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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended April 28, 2002

☐ **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)

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.50 par value per share	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:
None
(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 ☒ No ☐

The aggregate market value of the shares of Registrant's Common Stock held by non-affiliates as of July 10, 2002 was approximately $1,388,000,000. This figure was calculated by multiplying (i) the $16.60 last sales price of Registrant's Common Stock as reported on the New York Stock Exchange on July 10, 2002 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 10, 2002, 109,566,155 shares of the Registrant's Common Stock were outstanding (including for this purpose 542,750 Exchangeable Shares issued by the Registrant's subsidiary Smithfield Canada Limited).

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 is Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 August 28, 2002.

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Historical Expansion and Acquisitions

Since 1975, when current management assumed control, the Company has made numerous acquisitions that have increased production capacity, provided vertical integration and expanded both its geographic reach and its portfolio of recognized brands. The Company has also expanded into the beef processing business to provide a broader range of products.

United States Meat Processing Acquisitions. In fiscal 1982, the Company acquired Gwaltney of Smithfield, then Smithfield Packing's principal Mid-Atlantic competitor. This acquisition doubled its sales and production 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 of Smithfield 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 fiscal 1996, 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 its sales and production 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 fresh meat, smoked sausage, hot dogs, luncheon meats, bacon and smoked hams complements the strong smoked meats, hot dog and bacon business of its Eastern operations. The acquisition of John Morrell also presented substantial opportunities for cost savings in the areas of processing, marketing, purchasing and distribution.

In fiscal 1997, the Company acquired the assets and businesses of the Lykes Meat Group, Inc., based in Plant City, Florida. 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 fiscal 1999, the Company acquired the assets and business of North Side, a major domestic supplier of precooked sausage to McDonald's Corporation.

In June 2001, the Company acquired of 50% of the outstanding common shares of Pennexx Foods, Inc. (formerly known as Pinnacle Foods, Inc.), a Philadelphia-based producer of pre-priced, pre-packaged case-ready products.

In July 2001, the Company acquired The Smithfield Companies, a Smithfield, Virginia-based producer of Genuine Smithfield Hams and other specialty food products.

Also in July 2001, the Company acquired substantially all of the assets of Gorges/Quik-to-Fix Foods, Inc., a producer, marketer, and distributor of value-added beef, pork and poultry products for the retail and food service industry.

During the second quarter of fiscal 2002, the Company completed the acquisition of Stadler's Country Hams and a 75% interest in RMH Foods. Stadler's is a producer of country hams based in Elon College, North Carolina. RMH Foods, based in Morton, Illinois, specializes in pre-cooked pork and beef entrees under the Quick-n-Easy™ brand.

In June 2002, the Company acquired an 80% interest in Stefano Foods, a marketer of Italian convenience foods, including stuffed pizza rings and calzones, based in Charlotte, North Carolina.

International Meat Processing Acquisitions. In fiscal 1999, the Company acquired Société Bretonne de Salaisons, one of the largest private-label manufacturers of ham, pork shoulder and bacon products in France.

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In fiscal 1999, the Company acquired a 63% interest in Schneider Corporation, a food processing company headquartered in Kitchener, Ontario. In November 2001, the Company completed the acquisition of the remaining interest in Schneider, which is now a wholly-owned subsidiary of the Company.

In fiscal 1999 and 2000, the Company acquired an 85% stake in Animex, one of the largest meat and poultry processing companies in Poland. Animex produces a very broad line of fresh and processed meats and poultry.

In fiscal 2000, the Company acquired Société Financière de Gestion et de Participation, a private-label processed meats manufacturer in France.

Also in fiscal 2000, the Company acquired a 50% stake in Agroindustrial del Noroeste S. de R.L. de C.V., a Mexican meat processing and hog production joint venture.

In fiscal 2001, Schneider increased its investment in Saskatoon, Saskatchewan-based Mitchell's Gourmet Foods Inc. from 38% to 54%. Mitchell's is one of Canada's leading value-added pork processors.

In fiscal 2002, the Company entered into an agreement with Artal Holland B.V. for a joint venture in AFG Company Limited, a Chinese meat processing and distributing company.

Hog Production Acquisitions. In fiscal 1999, the Company acquired a 12,000 sow operation in Colorado to supply hogs to John Morrell.

In fiscal 2000, 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.

Also in fiscal 2000, the Company acquired Murphy Farms and related companies and assets, including approximately 345,000 sows. Murphy Farms was also a longtime hog production partner of the Company.

In August 2001, the Company acquired the Oklahoma hog production assets of Land O' Lakes, Inc., including approximately 8,000 sows.

Recent Beef Processing Acquisitions. In June 2001, the Company acquired Moyer Packing, the ninth largest beef processor in the United States.

In October 2001, the Company acquired Packerland Holdings, the fifth largest beef processor in the United States.

Meat Processing Group

The Meat Processing Group derives its revenue from fresh pork and beef and processed meats. The following table shows for the fiscal periods indicated the percentages of Meat Processing Group revenues derived from fresh pork, fresh beef, processed meats and other products.

	2002	2001	2000	1999	1998
Processed Meats	43%	50%	50%	46%	40%
Fresh Pork	35%	46%	44%	49%	56%
Fresh Beef	17%	0%	0%	0%	0%
Other Products	5%	4%	6%	5%	4%
	100%	100%	100%	100%	100%

Over the five-year period, processed meats have increased as a percentage of processed meats and fresh pork reflecting the Company's acquisitions of higher margin processed meats operations.

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United States Processing Operations

Fresh Pork and Beef Products. The Company is the largest fresh pork processor in the world, producing in fiscal 2002 approximately 2.7 billion pounds of which 2.5 billion pounds are produced in the United States. Following its recent acquisitions of Packerland and Moyer Packing, the Company has also become the fifth largest fresh beef processor in the United States, producing in fiscal 2002 approximately 880 million pounds of fresh beef. The Meat Processing Group's domestic operations process 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. It also processes cattle at five plants (three in the Midwest, one in the Northeast, and one in the Southwest), with a current aggregate slaughter capacity of 8,500 cattle 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. Its fresh beef is sold to retail customers as boxed beef and ground beef (both chub and case-ready). 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 and beef products. In addition, the Company's Hog Production Group provides the Meat Processing Group's pork operations with raw material of much higher quality than that generally available through open market purchases.

The Company is marketing on a national basis an extensive product line of leaner 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. Several of the Company's subsidiaries have 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 information on the Company's lean pork products, see the discussion of NPD pork in "Hog Production Group" below.

Processed Meats Products. The Meat Processing Group's pork operations manufacture 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 2002, the Company's U.S. operations produced 1.6 billion pounds of processed meat products. The Company markets its domestic processed meat products under labels that include Smithfield Premium, Gwaltney, Patrick Cudahy and John Morrell, as well as Dinner Bell, Ember Farms, Esskay, Great, Kretschmar, Lykes, Patrick's Pride, Rath and Valleydale. The Company 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. 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. 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.

In February 2002, the Company announced the formation of the Smithfield Deli Group, a business unit dedicated solely to marketing to the retail deli trade, including new product development to broaden the deli product line and meet changing consumer needs.

Raw Materials. The primary raw materials of the Meat Processing Group are live hogs and cattle.

Historically, hog and cattle prices have been subject to substantial fluctuations. Hog and cattle supplies, and consequently prices, are also affected by factors such as corn and soybean meal prices, weather and farmers' access to capital. 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.

The Meat Processing Group purchases approximately 44% of its domestic live hog requirements from the Hog Production Group. In addition, the Company has established multi-year agreements with Maxwell Foods,

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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.

	Fiscal Year Ended				
	April 28, 2002	April 29, 2001	April 30, 2000	May 2, 1999	May 3, 1998
	(in thousands, except per share data)				
Statement of Operations Data:					
Sales	$7,356,119	$5,899,927	$5,150,469	$3,774,989	$3,867,442
Cost of sales	6,263,191	4,951,024	4,456,403	3,235,414	3,479,629
Gross profit	1,092,928	948,903	694,066	539,575	387,813
Selling, general and administrative expenses	543,952	450,965	390,634	295,610	219,861
Depreciation expense	139,942	124,836	109,893	63,524	42,300
Interest expense	94,326	88,974	71,944	40,521	31,891
Minority interests	3,937	5,829	1,608	(3,518)	199
Nonrecurring (gain) charge	(7,008)	(79,019)	—	—	12,600
Income before income taxes	317,779	357,318	119,987	143,438	80,962
Income taxes	120,893	133,805	44,875	48,554	27,562
Net income	$ 196,886	$ 223,513	$ 75,112	$ 94,884	$ 53,400
Diluted Income Per Share:					
Net income	$ 1.78	$ 2.03	$ .76	$ 1.16	$ .67
Weighted average diluted shares outstanding	110,419	110,146	98,772	81,924	79,464
Balance Sheet Data:					
Working capital	$ 798,426	$ 635,413	$ 609,857	$ 215,865	$ 259,188
Total assets	3,877,998	3,250,888	3,129,613	1,771,614	1,083,645
Long-term debt and capital lease obligations	1,387,147	1,146,223	1,187,770	594,241	407,272
Shareholders' equity	1,362,774	1,053,132	902,909	542,246	361,010
Operating Data:					
Fresh pork sales (pounds)	2,713,300	2,811,800	2,786,400	2,687,412	2,539,221
Processed meat sales (pounds)	2,355,600	2,197,700	2,192,100	1,606,021	1,370,232
Fresh beef sales (pounds)	880,200	—	—	—	—
Total hogs produced	12,169	11,833	7,549	1,998	1,586