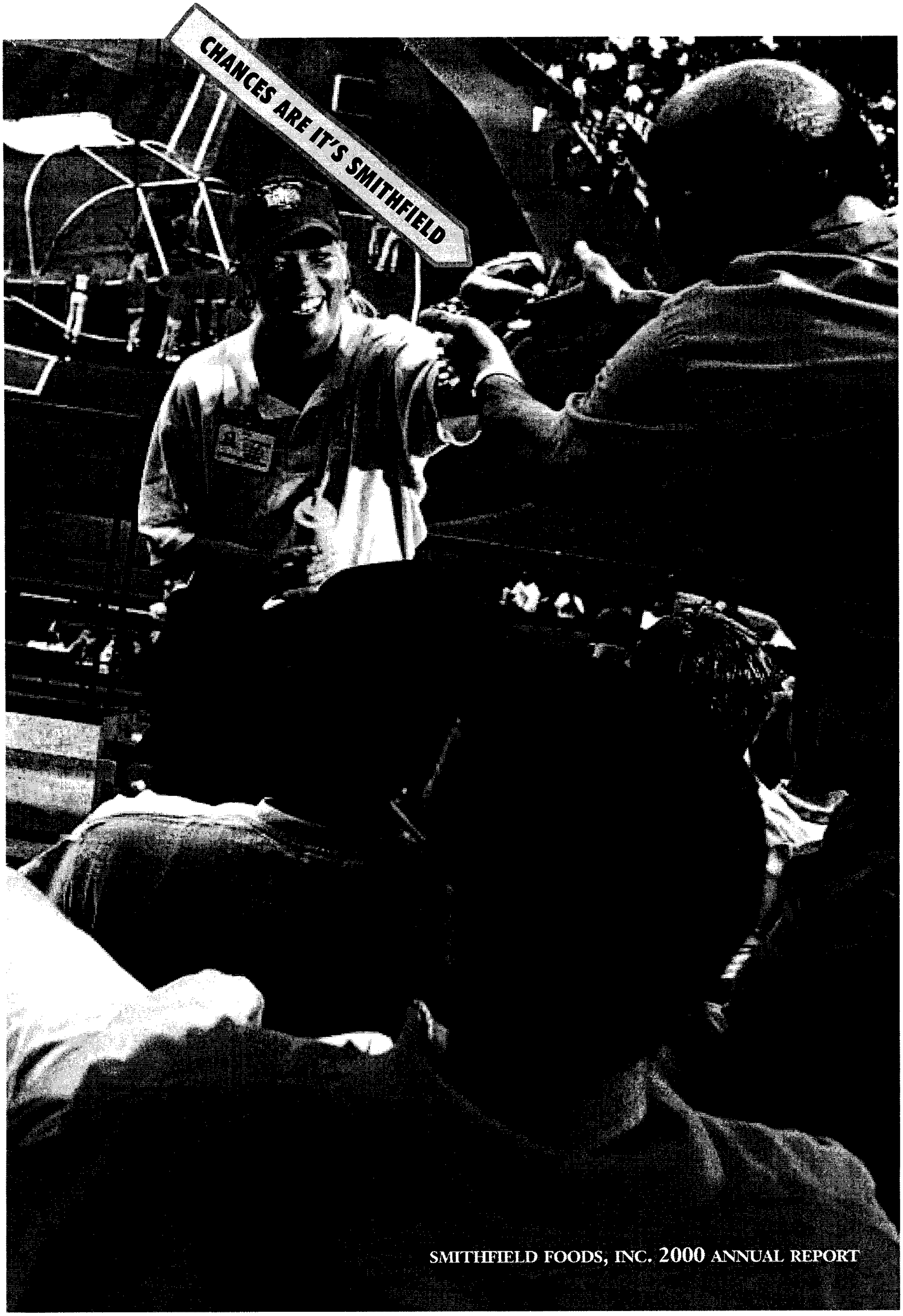
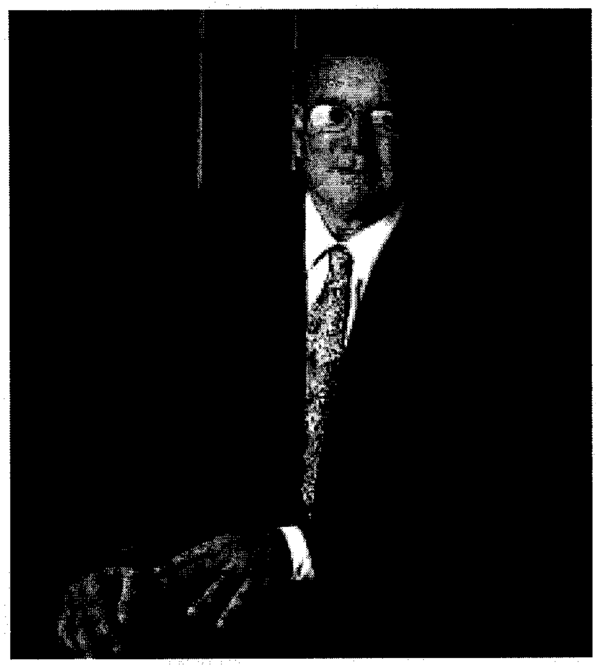

CHANCES ARE IT'S SMITHFIELD
SMITHFIELD FOODS, INC. 2000 ANNUAL REPORT



Joseph W. Luter, III

I am pleased to report that Smithfield Foods, Inc. reported net income of $75 million, or $1.52 per diluted share, for the year ended April 30, 2000. While we are disappointed that these earnings are down from the record earnings reported last fiscal year, they still represent the second-best performance in our history; second only to last year when hog prices reached their lowest level in five decades. These unprecedented low prices resulted in very favorable fresh pork margins for a substantial portion of fiscal 1999 and were the driving force behind last year's results.

We knew that equaling last year's earnings would be difficult. However, we thought that Smithfield could meet this challenge if hog prices again declined in the fall. Events did not play out as we expected, and hog prices firmed up as the fiscal year progressed. This chain of events squeezed fresh pork margins and detracted from the year-over-year comparison for much of the year.

In addition, our Animex S.A. subsidiary in Poland, which we acquired in April 1999, incurred losses that adversely affected earnings. However, we fully anticipated these losses from the outset and consider our total Animex investment as an opportunity for the future.

While margins and profitability in our meat processing operations were adversely affected by rising hog prices, they moved in just the opposite direction in our hog raising operations. The acquisition of Carroll's Foods at the very beginning of fiscal 2000 and Murphy Family Farms this past January provided us with a large production operation to mitigate much of the impact from declining meat processing margins. The result was a year of profitability that demonstrated some of the benefits we have strived to achieve through vertical integration. I will say more about that presently.

Over the past two years, we have solidified and broadened the very foundation of this Company. Smithfield Foods has purchased or made investments in 12 companies during this period—many outside the United States. These acquisitions played a significant role in our 36 percent revenue growth, to $5.2 billion. Moreover, we believe that these acquisitions position us well for the future, presenting valuable opportunities for continued growth.

ESTABLISHING A MAJOR BASE IN HOG RAISING

Smithfield Foods' hog raising business doubled in size with the acquisition of Carroll's Foods in May 1999. These operations doubled again this past January when we bought Murphy Family Farms. Through these two acquisitions and our existing Brown's of Carolina operations, Smithfield Foods now owns approximately 700,000 sows—four times the number of our nearest competitor. This sow base, combined with our many contracting and raising arrangements, gives us the capacity to produce nearly 12 million hogs on an annual basis. Moreover, we made these acquisitions at the very bottom of the hog cycle, allowing us to acquire assets at a substantial discount to replacement cost. As a result, we have created a hog raising complex with a highly advantageous cost structure and a seasoned and mature management team—a feat that no other company, we believe, can duplicate given the environmental, regulatory and political climate surrounding hog farming today.

Smithfield Foods now owns roughly 50 percent of the hogs we slaughter and raises additional hogs, which we do not process, that are marketed under long-term contracts to other companies. We realize a number of benefits by vertically controlling such a substantial portion of our raw materials. By controlling half our hog supply, our processing operations are ensured of a consistent, high-quality source of raw materials for many of the Company's fresh and processed meat products.

In addition, this vertical integration should provide a more predictable earnings stream because Smithfield Foods is now insulated from much of the cyclicality common to our business. Generally, pork processors make more money when hog prices are low—as witnessed in fiscal 1999—and processing margins decline when hog prices rise. By participating in both ends of the business, we remove many of those peaks and valleys. In addition, productivity should climb as these formerly independent hog raising companies, all based within 25 miles of one another in North Carolina, pool their management talent and other resources to control costs and maximize efficiencies.

EXPANDING SALES OF FRESH PORK AND PROCESSED MEATS: A TWIN STRATEGY FOR SUCCESS

Turning to the processing side of our business, all our North American companies enjoyed profitability in fiscal 2000 with the lone exception of Lykes. We are already well on our way towards turning Lykes around by pooling its manufacturing and marketing operations with those of Smithfield Packing.

Branded fresh pork products continued to perform strongly, with U.S. sales of our hugely successful Smithfield Lean Generation Pork™ climbing 10 percent to over 90 million pounds annually and sales of Golden Delicious and other brands for the Japanese market up a combined 20 percent. Our moisture-enhanced brands—Smithfield Packing's Tender 'n Easy, John Morrell's Tender N Juicy and Gwaltney of Smithfield's Tender Perfection—also enjoyed solid growth.

Our branded fresh pork products play a significant role in our move to supply case-ready pork to Wal-Mart and some of the nation's other largest retailers. Case-ready volumes more than doubled this past year, and we are excited about its growing acceptance at the retail level. You can read more about the case-ready revolution on pages 24–25, but let me say here that case-ready is doing nothing short of changing the way fresh pork is marketed today. I believe that this change will allow Smithfield Foods to build brand recognition among consumers for fresh pork in a way that just hasn't been possible in the past.

I am particularly pleased with our growth in processed meats over the past year, where tonnage increased by 37 percent. Our domestic companies posted solid volume gains, and to their numbers we added the volume from several international acquisitions. These include Schneider Corporation, Canada's leading brand and second-largest pork processor; Animex; and France's Société Bretonne de Salaisons (SBS) and Société Financière de Gestion et de Participation (SFGP). These companies, together with our joint venture in Mexico—Agroindustrial del Noroeste—will play an important role in our long-term strategy for international growth, discussed in more detail on pages 20–24.