

A close-up photograph of evergreen branches, likely a cedar or redwood, with vibrant green and yellowish-green needles. Several clear water droplets are suspended on the branches, suggesting a recent rain or mist. The background is a soft, out-of-focus blue and green, creating a serene and natural atmosphere.

Smithfield

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Illustration

Modern Farm Management and the Science of Nutrient Recycling *inside back cover*

Contact Us

The comments we received on Smithfield's 2003 stewardship efforts were very informative and have helped to improve this year's report. We hope you will communicate with us as we continue along our stewardship performance-improvement journey.

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Smithfield Foods, Inc., 2004 Stewardship Report Environment, Employee Safety and Animal Welfare

Report Scope

The scope of the Smithfield Foods, Inc., 2004 Stewardship Report is as follows:

All information within the “Environmental Stewardship,” “Employee Health and Safety” and “Animal Welfare” sections is for our U.S. hog production, and hog and beef processing operations only. It is based on calendar year 2004, except as noted below.

Environmental metrics for Smithfield’s first and further processing facilities are based on fiscal year 2004 (May 1, 2003 to April 30, 2004), as are the metrics for company-owned farms. (Environmental data related to our regulatory reporting obligations, however, are based on calendar year 2004.)

This report does not contain significant performance information for our international operations, nor any information pertaining to our U.S. and international joint ventures, contract farmers or Smithfield’s business segment entitled “Other.” The latter includes Smithfield’s international meat processing operations and Smithfield’s interests in turkey production and processing operations in the United States.

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

Forward-Looking Information

This publication may contain forward-looking statements within the meaning of federal securities laws. In light of the risks and uncertainties involved, we invite you to read the Risk Factors and Forward-Looking Information sections of the Smithfield Foods Form 10-K for fiscal year 2004.

Executive Message

Dear Smithfield Stakeholder:

Fiscal year 2004 was a very good year for our company. We continued to make great strides toward our vision of becoming recognized as the industry leader for stewardship—and improving our company’s and industry’s ability to protect employees and the environment, preserve natural resources and systematically manage the well-being of animals raised for food production.

Stewardship is an important concept at Smithfield. We transform the respect we have for employees, the animals raised for food production, the environment and stakeholders into a driving force for performance improvement, innovation and value creation.

Stewardship has become an integral part of Smithfield’s culture of operational excellence—and a great source of pride for many employees. It encompasses the corporate programs and management systems that enable us to proactively address key issues important to our business. Moreover, it actively promotes the desired employee mindset that enables our company to realize win-win opportunities, such as transforming organic waste into renewable, cleaner-burning fuel sources to power our operations. Most important, our approach allows us to communicate with many key external stakeholders on certain areas of our business, notably animal welfare, antibiotics usage and waste management.

Stewardship has become an integral part of Smithfield’s culture of operational excellence—and a great source of pride for many employees.

In 2004, Smithfield’s stewardship commitment yielded tangible and intangible business value, ranging from bottom-line savings to improved credibility among our stakeholders. Our company is very proud to report that we achieved our aggressive goal of ISO 14001 certification for all environmental management systems (EMSs) in our U.S.-based processing facilities and on Murphy-Brown farms. We established this system-wide goal in 2000 and reached it in a remarkably short amount of time thanks to employees’ steadfast efforts and dedication.

Some of the other highlights of this year’s performance include the following:

- ❖ Smithfield’s Corporate Risk Management Department developed the “Safety Culture Evaluation” guidelines to provide subsidiaries with additional guidance for continually enhancing their safety programs.
- ❖ BEST BioFuels, LLC, a venture in which Smithfield is a major partner, began producing roughly 2,500 gallons of biomethanol per day from 500,000 gallons per day of hog waste.
- ❖ In addition to BEST BioFuels and projects to reduce fleet emissions, we implemented 16 energy-saving projects, reducing our annual energy demand costs by more than \$4.2 million.
- ❖ We built trust with many of our customers through credible communications about our stewardship programs.

These are just a few of the performance improvements realized in 2004. In this fourth report, you'll find more details of our efforts to implement Smithfield's stewardship vision. We have worked hard to increase openness on these issues through reporting and engagement. Smithfield wants to be recognized as the trusted source of stewardship information for our company, and we realize that this requires objective measures and balanced commentary on our efforts. We invite your thoughts on this year's report.

Over the past 30 years, we have grown through acquisition and vertical integration. For business expansion, we are looking primarily to Eastern and Western Europe. We believe that the stewardship commitments we make and deliver upon today—and the continual improvements we are committed to making in the years ahead—will help Smithfield become the world's most trusted leader in the meat production and processing industry.

A handwritten signature in black ink that reads "Jos. W. Luter III". The signature is written in a cursive style with a large, sweeping initial "J".

Joseph W. Luter, III
Chairman and Chief Executive Officer

A handwritten signature in black ink that reads "C. Larry Pope". The signature is written in a cursive style with a large, sweeping initial "C".

C. Larry Pope
President and Chief Operating Officer

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Achieving a First Among U.S. Meat Processors

The Smithfield Packing Company's pork processing plant in Tar Heel, North Carolina, has long been the world's largest. The Tar Heel operation claimed yet another distinction in April 2004 when it became the first pork processing plant of its scale to receive the coveted ISO 14001 certification. Established by the Geneva-based International Organization for Standardization, ISO 14001 means that a company has developed an environmental management system (EMS) to monitor and measure the environmental impact of its activities. With Tar Heel setting the pace, Smithfield moved full-steam-ahead on EMS implementation at its 51 remaining U.S. plants as well. The result? Smithfield is today the only meat processor to achieve ISO certification for its entire U.S. meat processing business.

Smithfield's EMS requires a long list of ongoing activities, including annual environmental awareness training for the entire workforce—as well as for contractors and suppliers. At Tar Heel, that means bringing all 5,000 employees up to speed, every year, on the company's environmental initiatives. Of course, Tar Heel—along with many other Smithfield plants—has a history of incorporating environmental responsibility into its daily activities. For example, the plant's state-of-the-art water reuse system recycles approximately 1.1 million gallons daily.

Please turn to pages 6 and 22 to learn more.

ABOUT THIS PHOTO *The Cape Fear River in Elizabethtown, North Carolina—some 12 miles downstream of the Tar Heel plant—is well stocked with an assortment of fish that includes catfish, striped bass, shad, and bream. Just ask Tammy Smith and Jeff Mussekwhite, two of the Smithfield Packing employees who helped implement the Tar Heel plant's EMS.*





Senior Management Message

Dear Smithfield Stakeholder:

In our 2003 report, we described how Smithfield Foods had established foundations for continually improving stewardship performance in the majority of our U.S. operations—and for generating real business value. In 2004, we successfully delivered on our promise of “more of the same,” that is, more management systems; more measurement; more innovation to transform the by-products of our operations into valuable renewable sources of energy; and more communication and transparency. Our company’s stewardship strategy is designed to support our business goal of becoming the world’s most trusted leader in the meat production and processing industry.

Smithfield’s principles of accountability, transparency and sustainability have not changed and have continued to guide our specific objectives to:

- ❖ Achieve 100 percent regulatory compliance, 100 percent of the time.
- ❖ Move well beyond compliance in stewardship responsibilities.
- ❖ Reduce the overall impact of our operations on the environment.
- ❖ Reduce the frequency and severity of injuries to employees.
- ❖ Enhance communications and transparency with external stakeholders.
- ❖ Increase emphasis on international subsidiaries’ operational performance and reporting.

Our streamlined corporate structure and the entrepreneurial spirit of our business segments and subsidiaries influence the nature of our strategy for continual stewardship performance improvement. High-level stewardship performance expectations are set by corporate, and our subsidiaries are then accountable for implementing the programs and performance management systems that will enable them to achieve performance goals.

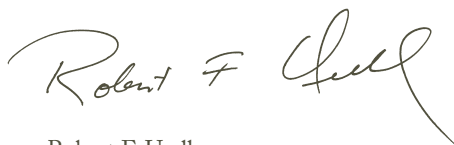
Our company’s stewardship strategy is designed to support our business goal of becoming the world’s most trusted leader in the meat production and processing industry.

By year-end 2004, we reached a major milestone in our strategy implementation: we achieved system-wide ISO 14001 environmental management system (EMS) certification for all Smithfield production and processing facilities in the United States. Prior to, and continuing in 2004, all of Murphy-Brown’s U.S. farms had achieved the internationally recognized ISO 14001 certification for their EMSs. In 2004, all of our U.S. processing facilities—beginning with the Tar Heel fresh pork processing plant in Bladen County, North Carolina, the world’s largest pork processor—achieved ISO 14001 certification. We believe that these systems provide the essential foundation for objectively measuring and reporting environmental performance, setting realistic improvement goals and for identifying improvement opportunities.

To the best of our knowledge, our processing facilities and farms were the first to pursue and achieve this certification within our industry. Our strategy for becoming recognized as the industry leader for stewardship performance also includes developing ways to help the industry improve its overall performance. In partnership with the North Carolina (NC) Division of Pollution Prevention and Environmental Assistance, Murphy-Brown helped develop a voluntary, free-of-charge EMS tool modeled on Murphy-Brown's ISO 14001-certified EMS to assist other farmers in their efforts to improve environmental performance. It can be downloaded quickly and easily from Smithfield's or the NC Division's Web site. Hard copies are also available.

In addition to the continual refinement of our systems, we also plan to continue forging ahead with extensive internal and external communications efforts, such as sharing lessons learned within our company; talking to large customers; presenting to regulators and industry peers; participating in industry and business organizations; communicating with the media and those who live in the communities where we operate; answering hundreds of inquiries; and listening to shareholders' concerns.

To be recognized as the industry leader, we know that we must first demonstrate credible performance and continual improvement. We must also lead the way in developing—in partnership with others and collaboratively within our company—innovative and respectful approaches to difficult issues. Our stewardship strategy is designed to foster the desired employee mindset and produce the results that bring us closer to realizing this vision.



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



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

About Smithfield

A DIVERSIFIED FOOD PRODUCTION AND MARKETING COMPANY

Headquartered in Smithfield, Virginia, United States, Smithfield Foods, Inc., is a global company that produces hogs and turkeys, and processes pork, beef, turkey and specialty products. Our sales for fiscal year 2004 reached \$9 billion compared with \$7 billion in fiscal year 2003.

The majority of our 46,400 employees and operations are located in the United States. We also have operations in the United Kingdom, France, Romania and Poland, as well as joint ventures in Brazil, China, Romania and Mexico. Our products are marketed globally.

In the latter half of 2004, in keeping with our goal for growth in Europe, we acquired two meat processing companies: vertically integrated Comtim Group SRL in Romania; and, in Poland, Morliny S.A., which we acquired through Animex. Smithfield acquired a 70 percent interest in Agrotorvis S.R.L., a hog production and pork processing business in Romania. In France, Smithfield purchased Jean Caby S.A., a producer and marketer of processed meat products, which was merged with Smithfield's French unit, Société Bretonne de Salaisons S.A. (SBS). The combined company operates under the Jean Caby name.

Smithfield also acquired the U.S.-based MF Cattle Feeding, Inc., to address cattle procurement needs and to create a new earnings stream. We sold our Canada-based Schneider Corporation subsidiary early in 2004. And we closed Showcase Foods, Inc., in Philadelphia, Pennsylvania, United States.

Smithfield is the world's largest hog producer and pork processor. In 2004, Smithfield's hogs were produced on approximately 650 company-owned farms, 420 of which are located in the United States; and approximately 1,800 contract farms worldwide, roughly 1,750 of which are located in the United States. Our U.S. operations and contract farmers produced 14 million hogs, representing 14 percent of the U.S. market share. Smithfield's U.S. operations processed 24.7 million hogs last year, representing approximately 25 percent of the U.S. market.

In our U.S. operations, Smithfield processed 2 million cattle for beef and processed meat products. That represented 6 percent of the U.S. market and positioned Smithfield as the fifth-largest U.S. beef processor.

(With the exception of brief discussions on our international operations and contract farmers, the stewardship performance information within Smithfield's 2004 Stewardship Report does not include metrics for our contract farmers, joint ventures, minor interests or our "Other" business segment. The latter includes Smithfield's international meat processing operations as well as Smithfield's turkey production and processing operations in the United States.)

“We at America’s Clean Water Foundation are so excited that the importance of World Water Monitoring Day is spreading internationally. Smithfield has helped us carry the message of the importance of clean water. It has been a dependable and constant supporter, both in terms of fiscal support and employee participation. At the kickoff event, held at the Smithsonian Environmental Research Center, a Smithfield vice president was on the podium, along with the administrator of USEPA, a State Department assistant secretary and an official from the National Oceanic and Atmospheric Administration. Even more impressively, Smithfield employees were in the water testing as well. This is corporate sponsorship at its best!”

Roberta Haley Savage, President and Chief Executive Officer, America’s Clean Water Foundation

“In 2004, Smithfield Foods continued its work at becoming one of the Commonwealth’s top environmental citizens. The company is an active participant in *Virginiaforever*, an initiative run by The Nature Conservancy and the Virginia Environmental Endowment. In this role, Smithfield is helping educate the public about the value of natural resources—particularly clean water—and the importance of providing adequate funding to protect them. Smithfield has continued to look for opportunities within its organization to support land conservation efforts as well.”

Structure of Our Main Businesses

We conduct business through four reporting segments: the “Hog Production Group,” “Pork,” “Beef” and “Other” segments. Each has a number of subsidiaries. (Prior to 2004, Smithfield conducted business through our “International” segment. Subsequent to the sale of Schneider Corporation, this segment was replaced with the “Other” segment.)

Hog Production Group, and Pork and Beef Segments (United States)

Our U.S. operations are made up of three industry segments: the Hog Production Group (Murphy-Brown, LLC), Pork Segment and Beef Segment.

The Hog Production Group (Murphy-Brown, LLC)

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

Pork and Beef Segments

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

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

The following is a list of Smithfield’s major North American operating subsidiaries:

Cumberland Gap Provision	Patrick Cudahy Incorporated
Farmland Foods, Inc.	Quik-to-Fix Foods, Inc.
Gwaltney of Smithfield, Ltd.	RMH Foods, Inc.
John Morrell & Co.	Smithfield Beef Group
MF Cattle Feeding, Inc.	The Smithfield Packing
Murphy-Brown, LLC	Company, Inc.
North Side Foods Corp.	Stefano Foods, Inc.

In North America, Smithfield’s national brand of fresh pork cuts is Smithfield Lean Generation Pork. We also market our processed meats products under various brand names, including Smithfield Premium, Gwaltney, Patrick Cudahy, John Morrell, Dinner Bell, Ember Farms, Esskay, Great, Kretschmar, Lykes, Patrick’s Pride, Rath, Valleydale, Farmland and Carando.

Smithfield’s “Other” Segment

Smithfield’s “Other” segment includes two key groups: our international meat processing operations, and Smithfield’s interests in turkey production and processing operations in the United States.

International

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

Smithfield wholly owns Jean Caby S.A., a first-tier processed meat company in France that employs 2,000 people. It produces and markets cured and cooked processed meats, including deli-cooked hams, dry sausages, cocktail sausages and hot dogs.

Smithfield owns a 70 percent interest in Agrotorvis S.R.L., a hog production and pork processing business in Romania.

Smithfield wholly owns the Romania-based Comtim Group SRL, a vertically integrated meat processing company with hog production facilities that have a capacity for 15,000 sows. Currently, the company has 10,000 sows producing 200,000 market hogs annually.

As of February 9, 2005, Smithfield owns 100 percent of Warsaw, Poland-based Animex, the largest meat and poultry processing company in Poland with roughly 4,500 employees. Animex processes 1.2 million hogs per year. In the United States, it sells Krakus brand ham. Its other markets include Poland, Germany, Russia, Great Britain, Spain, Sweden and Korea.

Prima Sp. z.o.o. is a Smithfield joint venture with a Polish national company and produces market hogs for Animex. Prima had over 40,000 sows at calendar year-end, producing over 700,000 market hogs.

Through Animex, Smithfield owns Morliny S.A., a meat processing company in Poland with sales of over \$100 million. Morliny produces the well-recognized Morliny brand and employs 1,250 people.

Smithfield owns 50 percent of AFG Company, Ltd., Heshan, Guangdong, China. With 450 employees, AFG produces, sells and distributes processed meats to retail and food service customers. Its major brands are Maverick and Haslett.

Through Smithfield de Mexico, our Mexican subsidiary, Smithfield is a 50 percent partner in Agroindustrial del Noroeste S. de R.L. de C.V., located in Hermosillo, Sonora, Mexico. Employing approximately 1,650 people, the company produces approximately 470,000 market hogs per year and processes hogs and pork. Its major brands are Alpro, Norson and Sakura.

Through Carroll's Foods of Mexico, LLC, Smithfield is a 50 percent partner in Granjas Carroll de Mexico, S. de R.L. de C.V., in Perote, Veracruz, Mexico. The company employs 450 people and produces 640,000 market hogs per year.

Through Carroll's Foods of Brazil, LLC, Smithfield is a 50 percent partner in the Brazilian entity, Carroll's Food do Brasil, S.A., which employs 200 people and produces 248,000 market hogs per year.

Stewardship: Improving Corporate Decision Making and Accountability

STRUCTURED FOR CONTINUAL IMPROVEMENT

Smithfield's overall commitment to good corporate governance* includes our policies, organizations, management systems and programs supportive of Smithfield's stewardship commitment. The framework for accountability and the integration of stewardship into our everyday business continues to evolve at the corporate and subsidiary levels, as we actively explore opportunities for continually improving environmental, employee safety and animal welfare-related performance.

Responsibility for our stewardship-related performance exists at all levels of our company: from the CEO and chairman, president and board of directors to each individual employee. In varying degrees, it has become everybody's business. And it includes our interaction with various external stakeholders to prioritize stewardship issues important to the decision making of our company and stakeholders.

Smithfield's board of directors' Audit Committee provides an oversight role. Among its duties, the Audit Committee periodically reviews our compliance programs and procedures, monitors performance, and approves major corporate decisions and policies.

All employees are expected to conduct themselves in accordance with Smithfield's Code of Business Conduct and Ethics, which encompasses Smithfield's expectations for stewardship-related responsibilities. Through this code, we emphasize every employee's responsibility to comply with all applicable environmental, health and safety, and animal welfare laws and regulations in our host countries. Within the United States, these laws and regulations are administered by federal, state and other governmental entities, and include the U.S. Environmental Protection Agency (EPA) and corresponding state agencies, as well as the U.S. Department of Agriculture, the U.S. Food and Drug Administration (FDA) and the U.S. Occupational Safety and Health Administration (OSHA).

Our employee safety programs, and environmental and animal welfare management systems provide the objective basis for managing Smithfield's stewardship performance, achieving compliance and for making informed performance-improvement decisions. The management systems also enable the efficient integration of stewardship practices into our business processes, which helps all employees understand how stewardship fits into their job responsibilities. Large multi-disciplinary teams are dedicated to assisting our facilities with the implementation and proper maintenance of their management systems. Internal and external management system audits ensure continual operational improvement and conformity with these systems.

**We encourage our stakeholders to visit our Web site at www.smithfieldfoods.com to read our Governance Guidelines, Code of Business Conduct and Ethics, Articles of Incorporation, Bylaws and descriptions of board members.*

Smithfield has developed a number of internal communications programs that leverage and build upon our stewardship efforts by encouraging facilities to share their best practices and innovative ideas. In 2004, we began publishing a monthly Web-based newsletter to provide facilities with regular updates. This year, we also hosted our fourth annual Environmental

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Setting the Environmental Standard in Poland

Environmental management systems (EMSs) may be relatively new to the European Union, but Murphy-Brown International has made their implementation a priority in Poland. A dozen hog farms run by its affiliate, Prima Sp. z.o.o., began putting EMSs into place in late 2003 and completed their work in 2004. In the process, more than 300 farm and non-farm employees have been trained to be more accountable for the impact their work has on air, land and water quality.

The Prima system is on track to receive ISO 14001 certification for its EMS efforts in 2005. The gold standard for environmental excellence, ISO 14001 signifies that a company's EMS has been audited independently to ensure its effectiveness, ongoing viability and conformance to the rigorous standards of the Geneva-based International Organization for Standardization.

Prima's EMS accomplishments build on Murphy-Brown's successful program in the United States. In 2001, Murphy-Brown achieved a hog-production first by gaining ISO 14001 certification within its eastern operations. As of 2004, Murphy-Brown's entire U.S. operation had achieved certification. Of course, the company's commitment to environmental excellence remains an ongoing effort. EMSs undergo independent audits for ISO 14001 conformance semiannually following certification and annually thereafter.

Please turn to page 23 to learn more.

ABOUT THIS PHOTO *A honey wagon with a surface application boom provides manure effluent to a crop of winter rape on this Prima finishing farm in Zabin, Poland. Corn, rye and triticale are among the other crops grown on its 5,400 acres.*





Excellence and President's awards and 14th Annual President's Safety Awards, recognizing our facilities' and individual employees' exceptional performance-improvement efforts.

In addition to performance information, the dedicated environmental, employee safety and animal welfare sections in our 2004 stewardship report provide specific policies, organizational structures, and descriptions of associated management systems and programs.

International

Within our international processing plants, stewardship-related performance is overseen by the presidents of our wholly owned international subsidiaries who report to Smithfield's president and chief operating officer. Our international production operations report to Murphy-Brown's international president of hog production. All of our international subsidiaries are expected to comply with Smithfield's Code of Business Conduct and Ethics. This code is communicated to our international subsidiaries, and they independently manage compliance.

Our long-term goal is to adapt many of the best practices that we have developed in our U.S. operations to augment our international operations' practices, with due consideration given to the diverse regulatory requirements and circumstances of our plants and their communities' needs. We are actively turning our attention to evaluating and standardizing these systems. Some systems, such as the animal welfare management systems on our Polish farms, are tailored for compliance with European Union (EU) standards. A number of our international operations have begun engaging the media, government, academia, neighboring communities and other interested stakeholders in their stewardship efforts.

Stakeholder Engagement

In 2004, the humane treatment of animals, the use of antibiotics in livestock care and environmental performance remained priority considerations for many stakeholders. We respect our stakeholders' comments and concerns. Their input helps us determine whether we are effectively addressing these issues, and it pinpoints areas where we can improve performance and communication. By opening communication channels and pursuing grassroots communications opportunities, we hope to resolve some issues and promote understanding on others. Above all, we want to provide meaningful responses.

Specific Issues

Contract Farmers

In 2004, Smithfield contracted with approximately 1,800 independent family farmers to produce hogs. From conversations, correspondence and interactions with advocacy groups and other external interested parties, Smithfield is aware that some of our stakeholders would like us to measure and publish contract farmers' environmental performance in our report. We do not measure or publicly report the environmental performance of contract farms because these farmers are independent businesses. However, to be a Smithfield contract farmer, farmers must comply with all applicable environmental laws; and, as with company-owned farms, contract farmers are monitored by governmental regulatory agencies.

We are committed to sharing best practices with our contract farmers. To this end, in partnership with the North Carolina Division of Pollution Prevention and Environmental Assistance, we helped develop and make available to all farmers, free of charge, guidance on the development of environmental management systems. Implementation of these systems could make it easier for contract farmers to manage their environmental affairs, comply with regulations, develop methods for continual improvement, prevent pollution and protect the environment.

Stewardship, the Global Reporting Initiative Guidelines and Sustainable Development

To manage expectations, act decisively, and promote understanding within Smithfield and externally, we have implemented the straightforward concept of stewardship and targeted our performance-improvement agenda on some of the key issues of our industry: employee safety, environmental management and animal welfare. We have engaged stakeholders to help us determine where we should focus, and we have consulted the Global Reporting Initiative's Sustainability Reporting Guidelines* to help us communicate credibly in our reports. This approach and commitment to action has achieved measurable results. And, it has spurred innovation and value generation in these clearly delineated performance areas.

We view our stewardship commitment as an important journey. In late 2003, we established a Smithfield Sustainability Committee—a senior-level group consisting of representatives from human resources, environment, safety and finance—which met several times over the course of 2004. Over the next few years, this committee will assist our company in identifying and better understanding how we might best balance the financial, environmental and social aspects of our business, and what this may mean to our decision-making processes. A Smithfield corporate representative will also co-chair the U.S.-based Global Environmental Management Initiative's new Agricultural Sustainability Committee to work in partnership with our peers to explore the concept of sustainability as it applies to agriculture.

Stakeholder Communications and Engagement Efforts

The following is a representative sample of Smithfield's communications efforts with various external stakeholders in 2004.

The Smithfield Reporting and Distribution Process, Responding to Inquiries
Smithfield's annual stewardship report and its development process play important roles in performance improvement and stakeholder engagement. The development of each report provides the company's various functions with an opportunity to closely analyze our progress and challenges over the year. Last year, for the first time, we asked some of our stakeholders to provide their thoughts on the draft report prior to publication. This year, we shared a draft once again with various stakeholders, including the Nathan Cummings Foundation. We sought their input and worked to manage expectations on the information that would be in this report. This process has helped us improve the quality of information we provide. In 2004, we distributed virtually every one of the 8,500 printed copies of the 2003 Stewardship Report to our key stakeholders. Visitors to our Web site downloaded hundreds of copies.

**The Global Reporting Initiative's (GRI) latest version of the Sustainability Reporting Guidelines can be found on the GRI's Web site at www.globalreporting.org.*

Over the course of 2004, we also received hundreds of letters and e-mails from the public and made considerable effort to respond to all inquiries.

Customers

More retail and foodservice customers—and potential customers—are requesting detailed and verifiable environmental and animal welfare information from supplier companies like ours, including information about the use of antibiotics in animal health maintenance.

Governmental Agencies

Governmental agencies provided valuable input for performance improvement during our reporting period. We also provided elected officials and political candidates at the state and national levels with educational presentations regarding our environmental, animal welfare and other stewardship practices.

The Media

Smithfield's senior management actively engaged the press in 2004. They gave radio interviews, interviewed for trade publications, and answered newspaper reporter inquiries and provided interviews.

Communities

A number of communities where we operate have community advisory or citizen's groups with which several of Smithfield's subsidiary representatives engaged on issues of concern.

Animal Welfare Forums

Smithfield is committed to being a constructive voice in the animal welfare debate. In 2004, Smithfield representatives actively shared our animal welfare program with the media and presented at forums where animal welfare issues were being debated from various viewpoints. We also provided additional animal welfare information to our shareholders at last year's annual meeting.

Nongovernmental Organizations

During the reporting period, Smithfield communicated with a number of environmental and animal welfare-related nongovernmental organizations. Through formal and informal meetings, we shared our programs and listened to their diverse viewpoints.

Organizational Memberships

Sharing best practices and engaging in collaborative innovation with peer companies to improve industry-wide stewardship performance is an important part of our strategy for improved decision making and performance. In 2004, for example, Smithfield representatives chaired the American Meat Institute's Environmental and Animal Welfare Committees, sharing insights from the implementation of our Environmental and Animal Welfare Management Systems.

The following is a sampling of organizations in which Smithfield and the company's safety, environmental and animal welfare professionals were actively involved during our reporting period.

“At McDonald’s, we partner with our suppliers, such as Smithfield, to develop and implement programs in keeping with our social, environmental, and animal welfare principles and guidelines. And Smithfield has demonstrated an active spirit of continuous improvement and proactivity related to meeting these needs.”

Bob Langert, Senior Director, Social Responsibility, McDonald’s Corporation

“Smithfield Foods has been proactive in the wetlands conservation arena. The company has shown a keen interest in our Sound CARE initiative and in partnering with us. We’re currently working on an agreement with its Murphy-Brown subsidiary that would allow us to identify potential restoration projects on company farms as well.”

National Organizations

America's Clean Water Foundation
American Society of Animal Science
American Society of Agricultural Engineers
American Occupational Health Nurse Association
American Registry of Professional Animal Scientists
American Society of Safety Engineers
American Meat Institute
American Trucking Association/Department
of Homeland Security's Highway Watch
Animal Agricultural Alliance
Corporate Environmental Enforcement Council
Environmental Law Institute
The Environmental Protection Agency's Smartway Transport Partnership
Federation of Animal Science Societies
Global Environmental Management Initiative
International Foundation for the Conservation of Natural Resources
Multi-State Working Group Policy Academy
National Association of Manufacturers
National Biodiesel Board
National Pork Producer's Council
National Renderer's Association
National Safety Council
U.S. Department of Agriculture Agricultural Air Quality Task Force

State and Regional Organizations

Arizona Safety Engineers Association
Alliance for the Chesapeake Bay
Businesses for the Bay
Cape Fear River Assembly
Central Iowa Occupational Health Nurses Association
Chesapeake Bay Foundation
Illinois Safety Council
Iowa Occupational Safety and Health Advisory Council
Iowa Safety Council
James River Association
Lake Lanier Association
Lower Cape Fear River Program
North Carolina Agribusiness Council
North Carolina Citizens for Business and Industry
North Carolina Pork Council
North Carolina Sustainable Energy Association
North Carolina Green Power Program
Southeastern Safety Council
Virginia Manufacturers Association
Virginia Natural Resources Leadership Institute

Environmental Stewardship

CREATING VALUE THROUGH ENVIRONMENTAL PERFORMANCE

Increasingly, companies in the business of livestock production and processing have become subject to new or strengthened regulatory oversight and enhanced accountability for environmental performance. As a business dedicated to long-term profitability, our success hinges upon a demonstrated ability to responsibly manage our impacts—and to positively influence our industry’s practices.

Smithfield’s stewardship commitment guides our efforts to transform the respect we have for the environment into innovative approaches for conserving natural resources, minimizing impacts and generating value for our company and our stakeholders. In 2004, within our company and in partnership with key stakeholders, we continued to drive our environmental performance improvement agenda with solid, measurable results.

THE ENVIRONMENTAL STEWARDSHIP PROGRAM

Smithfield’s Environmental Policy Statement (Updated March 2004)

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

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



C. Larry Pope
President and Chief Operating Officer



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



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

Employee Accountability Policy

Smithfield employees are expected and directed to comply with all laws and all Smithfield policies related to the environment. Our goal is 100 percent compliance, 100 percent of the time. It is also each employee's responsibility to know and understand legal and policy requirements as they apply to their job, and to notify management when they believe a violation of law or Smithfield policies has occurred. We hold all employees to high standards of conduct and accountability for environmental performance, and these principles are taken into account in performance reviews.

Environmental Organization

The Corporate Environmental Affairs Group reports directly to Smithfield's president and chief operating officer. This group monitors performance, sets strategic direction and promotes company-wide compliance with internal codes, policies, systems, and federal and state regulations. It also plays a critical role in fostering continual improvement and innovation within our company and the industry through memberships in industry and professional associations, and participation on multi-stakeholder committees.

The group's associate general counsel for environmental affairs provides legal advice, insight and guidance. As part of our overall compliance assurance strategy, the Environmental Compliance Committee (ECC) meets on a quarterly basis to discuss matters associated with our environmental compliance responsibilities and Smithfield's environmental program generally. The ECC is made up of subsidiary environmental coordinators and other senior subsidiary representatives, and representatives from our Corporate Environmental Affairs Group and Legal Department.

Within each subsidiary, management at each individual facility has the primary responsibility for environmental performance decision making, regulatory compliance and compliance with Smithfield's corporate policies and standards.

Within Smithfield's Corporate Environmental Affairs Group, a dedicated research and development unit is responsible for exploring and identifying environmentally responsible and economically feasible technologies for our operations. The director of environmental technology and the environmental engineer for technology development work closely with internal operations and external stakeholders to assess innovative technologies that might have the potential to reduce environmental impact and transform waste into a valuable resource.

3

Powering New Approaches To Energy Efficiency

Throughout 2004, employees across Smithfield's family of companies continued to devote their energies to the subject of, well, energy. Ongoing projects and new initiatives are helping the company improve efficiency and reduce demand for traditional fuel sources. In Southwestern Utah, Smithfield's BEST BioFuels, LLC, joint venture began converting Circle Four Farms' livestock waste into biomethanol. The BEST BioFuels plant has been generating approximately 2,500 gallons of biomethanol daily, and that figure is expected to rise significantly. In 2005, a BEST BioFuels plant in Texas will begin combining biomethanol with vegetable- or animal-based oils to create clean-burning biodiesel fuel.

In North Carolina, Smithfield Packing's Tar Heel plant has been using biogas generated by its wastewater treatment system as boiler fuel since 1993. With the John Morrell facility in Sioux Falls, South Dakota, now benefiting from a similar system, Smithfield's overall biogas usage increased 19 percent in fiscal 2004. Three North Carolina plants—Tar Heel, Kinston and Wilson—have reduced their reliance on local utilities during periods of "coincident peak demand" by installing generator systems. This has also helped address capacity issues in a state that is grappling with increased power needs.

Among the latest initiatives, Murphy-Brown replaced the traditional heat lamps that keep pre-weaned piglets warm with JODEL heat pads. The piglets remain just as comfortable, but the heat pads consume 77 percent less electricity.

Please turn to pages 25 and 42 to learn more.

ABOUT THIS PHOTO *Kinston residents turn to Bill Faye Park, located one mile from the Smithfield Packing plant, for many of their outdoor activities. The only energy being consumed here belongs to plant EMS Coordinator Charlie Prentice and his two very active daughters.*





**Environmental Management Systems:
An Objective Basis for Measuring Continual Improvement**

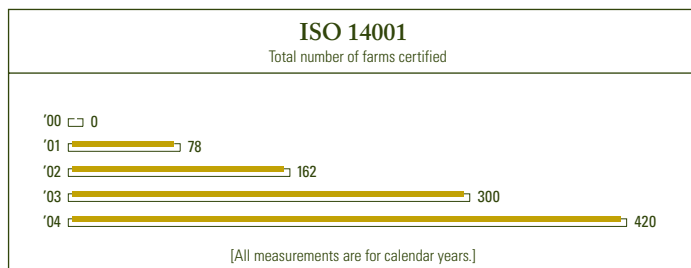
Smithfield's rigorously maintained environmental management systems (EMSs) are a significant tool for not only ensuring compliance, but for going beyond compliance and reducing Smithfield's environmental footprint. The EMS process requires that an organization identify all of its environmental aspects. EMSs also help us better understand potential impacts, such as natural resource depletion, and soil or water contamination. This, in turn, promotes informed decision making, realistic target setting and accurate reporting to our internal and external stakeholders.

Within our company, we strongly emphasize the importance of maintaining these systems. For example, this year's President's Award, our highest environmental award, went to the Smithfield Packing Company's Tar Heel facility for implementing an EMS and achieving the internationally recognized ISO 14001 certification in April 2004 from the Geneva-based International Organization for Standardization (ISO). This certification can only be achieved after a rigorous third-party audit of the facility's EMS. The Tar Heel plant is the world's largest fresh pork processing facility and the world's first such pork processing facility to achieve this certification.

During this reporting period, we achieved our aggressive goal of systemwide EMS ISO 14001 certification, representing all processing facilities and Murphy-Brown farms, with the exception of recent acquisitions. As of 2003, all Murphy-Brown farms had implemented ISO 14001-certified EMSs. By the end of 2004, all of our meat processing subsidiaries—a total of 52 facilities—had implemented EMSs and achieved ISO 14001 certification. Recent Murphy-Brown farm acquisitions that received certification in 2004 included our Texas and Oklahoma operations. Facilities acquired in 2003, such as Farmland's, are on track to achieve certification in 2005.

Our commitment to these systems has assisted some of our facilities in gaining acceptance into state-sponsored voluntary environmental excellence programs that provide a number of benefits—including recognition and, in some cases, regulatory flexibility—to companies committed to going beyond compliance. Smithfield Packing's Tar Heel facility, a partner of North Carolina's Environmental Stewardship Initiative since 2002, was joined by the Wilson and Kinston facilities as Stewardship Initiative partners. Virginia's Department of Environmental Quality's Exemplary Environmental Enterprise accepted Gwaltney, Smithfield, Smithfield Ham and Products and Williamsburg Foods into their program. Additionally, our Portsmouth and Smithfield truck shops were accepted into the Environmental Enterprise Program.

In order to maintain ISO 14001 certification, an organization must have its EMS audited for conformance to the ISO standard at least annually by accredited third-party auditors. In order to ensure EMS compliance and to obtain maximum benefit from our EMSs, Smithfield has elected to conduct external management system audits every six months.



International

Animex Group's Mazury meat processing plant in Elk, Poland, is an industry leader in environmental management. During the reporting period, all of our Animex plants continued to work toward ISO 14001 certification.

Prima Sp. z.o.o.'s 12 hog farms have implemented their EMS programs and have undergone both internal and external audits. These farms are anticipated to qualify for ISO 14001 certification during 2005. In the EMS development process, a number of Prima's facilities presented drafts to local, governmental and community officials, and solicited input prior to EMS implementation. EMS training for Prima's employees continued throughout the year.

Communication and Training

Ongoing communication among Smithfield's environmental professionals, plant managers and engineers is strongly encouraged through formal and informal networks. Smithfield's Environmental Management Systems (EMSs) require each facility to develop and maintain procedures for internal communications; regulatory reporting in case of a release or spill; and for receiving, documenting and responding to communications from external interested parties. Our corporate intranet provides employees with quick and easy access to all company-wide policies, best practices and other corporate environmental information.

In addition to subsidiary-specific training programs, corporate provides periodic information and training sessions to promote compliance and provide updates on developments in environmental regulation and management. This past year, our annual environmental training conference was held in Cincinnati, Ohio, where more than 70 environmental coordinators, plant engineers and managers attended. At the conference, corporate and subsidiary representatives updated participants on the latest in a number of environmental topics, including water management, air emissions reduction, wastewater treatment, hazardous waste handling and risk management planning.

We also formally recognize and promote exceptional performance. The annual Smithfield Foods Environmental Excellence Awards were presented at the annual conference. This year's winners are mentioned throughout this section.

A CONTINUING QUEST FOR ENVIRONMENTALLY SUPERIOR TECHNOLOGIES

An important part of our stewardship vision is funding the research and development of technology that transforms waste into valuable resources, such as renewable fuel sources, and reduces our use of natural resources.

We are also strongly committed to testing these innovations and, where it makes good business sense, adopting and promoting them.

Update on the Smithfield Agreement

In past reports, we have provided information about the voluntary agreement Smithfield reached with the North Carolina Office of the Attorney General in 2000, in which \$15 million was earmarked to pursue a research and development program of environmentally superior alternative technologies to the existing lagoon and sprayfield system of hog waste treatment. To be considered environmentally superior, as defined by the Smithfield Attorney General Agreement, the technologies must meet specific technical, operational and economic feasibility standards. North Carolina State University (NCSU) conducts the program, which is headed by Dr. Mike Williams, associate professor at NCSU and the director of its Animal and Poultry Waste Management Center. As part of the program, Dr. Williams selected 18 technology candidates (three of which have since been dropped) from a competitive review process, which included input and comment from Dr. Williams' multi-stakeholder advisory panel. Scientists continue to test these technologies on the NCSU campus, Smithfield and Premium Standard farms, and at other locations. Evaluation of eight out of the 18 total projects was completed in July 2004, and evaluation of the remainder of the technologies is scheduled for completion in July 2005.

In July 2004, Dr. Williams released the initial report on whether the candidate technologies were potentially environmentally superior options. In the report, Dr. Williams identified two technologies that have met the environmental performance criteria outlined in the Agreement. The ongoing research will focus on whether these technologies can satisfy the contingencies identified and whether they are operationally and economically feasible.

Smithfield has agreed to implement technologies determined to be environmentally superior on all company-owned farms in North Carolina in accordance with the terms of the Agreement. Find out more about these technologies at www.smithfieldfoods.com/Enviro/Technology.

The Smithfield Agreement Grants for 2004

In the Smithfield Agreement, Smithfield also committed \$2 million per year for 25 years to a fund used for environmental enhancement projects, such as wetlands restoration and projects that help farmers close out-of-service lagoons. In 2004, the attorney general distributed \$1.5 million of these funds in grants to eight environmental organizations: the North Carolina Foundation for Soil and Water Conservation Districts, Ducks Unlimited, the North Carolina Coastal Land Trust, the North Carolina Wildlife Resources Commission, Environmental Defense, the Pamlico-Tar River

“GEMI’s mission is to develop tools and strategies that help foster global environmental, health and safety excellence as well as corporate citizenship among a wide range of business sectors. Since joining GEMI, Smithfield Foods has played a leadership role in helping promote corporate citizenship and agricultural sustainability. In fact, Smithfield has stepped up to co-chair an effort inside GEMI to determine the most appropriate way for GEMI to address agricultural sustainability issues. I think it’s fair to say that Smithfield’s involvement in GEMI is having a positive impact on companies within and outside of its industry, and it should be commended for its leadership.”

Steve Hellem, Executive Director, GEMI (Global Environmental Management Initiative)

“I have visited a number of Smithfield hog farms in Poland, and on every occasion I have been impressed by the degree of caring attention given to environmental issues. The company has invested heavily to upgrade these farms to meet or exceed European Union standards for environmental protection and animal welfare. All in all, Smithfield’s operations in Poland represent both an efficient and environmentally secure system of livestock farming.”

Dr. Stanislaw Zieba, President, Polish Food Economy Council

Foundation, the Environmental Education Fund, and Cape Fear Resource Conservation and Development.

Update on BEST BioFuels, LLC

Smithfield's own process for evaluating innovative technologies and piloting their applicability to our operations is an important part of our commitment to transforming waste into renewable sources of energy. Last year, we reported on BEST BioFuels, LLC, a venture in which Smithfield is a major partner, contributing \$20 million in 2003. In 2004, BEST BioFuels completed the waste conveyance system and a central treatment complex at our Circle Four Farms in southwestern Utah for the generation of biomethanol. Biomethanol can be used in developing a number of marketable products, including biodiesel, a clean-burning renewable fuel that is typically blended with conventional petroleum diesel at a 20/80 ratio.

At year-end 2004, this large-scale Biomass Energy Sustainable Technology (BEST) system pilot began producing ASTM*-standard biomethanol. The biomethanol is produced from methane, a potent greenhouse gas that is collected from anaerobically digested hog waste from 144,000 head of finishing hogs at Circle Four Farms. BEST is now producing roughly 2,500 gallons of biomethanol per day from 500,000 gallons of hog waste per day.

Work has now begun on a biodiesel manufacturing facility in Texas, and BEST BioFuels anticipates completing construction and starting operations during calendar year 2005. In future reports, we'll keep you informed about the success of this venture.

ENVIRONMENTAL PERFORMANCE AND PROGRAMS

Smithfield continues to refine, develop and implement practical and innovative environmental performance improvement programs to assist the company in our compliance and overall improvement goals.

Compliance

During the reporting period, Smithfield subsidiaries implemented programs and explored technologies to improve regulatory compliance performance. The Murphy-Brown divisions of Warsaw, Kenansville, Rose Hill, Laurinburg and Waverly, for example, developed a Chronic Rainfall Management Program to improve the management of operations associated with the land application of manure, while maintaining regulatory compliance. The program's many features include new irrigation equipment calibrated to optimize the flow of manure and protect against runoff; schedule adjustments that provide 24/7 land application management to maximize appropriate irrigation opportunities; and water conservation measures to minimize the amount of waste generated. For their efforts, which resulted in management improvements and cost savings, the Murphy-Brown teams were awarded a Smithfield Environmental Excellence Award.

For its East Coast divisions, Murphy-Brown purchased data processors/transmitters that calculate real-time nutrient applications on spray-irrigated fields. These handhelds will be integrated into Murphy-Brown's EMS

**American Society
for Testing and Materials*

record-keeping obligations. Employees will begin using these devices in the first quarter of 2005. We look forward to sharing the results of these innovative tools in next year's report.

Murphy-Brown also formalized a comprehensive hurricane preparedness and emergency action plan for the 2004 North Carolina hurricane and extreme weather season. The plan emphasized contingency measures, including those that address power outages, as well as elevated rainfall levels to prevent disruptions to the structural integrity of lagoons. When Hurricane Charley arrived, the farms were well prepared and no issues were reported.

Updates on Environmental Regulations Applicable to Smithfield's Business

Smithfield's operations and properties are subject to extensive and increasingly stringent environmental laws and regulations.

The U.S. Environmental Protection Agency's (EPA) new Effluent Limitation Guidelines (ELGs) for the red meat industry (which includes beef and pork) were published in the Federal Register on September 8, 2004, making them law. Smithfield believes that the new ELGs address the shared goal of cost-effective environmental protection. The final rule included wastewater limits for phosphorous and nitrogen, which were not in the previous ELGs. Some limits, ammonia in particular, are also more stringent than those set forth in the old regulations. The limits for conventional pollutants, such as biochemical oxygen demand (BOD) and total suspended solids (TSS), did not change significantly. Based on renewal cycles, permits for Smithfield facilities are being revised to reflect the new ELGs.

In early 2003, the EPA promulgated new regulations under the Clean Water Act governing the National Pollutant Discharge Elimination System (NPDES) permitting of concentrated animal feeding operations (CAFOs). Since that time, state programs around the country have been working to conform their programs to the new CAFO rules. Generally, the CAFO rules include a three-tier permitting structure based on size, and establish a mandatory duty for all large CAFOs to apply for a NPDES permit and to implement nutrient management plans. The Effluent Limitations Standards and Guidelines establish performance requirements designed to ensure that sound livestock waste management practices are followed, and they set forth expectations for proper land application practices. Both industry and environmental groups continue to challenge the CAFO rules.

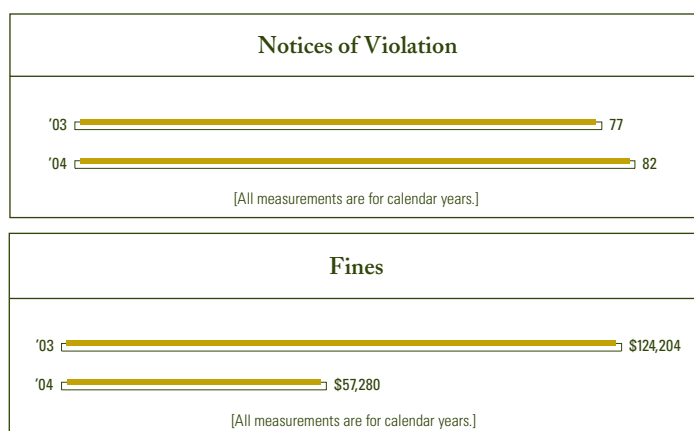
The EPA has also been focusing on the regulation of air emissions from CAFOs. The need for more research and better information on how to measure emissions has been targeted as a key regulatory hurdle. Smithfield has been actively involved in efforts to promote sound scientific research into appropriate emissions factors and measurement methodologies, and is supportive of efforts to advance the state of this science. We also recognize the importance of these issues to a variety of our stakeholders and are committed to a proactive approach to addressing these concerns. In early 2005, the EPA published an Air Emissions Agreement for comment in the Federal Register.

Notices of Violation

In 2004, Smithfield subsidiaries received a total of 82 Notices of Violation* (NOVs) resulting in \$57,280 in fines, compared with 77 NOVs and \$124,204 in fines in 2003. In each case, we took corrective action to prevent recurrence. The largest fine of \$34,155 resulted from a Consent Order entered with the State of South Dakota for our John Morrell, Sioux Falls, facility. The Consent Order resolved allegations of wastewater permit exceedances and included specific upgrades to the Sioux Falls wastewater system.

Litigation

Occasionally, Smithfield receives notices from regulatory authorities and others asserting that the company is not in compliance with certain environmental laws and regulations. In some instances, litigation ensues. A discussion of litigation matters can be found in the Smithfield Foods, Inc., Annual Report 2004, which is available online at www.smithfieldfoods.com/Investor/Ars.



MEASURING OUR PERFORMANCE

Smithfield's Environmental Management Systems (EMSs) allow the company to collect performance metrics that go beyond the disclosure associated with regulatory requirements and permitting information. These metrics include water and electricity usage, and solid waste metrics for a large number of our production and processing operations and farms.

Scope of Smithfield's Environmental Metrics

Smithfield's metrics for our processing facilities are divided into metrics for our "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" because the primary input for these facilities is the number of animals that enter for processing.
- ❖ Further processing facilities receive raw meat products from first processing facilities and produce convenient-to-prepare products, such as pre-cooked hams, for consumers. Production is measured in pounds because the primary input for these facilities is pounds of raw meat.

**Because NOVs are used consistently in all states by state environmental agencies, Smithfield provides NOV data in our report rather than Notice of Deficiency (NOD) or Notice of Noncompliance data, which are not issued by all state agencies.*

4

Taking Computing into the Crop Field

A handheld data collection device may not typically be part of the equipment one expects to find on a hog farm, but it will soon be commonplace on Murphy-Brown's 275 company-owned farms in North Carolina, South Carolina and Virginia. By spring 2005, every land nutrient management technician will carry an Intermec field data recorder as part of a comprehensive program to manage and benefit from the nutrients produced by each farm's animals.

The Intermec recorder will allow technicians to calculate and transmit data regarding the nutrient content of a specific farm's lagoon effluent, the size of the field being fertilized and the crop being raised. That's important, in part, because crops have varying fertilizer needs. For example, a corn crop requires approximately 120 pounds of nitrogen per acre each year depending upon soil type. Other crops grown on the farms may require more or less.

By sending this information in real time to a server located at Murphy-Brown's headquarters in Warsaw, North Carolina, technicians can access a central database that tracks the amount of fertilizer applied to any of the company's 44,000 acres throughout the year. As a result, each farm can ensure that the amount of fertilizer applied is appropriate and stays within the limits allowed by its nutrient management plan.

Please turn to page 25 to learn more.

ABOUT THIS PHOTO Soybeans are just one of the crops grown on this 320-acre Murphy-Brown farm in Duplin County, North Carolina. Others include corn and wheat. In the background, Craig Craft, a member of Murphy-Brown's engineering and technical services department, tests out the Intermec field data recorder.





Smithfield's first and further processing facilities metrics are for U.S. facilities only, with the exception of those that were acquired in 2004 and some smaller further processing facilities representing less than 1 percent of the metrics totals. The metrics provided for our first and further processing facilities represent 95 percent of the company's total usage.

This year, in addition to the water metrics provided in our 2003 report, we have also provided new metrics for Murphy-Brown farms. Each year, we will strive to provide you with improved metrics to better track the company's usage of energy and natural resources.

For most indicators, we also provide "normalized" data to adjust for production and plant acquisition. By normalizing, each year's data can be directly compared with the previous year's data to determine our company's efficiency. We expect our absolute numbers to grow as our company continues to grow, but we also expect each plant to continue to improve efficiency.

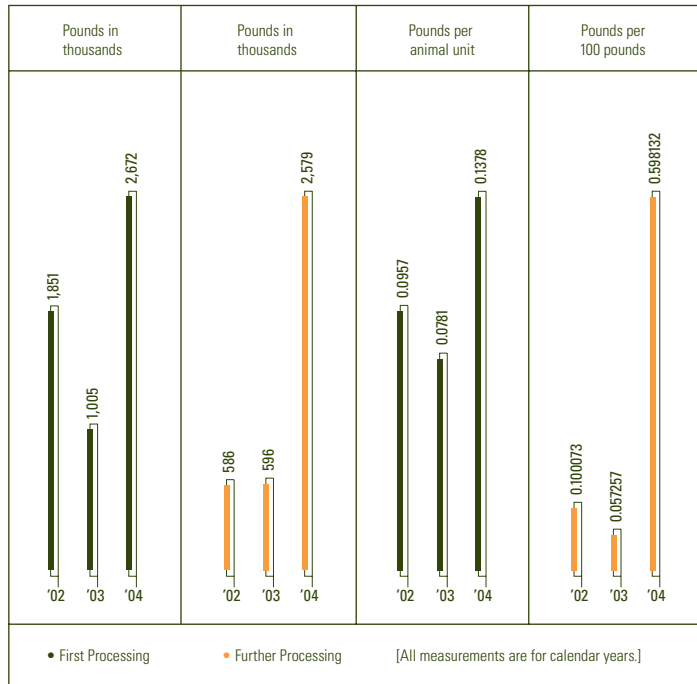
U.S. TOXICS RELEASE INVENTORY DATA

The Toxics Release Inventory (TRI) regulations require industrial facilities that use chemicals above a threshold quantity to report data on the fate of hazardous chemicals, as well as the location and quantities of stored chemicals. TRI legislation is designed to inform nearby communities and other interested stakeholders of possible public health concerns. The following represents Smithfield's TRI data for facilities governed by these regulations. The Tier II data below represent the amount of chemicals kept on site, and the Form R data represent the chemical fate to the environment over the calendar year. Approximately 60 percent of our facilities must report this data.

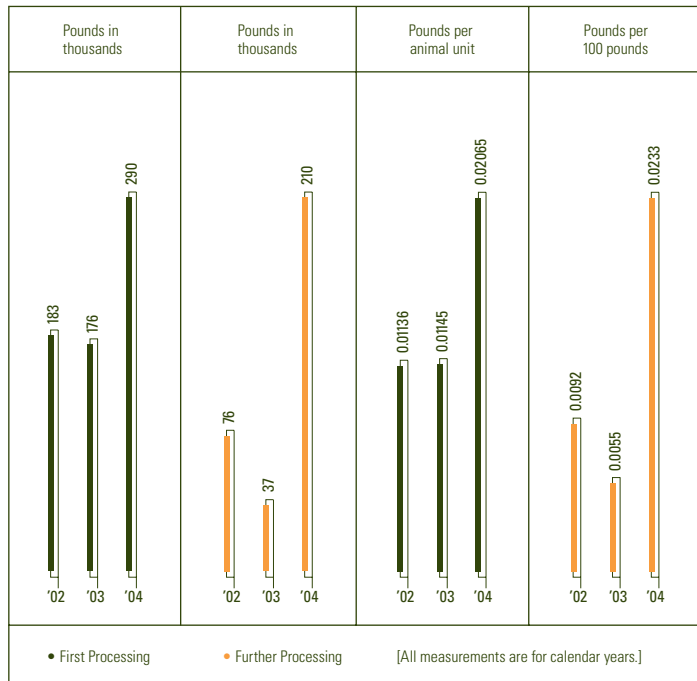
Some states require that Tier II data be reported in ranges as specified in the data submission forms. Typically, these ranges describe an order of magnitude. For example, "less than 100,000 pounds" (<100,000) would be one range, and the next range up would be "less than 1,000,000 pounds" (<1,000,000). To ensure we do not understate our metrics, Smithfield uses the upper end of the range for our metrics calculations. Therefore, some facilities (both first and further processing) that reported last year in the <100,000-pound range, reported in <1,000,000-pound range in 2004 because of slight increases due to production fluctuations. This reporting change appears to have generated the majority of the increases shown in our TRI metrics from 2003 to 2004. Additional explanations for increases and decreases accompany each graph.

For our first and further facilities that must report TRI data, we have also provided normalized data to indicate related efficiency improvements in these facilities. It is important to note that the normalized data do not pertain to all of our first and further processing facilities, but only those that must report TRI data. First production facilities' data are normalized per "animal unit" because the primary input for these facilities is the number of animals that enter for processing. Further processing facilities' data are normalized per 100 pounds because the primary input for these facilities is pounds of raw meat.

Tier II Ammonia

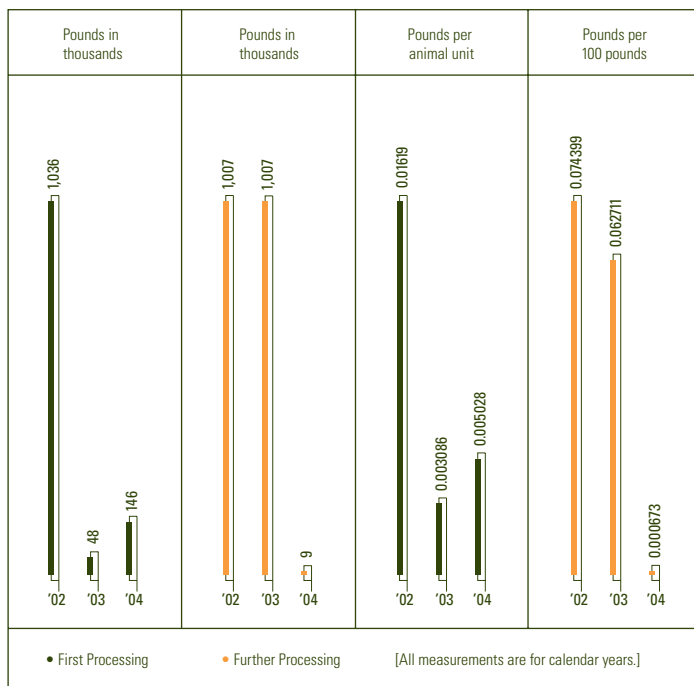


Form R Ammonia



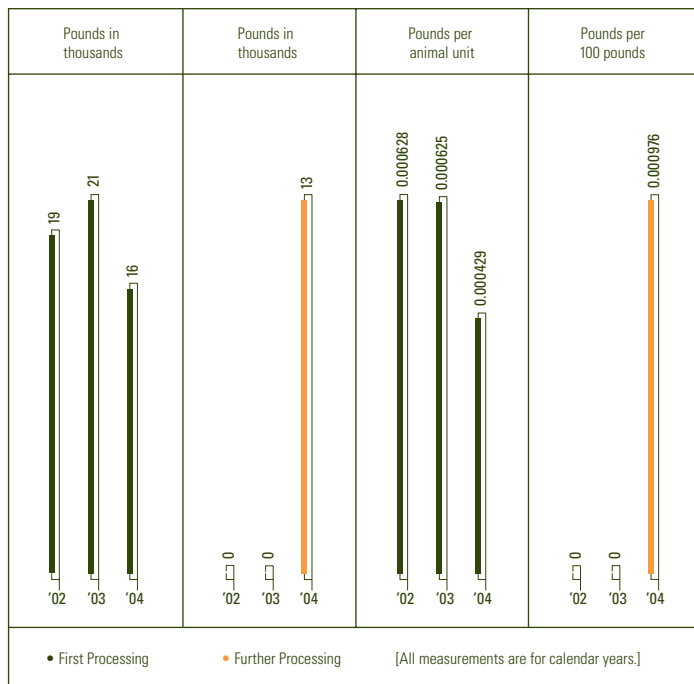
Form R data from our plants are based on purchases of ammonia, which are easier to determine and are usually quite accurate. However, ammonia releases through minor maintenance and upgrades, although subject to proper capture methods and disposal, cannot be documented as precisely. For this reason, we tend to conservatively over-report these types of releases. We believe that refrigeration system upgrades at a few plants during the reporting period contributed to the increase in our numbers this year, and we are committed to continually improving the numbers going forward.

Tier II Chlorine



Due to piping upgrades, the Wilson, North Carolina, further processing facility eliminated the need to chlorinate the plant's city-supplied water. Our Tier II further processing data for 2004 reflect the discontinued use of chlorine at this facility.

Form R Chlorine



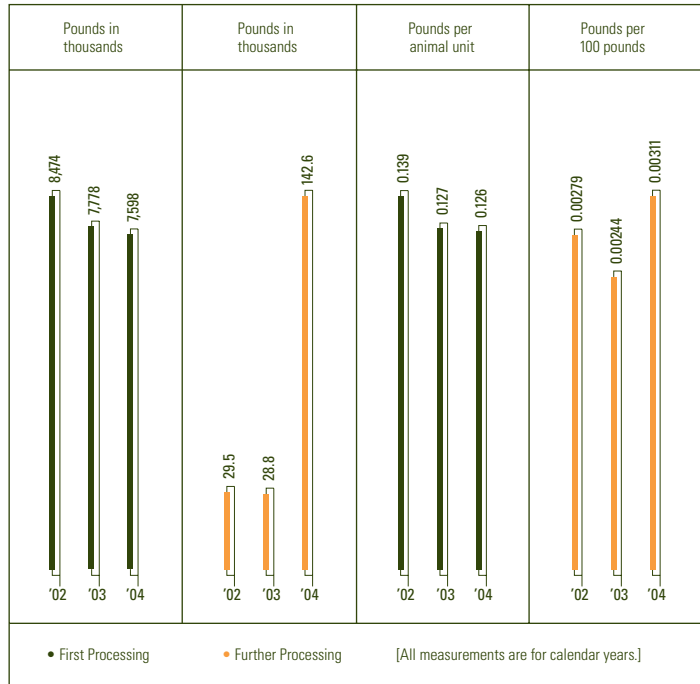
Chlorine is used to disinfect water supply. Releases continue to trend downward for our first processing facilities. For the first time, one of our further processing plants, Great Bend Packing in Kansas, has been required to report on Form R chlorine. Our 2004 numbers reflect only that facility.

“Increasingly, both public and private organizations are using comprehensive environmental management systems to ensure sound environmental management. Murphy-Brown is a pioneer in the use of EMSs for the pork industry. In Texas, they were the first to develop an ISO 14001-certified EMS for a livestock operation. We commend Murphy-Brown and Smithfield Foods for taking action to enact policies and procedures that will positively impact and improve our environment for years to come.”

R.B. “Ralph” Marquez, Commissioner, Texas Commission on Environmental Quality

“For more than 30 years, the Chesapeake Bay Foundation has been the leading advocate for Chesapeake Bay cleanup initiatives on the state and federal levels. We currently serve with Smithfield on a coalition that also includes other corporate and conservation-oriented groups. This coalition is engaged in a public relations and lobbying effort to obtain increased, dedicated funding to protect natural resources in Virginia. The first priority is restoring water quality by reducing nitrogen pollution from sewage treatment plants.”

Form R Nitrates



Smithfield reports nitrates as a derivative of the nitrogen measured in our permitted wastewater discharges. The increases in the release of nitrates in our further processing facilities can be attributed to the increased water usage at these facilities and the subsequent increased wastewater discharge.

WATER USAGE

Smithfield's farming and processing operations require a considerable amount of fresh and recycled water primarily for animal care, laundering protective equipment and clothes, cleaning facilities and meat processing. The availability and quality of this resource is an important consideration for our company and our neighbors in the communities where we operate. For these reasons, we are committed to using water resources responsibly, exploring reduction opportunities and protecting water quality.

In 2004, Smithfield's water conservation strategy focused on facilities that are major water users. As a result, we experienced a slight downward trend in water usage at our first processing facilities. We saw an upward trend in water usage at our further processing facilities primarily from the increased production of ready-to-eat products, which are produced under even stricter sanitation requirements than other product lines. These products also require more cooling water for cooking and refrigeration systems. We are turning our focus to these processes in an effort to address this trend.

World Water Monitoring Day

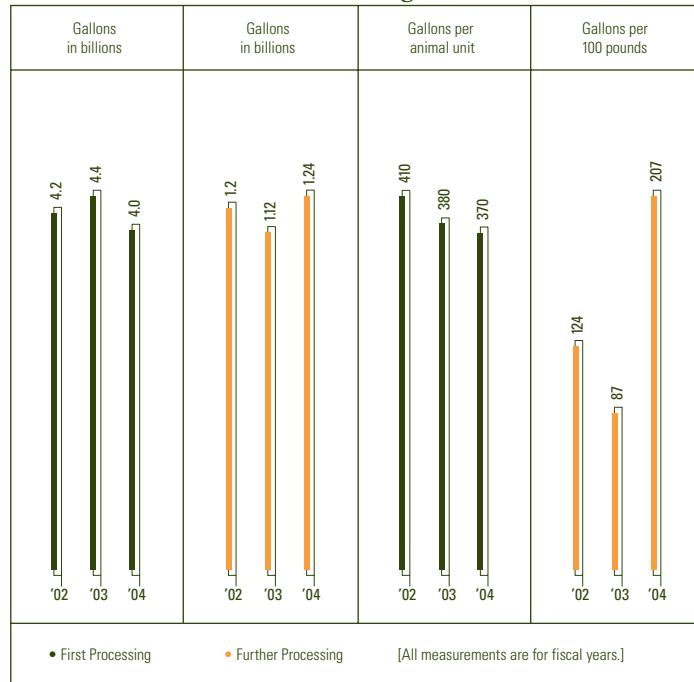
On October 18, 2004, Smithfield joined thousands of people from around the world to participate in World Water Monitoring Day for the second consecutive year. In 2002, America's Clean Water Foundation spearheaded the initiative to engage the public, governments and corporate leaders in global efforts to protect and enhance worldwide water quality. Smithfield provided corporate sponsorship for this event, which aligns with our

commitment to improving water quality in the communities where we live and work. We provided 77 water-monitoring kits to Smithfield employees at 39 locations in 17 states. The water samples were tested for pH factor (a measure of the acidity or alkalinity of water), dissolved oxygen, temperature and clarity. The results of everyone's sampling were entered into a database. Over time, the data will be used to compare worldwide water quality from year to year.

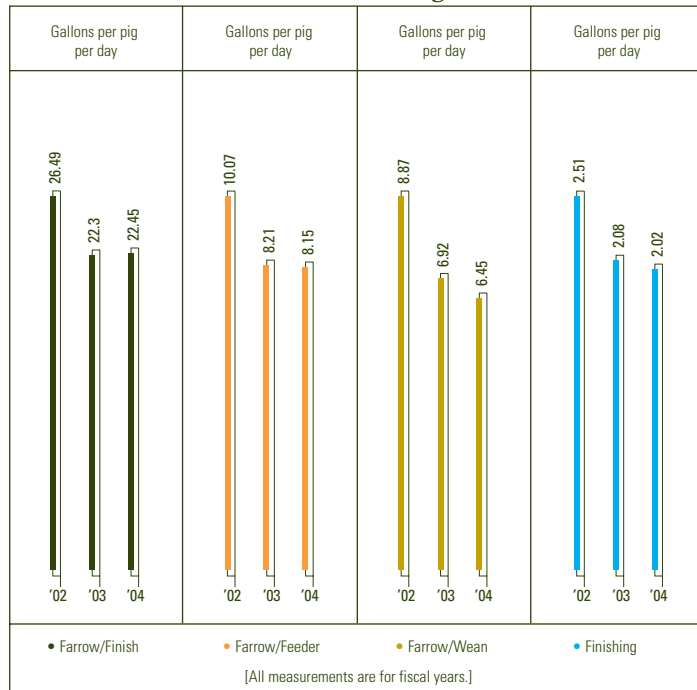
Water Metrics

Smithfield's water 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.

Water Usage



Farm Water Usage



The Farm Water Usage graph represents data from Murphy-Brown's East operations, which maintain approximately 522,709 sows. The graph represents roughly 74 percent of Murphy-Brown's total water usage.

WASTE MANAGEMENT

As a livestock producer and processor, waste management is among our greatest environmental challenges—and value-generating opportunities. The types of waste produced by Smithfield operations range from solid nonhazardous wastes and biosolids (such as manure, wastewater residuals and packaging) to hazardous wastes (solvents and acid wastes) to wastewater to air emissions (such as particulate matter, methane, ammonia and other gases). Our goal is to reduce all forms of waste produced by our operations and transform as many of these as is economically feasible into valuable commodities.

Animal waste from Murphy-Brown hog farms is managed in various ways depending upon a number of variables, such as climate differences, types of production facilities, agricultural and cropping practices, and state and federal regulatory requirements. Our predominant methods of hog waste management include the following:

- ❖ Anaerobic treatment and land application system, in which effluent is treated and then applied to crops as fertilizer. (This is the primary system employed east of the Mississippi River.)
- ❖ Anaerobic treatment and evaporative system, in which effluent is treated but then evaporated in liquid containment structures with large surface areas. This is employed in climates where seasonal evaporation rates exceed annual rainfall totals. Water from this type of system is evaporated rather than land-applied. (This system is utilized in the arid desert environment of Utah.)

5

Reducing Fleet Fuel Use No Idle Plan

Wisconsin winters can get nippy, to say the least. So when Smithfield's Patrick Cudahy subsidiary added 14 Peterbilt diesel tractor trailers to its fleet in 2003, it asked that they come with alternate power units (APUs) to heat the cabs. That would allow the trucks to idle far less during stopovers and unloading and still keep the drivers warm. As a result, the trucks would consume less fuel, produce fewer emissions, and enjoy lower maintenance costs.

Smithfield's transportation division liked this idea so much that a team began exploring ways to retrofit the existing fleet with APUs for both heating and cooling. After a year of testing, Smithfield added TRI-PAC APUs in October 2004 to 50 trucks operated by the Packerland Transport subsidiary. By summer 2005, Smithfield's entire fleet should have them.

The APUs, built by Green Bay-based Transport Refrigeration, require a fraction of the fuel used by a tractor trailer's main engines. Once they are fully in use, Smithfield's fleet should consume approximately 380,000 fewer gallons of diesel fuel annually. That will also significantly reduce the fleet's emissions of volatile organic compounds (VOCs), nitrogen oxides and carbon monoxide. Through extended maintenance intervals, Smithfield's trucks will create less oily waste as well.

Please turn to page 41 to learn more.

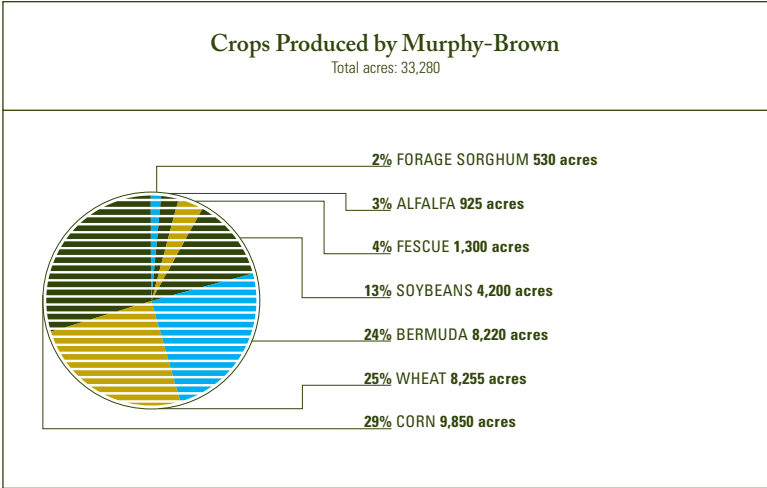
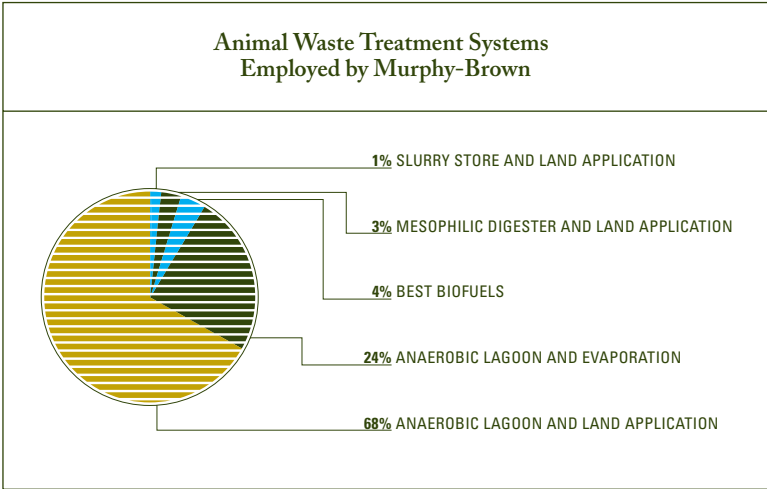
ABOUT THIS PHOTO *Smithfield Transportation employees Ronnie Holland (right) and William Evans, part of the team behind the APU initiative, enjoy the fresh air and fall foliage in Virginia's Fort Boykin Historic Park. Located six miles west of Smithfield, the park offers scenic vistas from its position high along the bluffs of the James River.*





These waste management approaches have been widely researched, accepted and recommended by university, state and federal agricultural engineers. They are also structured for regulatory agency permitting.

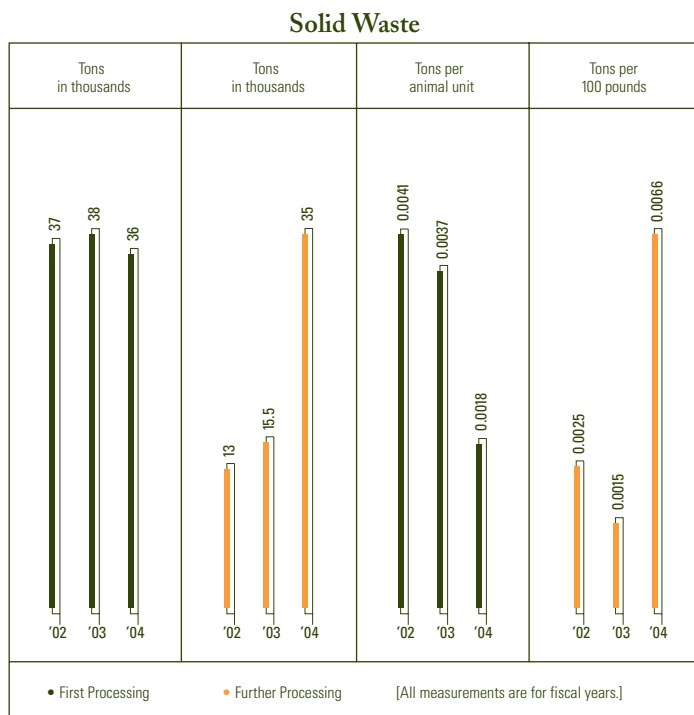
The following charts represent the animal waste treatment systems employed by Murphy-Brown and the crops grown during the reporting period using treated hog waste as fertilizer.



Solid Waste

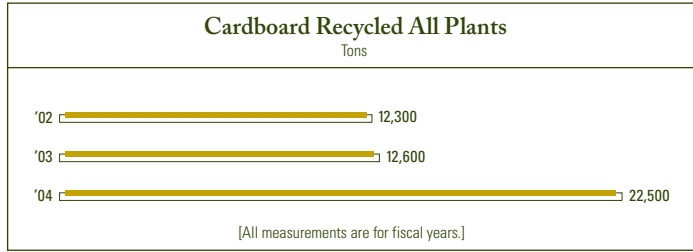
Smithfield's solid waste metrics represent all waste sent to a landfill, including general trash, packaging materials (plastic film, unrecyclable cardboard, etc.), paper and strapping material. The shift to the production of more consumer-level products increased our use of packaging materials and, in turn, the amount of solid waste that we generated in 2004. Efforts to reduce and recycle solid waste materials continue at all our facilities.

In 2004, we collected solid waste metrics for first and further processing facilities.



Recycling

In 2004, a number of Smithfield facilities—the Smithfield Packing Company plant in Kinston, North Carolina; the Gwaltney plants in Portsmouth and Smithfield, Virginia; and the Smithfield Packing plant in Smithfield, Virginia—developed recycling programs as part of an ongoing partnership with our primary corrugated supplier, Smurfit Stone, to maximize cardboard recycling. These programs, in addition to those implemented in 2002 at other Smithfield facilities, contributed appreciably to our recycling totals in 2004. The 2002 metric represents 24.6 percent of our total solid waste; the 2003 metric represents 23.6 percent; and the 2004 metric represents 31.7 percent.

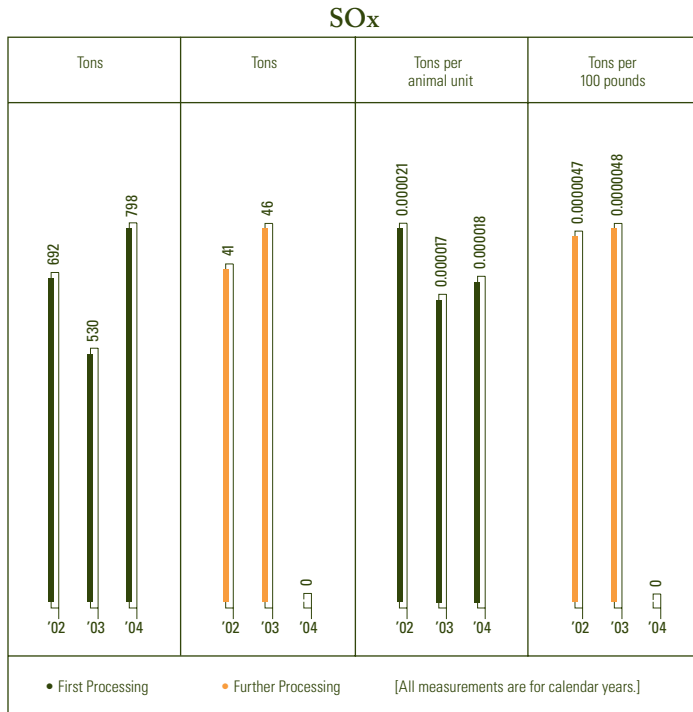


**Conversion to Environmentally Friendly Chemicals,
Smithfield Transportation Company**

The Smithfield Transportation Company facility in Tar Heel, North Carolina, replaced a number of chemicals used in its operations with concentrated, environmentally friendly alternatives that create less waste. The changes included extended-life antifreeze, more concentrated truck-washing solution, and a nonhazardous parts-cleaning solvent. Annual savings totaled \$115,000. For its efforts, the facility was awarded a Smithfield Environmental Excellence Award.

Air Emissions

Smithfield measures air emissions for sulfur oxide (SOx) and nitrogen oxides (NOx), primary constituents of acid rain. Both emissions are by-products of burning fuel, primarily natural gas. In previous years, only one of our further processing facilities had reported NOx and SOx emissions. That facility is no longer required to report; therefore, this year's emissions are shown as "0." Smithfield's first processing facilities' natural gas usage remained fairly consistent with last year's usage, as did emissions metrics. In 2004, we collected air emission metrics for first and further processing facilities that require air permits.



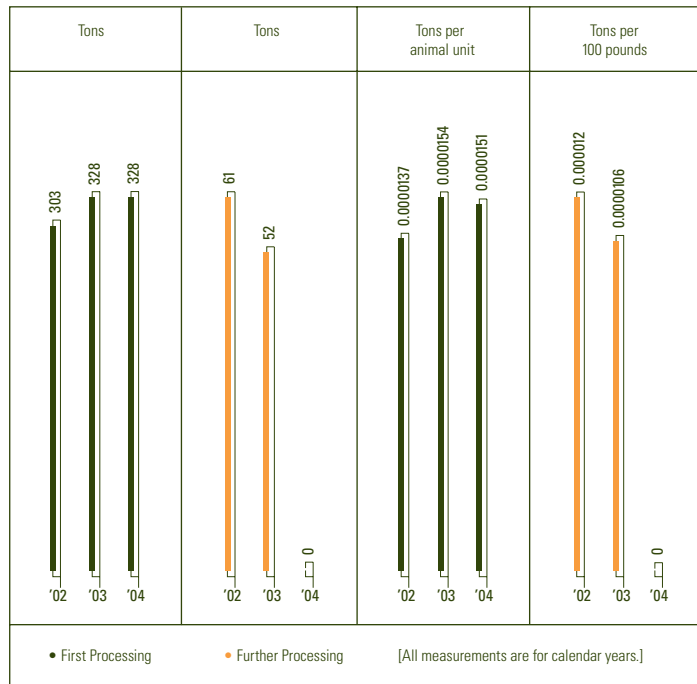
“Through our *Virginiaforever* Initiative, we have been leading a coalition of businesses, sportsmen and environmental interests to secure reliable funding from the government for land and water conservation in Virginia. Smithfield participates on our steering committee. We are trying to establish funding of \$160 million annually to address point and non-point water pollution and \$50 million annually for land conservation. Our goals include reducing the nitrogen content of Chesapeake Bay and protecting 20 percent of the land in its watershed.”

Michael Lipford, Virginia Executive Director, The Nature Conservancy

“Through the implementation of a successful pollution prevention program and an upgrade to its wastewater pre-treatment system, Gwaltney of Smithfield has demonstrated both an increased awareness of the facility’s impact on the environment and its commitment to protect Virginia’s natural resources. These are the types of pollution prevention programs that will enhance the long-term quality of Chesapeake Bay and its rivers.”

Mary Lynn Wilhere, Regional Coordinator, Businesses for the Bay

NO_x



Reduced Fleet Emissions, the Smithfield Transportation Company and Packerland Transport

By embarking on a program to implement alternative heating, ventilation and air conditioning (HVAC) units, the Smithfield Transportation Company (which includes Gwaltney Packing Transportation Company and Smithfield Packing Transportation Company) is reducing the diesel truck fleet emissions, noise and fuel use associated with truck idling during stopovers and downtime. The cost savings are anticipated to be equivalent to \$5,067 per truck (which includes the savings from reduced oil and lubricant maintenance, and disposal of these fluids), for a total annual savings of \$633,458. For the business value generated from this ongoing program, Smithfield Transportation was awarded a Smithfield Environmental Excellence Award.

Smithfield's Packerland Transport subsidiary is also in the process of reducing emissions by installing the same alternative power units in their trucks. These upgrades are anticipated to achieve significant emissions reductions for certain types of particulate matter and conserve more than one gallon of fuel per hour for a savings of \$310,000 per year.

The Smartway Transport Partnership

Smithfield Transportation Company entered into the U.S. Environmental Protection Agency (EPA) sponsored Smartway Transport Partnership. This voluntary partnership between various freight industry sectors and the EPA establishes incentives for fuel efficiency improvement and greenhouse gas emissions reductions. This combined effort between industry and regulatory agencies is designed to improve the environmental performance of the

freight delivery systems throughout the United States by employing strategies that reduce unnecessary idling. To be accepted into the program, companies must commit to improving the environmental performance of their freight operations.

BIODIVERSITY

In our last report, we discussed Murphy-Brown's Comprehensive Land Management Program, a program that enables our company to take an increasingly proactive role in protecting and enhancing wildlife habitat, protecting surface and groundwater quality, and preventing soil erosion on and around Murphy-Brown's farms. It also provides additional protection to upland woods, wetlands, buffer areas and other unique natural areas around the farms. The Comprehensive Land Management Program provides our farms with Best Management Practices (BMPs) designed to maximize conservation and minimize environmental impacts.

We have dedicated significant resources to the program and made it available to company-owned farms. In 2004, our farms continued assessing BMPs most applicable to the unique characteristics of their particular locations, and integrating BMPs into their operations.

On Murphy-Brown's Maple Hill Farms in Pender County, North Carolina, the BMP team implemented a 10-foot wide field border featuring early successional vegetation. The border provides habitat for songbirds, quail, rabbits, squirrels, foxes, raccoons, deer, wild turkeys and other wildlife. These borders will also slow water movement and prevent soil loss; this, in turn, will reduce stream sedimentation and improve water quality. The team also implemented a ditch maintenance program to periodically clean drainage ditches; stormwater diversions to slow the movement of water on fields with high slopes; and filter strips—broad areas planted with vegetation—to slow water movement and trap sediment.

For many of our facilities, the implementation process will take place in stages. The very nature of some practices, such as growing a buffer zone, will take a number of years. Eventually, these practices will become part of each facility's environmental management system auditing program and be reviewed as part of our company-wide management system auditing program.

ENERGY

With the growing demand for cleaner energy, the continuing expansion of our plants and operating lines—and the rising costs of fossil fuels—transforming organic waste into renewable, clean-burning fuel sources is an incredible opportunity for our company and society generally. From company innovations, we have learned firsthand that converting hog manure, methane gas, wastewater residuals, animal fats and vegetable oils from our operations into renewable fuel sources has considerable potential. It reduces the amount of waste generated and emissions from that waste, lowers costs, and creates valuable commodities, such as biofuel for our operations and other markets. This, in turn, reduces our environmental impact and dependence on fossil fuels. In the future, we believe it might also provide a viable means to assist states and the nation in reducing greenhouse

gas emissions. Smithfield, through expertise, collaborative innovation and funding, continues to partner with various stakeholders, such as North Carolina State University, to determine the most cost-effective methods for transforming these wastes into renewable energy.

Transforming waste into renewable energy, however, is only a part of our overall energy strategy, which also includes partnering with other stakeholders to develop cost-effective energy technologies; implementing newer, more efficient technologies to replace older plant equipment; and continuing to examine new methods and manufacturing practices that reduce energy demand.

In 2004, we completed 16 energy-saving capital projects that reduced our annual energy demand cost by over \$4.2 million. (These projects were in addition to the BEST BioFuels venture and fleet emissions reduction projects at Packerland.)

Promoting the Adoption of Renewable Energy for North Carolina Homes and Businesses

Energy and economic public policy that encourages the adoption of renewable energy sources—like the biogas derived from hog manure—is important for developing viable energy markets for renewable fuel sources. Smithfield is a member of the Renewable Energy Economic Development (REED) Alliance steering committee, which, through education and networking, encourages policy and practices that enable the growth of renewable energy commerce in North Carolina.

Smithfield is also one of the founding members of North Carolina GreenPower, an independent, nonprofit program that uses voluntary contributions to purchase electricity generated from renewable energy sources, such as the sun, wind and biomass, to add to the state's power supply. We serve on the board and have provided funding. In 2004, Murphy-Brown's operation in Duplin County, North Carolina, was among the seven producers who signed agreements with North Carolina GreenPower's program to create renewable energy. The energy would be purchased by homes and businesses across North Carolina for a small, but tax-deductible, premium. This Murphy-Brown operation now generates methane from hog waste that is converted to electricity through a microturbine at the waste collection site. The project still requires subsidies to be economically feasible, but it is a positive step forward on the road toward creating more sustainable energy sources in North Carolina.

Biogas Beneficial Reuse, Packerland Packing Company

The Packerland Packing Company reduced its dependence on natural gas and lowered its air emissions by installing a boiler that uses biogas generated by its wastewater system as fuel. This project will lower natural gas costs by more than \$500,000 annually and reduce NOx air emissions by over four tons per year. The effort was funded in part by a state of Wisconsin Renewable Energy Grant of \$40,000. For its efforts and value to business, the team was awarded a Smithfield Environmental Excellence Award.

6

Funding Wetlands Projects to Foster Wildlife

Many of North Carolina's endangered or threatened species rely on wetlands at some point in their life cycle. And Smithfield Foods is helping Ducks Unlimited protect these fragile ecosystems throughout the state. Ducks Unlimited received \$413,000 in 2004 as part of the \$2 million provided annually by Smithfield for the state's environmental enhancement grant process. Seven other organizations received grants as well.

Active in North Carolina for more than two decades, Ducks Unlimited will use its funding to restore 741 acres of wetlands at Fort Bragg in Cumberland and Hoke counties, the Roanoke River Wetlands Game Land in Martin County and the Roanoke River National Wildlife Refuge in Bertie County. This initiative is part of Ducks Unlimited's recently launched Sound CARE program, which will conserve or restore a total of 22,000 acres of state wetlands over the next five years.

Sound CARE will make North Carolina more hospitable to a wide range of waterfowl, including wood ducks, redheads, mallards and tundra swans. Bald eagles and other wildlife that look to wetlands for food and shelter also stand to benefit. As for the human population, wetlands filter commercial runoff, act as storm water retention areas and recharge groundwater supplies.

Please turn to page 24 to learn more.

ABOUT THIS PHOTO *Red maples and bald cypresses are just two of the many varieties of trees found in the wetlands of the Roanoke River National Wildlife Refuge. With Smithfield's funding, Ducks Unlimited hopes to restore the natural hydrology of 411 acres that have been impacted by the construction of dams upstream.*



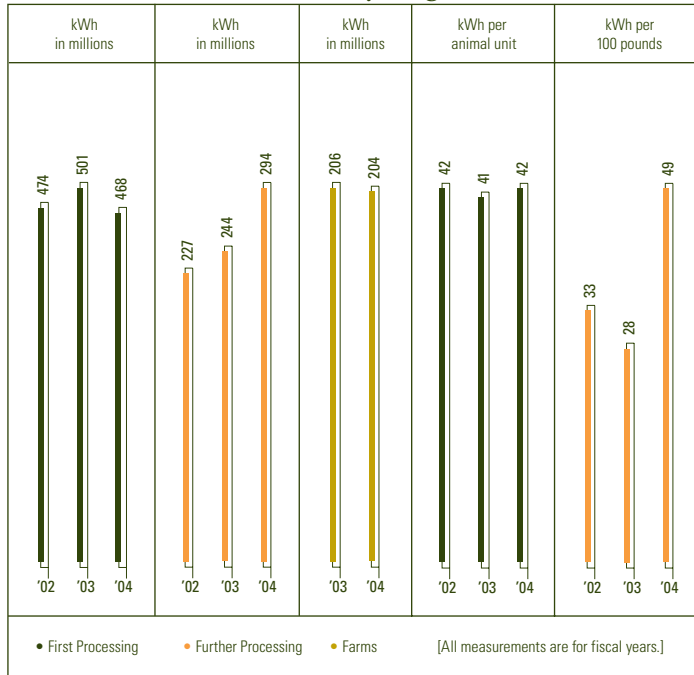


Energy Usage at Smithfield

Electricity Metrics

Smithfield's electricity metrics represent electricity usage at our facilities and farms. Lower production levels at our beef facilities resulted in an increase in our normalized electrical usage at first processing facilities. A lower production level results in decreased efficiency because our facilities must maintain a minimum level of operation regardless of the number of animals being processed. An increase in the production of cooked products—for which cooking and cooling require additional energy—also led to an increase in electricity usage at the further processing facilities. Our total usage at first processing pork facilities, as well as overall electricity usage, decreased.

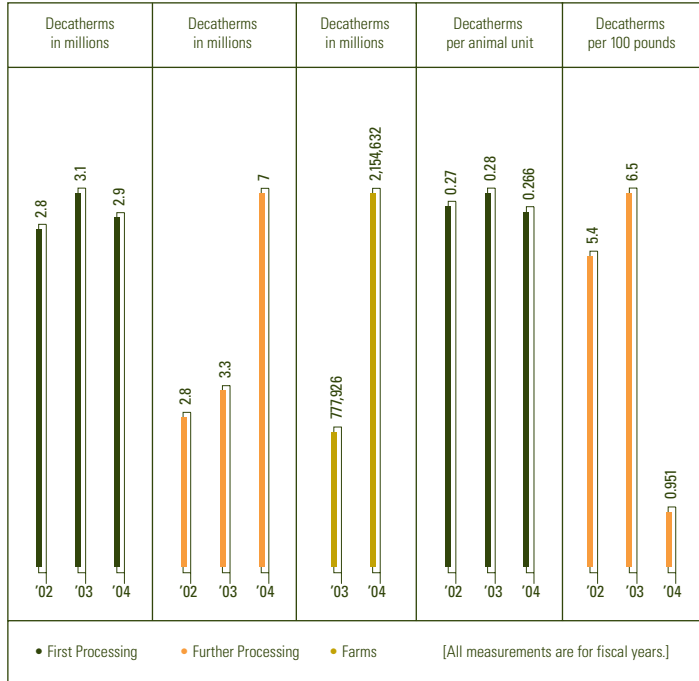
Electricity Usage



Natural Gas Metrics

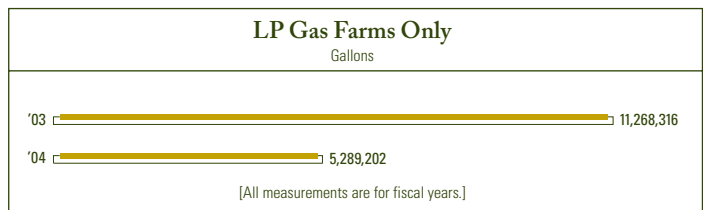
Our natural gas metrics represent the natural gas used at our facilities for all purposes, including comfort heating, boilers and process ovens.

Natural Gas Usage



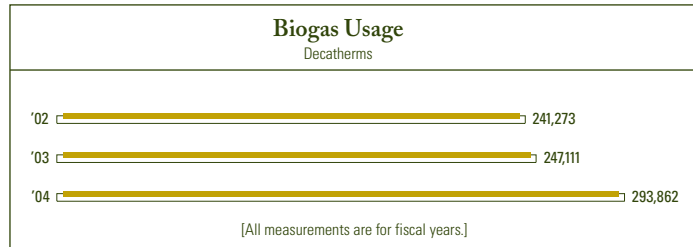
Liquid Propane Gas Metrics

The Liquid Propane (LP) gas metrics are for Murphy-Brown farms only. LP gas is used for employee comfort heating and heating for newborn and nursery pigs.



Biogas Metrics

Biogas is a renewable fuel source that we derive from wastewater. It partially offsets our need to purchase other fuel sources and enables us to productively reuse what would otherwise be a waste product. Smithfield's biogas metrics represent the amount of biogas we used to power our operations. This year, we were able to use more biogas due to improved usage at our Sioux Falls, South Dakota, plant. Next year, we anticipate this amount will increase again with the completion of biogas projects at our Packerland plants in Green Bay, Wisconsin, and Plainwell, Michigan.



EXTERNAL RECOGNITION FOR ENVIRONMENTAL PERFORMANCE

U.S. state and business organizations recognized our facilities' environmental performance and commitment to the development of renewable energy in 2004.

The Utah Best of State Foundation awarded Murphy-Brown's Circle Four Farms in Milford, Utah, the "Best of State Award" for its achievements in agriculture, including its leadership role in environmental stewardship, advancements in animal welfare, employee training and education, and overall contributions to quality of life in Utah.

Businesses for the Bay honored Smithfield's subsidiary, Gwaltney of Smithfield, Ltd., Isle of Wight County operation of Smithfield, Virginia, with its 2004 Environmental Excellence Award. Businesses for the Bay is a voluntary team of businesses, industries, government and other organizations committed to implementing pollution prevention practices and helping to restore Chesapeake Bay. The award recognized Gwaltney's upgrades to its plant's wastewater pre-treatment system. These upgrades reduced the amount of nutrient pollution in effluent and the plant's annual potable water requirements by approximately 10 million gallons.

In December 2004, the North Carolina Sustainable Energy Association formally recognized our company's contribution to the creation, development and financial support of the Renewable Energy for Economic Development Alliance.

“Smithfield’s Circle Four Farms subsidiary has been proactive in addressing environmental issues since the company first came to our state. Representatives sat down with local and state officials to identify best practices for waste management and laid out a plan for evaluating them. In 2004, Circle Four received the “Best of State” award for outstanding leadership in environmental management, animal welfare, employee training and education, and improving the quality of life in Utah. Through its BEST BioFuels joint venture, the company is now working on taking gas from its waste management process and converting it to biomethanol.”

Dianne Nielson, Ph.D., Executive Director, Utah Dept. of Environmental Quality

“On behalf of the state of Oklahoma, we applaud Murphy-Brown for its considerable investment in protecting the environment. It’s gratifying to see that companies such as Murphy-Brown and Smithfield Foods are using comprehensive environmental management systems to ensure that high environmental standards are routinely maintained.”

Terry Peach, Secretary of Agriculture, State of Oklahoma

Employee Health and Safety

EXPLORING INNOVATIVE SOLUTIONS FOR IMPROVING EMPLOYEE HEALTH AND SAFETY

Handling live animals; operating heavy farm and warehouse machinery; utilizing sharp tools in wet, cool environments; and transporting live animals are a few of the common characteristics of the meat production and processing industry that necessitate strong employee safety programs. Respect for our employees' well-being and their safety on the job has always been a top priority for our company. All of our subsidiaries must comply with employee safety laws and regulations. We are also strongly committed to cultivating a safety culture that reaches far beyond compliance, achieves top-tier performance and sets the industry standard. During the reporting period, we made progress toward these goals.

EMPLOYEE HEALTH AND SAFETY PROGRAMS

Smithfield's Safety Policy

This policy was endorsed and promulgated by Smithfield's president and chief operating officer, C. Larry Pope.

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

Smithfield's Safety Organization and Management Systems

Consistent with Smithfield's streamlined corporate structure, our company's Corporate Risk Management department ensures alignment between Smithfield's corporate safety policy, goals and programs, and our independent subsidiaries' safety programs and performance. This department, which is subject to the high-level oversight of Smithfield's president, is responsible for establishing and communicating performance standards that support our business planning process. It also monitors company-wide safety performance for all facilities. Within each of our subsidiaries, a safety organization is responsible for ensuring that operations uphold Smithfield's corporate safety policy and comply with all federal, state and local regulations. Each subsidiary is responsible for establishing operations-specific safety programs that reduce overall risk of injuries to employees, and for managing compliance obligations. Our safety professionals continued to pursue learning and sharing opportunities as members of various organizations, including the American Society of Safety Engineers and the National Safety Council.

At corporate, subsidiary and individual facility levels, our company pursues communications opportunities to encourage improved management systems, innovation and the sharing of best practices. In 2004, Farmland Foods and Smithfield Beef Group conducted regular conference calls to share safety practices. Safety professionals from Smithfield Beef Group also collaborated to strengthen and ensure the consistency of safety policies across their facilities.

At our 14th annual corporate safety conference, subsidiary safety professionals exchanged ideas and improvement strategies, and Smithfield formally recognized the safety teams that had demonstrated exceptional performance. Fifty-seven Smithfield safety professionals attended the conference in Green Bay, Wisconsin. Smithfield Beef Group, Green Bay division, a beef processing facility with 1,350 employees, was presented with the President's Safety Award for demonstrating an exceptional safety commitment in all operational areas, from the boardroom to the processing rooms.

SAFETY PROGRAMS AND STRATEGIES FOR IMPROVEMENT

Our safety performance challenges in 2004 were similar to those we experienced in 2003. These included high employee turnover, and high workers' compensation costs due to a number of factors, including rising medical costs, litigation, higher indemnity payouts and deductibles, and inflation. Facilities with employees whose first language is not English sought solutions to safety challenges associated with language barriers.

Many of our facilities also continued to explore the safety and well-being considerations associated with an aging workforce. Both our corporate organization and subsidiaries focused on improving training for new employees, developing new programs for reducing incidents, enhancing claims reporting and investigation, and strengthening return-to-work programs.

In 2004, the Corporate Risk Management department placed more emphasis on Web-based communications and training programs. It developed a mandatory Web-based training program for safety and environmental professionals on a variety of topics, as well as an optional 30-hour OSHA safety regulations professional development training course.

In response to facilities' requests for more structured guidance to enhance their safety cultures, the department drafted the "Safety Culture Evaluation" guidelines slated for implementation in early 2005. The guidelines were modeled on best practices common to successful safety programs in various industries. They will provide facilities with a self-assessment tool to help them develop a baseline for future improvement efforts, as well as improved integration of safety considerations in the business planning process.

Smithfield's subsidiaries were also active in establishing strategies and innovative programs tailored to their unique operational needs. For example, with the support of senior management, members of Sun Land Beef's safety department began daily visits within operations to promote the desired safety culture. The Murphy West, Missouri, location and Farmland's Denison, Iowa, location, held employee health fairs.

A number of facilities focused on making safety fun, collaborative and inclusive. Sun Land Beef, for example, implemented a Safety Bingo Program. Throughout the year, Smithfield Beef Group's Green Bay division held safety contests for prizes, handing out colored flyers featuring safety slogans in several languages as part of the contest.

John Morrell's Curly's Location Improvement Efforts

Safety employees at John Morrell's Curly's location implemented a number of safety performance improvement efforts during 2004. They adopted the Safety Training Observation Program (STOP) to train managers, supervisors and team leaders on how to eliminate incidents through observing workplace behaviors and engaging employees in safety discussions on at-risk behaviors. STOP is designed to enhance employees' leadership capabilities and participation in safety audits. In anticipation of OSHA's potential ergonomics regulations, a team from this location also developed a comprehensive ergonomics program.

Farmland Foods' Safety Performance Improvement Efforts

In fiscal year 2004, Smithfield acquired Farmland Foods, a U.S. pork operating company. Since the acquisition, Farmland facilities have proactively embarked on a number of important safety initiatives. During the reporting period, all Farmland facilities implemented a new Safety and Risk Management Process. This comprehensive, team-driven approach identifies and measures results-oriented safety activities, and facilitates self-auditing and action planning. Farmland Wichita, in Wichita, Kansas, partnered with Wichita State University's Department of Industrial and Manufacturing Engineering to collect ergonomic data for employees who pack off and palletize meat products. These employees donned body-monitoring harnesses to identify and record high-risk behaviors and motions. The effort created a quantifiable database for analysis. The Farmland Monmouth facility, in Monmouth, Illinois, created 10 safety teams, each focusing on improving safety in specific areas, ranging from ergonomics to emergency response. This facility also held monthly safety training in three languages to reinforce that safe work practices are imperative. Seat belt safety was the focus of Farmland Denison, in Denison, Iowa, which partnered with the Iowa and Illinois Safety councils to promote the use of seat belts. The safety team from this facility also held an electric pallet jack rodeo to emphasize pallet jack safety. Over 100 employees attended.

Murphy-Brown's Safety Performance Improvement Efforts

Over the course of the reporting period, Murphy-Brown, Smithfield's Hog Production Group, pursued a number of initiatives to make the workplace safer for employees.

In early 2004, Murphy-Brown completed the implementation of the Supervisor Training in Accident Reduction Techniques (S.T.A.R.T.) for all divisions. This training, along with planning sessions to identify program weaknesses and target appropriate safety resources, is projected to result in a significant decrease in workers' compensation costs and the number of incidents during fiscal year 2005.

7

Making Worker Safety Everyone's Responsibility

The 1,350 employees at the Smithfield Beef Group's operation in Green Bay, Wisconsin, had a lot to be proud of in 2004. They helped achieve a 51 percent reduction in the plant's workers' compensation costs along with a 50 percent drop in its OSHA (U.S. Occupational Safety and Health Administration) recordable incident rate. As a result, Green Bay earned the Smithfield Foods 2004 President's Safety Award for the greatest improvement in performance based on its size and type of operation. Meanwhile, *Occupational Hazards* magazine tapped the Packerland-Plainwell subsidiary in Michigan as one of "America's Safest Companies" in 2004, while the American Meat Institute handed out safety honors to five other Smithfield operations.

What is the secret to the safety success of Smithfield operations across the United States? In Green Bay, for example, safety is at the top of management's agenda. In Plainwell, the potential impact on safety is an integral part of all decisions made in upgrading and improving the facility. Ultimately, each plant has taken Smithfield's corporate safety policy to heart by making safety "the responsibility of all employees." The result? Smithfield's overall safety performance continues to compare favorably to the industry as a whole.

Please turn to page 49 to learn more.

ABOUT THIS PHOTO *The Sun Land Beef Company in Tolleson, Arizona, employs 1,300 people and produces sub-primal beef cuts for the retail and foodservice markets. Based on its low workers' compensation costs per employee, Sun Land turned in 2004's best overall safety performance among comparably sized Smithfield operations. That's a point of pride for Plant Manager Charlie Bergh (right) and Wastewater Operations Supervisor Fred Tate.*





One of Murphy-Brown's primary safety challenges is to reduce animal-inflicted injuries: injuries caused directly or indirectly by animal behavior. This category of injuries is responsible for more than one-third of all injuries. In 2004, Murphy-Brown conducted a survey to analyze the causes of animal-inflicted employee injuries. The survey collected detailed information, including information about employee safety training, animal-handling experience, work activity, personal protective equipment and the location of the incident. Having a greater understanding of the circumstances associated with these injuries has produced encouraging results. Animal-inflicted employee injuries have since been reduced to approximately 20 percent of total incidents, down from the 33 percent prior to the survey.

For a few of its departments, Murphy-Brown implemented a program that combined the expertise of a number of functions. Safety managers, representatives from human resources and production, and senior management partnered to identify performance-improvement opportunities for these departments.

To improve safety communication with employees for whom English is not their first language, Murphy-Brown hired more bilingual (English and Spanish) trainers and production managers. It also partnered with a communications company to outline processes for specific job functions through pictorial representations on quick reference wallet-sized cards.

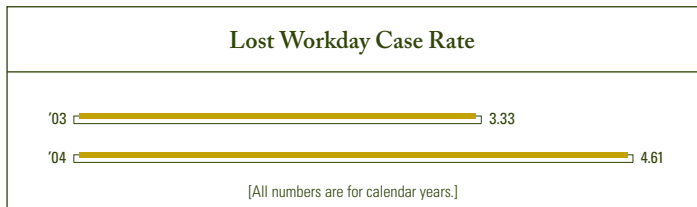
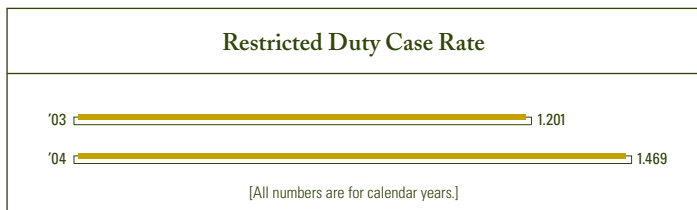
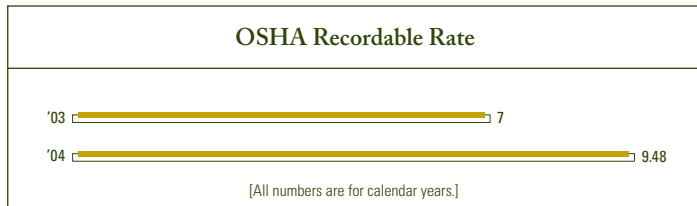
Other actions Murphy-Brown took included the implementation of a policy mandating that employees wear eye protection for all tasks; an aggressive enforcement of vehicle restraint policies, with immediate termination of employment for second offenses; and equipment improvements for pressure washing and for handling dead animals. All farms also implemented mandatory morning stretching for employees to help reduce potential injuries.

SAFETY PERFORMANCE

Smithfield promulgates policies and expectations for top-tier safety performance. During the reporting period, our company continued to demonstrate above-average safety performance as benchmarked against the 2003 OSHA industry averages, which are the latest available.

Safety Metrics

Smithfield's health and safety performance compares favorably with our industry peers.



- The OSHA Recordable Rate is the number of work-related injuries and illnesses per 100 employees.
- The Restricted Duty Case Rate represents the number of work-related injuries and illnesses that result in a day of restricted work activity per 100 employees.
- The Lost Workday Case Rate is the number of work-related injuries and illnesses that result in a lost workday per 100 employees.

Corporate Fleet Safety Performance

Smithfield's fleet numbers approximately 1,500 vehicles that are used for transporting livestock, supplies and products. The Corporate Fleet Safety Program was designed to monitor safety performance and develop training programs that ensure employees are instructed in driver safety procedures. During the reporting period, Smithfield reduced accident frequency by 23 percent. Accidents resulting in employee fatalities were also reduced. All Smithfield fleets that have Department of Transportation safety ratings were rated as satisfactory at the end of fiscal year 2004.

SAFETY PERFORMANCE RECOGNITION

Smithfield's internal safety programs and performance measures indicate how well we are protecting our employees in the workplace. Recognition by external sources further validates these efforts. In 2004, Smithfield subsidiaries were recognized for their performance by a number of organizations.

Our subsidiaries fared well at the American Meat Institute's Conference safety awards, achieving the following:

- ❖ Commendation—John Morrell Great Bend
- ❖ Recognition—Smithfield Packing Lykes Meat Group
- ❖ Recognition—Smithfield Packing Smithfield
- ❖ Merit—Smithfield Packing Tar Heel
- ❖ Recognition—Gwaltney of Smithfield

The Iowa and Illinois Safety councils and the Governor's Safety Traffic Bureau recognized the Farmland Denison facility's seat belt campaign to promote fleet safety; and the American Red Cross presented the facility's safety team with its "There are Heroes Among Us" Award.

The trade publication *Occupational Hazards* designated Smithfield's Packerland-Plainwell, Inc., subsidiary in Plainwell, Michigan, as one of its "2004 America's Safest Companies." The company was recognized for integrating safety into its production and business models, and into all decisions regarding facility upgrades and improvements.

Animal Welfare

A SYSTEMATIC APPROACH TO ANIMAL WELL-BEING

The welfare of animals raised for food production—including the administration of antibiotics to food animals—has risen to the top of considerations facing today’s livestock and meat industries. Animal welfare practices, from gestation to slaughter, will continue to be the subject of rigorous debate by multiple stakeholders for many years to come. Smithfield strives to go beyond the minimum standards for compliance with all current animal welfare and antibiotics regulations.

Smithfield is determined to lead the industry in respectful and humane animal welfare practices for two main reasons: we believe it is the right thing to do, and it is in the best long-term interests of our company. Our commitment is evidenced in our company-wide policies—and actions supportive of these policies. Murphy-Brown was the first in the hog production industry to develop a formalized Animal Welfare Management System (AWMS), a stringent, science-based and systematic approach to animal well-being for animals raised by our company and contract farmers. We recognize that there is still much research needed to enhance the scientific understanding of animal behavior, and our company is committed to ensuring our systems reflect the latest scientific knowledge. Drs. Paul Sundberg and Anna Johnson of the National Pork Board have stated that Smithfield’s AWMS goes well beyond all of the critical elements contained within the Pork Board’s Swine Welfare Assurance Program (SWAP). In a joint letter, animal welfare experts, Drs. Stan Curtis and Temple Grandin, stated that our AWMS “in its present form well could serve as a model for the entire U.S. pork industry.”

Smithfield is committed to promoting progressive animal welfare management. Throughout the year, we continued to publicly encourage all pork producers to address animal welfare issues in positive and effective ways, and provided educational presentations at industry association meetings on the use of an AWMS. In 2004, we also continued to improve our program.

ANIMAL WELFARE PROGRAMS

Smithfield Foods, Inc., Animal Welfare Policy (Revised 2004)

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

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

- ❖ Comprehensive written animal welfare programs to ensure animal well-being.
- ❖ Shelter that is designed, maintained and operated to provide a physical environment that meets the animals’ needs.

- ❖ Access to adequate water and high-quality feed to meet animal nutrition requirements (production facilities) and in accordance with the Humane Methods of Slaughter Act of 1978 (processing facilities).
- ❖ Humane treatment of animals that ensures their well-being and complies with all applicable legal and regulatory requirements.
- ❖ Identification and appropriate treatment of animals in need of care.
- ❖ Humane treatment of animals which meets or exceeds the requirements of the Humane Methods of Slaughter Act of 1978 and all applicable American Meat Institute Animal Handling Guidelines (processing facilities).
- ❖ Timely use of humane methods to euthanize sick or injured animals not responding to care and treatment.

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



C. Larry Pope
President and Chief Operating Officer



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

Animal Welfare Organization and Management Systems

At the corporate level, Smithfield's Animal Welfare Committee provides oversight, meeting periodically to discuss high-level animal welfare issues and to formulate company-wide strategy for proactive issue management. The committee includes representatives from corporate as well as our Smithfield Packing, Murphy-Brown, Smithfield Beef Group and Farmland subsidiaries. As the first in the industry to do so, the Murphy-Brown Animal Welfare Committee developed the company's Animal Welfare Management System (AWMS) in 2002 and continues to oversee system improvement opportunities. The committee is made up of a multi-disciplinary team of experts from within as well as two independent animal welfare experts from the University of Illinois and the University of Colorado.

The basis for managing and measuring our animal welfare-related performance is Smithfield's comprehensive AWMS. The AWMS is a formalized, science-based and auditable approach to ensuring the health, well-being and humane treatment of the animals raised on our company-owned and contract grower farms. Each of our processing facilities also has a comprehensive animal welfare management program. At all stages of the life cycle, animals are checked routinely for a variety of well-being indicators, including lesions, lameness and body condition. The program includes special procedures for appropriately handling and transporting healthy animals and for nonambulatory animal management.

Smithfield monitors animal welfare-related performance on our contract farms. Smithfield's hog subsidiary Murphy-Brown measures all aspects of hog treatment and care. To ensure product quality, Murphy-Brown provides contract farmers with all hogs, feed, medicine, veterinary support, production assistance and the transportation of animals to and from farms. Farmers must also meet all specifications for Smithfield's animal welfare management systems.

During 2003, the AWMS was implemented on all company-owned and contract grower-owned farms east of the Mississippi, for a total of approximately 1,200 farms. In 2004, all of these received the U.S. Department of Agriculture's (USDA) "Process Verified" certification. As of January 1, 2005, the balance of our farms will have implemented the AWMS. As of the printing of this report, we were developing a schedule to have these systems third-party certified.

Trained auditors with the USDA's Process Verified program audit our AWMS periodically to verify compliance with AWMS requirements and maintain Process Verified certification. For more information about the USDA's Process Verified program, please visit the USDA's Web site at <http://processverified.usda.gov>.

Emergency Response Planning

In the event of power disruption from severe weather, Murphy-Brown's emergency response planning includes back-up generation to avoid any interruption in the animals' feeding process or in their access to fresh water and fresh air. Murphy-Brown has established and trained emergency response teams, and it has established partnerships with state veterinarians and other state and local emergency response teams to respond to the animals' needs in case of emergency.



Developing a Complete Animal Welfare Program

What does a Murphy-Brown production specialist have in common with a live haul driver or any other employee who handles animals in the Smithfield family of companies? Whether they're on the farm or at a processing facility, these professionals have been thoroughly trained to treat animals in accordance with Smithfield's rigorous animal welfare policy. Smithfield's processing companies are committed to exceeding the requirements of the Humane Methods of Slaughter Act of 1978 as well as the Animal Handling Guidelines of the American Meat Institute. As part of this effort, representatives of Smithfield Packing Company, John Morrell & Co., Farmland Foods and the Smithfield Beef Group meet regularly to share best practices.

In 2003, Murphy-Brown took the lead among hog producers by unveiling the industry's first animal welfare management system (AWMS). This science-based system ensures that hogs are kept safe and comfortable and that they receive proper medical attention throughout their life spans. More than 1,200 company-owned and contract grower farms east of the Mississippi implemented an AWMS in 2003. Following independent audits, they completed certification under the USDA's Process Verified program in 2004. During the past year, Murphy Brown's remaining U.S. farms also completed their AWMS implementation. They currently await auditing before receiving the Process Verified seal.

Please turn to page 57 to learn more.

ABOUT THIS PHOTO *Based in Nebraska, veterinarian Angela Baysinger has worked for Smithfield subsidiary Farmland Foods for the past five years. She divides her time between Farmland plants and independent hog farms like this one in Winterset, Iowa. Dr. Baysinger helps educate producers on the latest developments in animal welfare, antibiotic use and related issues.*





Training and Communications

All employees who interact with the animals, whether in production, live haul or transportation capacities, are provided ongoing training to ensure compliance with our policies and procedures. For example, all production personnel are trained in, and held responsible for, all animal welfare aspects associated with production. They are also required to take periodic competency tests to ensure an acceptable level of awareness in the AWMS requirements. Our live haul drivers must maintain Trucker Quality Assurance certification.

Murphy-Brown, LLC, Antibiotic Usage Policy

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

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

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

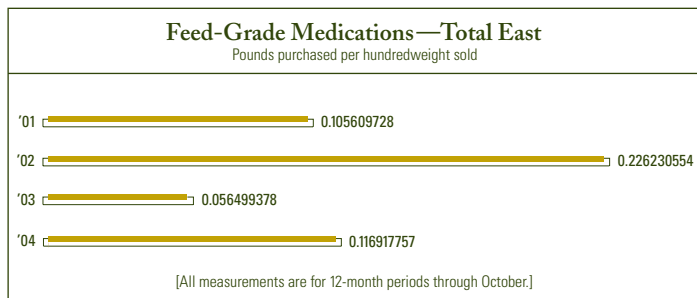
Adherence to the principles of this policy is a responsibility and requirement of those who interact with the animals owned or managed by Murphy-Brown. Improper acquisition or usage of antibiotics will result in a minimum of a final written warning. Willful neglect or abuse of animals will not be tolerated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

Position on Antibiotics Usage in Animal Welfare Management

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

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

The use of antibiotics as feed additives is reviewed at least quarterly by a veterinarian and adjusted as necessary. Disease prevention and control needs primarily dictate the adjustment of dosages. We limit antibiotic usage through strict management practices and through the use of veterinary prescriptions.



Community Stewardship

CONTRIBUTING TO COMMUNITY WELL-BEING

In addition to our stewardship performance, this year's report has been expanded to update stakeholders on the efforts of the corporation and our employees to make positive differences in the communities where we operate and live. These contributions include the company's financial support along with the time and effort of Smithfield volunteers. Our company's community stewardship efforts focus on activities and causes that enhance environmental quality, and that support families and humanitarian organizations. We also focus on promoting economic development in the communities where we do business. For example, we contributed \$1 million in 2003 to our namesake town, Smithfield, Virginia, to help restore its historical downtown core. The following is a representative sample of our company's efforts to partner with and give back to our neighboring communities in 2004.

Smithfield's Environmental Excellence Awards

Each year within our company, teams of environmental professionals vie for award-winning environmental innovation and performance improvement. For their efforts, the company awards each winning team \$2,000 as well as \$3,000 to donate to the charitable organization of its choice. This year's teams directed their awards to the American Cancer Society, the Salvation Army of Northeastern Wisconsin, the Bladen Baptist Association and the American Red Cross, among others.

Food Aid in the Wake of Hurricane Charley

In August 2004, Smithfield Packing Company, of Plant City, Florida, donated 140,000 pounds of sliced turkey, spiral hams, hot dogs and other processed meat products to help Floridians affected by Hurricane Charley. The roughly 560,000 meals were distributed through Tampa Bay's chapter of America's Second Harvest, the largest hunger-relief charity in the United States. Through McDonald's Corporation, North Side Foods contributed to the relief effort. Murphy-Brown's Rose Hill division made donations of water and beverages.

Alliance for the Chesapeake Bay

Smithfield has been providing financial support as a member of the Alliance for the Chesapeake Bay since 2002. This regional nonprofit organization fosters partnerships among various segments of the Chesapeake Bay communities to restore the bay and its rivers. It mobilizes decision makers, stakeholders and other citizens to learn about the Bay's pollution issues, and it develops the tools and training to help them participate in resolving them.

Ronald McDonald House Charities

Since the Pittsburgh, Pennsylvania, chapter of the Ronald McDonald House Charities (RMHC) program began in 1972, North Side Foods has been supportive of its mission to provide a "home away from home" for families with seriously ill children who are receiving treatment in nearby hospitals. In 2004, the subsidiary contributed more than \$80,000 through its support of local and national fundraising events, including golf outings, auctions and

award dinners. Employee volunteers also provided accounting and information systems support for the RMHC house.

American Heart Association

Smithfield's Packerland Wisconsin facility has provided sponsorship support to the American Heart Association (AHA) for more than 10 years. Again in 2004, the subsidiary was a major sponsor of the AHA's Golf Classic. Smithfield Beef Group's employees benefit from the subsidiary's AHA affiliation in many ways. They can learn about how to lower their risk of heart disease and stroke through the subsidiary's subscription to AHA's Heart at Work program. They can also learn lifesaving skills through the cardiopulmonary resuscitation classes offered by the AHA at the facility.

American Cancer Society

Since 2000, the Smithfield Packing Company of Tar Heel, North Carolina, has been supporting the American Cancer Society (ACS). Employees have contributed by donating through payroll deductions, volunteering, hosting numerous events and participating in ACS's Relay for Life program. In 2004, the Tar Heel facility raised over \$53,000. For its efforts, Smithfield Packing's Relay Team was presented with ACS's "#1 Team in the Nation" award.

Voter Registration Drive

To assist in the United States' presidential election and improve employee voter turnouts, Smithfield Foods hosted a voter registration drive at three facilities during the summer of 2004. Employees from our Smithfield Packing Company and Gwaltney of Smithfield, Ltd., facilities in Smithfield, Virginia, and from our Smithfield Packing Company facility in Plant City, Florida, participated in the drive. Over 300 employees were registered to vote.

Murphy-Brown

Murphy-Brown divisions and employees were active in their communities during the reporting period. Employees in the Rose Hill division participated in the American Red Cross's quarterly blood drives and donated meat to various charitable organizations. They helped out in local schools and assisted-living facilities. Both the Rose Hill and the Kenansville divisions supported organizations such as the American Cancer Society and Ronald McDonald House in their areas. Employees of the Waverly division focused their efforts on collecting food for those in need in Northampton County, as well as contributing to the fundraising efforts of the March of Dimes. Employees at the Laurinburg division participated in local fundraising events and donated approximately \$8,500, including corporate sponsorships, in support of charitable and research organizations, such as the American Red Cross, the Optimist Club and the American Cancer Society.

International

Prima Sp. z.o.o. and the Animex Group, Poland

As a relatively new addition to the Polish economy, Prima continued to strongly support its local communities in 2004 by contributing to a number of community-building efforts. It provided financial support to local churches for upgrades, as well as to organizations that help local schools improve classroom quality with basic structural repairs, such as window and floor replacements. In partnership with a number of communities, Prima also helped finance local road repair and other initiatives that promote safer communities.

The Animex Group continued its support of the Polish Red Cross. In May 2004, Animex signed a long-term cooperation agreement, becoming a Red Cross Silver Partner. As part of this agreement, Animex helps sponsor “Happy Childhood,” a nationwide program that provides children from economically depressed rural regions in Poland with a warm meal every day at village schools.

Mexico

Our Mexican division played an important role in its neighboring communities during the reporting period. The division performed road maintenance in the village of Perote and supplied medical doctors to local villagers who might otherwise not have had access to medical services. Employees also participated in the reconstruction efforts in Totulco after floods damaged homes in 2002.

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1

Nutrients enter the farm in the form of feed ingredients such as corn and soybean meal.



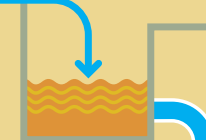
2

The feed provides hogs with the balanced nutrition that is essential to good health and growth. Market hogs typically receive seven formulations during their lives.



3

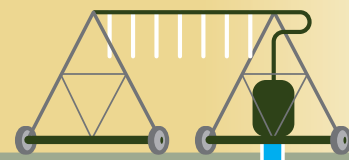
Animal waste is separated from the hogs through specially designed flooring and temporarily stored in concrete pits below.^a



4

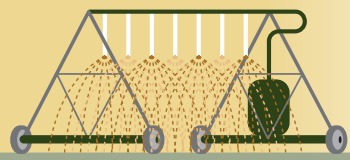
Underground pipes transfer the waste—including nitrogen, phosphorous and other substances—to an earthen structure.^b

Natural anaerobic processes substantially reduce biochemical oxygen demand (BOD), solids and nutrient content.^c



5

The natural fertilizer is pumped through underground irrigation lines to carefully calibrated application equipment.



6

The fertilizer is applied to corn, soybeans, Coastal Bermuda grass or other crops.^d



7

The crops are harvested and removed from the farm, thus completing the loop of nutrient recycling. (See the chart, "Crops Produced by Murphy-Brown," on page 38.)

Modern Farm Management and the Science of Nutrient Recycling

Smithfield's Murphy-Brown subsidiary recycles the nutrients produced on its farms using environmentally sound methods based on factors such as local climate, area agricultural practices and regulatory requirements. This illustration offers a brief overview of the company's predominant system of nutrient recycling and the one employed on virtually all Murphy-Brown farms east of the Mississippi. A complete list of systems in use is included on page 38.

^a Aggressive water conservation practices have reduced the amount of wastewater created on Murphy-Brown farms. See the chart, "Farm Water Usage," on page 35.

^b Certain feed additives, such as phytase enzyme, can reduce the amount of phosphorous content in the waste.

^c Murphy-Brown's anaerobic lagoons are designed to have sufficient storage capacity to accommodate heavy rainfall, storms and other unusual weather conditions. The space between the liquid level and the top of the earthen structure—also known as freeboard—typically measures approximately 20 inches.

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

ABOUT THIS PHOTO *In the wetlands of North Carolina, the needle-like leaves of the bald cypress change from green to fiery orange as autumn unfolds. This native of North America is commonly found in the lower Atlantic Coastal Plain and westward. Also known as the “wood eternal” for its durability, the bald cypress can reach heights exceeding 100 feet.*





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