-----BEGIN PRIVACY-ENHANCED MESSAGE-----
Proc-Type: 2001,MIC-CLEAR
Originator-Name: webmaster@www.sec.gov
Originator-Key-Asymmetric:
 MFgwCgYEVQgBAQICAf8DSgAwRwJAW2sNKK9AVtBzYZmr6aGjlWyK3XmZv3dTINen
 TWSM7vrzLADbmYQaionwg5sDW3P6oaM5D3tdezXMm7z1T+B+twIDAQAB
MIC-Info: RSA-MD5,RSA,
 Bj4zrKRX6MSVaigg9qwwI+lYm4j/b1zrYqeyi92U2DE3AnwcMBF3mvusHg5+GaYr
 O0kdDDvNqzdqLPEcp2S1Tg==

<SEC-DOCUMENT>0000916641-99-000639.txt : 19990809
<SEC-HEADER>0000916641-99-000639.hdr.sgml : 19990809

ACCESSION NUMBER:	0000916641-99-000639
CONFORMED SUBMISSION TYPE:	10-K
PUBLIC DOCUMENT COUNT:	12
CONFORMED PERIOD OF REPORT:	19990502
FILED AS OF DATE:	19990802

FILER:

COMPANY DATA:

COMPANY CONFORMED NAME:	SMITHFIELD FOODS INC
CENTRAL INDEX KEY:	0000091388
STANDARD INDUSTRIAL CLASSIFICATION:	MEAT PACKING PLANTS [2011]
IRS NUMBER:	520845861
STATE OF INCORPORATION:	VA
FISCAL YEAR END:	0427

FILING VALUES:

FORM TYPE:	10-K
SEC ACT:	
SEC FILE NUMBER:	000-02258
FILM NUMBER:	99675915

BUSINESS ADDRESS:

STREET 1:	200 COMMERCE STREET
STREET 2:	999 WATERSIDE DRIVE
CITY:	SMITHFIELD
STATE:	VA
ZIP:	23430
BUSINESS PHONE:	8043653000

MAIL ADDRESS:

STREET 1:	900 DOMINION TOWER
STREET 2:	999 WATERSIDE DRIVE
CITY:	NORFOLK
STATE:	VA
ZIP:	23510

FORMER COMPANY:

FORMER CONFORMED NAME:	LIBERTY EQUITIES CORP
DATE OF NAME CHANGE:	19710221

FORMER COMPANY:

FORMER CONFORMED NAME:	LIBERTY REAL ESTATE TRUST
DATE OF NAME CHANGE:	19661113

</SEC-HEADER>
<DOCUMENT>
<TYPE>10-K
<SEQUENCE>1
<DESCRIPTION>SMITHFIELD FOODS 10-K
<TEXT>

- ---
- ---

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended May 2, 1999

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

COMMISSION FILE NUMBER: 0-2258

SMITHFIELD FOODS, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

<TABLE>
<S> <C>

Virginia	52-0845861
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
200 Commerce Street Smithfield, Virginia	23430
(Address of principal executive offices)	(Zip Code)

</TABLE>

(757) 365-3000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
None
(Title of Class)
Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.50 par value per share
Rights to Purchase Series A Junior Participating Preferred Stock,
$1.00 par value per share
(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the shares of Registrant's Common Stock held by non-affiliates as of July 9, 1999 was approximately $1,139,970,261. This figure was calculated by multiplying (i) the $33.50 last sales price of Registrant's Common Stock as reported on The Nasdaq National Market on July 9, 1999 by (ii) the number of shares of Registrant's Common Stock not held by any officer or director of the Registrant or any person known to the Registrant to own more than five percent of the outstanding Common Stock of the Registrant. Such calculation does not constitute an admission or determination that any such officer, director or holder of more than five percent of the outstanding shares of Common Stock of the Registrant is in fact an affiliate of the Registrant.

At July 9, 1999, 46,109,667 shares of the Registrant's Common Stock were outstanding (including for this purpose 1,174,219 Exchangeable Shares issued by the Registrant's subsidiary Smithfield Canada Limited).

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the Registrant's definitive proxy statement to be filed with respect to its Annual Meeting of Shareholders to be held on September 2, 1999.

<PAGE>

TABLE OF CONTENTS

<TABLE>
<CAPTION>

ITEM NUMBER		PAGE
<S>		<C>
	PART I	
1.	Business	1
	General	1
	Business Strategy	2
	Historical Expansion and Acquisitions	2
	Meat Processing Group	3
	Hog Production Group	5
	Employees	6
	Regulation	6
2.	Properties	7
3.	Legal Proceedings	8
4.	Submission of Matters to a Vote of Security Holders	8
4A.	Executive Officers of the Company	9
	PART II	
5.	Market for Company's Common Equity and Related Stockholder Matters	10
6.	Selected Financial Data	11
7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	12
8.	Financial Statements and Supplementary Data	17
9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	17
	PART III	
10.	Directors and Executive Officers of the Company	18
11.	Executive Compensation	18
12.	Security Ownership of Certain Beneficial Owners and Management	18
13.	Certain Relationships and Related Transactions	18
	PART IV	
14.	Exhibits, Financial Statement Schedules, and Reports on Form 8-K	19
SIGNATURES		22
INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE		F-1

</TABLE>

<PAGE>

PART I

ITEM 1. BUSINESS

GENERAL

Smithfield Foods, Inc. is the world's largest pork processor and hog producer. As a holding company, Smithfield Foods conducts its business through two groups, the Meat Processing Group and the Hog Production Group, each comprised of a number of subsidiaries. In this discussion, the terms "Smithfield Foods" and "the Company" include subsidiaries, unless otherwise indicated.

MEAT PROCESSING GROUP

The Meat Processing Group produces domestically and internationally a wide variety of fresh pork and processed meat products and markets them nationwide and to over 25 foreign markets, including Canada, Poland, France, Japan and Mexico. The Meat Processing Group consists of six domestic and three international pork processing subsidiaries. All these subsidiaries are wholly-owned except as indicated below. Collectively, these subsidiaries currently operate 48 slaughtering and further processing plants.

<TABLE>
<CAPTION>

MEAT PROCESSING GROUP

SUBSIDIARY	HEADQUARTERS	FISCAL 1999 S
<S>	<C>	<C>
John Morrell & Co.	Cincinnati, Ohio	$1.4 billion
The Smithfield Packing Company, Incorporated	Smithfield, Virginia	$1.3 billion
Schneider Corporation (63%-owned)	Kitchener, Ontario, Canada	$550 million*
Gwaltney of Smithfield, Ltd.	Smithfield, Virginia	$489 million
Animex S.A. (80%-owned)	Warsaw, Poland	$350 million*
Lykes Meat Group, Inc.	Plant City, Florida	$159 million
Patrick Cudahy Incorporated	Cudahy, Wisconsin	$144 million
Societe Bretonne de Salaisons	Lampaul Guimiliau, France	$100 million*
North Side Foods Corp.	Arnold, Pennsylvania	$60 million*

</TABLE>

---

* Estimated annualized sales

HOG PRODUCTION GROUP

To complement its processing operations, the Company has vertically integrated into hog production through its Hog Production Group, which currently provides the Meat Processing Group with approximately 25% of its live hog requirements. The Hog Production Group operates numerous production facilities through two subsidiaries headquartered in Warsaw, North Carolina as indicated below.

<TABLE>
<CAPTION>

HOG PRODUCTION GROUP

SUBSIDIARY	PRINCIPAL LOCATIONS	NUMBER OF SOWS	ANNUALIZED MARKET HOG PRODUCTION
<S>	<C>	<C>	<C>
Carroll's Foods, Inc. (wholly-owned)	North Carolina and Virginia	180,000	2.9 million
Brown's of Carolina, Inc. (86%-owned)	North Carolina, Virginia, Utah, Colorado and South Carolina	170,000*	2.7 million

</TABLE>

---

* Numbers include 100% of Brown's sows and market hogs produced, as well as the sows and market hogs produced by Circle Four Farms, LLC, a wholly-owned

subsidiary of Smithfield Foods. Circle Four is managed by Brown's. The market hogs produced by Circle Four's sows are sold to an unrelated third party.

The discussion below of the Company's business will first summarize the Company's strategic initiatives and its historical expansion through a combination of internal growth and acquisitions. We will next discuss the Meat Processing Group's United States processing operations and international processing operations, followed by the Hog Production Group.

BUSINESS STRATEGY

The Company's business is based around four strategic initiatives:

- o vertical integration into hog production through Company-owned hog production operations and long-term partnerships and alliances with other large and efficient hog producers;
- o use of genetics which produce hogs that are among the leanest commercially available to enable the Company to market highly differentiated pork products;
- o continued growth through strategic acquisitions; and
- o a heightened emphasis on expansion into international markets.

HISTORICAL EXPANSION AND ACQUISITIONS

Since 1975, when current management assumed control, Smithfield Foods has expanded both its production capacity and its markets through a combination of strong internal growth and the acquisition of regional and multi-regional companies with well-recognized brand identities. Beginning in fiscal 1999, the Company also expanded its operations internationally through acquisitions in France, Canada and Poland.

UNITED STATES MEAT PROCESSING ACQUISITIONS

In fiscal 1982, the Company acquired Gwaltney, then Smithfield Packing's principal Mid-Atlantic competitor. This acquisition doubled the Company's sales and slaughter capacity and added several popular lines of branded products along with a highly efficient hot dog and luncheon meats production facility. The proximity of Gwaltney to Smithfield Packing allowed for synergies and cost savings in manufacturing, purchasing, engineering and transportation. This combination set the stage for a series of acquisitions of smaller regional processors with widely recognized brands, including Patrick Cudahy, Esskay, Mash's and Valleydale.

In December 1995, the Company acquired John Morrell, a major Midwestern pork processor with primary markets in the Midwest, Northeast and Western United States. This acquisition changed the Company's character from a large multi-regional pork processor to one with national distribution. It also doubled the Company's sales and slaughter capacity, added several popular lines of branded processed meat products along with four efficient processing facilities and more than doubled the Company's international sales. The Company believes that John Morrell's strength in smoked sausage, hot dogs, luncheon meats, bacon and smoked hams complements the strong smoked meats, hot dog and bacon business of the Company's Eastern operations. The acquisition of John Morrell also presented substantial opportunities for cost savings in the areas of processing, marketing, purchasing and distribution.

In November 1996, the Company acquired the assets and businesses of Lykes. Lykes is a pork processor with primary markets in the South and Southeast. Lykes produces branded processed meats, including bacon, hot dogs, and breakfast and dinner sausages under the Lykes and Sunnyland brands.

In October 1998, the Company acquired all of the assets and business of

North Side, a major domestic supplier of precooked sausage to McDonald's Corporation.

INTERNATIONAL MEAT PROCESSING ACQUISITIONS

In September 1998, the Company acquired all of the capital stock of Societe Bretonne de Salaisons, one of the largest private label manufacturer of ham, pork shoulder and bacon products in France.

In November 1998, the Company acquired a 63% stake in Schneider Corporation of Canada. The Schneiders brand is the number one Canadian brand in hot dogs, luncheon meats and premium hams.

Between September 1998 and June 1999, the Company acquired an 80% stake in Animex, the largest meat and poultry processing company in Poland. Animex produces a very broad line of fresh and processed meats and poultry.

HOG PRODUCTION ACQUISITIONS

In January 1999, Brown's acquired a 12,000 sow operation in Colorado to supply hogs to John Morrell.

In May 1999, the Company acquired Carroll's Foods and related companies and assets, including approximately 180,000 sows. Carroll's Foods was a longtime hog production partner of the Company. Through a 49%-owned joint venture, Carroll's Foods is also among the nation's largest turkey processors.

<PAGE>

MEAT PROCESSING GROUP

This discussion of the Meat Processing Group will first provide an overview of the Group's proportionate revenues from fresh pork, processed meats and other items. Next, the discussion will describe the Meat Processing Group's United States processing operations and then its international processing operations.

REVENUES BY SOURCE

The following table shows for the fiscal periods indicated the percentages of Meat Processing Group revenues derived from fresh pork, processed meats, and other products. The meat industry is generally characterized by narrow margins; however, profit margins on processed meats are greater than profit margins on fresh pork and on other products.

<TABLE>
<CAPTION>

	1999	1998	1997	1996	1995
<S>	<C>	<C>	<C>	<C>	<C>
Fresh Pork	49%	56%	59%	59%	51%
Processed Meats	46%	40%	37%	37%	45%
Other Products	5%	4%	4%	4%	4%
	--	--	--	--	--
	100%	100%	100%	100%	100%
	===	===	===	===	===

</TABLE>

The increase in percentage of revenues derived from fresh pork between fiscal years 1995 and 1996 resulted principally from an increase in the number of hogs slaughtered at the Bladen County, North Carolina plant; conversely, the increase for processed meats since fiscal 1997 reflects the impact of lower fresh pork prices combined with the Company's acquisitions of processing operations.

UNITED STATES PROCESSING OPERATIONS

FRESH PORK PRODUCTS. The Company is the largest fresh pork processor in the world, producing in fiscal 1999 approximately 2.6 billion pounds. The Meat Processing Group's domestic operations slaughter hogs at five plants (three in the Southeast and two in the Midwest), with a current aggregate slaughter capacity of 78,300 hogs per day. A substantial portion of the Meat Processing Group's fresh pork is sold to retail customers as unprocessed, trimmed cuts such as loins (including roasts and chops), butts, picnics and ribs. The Meat Processing Group also sells hams, bellies and trimmings to other further processors. The Meat Processing Group is putting greater emphasis on the sale of value-added, higher margin fresh pork products, such as boneless loins, hams, butts and picnics. In addition, the Company's Hog Production Group provides the Meat Processing Group with raw material of much higher quality and freshness than that generally available through open market purchases.

The Company is marketing on a national basis an extensive product line of NPD fresh pork cuts (including boneless loins, shoulder cuts, chops, ribs and processed and cubed pork) under the Smithfield Lean Generation Pork brand to selected retail chains and institutional foodservice customers. Smithfield Packing has also developed a case-ready pork program designed to supply supermarket chains with pre-packaged, weighed, labeled and pre-priced fresh pork ready for immediate sale to the consumer. Management believes that these initiatives, over time, will result in greater brand identification and higher margins for the Company's fresh pork products. For more on NPD pork, see "Business -- Hog Production Group" below.

PROCESSED MEAT PRODUCTS. The Company manufactures a wide variety of processed meats, including smoked and boiled hams, bacon, sausage, hot dogs (pork, beef and chicken), deli and luncheon meats and specialty products such as pepperoni and dry salami. In fiscal 1999, the Company produced 1.5 billion pounds of processed meat products. The Company markets its domestic processed meat products under labels that include Smithfield Premium, Smithfield Lean Generation Pork, Gwaltney, Patrick Cudahy and John Morrell, as well as Dinner Bell, Ember Farms, Esskay, Great, Kretschmar, Lykes, Patrick's Pride, Rath and Valleydale. The Company also sells a substantial quantity of processed meats as private label products. The Company believes it is one of the largest producers of smoked hams and picnics in the United States.

In recent years, as consumers have become more health conscious, the Company has broadened its product line to include leaner fresh pork products as well as fat-free, lower fat and lower salt processed meats. Management believes that leaner pork products combined with the industry's efforts to heighten public awareness of pork as an attractive protein source have led to increased consumer demand. The Company also markets a lower-fat line of value-priced luncheon meats, smoked sausage and hot dogs, as well as fat-free hot dogs, fat-free deli hams and 40-percent-lower-fat bacon.

RAW MATERIALS. The Meat Processing Group's primary raw material is live hogs. Historically, hog prices have been subject to substantial fluctuations. In addition, hog prices tend to rise seasonally as hog supplies decrease during the hot summer months and tend to decline as supplies increase during the fall. This is due to lower farrowing performance during

the winter months and slower animal growth rates during the hot summer months. Hog supplies, and consequently prices, are also affected by factors such as corn and soybean meal prices, weather and interest rates.

The Meat Processing Group purchases approximately 25% of its live hog requirements from the Hog Production Group. In addition, the Company purchases hogs from several of the nation's largest hog producers, strategically located in proximity to the Company's hog slaughtering and further processing operations in North Carolina and Virginia. The Company has established multi-year agreements with Maxwell Foods, Inc., Murphy Family Farms, Inc. and Prestage Farms, Inc. which provide the Company with a stable supply of high-quality hogs at market-indexed prices. These producers supply approximately 29% of the hogs currently processed by the Company.

Second quarter	33.87	22.75
Third quarter	35.62	24.37
Fourth quarter	36.37	28.62
Fiscal year ended May 2, 1999		
First quarter	31.00	22.62
Second quarter	27.00	14.69
Third quarter	36.12	19.62
Fourth quarter	30.00	20.00

</TABLE>

HOLDERS

As of July 9, 1999, there were 1,222 record holders of the Common Stock. In addition, there were on such date 264 record holders of the Exchangeable Shares issued by Smithfield Foods' subsidiary Smithfield Canada Limited, an Ontario corporation. The terms of such Exchangeable Shares are an exhibit to this Annual Report on Form 10-K.

DIVIDENDS

The Company has never paid a cash dividend on its Common Stock and does not anticipate paying cash dividends on its Common Stock in the foreseeable future. In addition, the terms of certain of the Company's debt agreements prohibit the payment of cash dividends on the Common Stock. The payment of cash dividends, if any, will be made only from assets legally available for that purpose and will depend on the Company's financial condition, results of operations, current and anticipated capital requirements, restrictions under then existing debt instruments and other factors then deemed relevant by the board of directors.

<PAGE>

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data set forth below for the fiscal years indicated were derived from the Company's audited consolidated financial statements. The information should be read in conjunction with the Company's consolidated financial statements (including the notes thereto) and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in, or incorporated by reference into, this report.

<TABLE>
<CAPTION>

	FISCAL YEAR ENDED			
	MAY 2, 1999	MAY 3, 1998	APRIL 27, 1997	
		(IN THOUSANDS, EXCEPT PER SHAR		
<S>	<C>	<C>	<C>	<C
INCOME STATEMENT DATA:				
Sales	$3,774,989	$ 3,867,442	$ 3,870,611	$
Cost of sales	3,235,414	3,479,629	3,546,816	
Gross profit	539,575	387,813	323,795	
Selling, general and administrative expenses	295,610	219,861	191,225	
Depreciation expense	63,524	42,300	35,825	
Interest expense	40,521	31,891	26,211	
Minority interests	(3,518)	199	2,857	
Nonrecurring charge	-	12,600	-	
Income from continuing operations before income taxes	143,438	80,962	67,677	
Income taxes	48,554	27,562	22,740	

Income from continuing operations	94,884	53,400	44,937	
Income (loss) from discontinued operations	-	-	-	
Net Income	$ 94,884	$ 53,400	$ 44,937	$
DILUTED INCOME (LOSS) PER SHARE:				
Continuing operations	$ 2.32	$ 1.34	$ 1.17	$
Discontinued operations	-	-	-	
Net Income	$ 2.32	$ 1.34	$ 1.17	$
Average diluted shares outstanding	40,962	39,732	38,558	
BALANCE SHEET DATA:				
Working capital	$ 215,865	$ 259,188	$ 164,312	$
Total assets	1,771,614	1,083,645	995,254	
Long term debt and capital lease obligations	594,241	407,272	288,486	
Shareholders' equity	542,246	361,010	307,486	
OPERATING DATA:				
Fresh pork sales (pounds)	2,687,412	2,539,221	2,320,477	
Processed meats sales (pounds)	1,606,021	1,370,232	1,218,835	
Total hogs purchased	19,093	17,952	16,869	

</TABLE>

<PAGE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion of management's views on the financial condition and results of operations of the Company should be read in conjunction with the consolidated financial statements and the notes to the consolidated financial statements appearing elsewhere in this Form 10-K.

INTRODUCTION

The Company's business is comprised of two segments, a Meat Processing Group ("MPG") and a Hog Production Group ("HPG"). As of May 2, 1999, the MPG consisted of six wholly owned domestic pork processing subsidiaries, Gwaltney of Smithfield, Ltd. ("Gwaltney"), John Morrell & Co. ("John Morrell"), Lykes Meat Group, Inc. ("Lykes"), North Side Foods Corp. ("North Side"), Patrick Cudahy Incorporated ("Patrick Cudahy") and The Smithfield Packing Company, Incorporated ("Smithfield Packing"), and three international meat processing subsidiaries, Animex S.A. ("Animex"), a 67%-owned Polish subsidiary, Schneider Corporation ("Schneider"), a 63%-owned Canadian subsidiary, and Societe Bretonne de Salaisons ("SBS"), a wholly owned French subsidiary. As of May 2, 1999, the HPG consisted of Brown's of Carolina, Inc. ("Brown's"), an 86%-owned subsidiary of the Company, a 50% interest in Smithfield-Carroll's ("Smithfield-Carroll's"), a joint hog production arrangement between the Company and an affiliate of Carroll's Foods, Inc. ("CFI") and an 84% interest in Circle Four ("Circle Four"), a joint hog production arrangement between the Company and affiliates of CFI. Brown's and Smithfield-Carroll's produce hogs in Colorado, North Carolina and Virginia, which are sold primarily to the MPG. Circle Four produces hogs in Utah which are sold to an unrelated party. Effective May 3, 1999, the Company acquired CFI and its affiliated companies and partnership interests (See Note 15). Subsequent to the end of fiscal 1999, the Company increased its ownership in Animex from 67% to 80% of total equity.

ACQUISITIONS

In the third quarter of fiscal 1999, the Company acquired 100% of the voting common shares of Schneider and approximately 59% of its Class A non-voting shares, which in the aggregate represents approximately 63% of the total equity of Schneider, in exchange for approximately 2,527,000 Exchangeable Shares of Smithfield Canada Limited, a wholly owned subsidiary of the Company. Each Exchangeable Share is exchangeable by the holder at any time for one common share of the Company. Schneider produces and markets fresh pork and a full line of processed meats and is the second largest meat processing company

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE I

TO THE SHAREHOLDERS OF SMITHFIELD FOODS, INC.

We have audited in accordance with generally accepted auditing standards the consolidated financial statements included in the Form 10-K Annual Report of Smithfield Foods, Inc. and subsidiaries for the fiscal years ended May 2, 1999, May 3, 1998, and April 27, 1997, and have issued our report thereon dated June 10, 1999. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule I, filed as a part of the Company's Form 10-K Annual Report is the responsibility of the Company's management and is presented for purposes for complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Richmond, Virginia
June 10, 1999

<PAGE>

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT

SMITHFIELD FOODS, INC.
PARENT COMPANY BALANCE SHEETS

AS OF MAY 2, 1999 AND MAY 3, 1998

<TABLE>
<CAPTION>

	FISCAL YEA
	MAY 2, 1999
	(IN THOU
<S>	<C>
ASSETS	
Current assets:	
Cash	$ 24
Accounts receivable	15,137
Receivable from related parties	4,051
Refundable income taxes	1,458
Deferred income taxes	20,551
Other current assets	16,005
Total current assets	57,226
Investments in and net advances to subsidiaries, at cost plus equity in undistributed earnings	885,291
Other assets:	
Investment in partnerships	31,139
Property, plant and equipment, net	21,422
Other	42,447
Total other assets	95,008

	$1,037,525
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Current portion of long-term debt	$ 5,633
Accounts payable	5,086
Accrued expenses	61,254
Total current liabilities	71,973
Long-term debt	385,370
Deferred income taxes and other noncurrent liabilities	37,936
Shareholders' equity	542,246
	$1,037,525

</TABLE>

The accompanying notes are an integral part of these statements.

<PAGE>

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT

SMITHFIELD FOODS, INC.

PARENT COMPANY STATEMENTS OF INCOME

<TABLE>
<CAPTION>

	52 WEEKS ENDED MAY 2, 1999	53 WEEKS ENDED MAY 3, 1998	52 WEEKS APRIL 27,
		(IN THOUSANDS)	
<S>	<C>	<C>	<C>
Sales	$ -	$ -	$
Cost of sales	5,073	9,589	1,8
Gross profit	(5,073)	(9,589)	(1,8
General and administrative expenses, net of allocation to subsidiaries	8,366	4,686	10,9
Depreciation expense	1,252	843	9
Interest expense	24,930	24,578	16,4
Nonrecurring charge	-	12,600	
Loss before income tax benefit and equity in earnings of subsidiaries	(39,621)	(52,296)	(30,0
Income tax benefit	(16,677)	(19,130)	(12,5
Loss before equity in earnings of subsidiaries	(22,944)	(33,166)	(17,5
Equity in earnings of subsidiaries	117,828	86,566	62,4
Net income	$ 94,884	$ 53,400	$ 44,9

</TABLE>

The accompanying notes are an integral part of these statements.

<PAGE>

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT

SMITHFIELD FOODS, INC

PARENT COMPANY STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	52 WEEKS ENDED MAY 2, 1999	53 WEEKS E MAY 3, 1
		(IN THOUSAN
<S>	<C>	<C>
Cash flows from operating activities:		
Net Income	$ 94,884	$ 53,4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,758	1,4
(Gain) loss on sale of property, plant and equipment	30	
Changes in operating assets and liabilities:		
Deferred income taxes and other noncurrent liabilities	23,145	13,9
Accounts receivable	(14,813)	3,3
Receivables from related parties	(4,051)	1,4
Other current assets	(84)	(10,7
Accounts payable and accrued expenses	18,313	14,2
Refundable income taxes	842	(4,0
Other assets	(17,600)	(10,4
Net cash provided by operating activities	103,424	62,4
Cash flows from investing activities:		
Capital expenditures	(4,377)	(9,3
Proceeds from sale of property, plant and equipment	-	
Increase in investment in and net advances to subsidiaries	(131,827)	(235,1
Investments in partnerships	15,827	(5,2
Net cash used in investing activities	(120,377)	(249,6
Cash flows from financing activities:		
Proceeds from issuance of short-term debt	-	
Proceeds from issuance of long-term debt	-	447,1
Principal payments on long-term debt	(2,977)	(252,3
Proceeds from exercise of stock options	12,154	1
Preferred dividends	-	
Net cash provided by financing activities	9,177	194,9
Net (decrease) increase in cash and cash equivalents	(7,776)	7,7
Cash and cash equivalents at beginning of year	7,800	
Cash and cash equivalents at end of year	$ 24	$ 7,8

</TABLE>

The accompanying notes are an integral part of these statements.

<PAGE>

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT

SMITHFIELD FOODS, INC.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

MAY 2, 1999 AND MAY 3, 1998

1. The Notes to Parent Company Financial Statements should be read in conjunction with the Registrant's Notes to Consolidated Financial Statements included herein.

2. Restricted assets of Registrant:

Existing loan covenants contain provisions which limit the amount of funds available for transfer from the subsidiaries to Smithfield Foods, Inc. without the consent of certain lenders.

3. Accrued expenses as of May 2, 1999 and May 3, 1998 are as follows:

<TABLE>
<CAPTION>

	1999	1998
<S>	<C>	<C>
Self-insurance reserves	$20,216	$21,834
Other	41,038	23,398
	$61,254	$45,232

</TABLE>

4. Long-Term Debt:

In fiscal 1998, the Registrant entered into a loan agreement with a bank group providing for a five-year $300,000 revolving credit facility. In connection with this refinancing, the Registrant repaid all borrowings under its previous $300,000 credit facilities, which were terminated.

In fiscal 1998, the Registrant issued $200,000 in aggregate principal amount of 10-year 7.625% senior subordinated notes. The net proceeds from the sale of the notes were issued to repay indebtedness under the Registrant's $300,000 revolving credit facility with the balance invested in short-term marketable debt securities.

As of May 2, 1999, the Registrant is guaranteeing $17,500 of capital lease obligations of its subsidiaries and a $300,000 credit facility that has an outstanding balance of $71,000.

Scheduled maturities of the Registrant's long-term debt consists of the following:

<TABLE>
<CAPTION>

FISCAL YEAR	
<S>	<C>
2000	$ 5,633
2001	3,133
2002	3,084
2003	10,473
2004	49,886
Thereafter	318,794
	$391,003

</TABLE>

5. The amount of dividends received from subsidiaries in fiscal 1999 and 1998 was $76,700 and $43,400, respectively.

6. In fiscal 1998, the Registrant's shareholders approved the reincorporation of the Registrant in Virginia from Delaware. The purpose of the reincorporation was to reduce annual franchise taxes and does not affect the Registrant's capitalization or the manner in which it operates.

<PAGE>

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT

SMITHFIELD FOODS, INC.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS -- CONTINUED

7. Supplemental disclosures of cash flow information:

<TABLE>
<CAPTION>

FISCAL YEAR	1998	1998	1997
<S>	<C>	<C>	<C>
Interest paid, net of amount capitalized	$28,180	$20,901	$11,106
Income taxes paid	$15,306	$10,179	$15,043
Noncash investing and financing activities:			
Refinancing of long-term debt	$ -	$ -	$59,707
Conversion of preferred stock to common stock	$ -	$ -	$20,000
Common stock issued for acquisitions	$73,049	$ -	$ -
Conversion of advances to investments in partnerships	$ -	$ -	$ 7,691

</TABLE>

</TEXT>
</DOCUMENT>
<DOCUMENT>
<TYPE>EX-3
<SEQUENCE>2
<DESCRIPTION>EXHIBIT 3.1 (B)
<TEXT>

EXECUTION COPY

SMITHFIELD FOODS, INC.
ARTICLES OF AMENDMENT TO THE
ARTICLES OF INCORPORATION

1. Name. The name of the Corporation is Smithfield Foods, Inc. (the "Corporation").

2. The Amendment. Pursuant to Sections 13.1-638 and 13.1-639 of the Virginia Stock Corporation Act, the Board of Directors of the Corporation effective as of May 27, 1998, duly adopted the following amendment to the Articles of Incorporation, as amended, of the Corporation, adding thereto new Section 4.4, which sets forth the designation and number of shares of a series of Preferred Stock of the Corporation and certain preferences, limitations and relative rights thereof.

4.4 Series B Special Voting Preferred Share