

SMITHFIELD FOODS INC
Form DEF 14A
July 31, 2002

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

SMITHFIELD FOODS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:

SMITHFIELD FOODS, INC.

Notice of Annual Meeting of Shareholders

To Be Held August 28, 2002

As a shareholder of SMITHFIELD FOODS, INC., a Virginia corporation (the Company), you are cordially invited to be present, either in person or by proxy, at the Annual Meeting of Shareholders of the Company to be held at the Jefferson Hotel, Franklin and Adams Streets, Richmond, Virginia, at 2:00 p.m. local time, on August 28, 2002, for the following purposes:

1. To elect three directors to three-year terms;
2. To ratify the selection of Ernst & Young LLP as independent auditors of the Company for the fiscal year ending April 27, 2003; and
3. To transact such other business as may properly come before the meeting or any continuation or adjournment thereof.

Only shareholders of record at the close of business on July 10, 2002 will be entitled to vote at the Annual Meeting and any adjournment thereof. The transfer books will not be closed.

We hope you can attend the Annual Meeting in person. However, even if you plan to attend, we ask that you **MARK, SIGN, DATE** and **RETURN** the enclosed proxy promptly in the enclosed self-addressed envelope, so that we may be assured of a quorum to transact business. If you receive more than one proxy because you own shares registered in different names or addresses, each proxy should be completed and returned. Your proxy is revocable and will not affect your right to vote in person in the event you are able to attend the meeting.

Your attention is directed to the attached Proxy Statement.

BY ORDER OF THE BOARD OF DIRECTORS,

MICHAEL H. COLE
SECRETARY

Smithfield, Virginia
July 31, 2002

SMITHFIELD FOODS, INC.

EXECUTIVE OFFICES
200 COMMERCE STREET
SMITHFIELD, VIRGINIA 23430
Corporate Internet Site: *www.smithfieldfoods.com*

PROXY STATEMENT

FOR

ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD AUGUST 28, 2002

The Annual Meeting of Shareholders of SMITHFIELD FOODS, INC., a Virginia corporation (the Company), will be held on August 28, 2002, at the time and place and for the purposes set forth in the Notice of Annual Meeting of Shareholders accompanying this Proxy Statement. This Proxy Statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of the Company in connection with such meeting and any continuation or adjournment thereof.

The costs of soliciting proxies will be borne by the Company. In addition to solicitation by mail, certain directors, officers and employees of the Company may solicit proxies in person or by telephone at no additional compensation. The Company will also ask record holders of Common Stock who are brokerage firms, custodians and fiduciaries to forward proxy material to the beneficial owners of such shares and upon request will reimburse such record holders for the costs of forwarding the material in accordance with customary charges. The Company has retained Georgeson & Company Inc. to assist in the solicitation of proxies at an anticipated cost to the Company of \$7,500 plus expenses.

Any proxy given pursuant to this solicitation may be revoked by the filing with and receipt by the Secretary of the Company of a written revocation or duly executed proxy bearing a later date and does not preclude the shareholder from voting in person at the Annual Meeting if he or she so desires. The persons named in the form of proxy solicited by the Board of Directors will vote all proxies which have been properly executed. If a shareholder specifies on such proxy a choice with respect to the proposal to be acted upon, the proxy will be voted in accordance with such specification. **IF NO DIRECTIONS TO THE CONTRARY ARE INDICATED, THE PERSONS NAMED IN THE PROXY WILL VOTE THE SHARES REPRESENTED THEREBY FOR THE ELECTION OF EACH OF THE NAMED NOMINEES FOR DIRECTOR AND FOR EACH OF THE OTHER PROPOSALS LISTED ON THE PROXY CARD.** If necessary, and unless the shares represented by the proxy are voted against the proposals herein, the persons named in the proxy may also vote in favor of a proposal to recess the Annual Meeting and to reconvene it on a subsequent date or dates without further notice, in order to solicit and obtain sufficient votes to approve any matters being considered at the Annual Meeting.

This Proxy Statement and the enclosed form of proxy are first being sent to the shareholders on or about July 31, 2002.

VOTING SECURITIES

On July 10, 2002, the record date for determining shareholders entitled to vote at the meeting, 109,013,405 shares of Common Stock and one Series B Special Voting Preferred Share, par value \$1.00 (the Series B Share), were outstanding and entitled to vote. Each share of Common Stock entitles the holder thereof to one vote; the Series B Share entitles the holder thereof to 542,750 votes, as described further below; the total number of votes that shareholders may cast at the meeting is therefore 109,556,155. The holders of Common Stock and the holder of the Series B Share will vote together as a single group at the meeting. All voting rights are non-cumulative, so that holders of shares representing a majority of the votes cast at the Annual Meeting can elect all of the directors.

The Series B Share is held by CIBC Mellon Trust Company, as trustee (the Trustee). The aggregate number of votes entitled to be cast by the Trustee is equal to the number of Exchangeable Shares of Smithfield Canada Limited, a Canadian subsidiary of the Company, issued and outstanding on the record date (excluding any Exchangeable Shares held by the Company or its subsidiaries). As of the record date, there were 542,750 Exchangeable Shares issued and outstanding. The Exchangeable Shares were issued in exchange for shares of Schneider Corporation during the 1999 fiscal year and are exchangeable at any time by the holders thereof for shares of the Company s Common Stock on a one-for-one basis. Each holder of Exchangeable Shares is entitled to instruct the Trustee to cast, in the manner instructed, one vote for each Exchangeable Share held of record by such holder on the record date. To the extent no instructions are received from a holder of Exchangeable Shares, the Trustee will not exercise the voting rights relating to such holder s Exchangeable Shares. Holders of Exchangeable Shares will receive from the Trustee these proxy materials and directions as to the manner in which instructions may be given to the Trustee with respect to the voting of the Series B Share (or alternatively, for the granting of proxies to such holders or their designees to exercise the voting rights relating to such holders Exchangeable Shares).

A majority of the total votes entitled to be cast on matters to be considered at the Annual Meeting constitutes a quorum. If a share is represented for any purpose at the Annual Meeting, it is deemed to be present for quorum purposes and for all other matters as well. Abstentions and shares held of record by a broker or its nominee (Broker Shares) that are voted on any matter are included in determining the number of votes present or represented at the Annual Meeting. However, Broker Shares that are not voted on any matter at the Annual Meeting will not be included in determining whether a quorum is present at such meeting.

The election of each nominee for director requires the affirmative vote of the holders of shares representing a plurality of the votes cast in the election of directors. Votes that are withheld and Broker Shares that are not voted in the election of directors will not be included in determining the number of votes cast and, therefore, will have no effect on the election of directors. Actions on all other matters to come before the meeting will be approved if the votes cast in favor of the action exceed the votes cast against it. Abstentions and Broker Shares that are not voted are not considered cast either for or against a matter and, therefore, will have no effect on the outcome on such matters.

PRINCIPAL SHAREHOLDERS

The only persons known by the Company to beneficially own more than five percent of the Company's Common Stock as of July 10, 2002, are as follows:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (Number of Shares) (1)			Percent of Class (2)
	Direct	Other	Total	
Joseph W. Luter, III Smithfield Foods, Inc. 200 Commerce Street Smithfield, VA 23430	5,617,026	600,950(3)	6,217,976(3)	5.7%
Wendell H. Murphy, certain family members and a related entity(4) P.O. Box 280 Rose Hill, NC 28458	15,124,138(4)	2,000,208(4)	17,124,346(4)	15.6%

(1) Pursuant to current regulations of the Securities and Exchange Commission (SEC), securities must be listed as beneficially owned by a person who directly or indirectly has or shares the power to vote (voting power) or the power to dispose of (dispositive power) the securities, whether or not the person has any economic interest in the securities. In addition, a person is deemed a beneficial owner if he has the right to acquire beneficial ownership within 60 days, whether upon the exercise of a stock option or warrant, conversion of a convertible security or otherwise. Shares of Common Stock listed under the Direct column are those which are owned and held as outstanding shares and over which such person, except as noted below, has sole voting power and sole dispositive power. Shares shown under the Other column are those subject to other forms of deemed beneficial ownership pursuant to the aforesaid regulations, as described in the indicated footnotes.

(2) The Series B Share has voting and other rights substantially equivalent to 542,750 shares of Common Stock. See Voting Securities above. The percentages shown in this table have been calculated as if these 542,750 equivalent common shares were outstanding and part of the class of Common Stock. None of the persons listed in the table owns any Exchangeable Shares which would entitle him or her to direct the voting of the Series B Share.

(3) Includes 200,000 shares owned by the Smithfield-Luter Foundation, Inc., of which Mr. Luter is a co-trustee. In March 2002, Mr. Luter established the Smithfield-Luter Foundation to fund educational grants to colleges and universities for need-based undergraduate scholarships for children of Company employees and contributed 200,000 shares of Common Stock to the foundation. Also includes 950 shares held by Mr. Luter as custodian for his daughter under the Virginia Uniform Transfers to Minors Act. Also includes 400,000 shares that Mr. Luter has the right to acquire pursuant to the exercise of presently exercisable stock options.

(4) In connection with the Company's purchase of Murphy Farms, Inc. and certain affiliated corporations (collectively MFI) in January 2000, Wendell H. Murphy, a director, and certain family members listed below (collectively the Murphy Family Members) entered into a shareholders agreement with the Company pursuant to which the Murphy Family Members agreed to certain restrictions relating to, among other things, the voting and disposition of their shares of Common Stock. See Other Transactions. For purposes of the reporting requirements of the Securities Exchange Act of 1934, these arrangements may cause the Murphy Family Members to be deemed to constitute a group; however each of the Murphy Family Members expressly disclaims the existence of such a group. As of June 30, 2002, Wendell H. Murphy holds 4,641,402 shares directly and 567,150 shares indirectly; Harry D. Murphy holds 2,565,312 shares directly and 321,630 shares indirectly; Joyce

M. Norman holds 1,578,893 shares directly and 205,124 shares indirectly; Wendell H. Murphy, Jr. holds 3,009,370 shares directly and 390,966 shares indirectly; Wendy Murphy Crumpler holds 883,937 shares directly and 114,838 shares indirectly; Stratton K. Murphy holds 979,705 shares directly and 168,590 shares indirectly; Marc D. Murphy holds 979,705 shares directly and 168,590 shares indirectly; and Angela Brown holds 485,814 shares directly and 63,112 shares indirectly. The indirect ownership of the Murphy Family Members reflects their respective interests in 2,000,000 shares held in escrow in connection with the Company's purchase of MFI. The Murphy Family Members are entitled to receive the shares held in escrow but they do not currently have voting power or dispositive power over such shares. The Shares shown under the "Other" column also include 208 shares owned by a limited liability company, Murfam Enterprises, LLC, of which the Murphy Family Members are the sole members and may therefore be deemed to share voting power and dispositive power with respect to such shares. The amounts shown in the table do not include an additional number of shares (currently estimated at 446,872) that the Murphy Family Members are expected to become entitled to receive from the Company as the result of a post-closing purchase price adjustment in connection with the purchase of MFI.

PROPOSAL 1

ELECTION OF DIRECTORS

The Company's Board of Directors presently consists of 9 directors, who are divided into three classes with staggered terms. The terms of Robert L. Burrus, Jr., Carol T. Crawford, and George E. Hamilton, Jr. as directors of the Company will expire at the time of the annual meeting of shareholders. Mr. Hamilton is retiring from the Board of Directors as of the date of the Annual Meeting. Following the recommendation of the Nominating and Governance Committee, the Board of Directors recommends the re-election of Ms. Crawford and Mr. Burrus and the election of Frank S. Royal, M.D. to three-year terms.

Although all the nominees have indicated their willingness to serve if elected, if at the time of the meeting any nominee is unable to or unwilling to serve, shares represented by properly executed proxies will be voted at the discretion of the persons named therein for such other person as the Board may designate.

Information, including their business experience for the past five years, about the nominees for election as directors and about other directors of the Company whose terms of office do not expire this year appears below.

NOMINEES FOR ELECTION TO THREE-YEAR TERMS

Name	Age	Principal Occupation	Other Information	Director Since
Robert L. Burrus, Jr.	(67)	Chairman and Partner in the law firm of McGuireWoods LLP, Richmond, Virginia; Director, CSX Corporation, Concepts Direct, Inc., and S&K Famous Brands, Inc.		1996
Carol T. Crawford	(59)	Distinguished Visiting Professor of Law at George Mason University School of Law from January 2000 until June 2001; formerly Commissioner of the U.S. International Trade Commission from 1991 until 2000 and Assistant Attorney General of the United States from 1989 until 1990		2000
Frank S. Royal, M.D.	(62)	Physician; Director of HCA, Inc., SunTrust Banks, Inc., Chesapeake Corporation, Dominion Resources, Inc. and CSX Corporation		

DIRECTORS WHOSE TERMS DO NOT EXPIRE THIS YEAR

Name	Age	Principal Occupation	Other Information	Director Since
Joseph W. Luter, III	(63)			1975
Chairman of the Board and Chief Executive Officer of the Company since 1975; Chairman of the Board, President and Chief Executive Officer of the Company from June 2000 to October 2001 and prior to May 1995				
Ray A. Goldberg	(75)			1999
Moffett Professor of Agriculture and Business, Emeritus, Harvard Business School; Director, RDO Farm Equipment Co.				
Wendell H. Murphy	(63)			2000(1)
Private Investor; formerly Chairman of the Board and Chief Executive Officer of Murphy Farms, Inc., Rose Hill, North Carolina, a hog producer, prior to the Company's purchase of such business in January 2000				
William H. Prestage	(67)			1994
Chairman of the Board, President and Chief Executive Officer of Prestage Farms, Inc., Clinton, North Carolina, a hog and turkey producer				
John Schwieters	(62)			2002
Vice Chairman of Perseus L.L.C., a merchant bank and private equity fund management company; formerly Managing Partner, Mid-Atlantic Region, Arthur Andersen LLP from 1989 to 2000; Director, Manor Care, Inc.				
Melvin O. Wright	(73)			2000
Advisor to PrimeCorp Finance, a Paris merchant bank; Prior to 1992 a Senior Vice President and Director of Dean Witter Reynolds (now Morgan Stanley Dean Witter)				

No family relationship exists between any of the nominees for election as directors of the Company. Joseph W. Luter, III is the father of Joseph W. Luter, IV, an executive officer of the Company.

(1) Mr. Murphy was also a director between 1991 through 1998.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's directors, executive officers and persons who own more than 10% of the Company's Common Stock to file with the SEC initial reports of ownership and reports of changes in ownership of the Company's Common Stock and to provide copies of such reports to the Company. Based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required to be filed during the fiscal year ended April 28, 2002, the Company believes that all filing requirements applicable to its officers, directors and beneficial owners of greater than 10% of its Common Stock have been complied with, except Wendell H. Murphy, individually, was late in filing one Form 3 and five Forms 4 detailing six transactions, the Murphy Family Members (as such term is defined in footnote 4 on page 3) were late as a group in jointly filing four Forms 4 detailing 56 transactions, and the individual Murphy Family Members other than Wendell H. Murphy were collectively late in filing seven Forms 3 and 24 Forms 4 detailing 66 transactions. Several of the transactions represented by the late Forms 4 were single order transactions that resulted in reporting of several different transactions because of variations in the price.

COMMON STOCK OWNERSHIP OF EXECUTIVE OFFICERS AND DIRECTORS

The following information with respect to beneficial ownership, as of July 10, 2002, of shares of Common Stock is furnished with respect to (i) each director and nominee for director of the Company, (ii) each executive officer named in the Summary Compensation Table appearing on page 10 of this Proxy Statement, and (iii) all current directors and executive officers as a group, together with their respective percentages:

Name	Amount and Nature of Beneficial Ownership Number of Shares (1)			Percent of Class (2)
	Direct	Other	Total	
Robert L. Burrus, Jr.	5,000		5,000	*
Carol T. Crawford	17,400	55,700(3)	73,100(3)	*
Jerry H. Godwin				*
Ray A. Goldberg	1,000		1,000	*
George E. Hamilton, Jr.	229,757	160(4)	229,917(4)	*
Lewis R. Little	30,000	240,000(5)	270,000(5)	*
Joseph W. Luter, III	5,617,026	600,950(6)	6,217,976(6)	5.7%
Wendell H. Murphy	4,641,402	12,482,944(7)	17,124,346(7)	15.6%
C. Larry Pope	160,000	142,000(8)	302,000(8)	*
William H. Prestage	1,600	240,000(9)	241,600(9)	*
Frank S. Royal, M.D.				*
John Schwieters	4,000		4,000	*
Joseph B. Sebring	20,900	80,000	100,900	*
Melvin O. Wright	32,000	1,000	33,000	*
All current directors and executive officers as a group (18 persons)	11,850,353	14,971,083(10)	26,821,436(10)	24.3%

* Less than 1% of class

(1) Pursuant to current regulations of the Securities and Exchange Commission, securities must be listed as beneficially owned by a person who directly or indirectly has or shares voting power or dispositive power with respect to the securities, whether or not the person has any economic interest in the securities. In addition, a person is deemed a beneficial owner if he has the right to acquire beneficial ownership within 60 days, whether upon the exercise of a stock option or warrant, conversion of a convertible security or otherwise. Shares of Common Stock listed under the Direct column are those which are owned and held as outstanding shares and over which such person, except as noted below, has sole voting power and sole dispositive power. Shares shown under the Other column include other forms of beneficial ownership pursuant to the aforesaid regulations, as described in the indicated footnotes.

(2) The Series B Share has voting and other rights substantially equivalent to 542,750 shares of Common Stock. See Voting Securities above. The percentages shown in this table have been calculated as if these 542,750 equivalent common shares were outstanding and part of the class of Common Stock. None of the persons listed in the table owns any Exchangeable Shares that would entitle him to direct the voting of the Series B Share.

(3) Includes 43,400 shares owned by defined benefit plans of which Mrs. Crawford is a co-trustee, 8,800 shares owned by Mrs. Crawford's husband, 3,000 shares held by a partnership in which Mrs. Crawford's husband is a partner, and 500 shares held by Mrs. Crawford as custodian for her grandchildren. Mrs. Crawford disclaims beneficial ownership of all 55,700 shares.

- (4) Includes 160 shares owned by Mr. Hamilton's wife of which Mr. Hamilton disclaims beneficial ownership.
- (5) Includes 240,000 shares subject to presently exercisable stock options.
- (6) Includes 200,000 shares owned by the Smithfield-Luter Foundation (see footnote 3 to the table of principal shareholders on page 3). Also includes 950 shares held by Mr. Luter as custodian for his daughter. Also includes 400,000 shares subject to presently exercisable stock options.
- (7) Includes (a) 10,482,736 shares held directly by Murphy Family Members other than Mr. Murphy, (b) 2,000,000 shares held in escrow that the Murphy Family Members are entitled to receive but as to which they do not currently have voting power or dispositive power and (c) 208 shares held by a limited liability company of which the Murphy Family Members are the sole members and may be deemed to share voting power and dispositive power with respect to such shares. Mr. Murphy disclaims beneficial ownership of the shares held directly by the other Murphy Family Members and all but 567,150 of the shares held in escrow. Excludes additional shares (currently estimated at 446,872) that the Murphy Family Members are expected to become entitled to receive from the Company as the result of a post-closing purchase price adjustment. See footnote 4 to the table of principal shareholders on page 3.
- (8) Includes 2,000 shares owned by Mr. Pope's son with respect to which Mr. Pope disclaims beneficial ownership. Also includes 140,000 shares subject to presently exercisable stock options.
- (9) Reflects 240,000 shares owned by Prestage Farms, Inc., of which Mr. Prestage is an officer, director and the principal shareholder. Prestage Farms, Inc. has sole voting power and sole dispositive power with respect to such shares.
- (10) Includes 895,000 shares subject to presently exercisable stock options.

BOARD OF DIRECTORS AND COMMITTEES

The Company has an Executive Committee, an Audit Committee, a Compensation Committee, a Pension and Investment Committee, and a Nominating and Governance Committee of the Board of Directors.

The Executive Committee is composed of Messrs. Luter and Burrus and, with certain limitations, exercises the power of the Board of Directors between Board meetings. The Executive Committee held no meetings in fiscal 2002.

The Audit Committee is composed of Messrs. Schwieters, Burrus and Wright. The principal functions of the Audit Committee include recommending to the Board of Directors a firm to be engaged by the Company as its independent auditors, reviewing with the independent auditors the scope and results of their audits, reviewing with the independent auditors and management the Company's accounting and reporting principles, policies and practices, overseeing the internal audit process and reviewing the adequacy of the Company's accounting and financial controls. The committee held five meetings in fiscal 2002.

The Compensation Committee is composed of Ms. Crawford and Messrs. Burrus and Goldberg. The principal functions of the Compensation Committee are to establish overall compensation policies for the Company, to review recommendations submitted to it by the Company's management with respect to the compensation of the officers of the Company and its subsidiaries and the directors of the Company, and to make such recommendations to the Board of Directors of the Company as its review indicates. The committee held two meetings in fiscal 2002.

The Pension and Investment Committee is composed of Messrs. Schwieters and Wright. The committee was formed in fiscal 2003. The primary responsibility of the Pension and Investment Committee is to exercise oversight on the operation and funding of the Company's Internal Revenue Code qualified and non-qualified retirement plans. In exercising this oversight function, the Committee has the overall responsibility for designing, approving, evaluating and investing the assets of the retirement plans on behalf of the Board of Directors.

The Nominating and Governance Committee is composed of Messrs. Burrus, Schwieters and Wright. The committee was formed in fiscal 2003. The principal functions of the Nominating and Governance Committee are (i) to identify individuals qualified to become directors and to recommend to the Board of Directors the selection of the director nominees for the next annual meeting of shareholders, (ii) to recommend to the Board of Directors the individual directors to serve on the committees of the Board of Directors, and (iii) to recommend to the Board of Directors a set of corporate governance guidelines for the Company. The Nominating and Governance Committee also considers nominations for director made by shareholders of the Company. The committee will consider shareholder recommendations for director sent to the Nominating and Governance Committee, c/o Michael H. Cole, Secretary, Smithfield Foods, Inc., 200 Commerce Street, Smithfield, Virginia 23430.

The Board of Directors held four meetings during fiscal 2002. All directors attended 75% or more of these meetings, including regularly scheduled and special meetings, and the meetings of all committees of the Board on which they served that were held in the past fiscal year during the periods in which they were directors or served on such committees.

Directors who are not employees of the Company or any of its subsidiaries receive an annual retainer of \$20,000, \$6,000 for each board meeting attended, \$1,500 for each committee meeting attended if the committee meeting was not held in connection with, or on the same day as, a board meeting, and \$1,000 for each telephonic board meeting attended, plus reimbursement of travel expenses incurred in connection with such attendance. If multiple committees with the same membership meet on the same day, only one meeting fee is paid.

AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors is composed of three directors and operates under a written charter, adopted by the Board of Directors, in accordance with applicable rules of the Securities and Exchange Commission and the New York Stock Exchange. Each of the members of the Audit Committee is independent, as defined by the New York Stock Exchange.

Management is responsible for the Company's internal controls and the financial reporting process. The independent auditors are responsible for performing an independent audit of the Company's financial statements in accordance with generally accepted auditing standards and issuing a report thereon. The Audit Committee's primary responsibility is to monitor and oversee these processes. The Audit Committee meets privately with both the internal and independent auditors, each of whom has unrestricted access to the committee. The Audit Committee also recommends to the Board of Directors the selection of the Company's independent auditors.

In this context, the Audit Committee has reviewed and discussed the Company's financial statements with both management and the independent auditors. The Audit Committee also discussed with the independent auditors matters required of auditors to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Company's independent auditors also provided to the Audit Committee the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Audit Committee discussed with the independent auditors their independence.

Based on the foregoing, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended April 28, 2002 for filing with the Securities and Exchange Commission. The Audit Committee also recommended that Ernst & Young LLP be retained as the Company's independent auditors for the fiscal year ending April 27, 2003.

The members of the Audit Committee rely without independent verification on the information provided to them and on the representations made by management and the independent auditors. Accordingly, the Audit Committee's oversight does not provide an independent basis to determine that the Company's financial statements have been prepared in accordance with generally accepted accounting principles or that the audit of the Company's financial statements by Ernst & Young LLP has been carried out in accordance with generally accepted auditing standards.

Audit Committee

John Schwieters, *Chairman*
Robert L. Burrus, Jr.
Melvin O. Wright

EXECUTIVE COMPENSATION

The table below sets forth, for the fiscal years ended April 28, 2002, April 29, 2001 and April 30, 2000, the annual and long-term compensation for services in all capacities to the Company and its subsidiaries of those persons who on April 28, 2002, were the Company's Chief Executive Officer and the next four most highly compensated executive officers (collectively, the Named Executive Officers).

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Annual Compensation (1)		Long-Term Compensation Awards	All Other Compensation(\$)
		Salary (\$)	Bonus (\$)	Securities Underlying Options/SARS (#)	
Joseph W. Luter, III Chairman of the Board and Chief Executive Officer	2002	850,000	5,976,380	1,400,000	459,545(2)
	2001	850,000	7,300,466	300,000	464,064
	2000	620,000	2,528,316		522,896
Joseph B. Sebring President of John Morrell & Co.	2002	620,000	1,568,342		
	2001	620,000	283,938		
	2000	620,000	1,071,595		
C. Larry Pope President and Chief Operating Officer(3)	2002	600,000	1,212,899	140,000	
	2001	500,000	900,000	30,000	
	2000	350,000	550,000		
Lewis R. Little President of The Smithfield Packing Company, Incorporated	2002	620,000	1,117,577		
	2001	620,000	1,099,055		
	2000	620,000	809,638		
Jerry H. Godwin President of Murphy-Brown LLC	2002	750,000	800,000	60,000	
	2001	642,000	600,000	75,000	
	2000	700,000	100,000		

(1) While the Named Executive Officers received perquisites or other personal benefits in the years shown, in accordance with SEC regulations, the value of these benefits is not indicated since they did not exceed the lesser of \$50,000 or 10% of the individual's salary and bonus in any year.

(2) Reflects the economic benefit to Mr. Luter of the portion of the premiums paid by the Company under a split dollar life insurance agreement between the Company and an irrevocable trust established by Mr. Luter. This arrangement is designed so that if cer