLOYEES: 120

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

MAJOR BRANDS

- Smithfield
- Flavoré
- Quick-N-Easy

MAJOR MARKETS

- United States

FISCAL 2007 HIGHLIGHTS

- Enjoyed 17-percent sales growth driven in part by the Quick-N-Easy brand's expansion into club stores
- Launched a three-item heat-and-serve appetizer tray under the Smithfield and Quick-N-Easy brands



Smithfield

Beef Group

www.sfbeef.com

The fifth-largest beef processor in the United States, the Smithfield Beef Group specializes in high-quality USDA Prime and Choice beef. It processes more than 2 million head of cattle each year for annual sales exceeding \$2.5 billion. Smithfield Beef Group provides fresh beef in sub-primal and case-ready packaging for both the retail and foodservice industries. In addition to a strong domestic base of customers, Smithfield Beef Group exports to more than 20 countries.

HEADQUARTERS:

Green Bay, WI

PRESIDENT:

Richard V. Vesta

EMPLOYEES: 5,600

MAJOR BRANDS

- Smithfield
- Aberdeen Farms Black Angus
- Showcase Foods
- Packerland
- Cedar River Farms Natural

MAJOR MARKETS

- United States
- Japan
- Mexico
- Canada

PROCESSING FACILITIES

- Green Bay, WI
- Plainwell, MI
- Souderton, PA
- Tolleson, AZ

FISCAL 2007 HIGHLIGHTS

- Increased volumes by 11 percent on a year-over-year basis due to growth in foodservice and retail customer base
- Re-entered Japanese and Korean markets successfully following end of ban on U.S. beef
- Launched the Aberdeen Farms Black Angus brand successfully
- Expanded high energy fed Holstein capabilities through additional strategic alliances with calf feeders
- Returned beef processing to profitability in spite of challenging industry conditions
- Repositioned all processing facilities under the Smithfield Beef Group banner





Murphy-Brown LLC

HEADQUARTERS:

Loveland, CO

PRESIDENT & CEO:

Mike Thoren

EMPLOYEES: 575

www.fiveriverscattle.com

Formed in 2005, Five Rivers Ranch Cattle Feeding LLC is an independently operated joint venture between the cattle feeding businesses of ContiGroup Companies, Inc., and Smithfield Foods, Inc. Five Rivers, the world's largest cattle feeder, has a combined feeding capacity of more than 800,000 head of cattle. It has 10 locations in Colorado, Idaho, Kansas, Oklahoma, and Texas.

LOCATIONS

- Colorado Beef, Colorado
- Gilcrest Feedlot, Colorado
- Kuner Feedlot, Colorado
- Yuma Feedlot, Colorado
- Interstate Feedlot, Idaho
- Grant County Feeders, Kansas
- Cimarron Feeders, Oklahoma
- Coronado Feeders, Texas
- Hartley Feeders, Texas
- XIT Feeders, Texas

FISCAL 2007 HIGHLIGHTS

- Instituted an aggressive management recruitment and development program
- Dedicated substantial capital to ensuring sustainable environmental compliance at multiple locations

www.murphybrownllc.com

HEADQUARTERS:

Warsaw, NC

PRESIDENT:

Jerry Godwin

EMPLOYEES: 5,700

The world's largest hog producer, Murphy-Brown, LLC, was established in 2001 following the acquisitions of Brown's of Carolina, Carroll's Foods, Murphy Family Farms, and Circle Four Farms. It owns approximately 1 million sows, with 85 percent based in the United States. Murphy-Brown's U.S. and international operations bring more than 15 million hogs to market annually.

U.S. LOCATIONS

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

MURPHY-BROWN INTERNATIONAL

- | | |
|---|-----------------------------|
| ■ Mexico: Norson | ■ Poland: AgriPlus |
| ■ Mexico: Granjas Carroll de Mexico (GCM) | ■ Romania: Smithfield Ferme |

FISCAL 2007 HIGHLIGHTS

- Expanded farming operations in Mexico and began increasing Circle Four Farms sow herd in Utah
- Increased farms in Poland and Romania by 16,000 and 24,000 sows, respectively



www.butterball.com

Butterball, LLC, is the largest U.S. turkey producer, with annual sales exceeding \$1.2 billion. Smithfield Foods owns 49 percent of the company, a joint venture with Maxwell Farms, Inc., of Goldsboro, North Carolina. Primary lines of business include whole turkeys and parts, cooked turkey breasts, turkey sausages, ground turkey, lunchmeat and fresh tray pack, bone-in and boneless turkey. Available through retail, deli, and foodservice channels, celebrated Butterball products are sold in 20 countries.

HEADQUARTERS:

Mount Olive, NC

CEO:

Keith Shoemaker

EMPLOYEES: 5,700

MAJOR BRANDS

- Butterball
- Carolina Turkey

MAJOR MARKETS

- United States
- Mexico
- China
- Bermuda

PROCESSING FACILITIES

- Mount Olive, NC
- Longmont, CO
- Jonesboro, AR
- Huntsville, AR
- Kinston, NC
- Carthage, MO
- Ozark, AR

FISCAL 2007 HIGHLIGHTS

- Increased sales of Butterball pre-packaged whole turkeys by 5 percent
- Widened market-leading Butterball brand share while category sales declined 3 percent
- Introduced All Natural line of cooked deli breasts
- Expanded distribution of Butterball lunchmeats with introduction of chicken varieties
- Broadened foodservice national account distribution with addition of several national restaurant chains
- Realized double-digit international value-added sales by introducing branded items into five new markets



Groupe Smithfield

www.aoste.de
www.imperial.be
www.nobre.pt

Groupe Smithfield is the home of many of Western Europe's most popular brands of packaged meats, with annual sales totaling \$1.9 billion. Smithfield Foods owns 50 percent of this joint venture with Oaktree Capital Management, LLC. Primary product lines include dry sausage, dry ham, cooked ham, cooked sausage, poultry, pâté, hot dogs, and ready-to-eat meals. Groupe Smithfield serves Europe's modern and traditional retail trade as well as a large number of foodservice customers.

HEADQUARTERS:
Paris, France

PRESIDENT:
Robert A. Sharpe II

EMPLOYEES: 6,650

MAJOR BRANDS

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

MAJOR MARKETS

- European Union

PROCESSING FACILITIES

- The Netherlands
- Belgium
- Portugal
- France

FISCAL 2007 HIGHLIGHTS

- Finished the year significantly ahead of plan, leading to increased sales targets for fiscal 2008
- Reaped operational efficiencies through the merger of Jean Caby and Aoste in France
- Launched initiative to reposition Jean Caby and Aoste products for the high end of the private-label market
- Developed plan to improve margins by optimizing the manufacturing platform for the French companies





HEADQUARTERS:

Warsaw, Poland

www.animex.pl

PRESIDENT:

Darek Nowakowski

EMPLOYEES: 8,750

Animex is Poland's largest producer of fresh and packaged meats and home of the prized Krakus ham. With annual sales of approximately \$775 million, its primary lines of business include fresh pork, beef, and poultry as well as smoked and cooked hams, sausages, and other processed meats. Animex products are available in more than 50 countries at retail and through foodservice channels.

MAJOR BRANDS

- Krakus
- Morliny
- Mazury

MAJOR MARKETS

- Poland
- European Union
- United States
- South Korea

FISCAL 2007 HIGHLIGHTS

- Introduced the Yano brand in Poland with cooked hams, sausages, hot dogs, and other value-priced products
- Increased export volumes by 30 percent, largely due to increased EU and Far East sales



www.smithfieldfoods.ro

HEADQUARTERS:

Timisoara, Romania

PRESIDENT & CEO:

Morten Jensen

EMPLOYEES: 430

Smithfield Foods entered the Romanian meat products market in 2004 by acquiring Agrotorvis. Smithfield PROD's annual sales have since grown to more than \$60 million. Its primary product line is fresh pork, principally for retail customers. Smithfield PROD also owns a 50-percent stake in food distributor Agroalim and cold storage warehouse company Frigorifer.

MAJOR BRANDS

- Comtim

MAJOR MARKETS

- Romania

FISCAL 2007 HIGHLIGHTS

- Opened refurbished pork processing plant in Timisoara
- Doubled sales of fresh pork due largely to expansion of Smithfield Ferme hog production operations



HEADQUARTERS:

Buffalo Grove, IL

SENIOR VP & COO:

Michael Formichella CMC

EMPLOYEES: 5

www.smithfieldinnovationgroup.com

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

KEY CAPABILITIES

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

FISCAL 2007 HIGHLIGHTS

- Created marinated meats and 40-ounce dinner kits for club stores as well as rubbed loins for grocery stores
- Developed 10 Paula Deen sauces for QVC and specialty stores and stuffed beef filets for a large retailer



www.thepeanutshop.com

www.smithfieldhams.com

www.smithfieldcollection.com

HEADQUARTERS:

Toano, VA

VP & GENERAL MANAGER:

Wm. W. "Pete" Booker, III

EMPLOYEES: 30

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

MAJOR BRANDS

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

MAJOR MARKETS

- United States

FISCAL 2007 HIGHLIGHTS

- Posted double-digit sales growth, in part through broader catalog distribution and strategic partnerships
- Introduced Paula Deen Collection Sauces & Seasonings through The Peanut Shop of Williamsburg



MANAGEMENT BOARD

C. LARRY POPE

President and
Chief Executive Officer,
Smithfield Foods, Inc.

RICHARD J.M. POULSON

Executive Vice President,
Smithfield Foods, Inc.

ROBERT W. MANLY, IV

Executive Vice President,
Smithfield Foods, Inc.

CAREY J. DUBOIS

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

JERRY H. GODWIN

President,
Murphy-Brown, LLC

ROBERT G. HOFMANN, II

President,
North Side Foods Corp.

MORTEN JENSEN

Chief Executive Officer,
Central and Eastern Europe

JOSEPH W. LUTER, IV

President,
The Smithfield Packing Company,
Incorporated

DAREK NOWAKOWSKI

President,
Animex Sp. z o.o.

WILLIAM G. OTIS

President,
Patrick Cudahy Incorporated

ENRICO PIRAINO

President,
Stefano Foods, Inc.

GEORGE H. RICHTER

President,
Farmland Foods, Inc.

JOSEPH B. SEBRING

President,
John Morrell & Co.

RICHARD V. VESTA

President,
Smithfield Beef Group

CORPORATE OFFICERS

C. LARRY POPE

President and
Chief Executive Officer

RICHARD J.M. POULSON

Executive Vice President

ROBERT W. MANLY, IV

Executive Vice President

DOUGLAS P. ANDERSON

Vice President,
Rendering

MICHAEL H. COLE

Vice President,
Chief Legal Officer, and Secretary

JEFFREY A. DEEL

Vice President and
Corporate Controller

CAREY J. DUBOIS

Vice President and
Chief Financial Officer

BART ELLIS

Vice President,
Operations Analysis

MICHAEL D. FLEMMING

Vice President and Senior Counsel

JERRY HOSTETTER

Vice President,
Investor Relations and Corporate
Communications

JEFFREY M. LUCKMAN

Vice President,
Livestock Procurement

HENRY L. MORRIS

Vice President,
Operations

JAMES D. SCHLOSS

Vice President,
Sales and Marketing

KENNETH M. SULLIVAN

Vice President and
Chief Accounting Officer

DHAMU THAMODARAN

Vice President,
Price-Risk Management

DENNIS H. TREACY

Vice President, Environmental
and Corporate Affairs

VERNON T. TURNER

Corporate Tax Director

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.

Former Chairman and Partner in
the law firm of McGuireWoods LLP

CAROL T. CRAWFORD, ESQ.

Former Commissioner,
U.S. International Trade
Commission

PAUL J. FRIBOURG

Chairman, President, and
Chief Executive Officer,
ContiGroup Companies, Inc.

RAY A. GOLDBERG

Moffett Professor of
Agriculture and Business
Emeritus at Harvard
Business School

WENDELL H. MURPHY

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

FRANK S. ROYAL, M.D.

Physician

JOHN T. SCHWIETERS

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

MELVIN O. WRIGHT

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

MICHAEL J. ZIMMERMAN*

Executive Vice President and
Chief Financial Officer,
ContiGroup Companies, Inc.

*Advisory Director

COMMON STOCK DATA

The common stock of the company has traded on the New York Stock Exchange under the symbol SFD since September 28, 1999. Prior to that, the common stock traded on the Nasdaq National Market under the symbol SFDS. The following table shows the high and low sales prices of the common stock of the company for each quarter of fiscal 2007 and 2006.

	2007 HIGH	LOW	2006 HIGH	LOW
First	\$ 29.63	\$ 25.90	\$ 31.12	\$ 25.69
Second	30.51	25.67	31.34	25.90
Third	27.26	24.40	31.47	26.95
Fourth	31.50	25.27	29.63	25.00

HOLDERS

As of May 31, 2007, there were 1,114 record holders of the common stock.

DIVIDENDS

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

CORPORATE HEADQUARTERS

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

TRANSFER AGENT AND REGISTER

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

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

FORM 10-K REPORT

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

ANNUAL MEETING

The annual meeting of shareholders will be held on August 29, 2007, at 2 p.m., at Williamsburg Lodge, 310 South England Street, Williamsburg, VA 23185.

INVESTOR RELATIONS

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

CEO AND CFO CERTIFICATIONS

The company’s chief executive officer and chief financial officer have filed with the SEC the certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 regarding the quality of the company’s public disclosure. These certifications are included as exhibits to the company’s Form 10-K Annual Report for fiscal 2007. In addition, the company’s chief executive officer annually certifies to the NYSE that he is not aware of any violation by the company of the NYSE’s corporate governance listing standards. This certification was submitted, without qualification, as required after the 2006 annual meeting of shareholders.

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

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

DENNIS H. TREACY

*Vice President,
Environmental and Corporate Affairs*

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Fax: 757 365 3023
E-mail: dennistreacy@smithfieldfoods.com

WILLIAM D. GILL

*Assistant Vice President,
Environmental Affairs*

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E-mail: billgill@smithfieldfoods.com

For investor and media inquiries:

JERRY HOSTETTER

*Vice President, Investor Relations
and Corporate Communications*

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