



# Smithfield

## Lehman Brothers 2<sup>nd</sup> Annual Back-To-School Consumer Conference

**C. Larry Pope**  
**President and Chief Executive Officer**  
**Smithfield Foods, Inc.**  
**September 3, 2008**

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# Agenda

1. Who is Smithfield?
2. Current environment
3. What is Smithfield doing?
4. What does the future look like?
5. Why should I own Smithfield?

1.

**Who is Smithfield?**

Smithfield

# Fiscal 2008: Smithfield At A Glance

**Sales<sup>1</sup>: \$11.4 billion**  
**Operating Profit:**  
**\$396.8 million**

## Pork

**Sales: \$9.6 billion**  
**Operating Profit:**  
**\$449.4 million**

- World's largest pork processor
- Processed 31 million hogs
- Sold approximately 4.0 billion pounds of fresh pork
- Sold approximately 3.1 billion pounds of packaged meats

## International

**Sales: \$1.2 billion**  
**Operating Profit:**  
**\$76.9 million**

- Subsidiaries in Poland, Romania and the United Kingdom
- 50% partner in Groupe Smithfield locations in Belgium, France, Germany, The Netherlands and Portugal
- 24% stake in Campofrío in Spain
- Joint ventures or major investments in Mexico and China

## Hog Production

**Sales: \$2.4 billion**  
**Operating Profit:**  
**\$(98.1) million**

- World's largest hog producer
- Produced 19 million hogs domestically
- Produced 1.6 million hogs in Poland and Romania

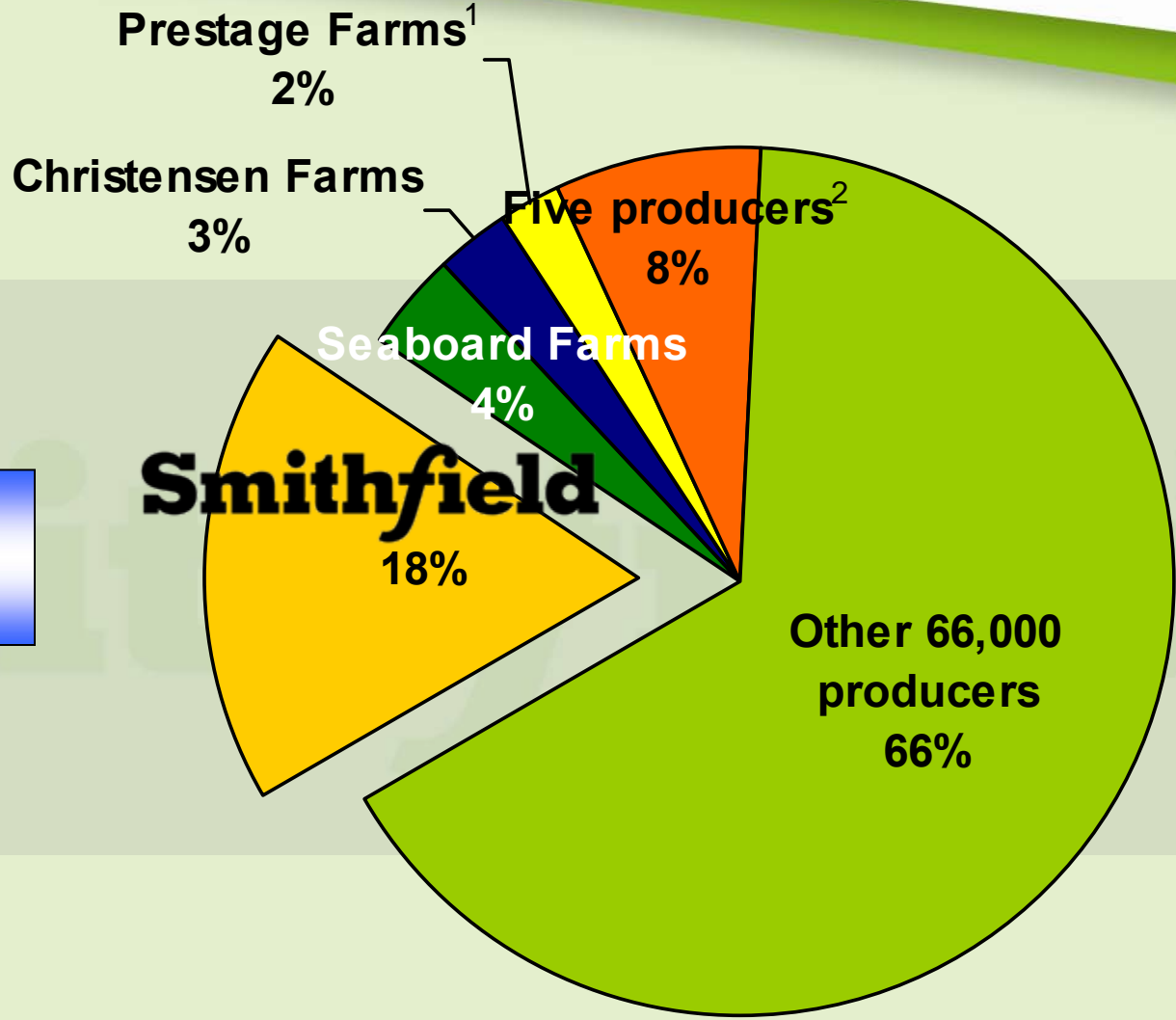
## Other

**Sales: \$0.1 billion**  
**Operating Profit:**  
**\$28.2 million**

- Comprised of turkey production operations and Butterball joint venture
- Butterball is the largest turkey processor in the U.S.

# Market Leader: #1 Hog Production

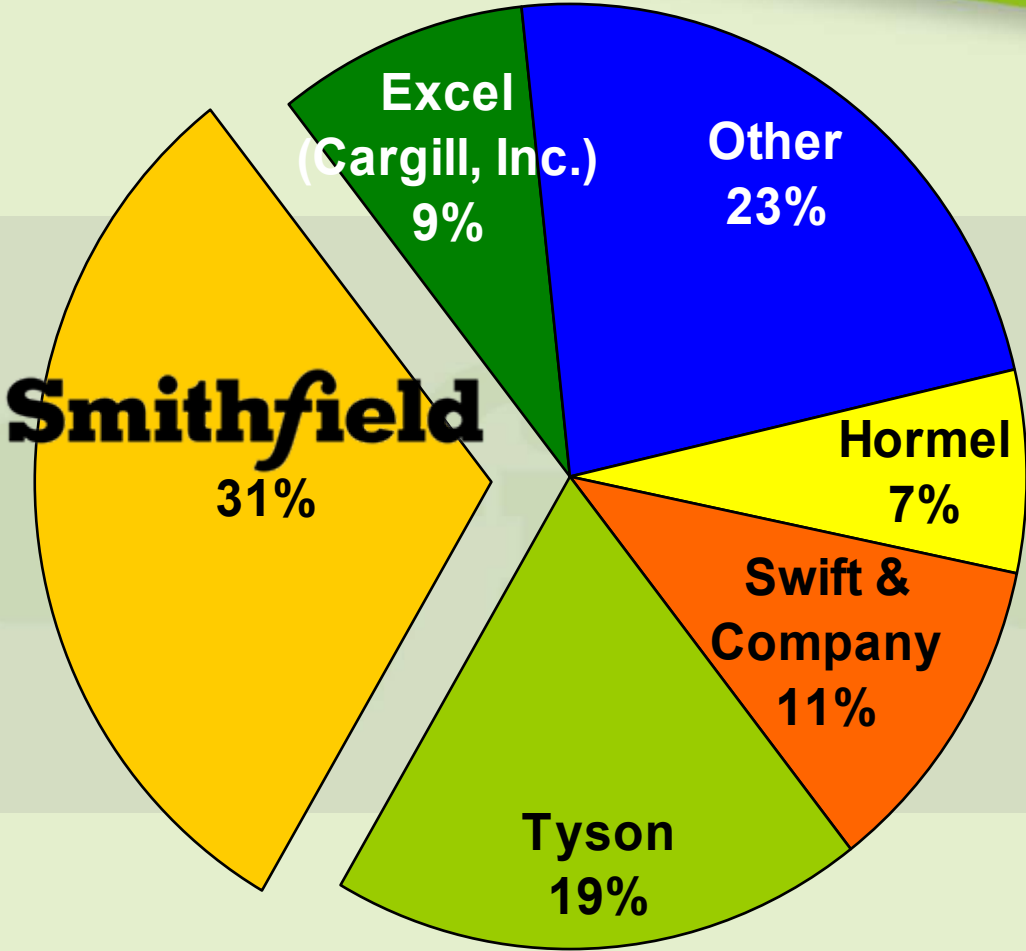
**#1 Hog Production**  
**Produces 20 million**  
**hogs worldwide**



Source: United States Industry Data Successful Farming  
<sup>1</sup> Approximately 78% of Prestage Farms' hogs are sold to Smithfield Foods, Inc. under long-term contract  
<sup>2</sup> Approximate market shares of Five Producers: Cargill=2%; Iowa Select Farms=2%; The Pipestone System=1%; Goldsboro Hog Farm=1%; The Hanor Company=1%; Total=8%

# Market Leader: #1 Pork Processing

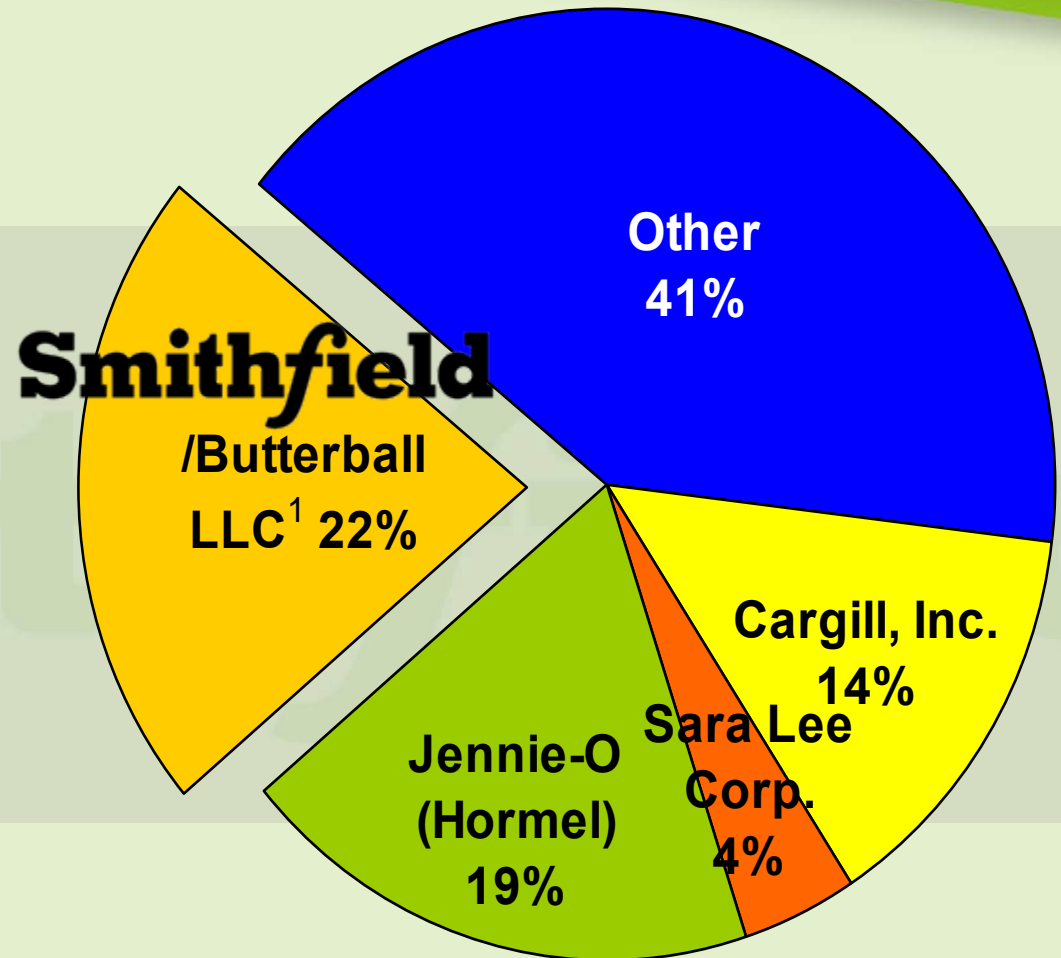
**#1 Pork Processing**  
Processes 31 million hogs



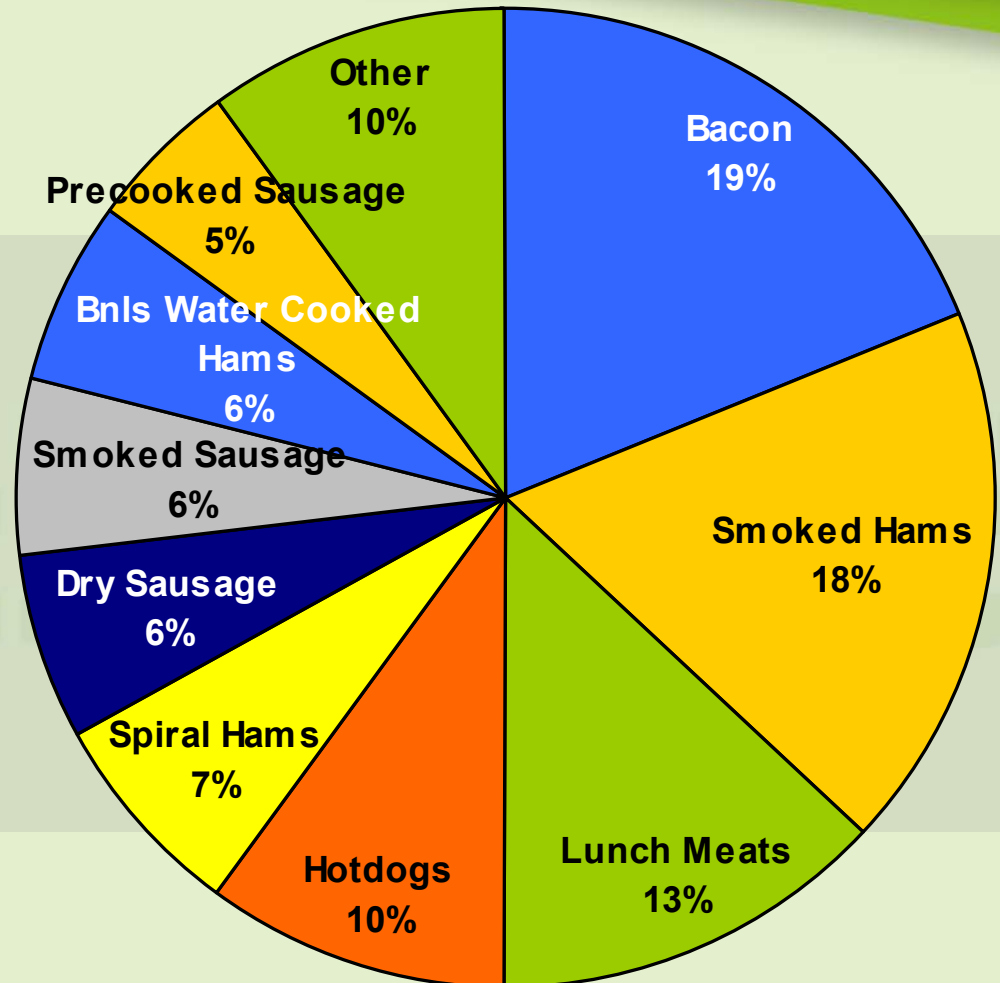
Source: United States Industry Data Successful Farming

# Market Leader: #1 Turkey Processing

**#1 Turkey Processing**  
Processes 54 million  
turkeys



# Market Leader: Packaged Meats



Total FY08 packaged  
meats volume  
=3.1 billion pounds

# 2.

## Current environment

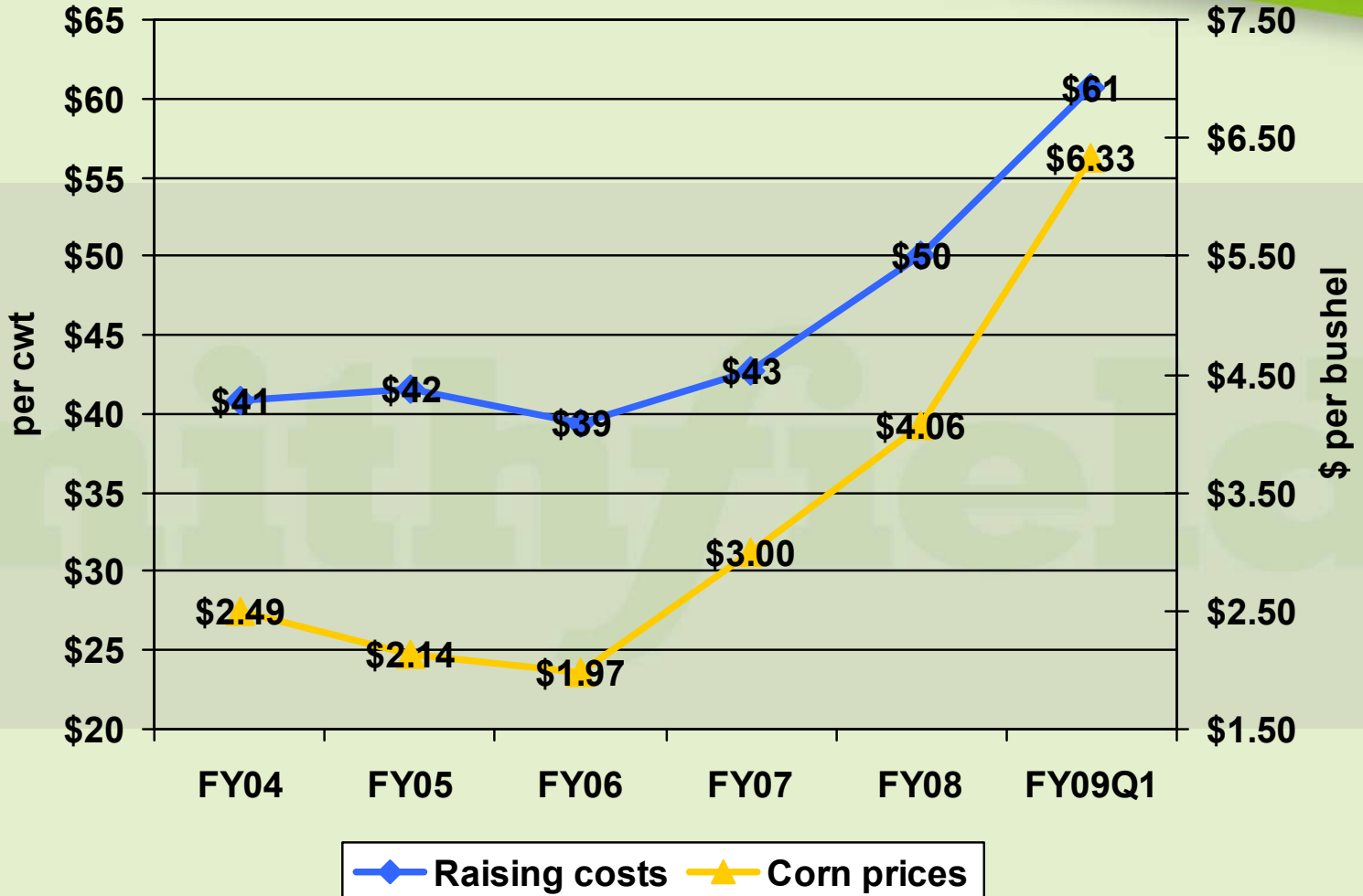
Smithfield

# Current Environment

- Difficult environment to maintain margins as a result of
  - Sharply higher input costs year over year<sup>1</sup>
    - Hog production
      - Average feed cost increase=37% or \$476 million
    - Pork processing
      - Average increase in hog cost=3.5% or \$143 million
  - Highly volatile and sharply higher markets in which to purchase raw materials and price packaged meat products

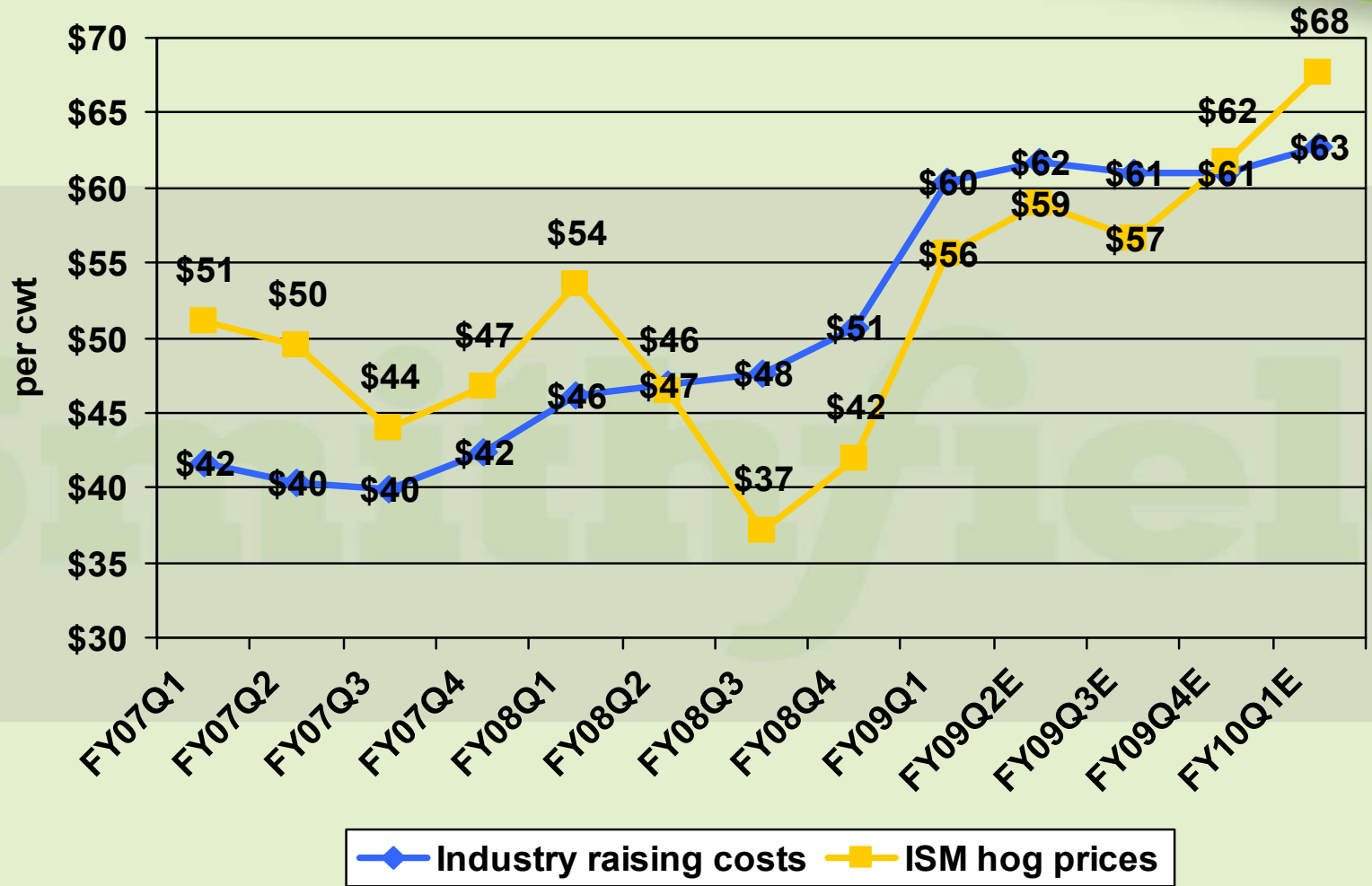
# Impact of Corn Prices on Raising Costs

An increase of \$.30/bushel corn equates to \$1/cwt increase in raising costs



Note: Corn prices presented are Midwest cash corn prices

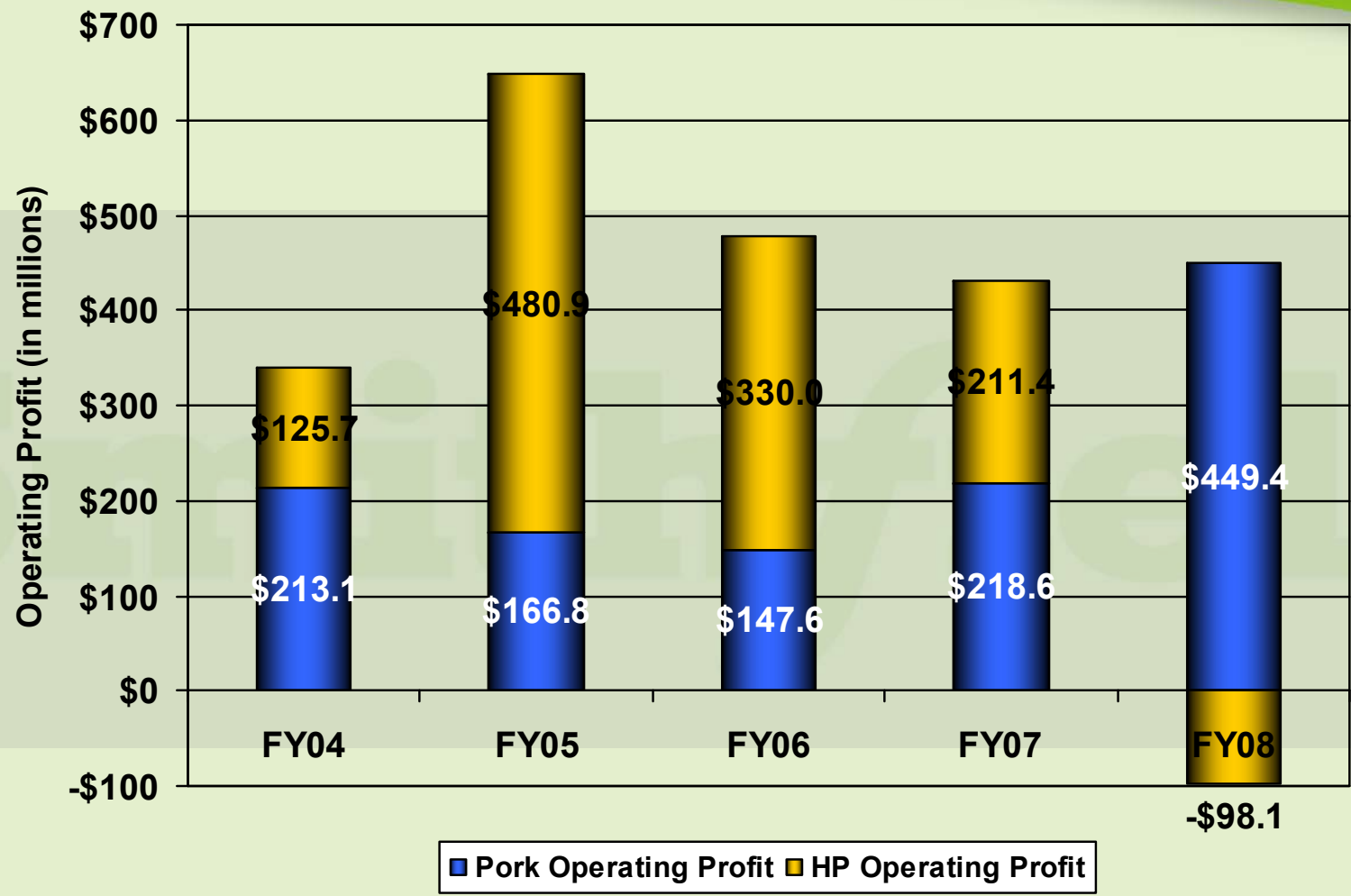
# Industry Raising Costs and Hog Price Futures Curves



# Current Environment

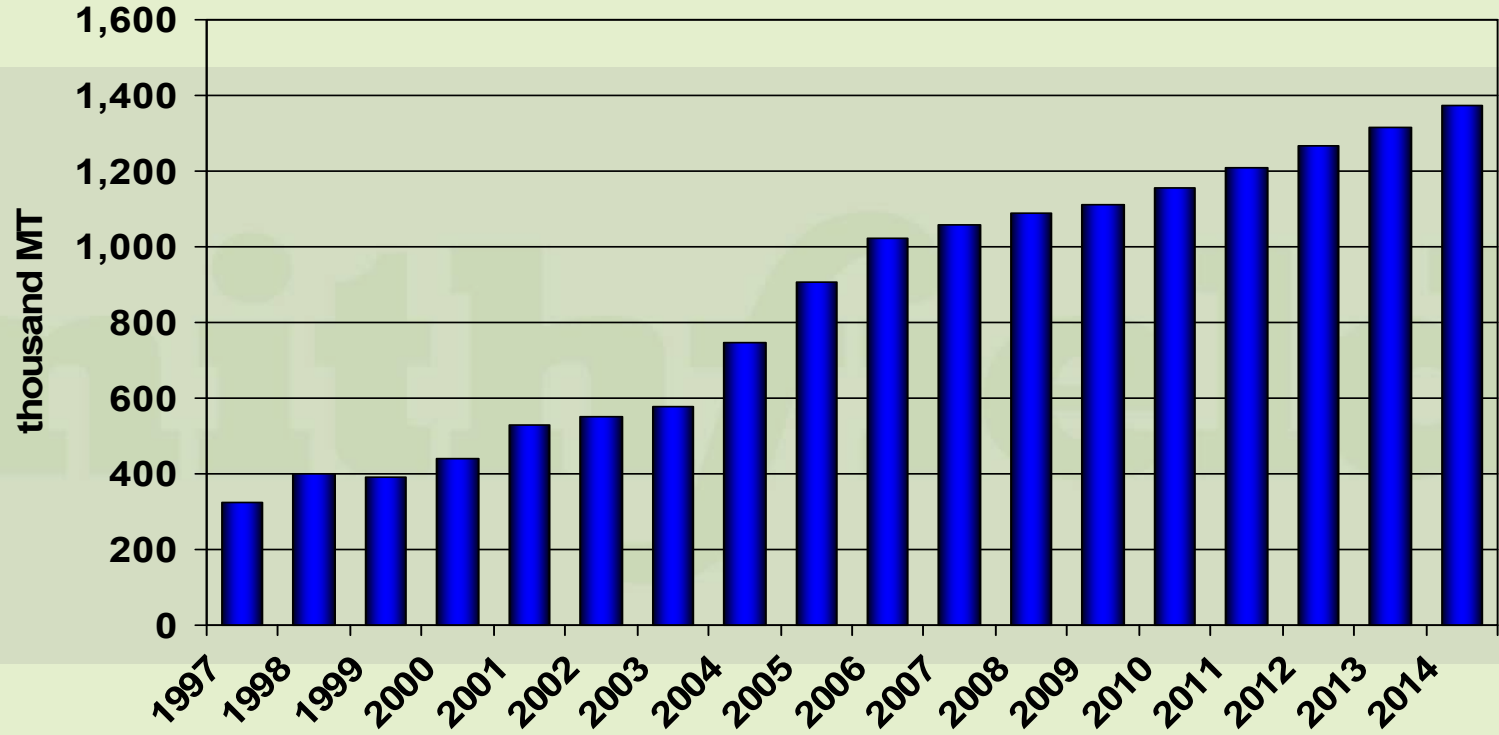
- Surprising profitability in fresh pork
  - Meat prices have kept pace with higher live hog prices
  - Why? Export demand has been excellent!
  - What's driving this?
    - Cheap U.S. dollar
    - Herd liquidation is occurring
    - High hog and protein prices outside the U.S.
- Bottom line
  - We expect the hog complex will correct
  - The industry is quickly adjusting to return to profitability
    - Hog prices are rising
    - Grain prices have moderated

# Shifting Pork and Hog Production Profitability



# U.S. Pork Export Growth and Forecasts

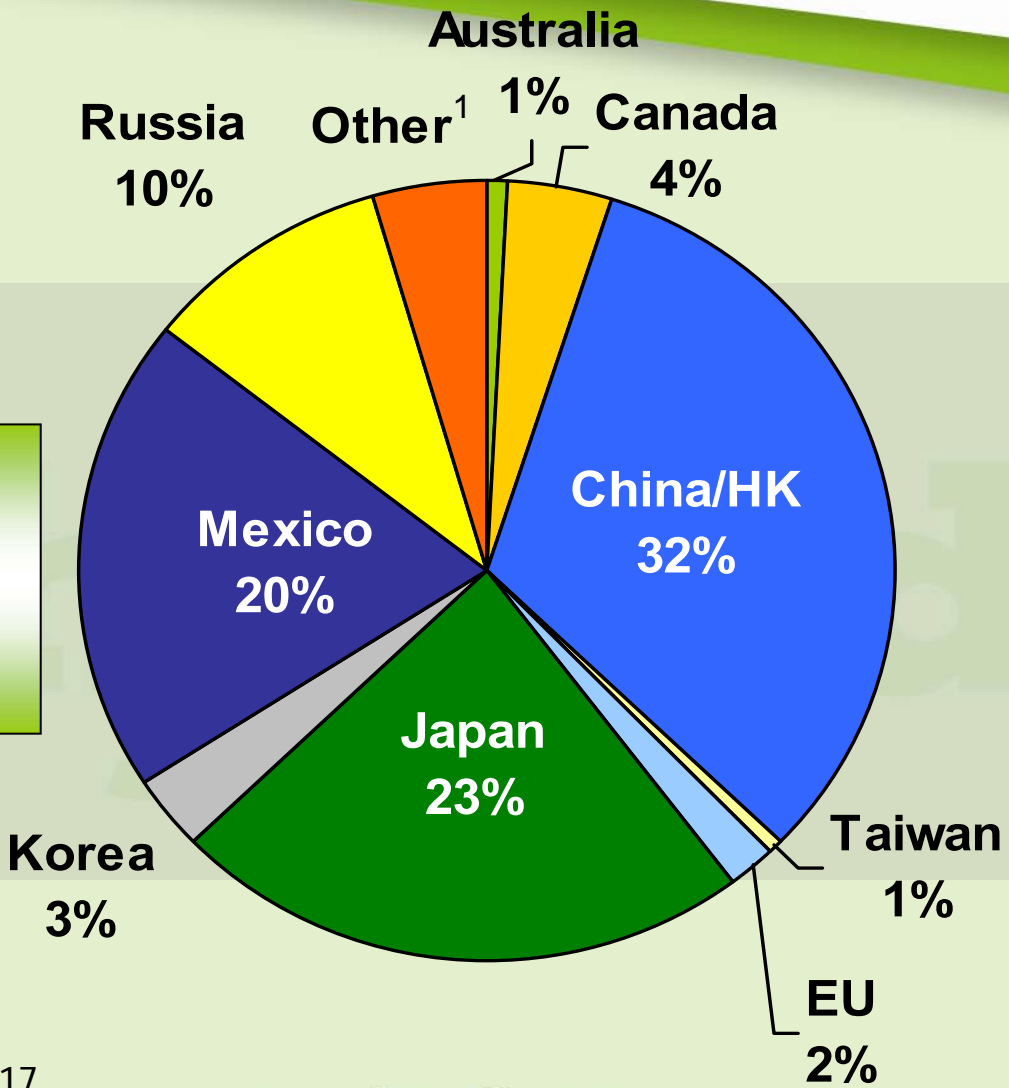
2008 is on target to be the 17<sup>th</sup> consecutive year for record high exports and growth of 3-5% is forecasted for 2009-2014



Source: USDA and USMEF Forecasts

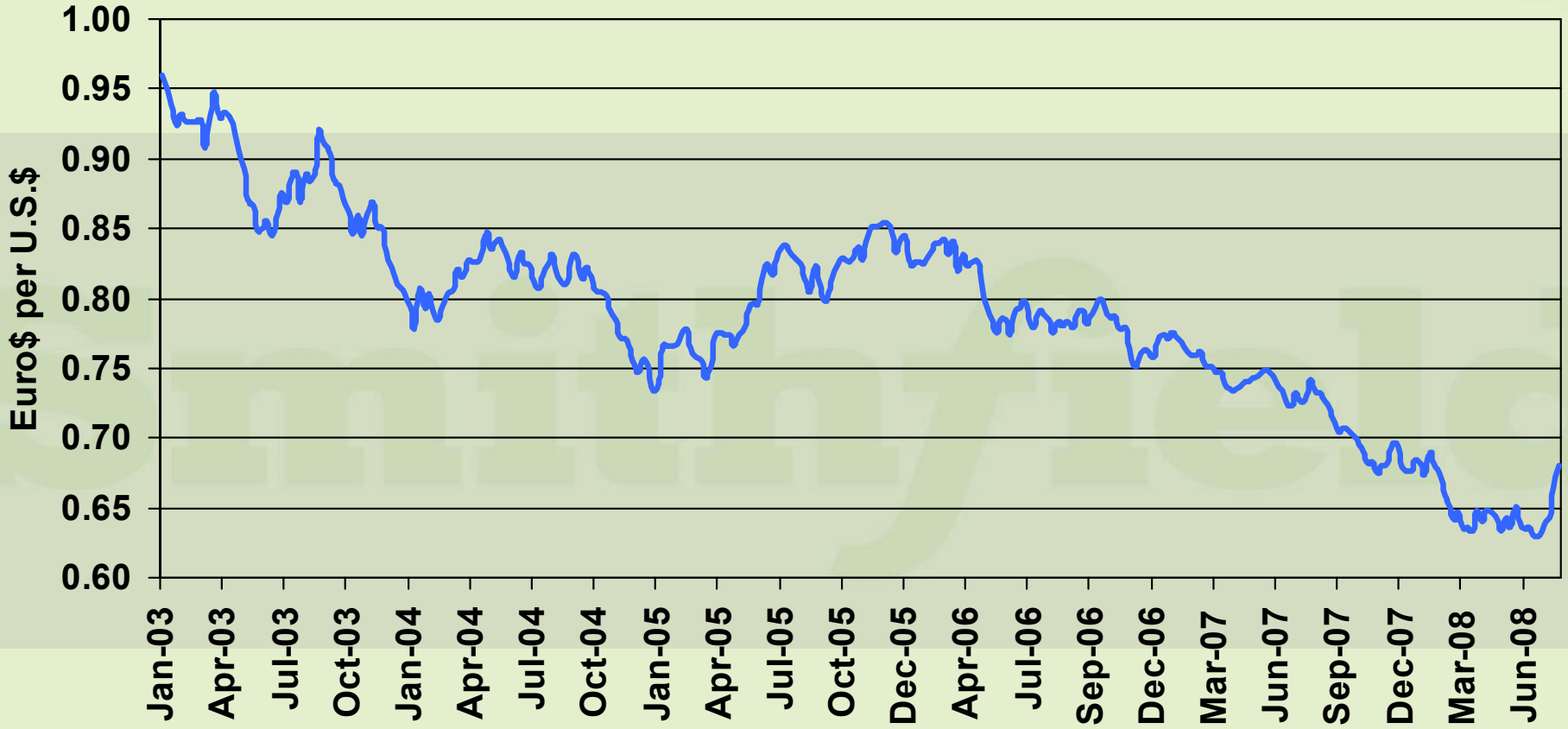
# Smithfield Foods Exports

**Total FY08 export volume= 1.1 billion pounds, +46% YOY**  
**Total FY09Q1 export volume= 420 million pounds, +125% YOY**

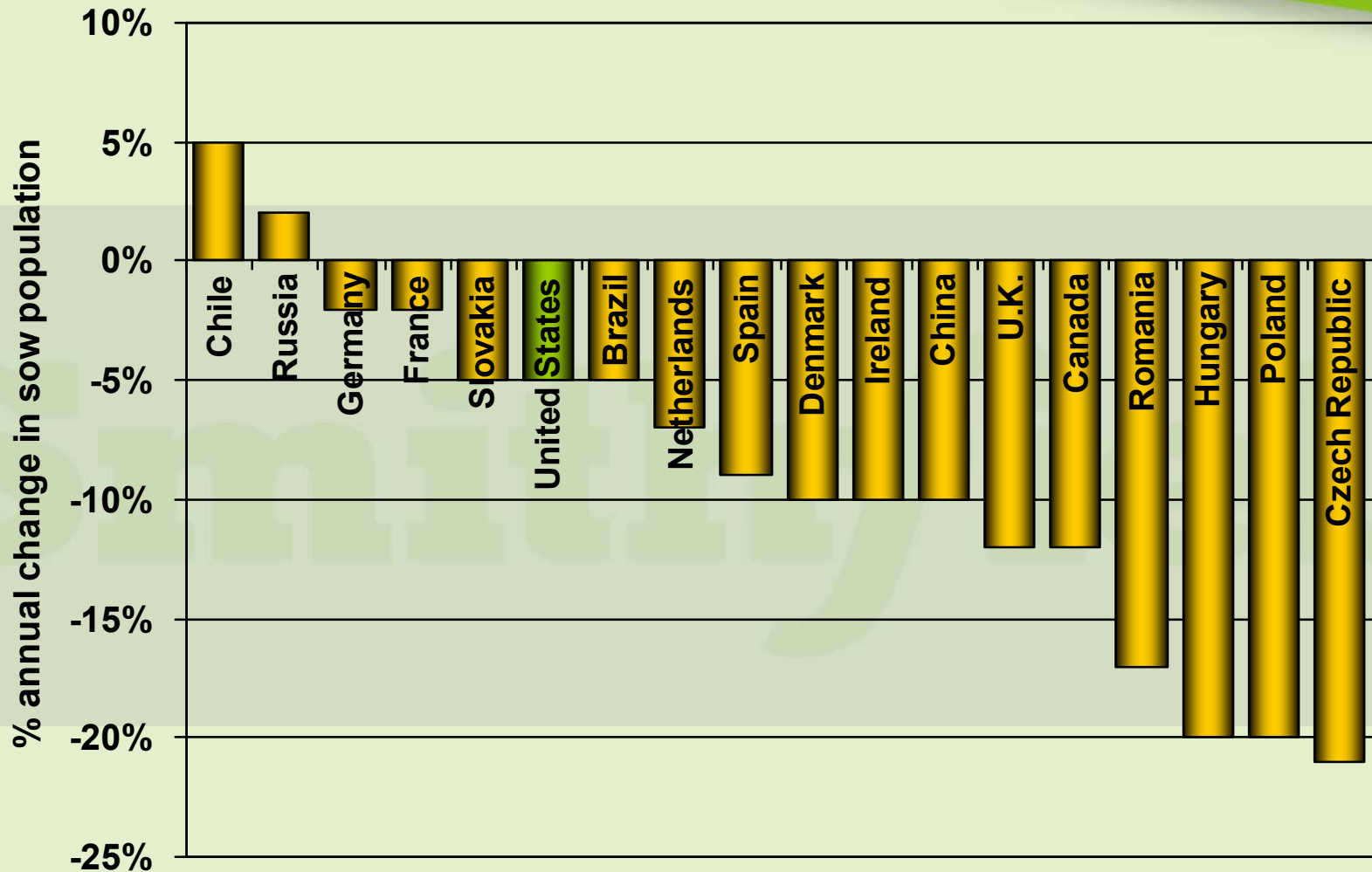


<sup>1</sup> Other Category consists of sales to the following countries: Bahamas, Bermuda, Brazil, Bulgaria, Caribbean, Chile, Columbia, Dominican Republic, El Savador, Guatemala, Haiti, Honduras, Malaysia, New Zealand, Panama, Philippines, Poland, Singapore, Cuba, and Vietnam.

# Cheap U.S. Dollar

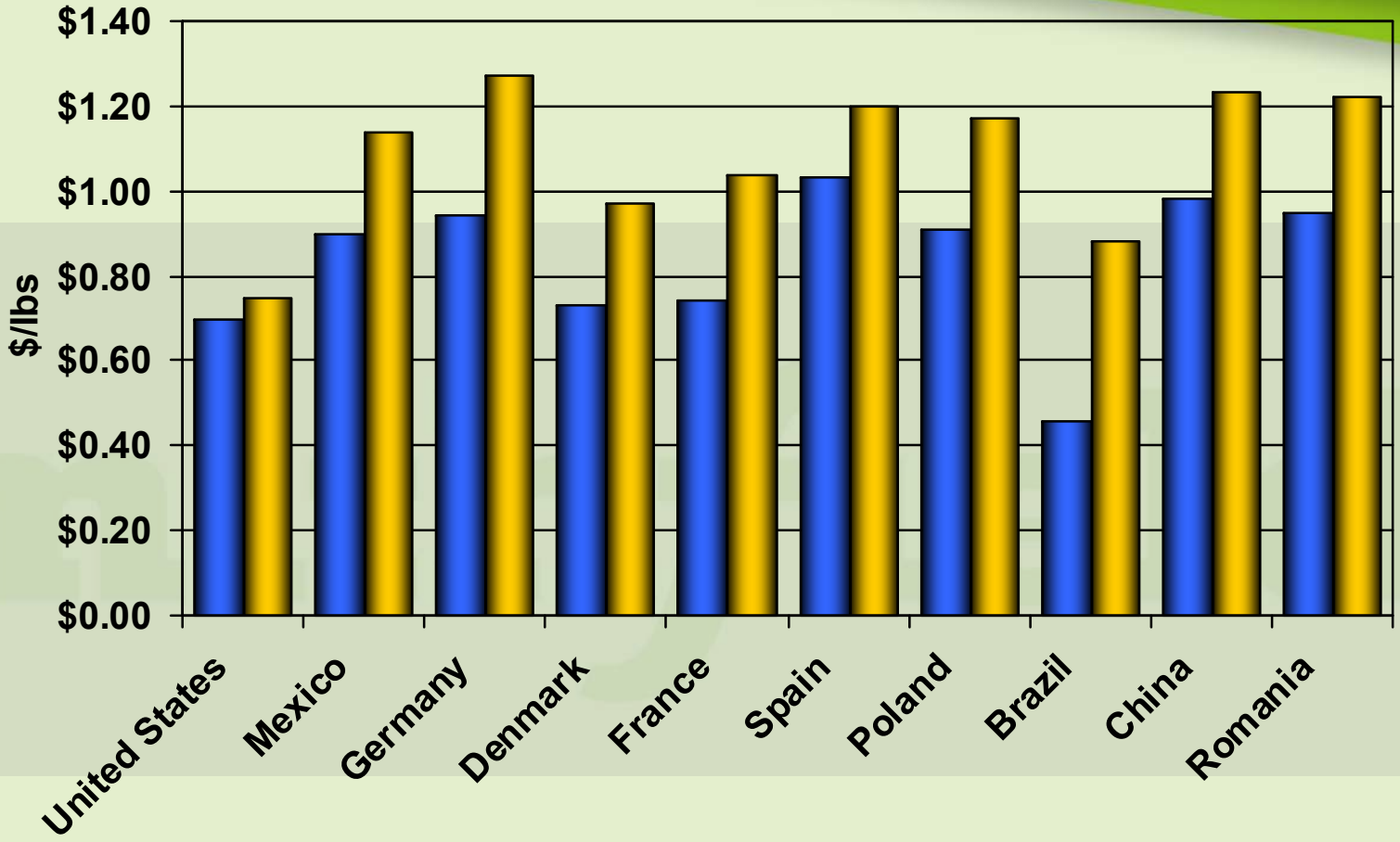


# Worldwide Sow Liquidation



# Hog Carcass Values

U.S. hog carcass values are at an all time high level, but comparatively very low on the worldwide market



■ Week Ending July 21, 2007 ■ Week Ending July 19, 2008

3.

**What is Smithfield  
doing?**

# What is Smithfield doing?

- Selling beef processing and cattle feeding operations
- Merging Groupe Smithfield into Campofrío
- Reducing our herd
- Rightsizing operations
- Focusing on improving fresh pork operations
- Realigning our management team
- Continuing to move our packaged meats business up the value chain
- Improving liquidity and reducing debt levels

## What is Smithfield doing?

### Sale of Beef Processing and Cattle Feeding Operations To JBS

- Definitive agreement to sell beef processing and cattle feeding operations to JBS S.A. for \$565.0 million in cash
- Proceeds from the sale of Smithfield Beef's live cattle inventories, together with Smithfield's 50 percent interest in Five Rivers' cattle inventory, net of associated debt, are expected to be in excess of \$150 million
- Smithfield Foods expects that the majority of the net proceeds of the transactions will be used for debt reduction
- The sale is subject to regulatory approval and is expected to close in fiscal second quarter
- Will eliminate exposure to volatile beef and cattle markets

# What is Smithfield doing?

## Campofrío – Groupe Smithfield Merger

- Creates largest packaged meats producer in Europe, three times nearest competitor, with \$3 billion in sales
- Market leader in Spain, France, Portugal, The Netherlands and Belgium
- Smithfield to own 37 percent of public company
- Expected to close in October/November
- Tremendous platform upon which to grow

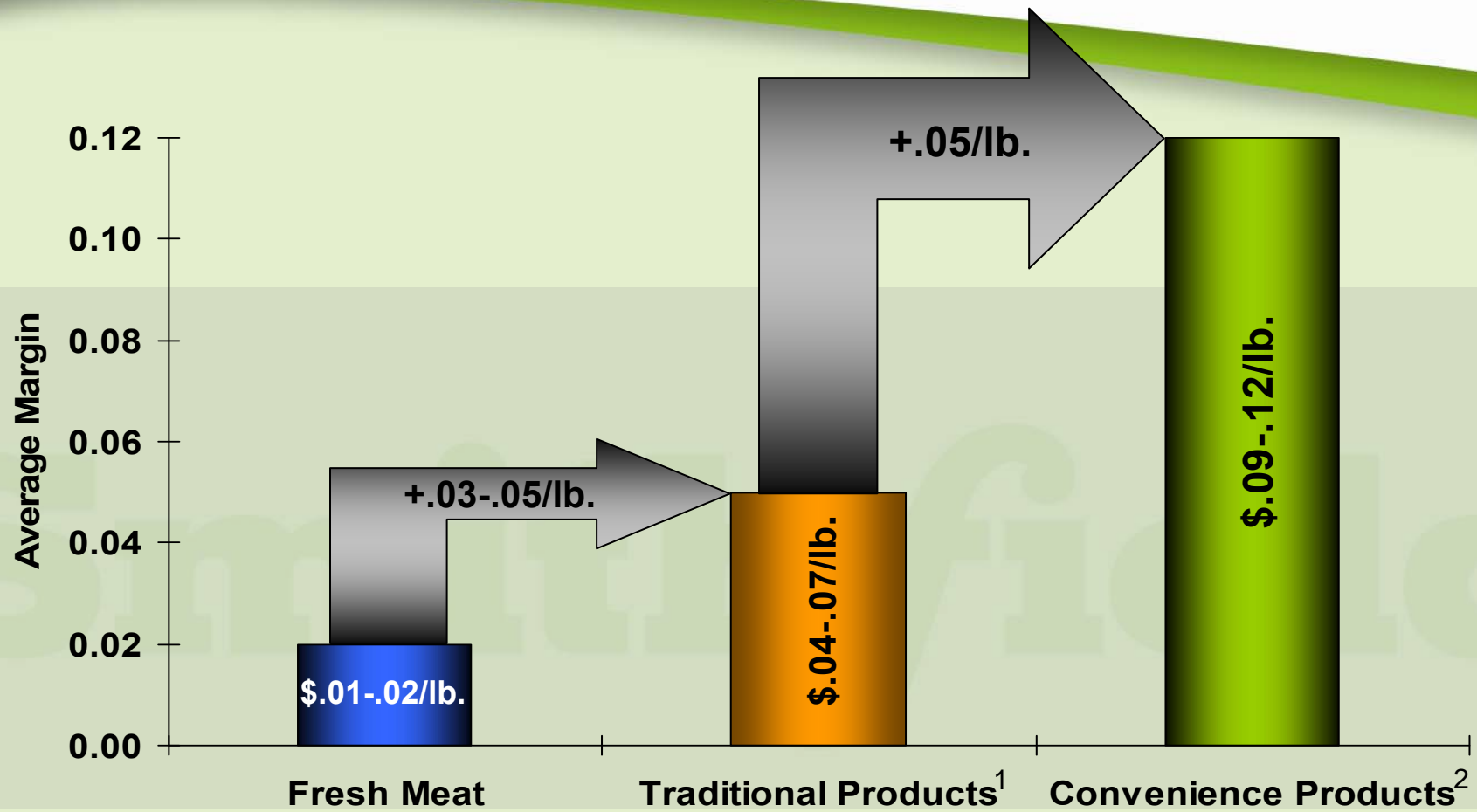
# What is Smithfield doing?

- Reducing our herd
  - In February, announced plans to reduce U.S. sow herd by four to five percent, or 40,000 to 50,000 sows
  - Ultimately will result in production of 800,000 to 1,000,000 fewer market hogs annually
- Right-sizing our operations
  - Closed seven processing plants in last two years, resulting in improved cost structure and capacity utilization
    - Des Moines, IA; Madison, FL; Kansas City, KS; Kinston, NC; Lufkin, TX; Roanoke, VA; Bedford, VA;
    - Sold biodiesel plant in TX and Quik-To-Fix Foods in TX
- Focusing on operational improvements in fresh pork operations
  - Eliminated slaughter operations in one Smithfield, VA plant and transferred to other facilities
  - Detailed plan to improve yields, returns and operating efficiencies of all slaughter plants

# What is Smithfield doing?

- Realigning our management team to maximize potential of our interdependent operating company structure
  - George H. Richter named president and chief operating officer of pork group
    - Presidents of Smithfield Foods' five pork processing companies report to him
    - Focus on pork group efficiencies
  - Joseph W. Luter, IV named executive vice president of Smithfield Foods
    - Concentration on sales and marketing to maximize opportunities

# What is Smithfield doing? Working to Improve Packaged Meats Margins

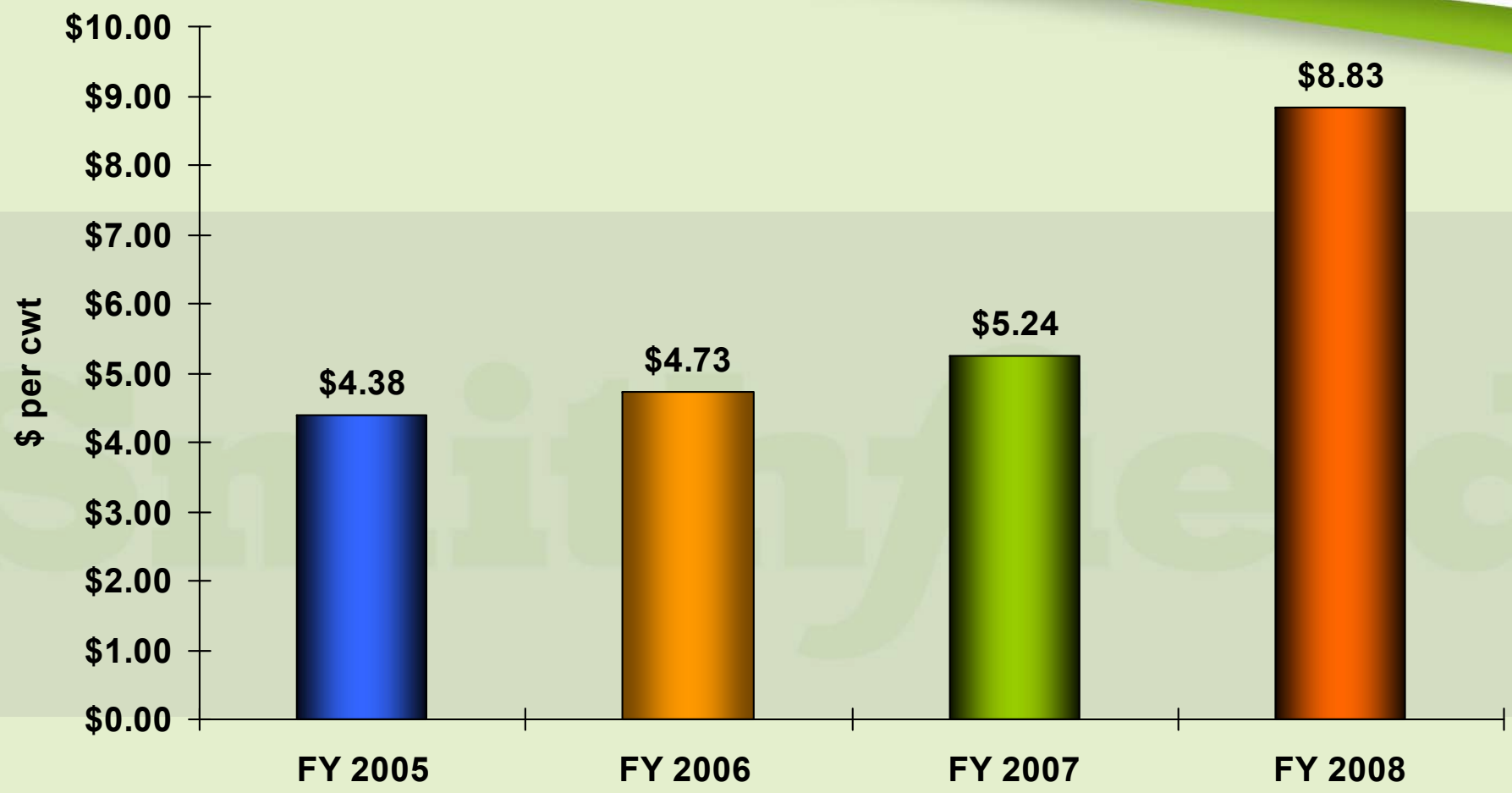


Volume	4.0 billion lbs.	2.0 billion lbs.	1.1 billion lbs.
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<sup>1</sup> Traditional products – sausage, smoked hams, raw bacon and hot dogs  
<sup>2</sup> Convenience products – pre-cooked bacon, pre-cooked sausage, pre-cooked ribs, pre-cooked and pre-sliced hams and dry sausage

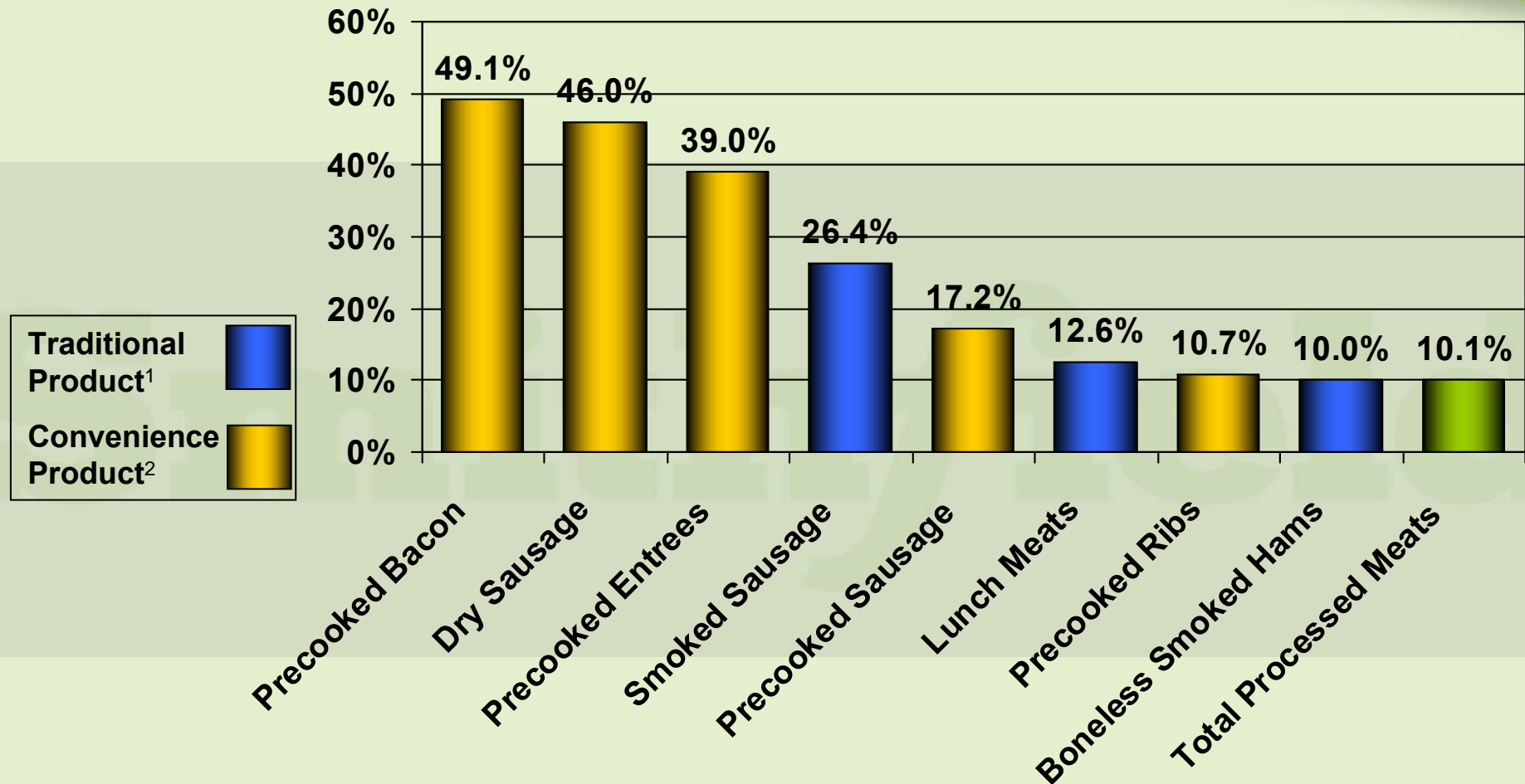
# What is Smithfield doing?

## Packaged Meats Margin (EBT) Growth



# What is Smithfield doing?

## Packaged Meats FY2008 YOY Volume Growth

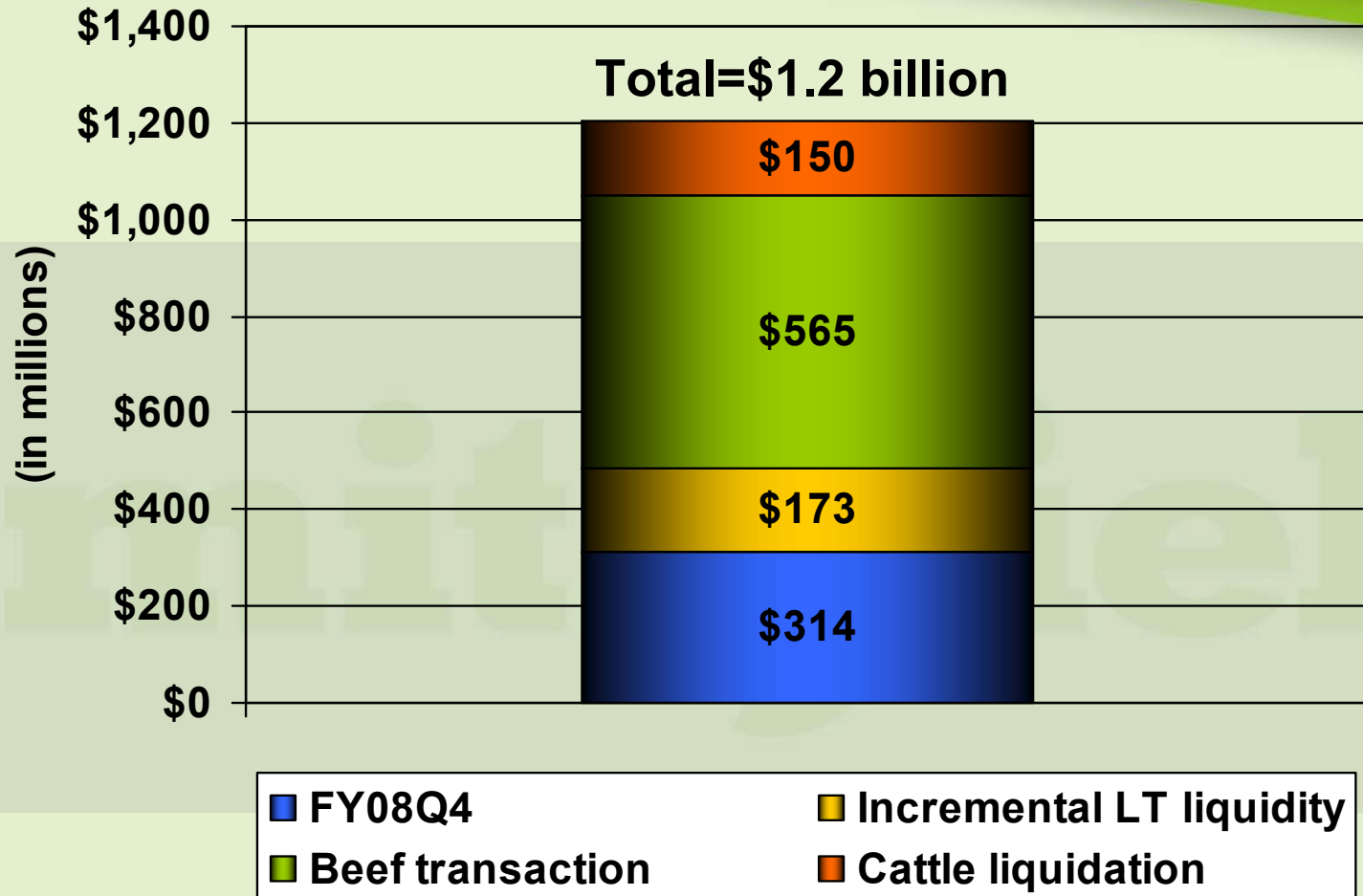


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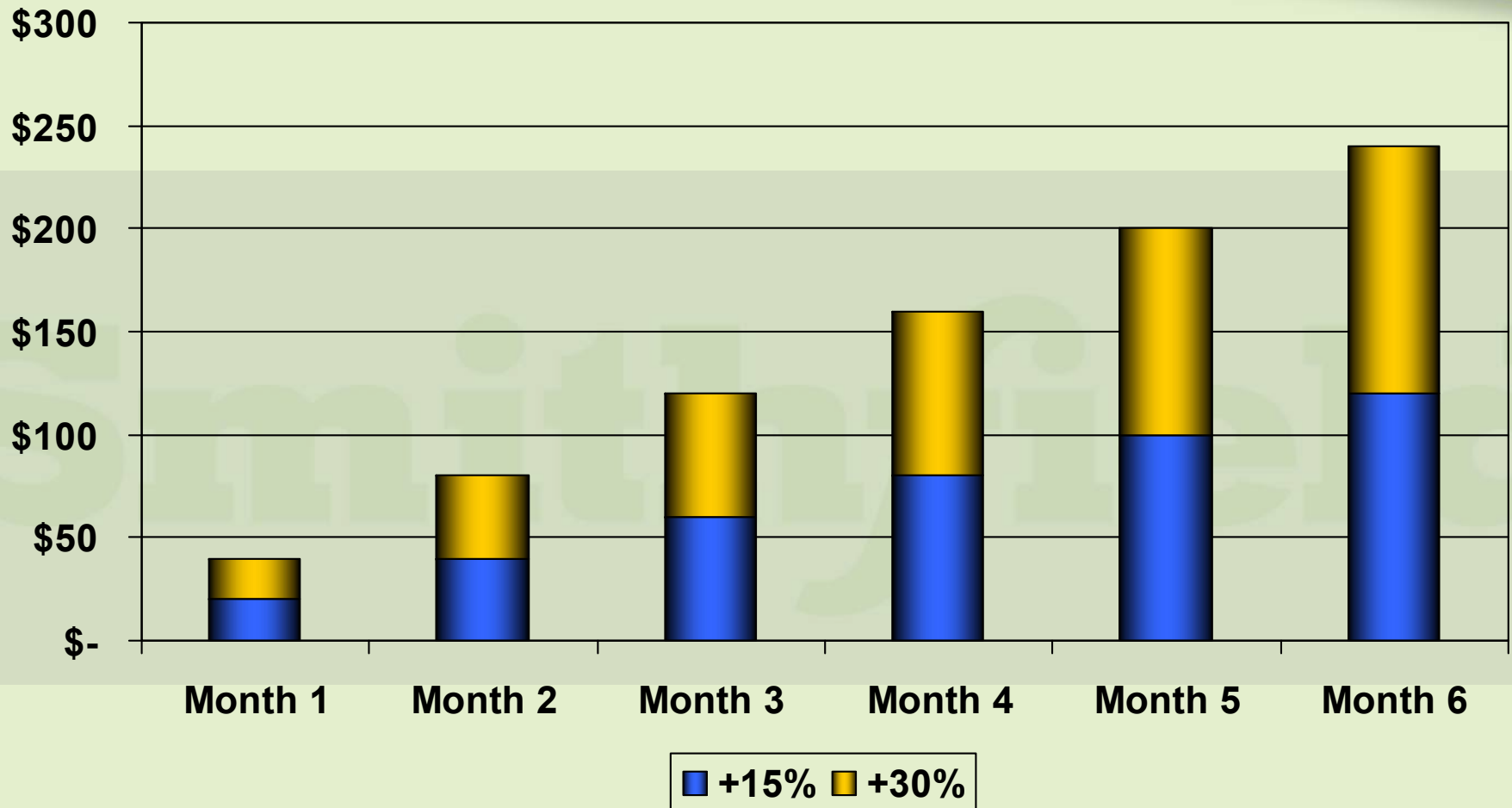
# What is Smithfield doing?

## Improving our liquidity position

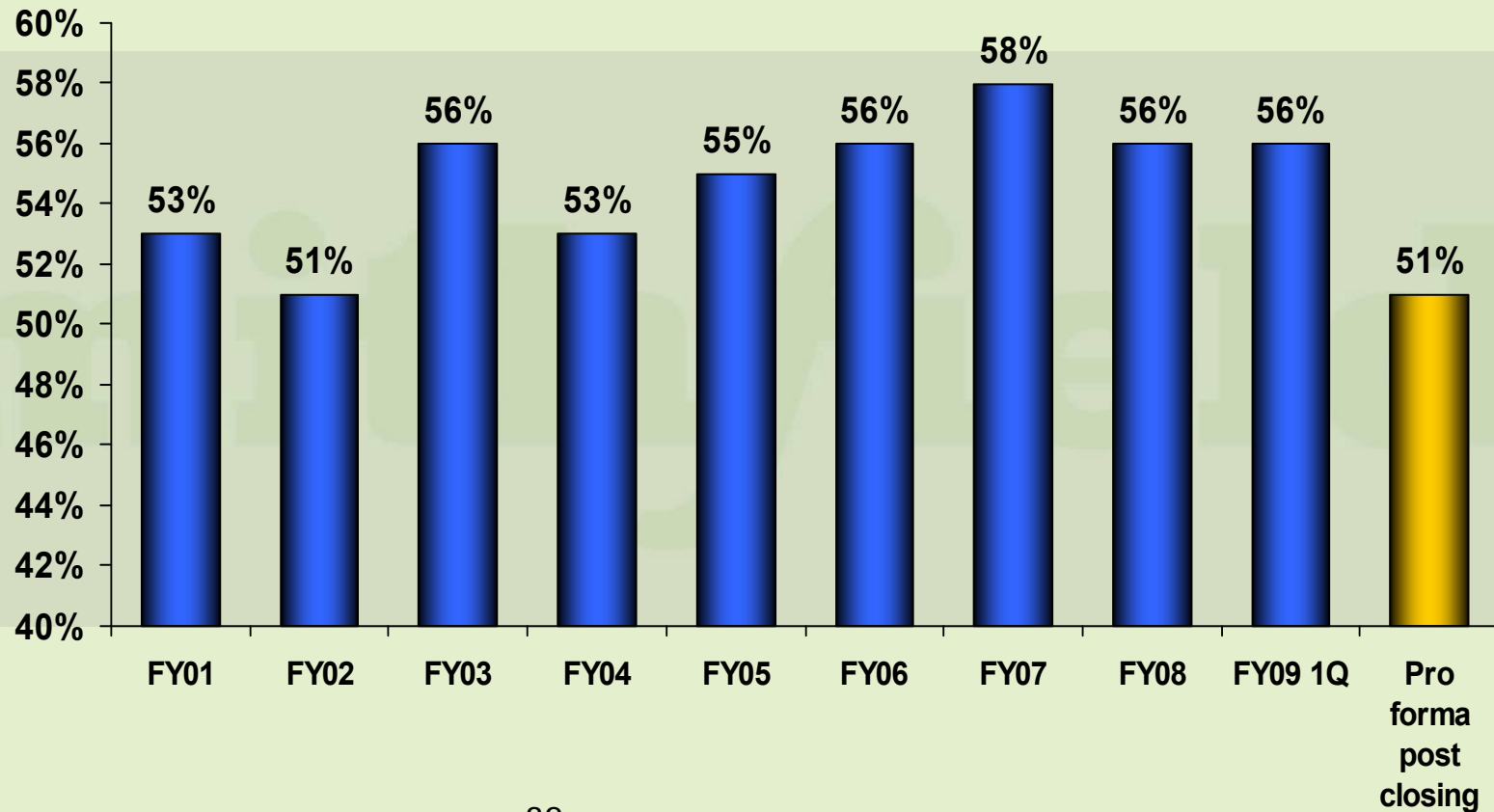


Note: FY08Q4 as of April 27, 2008. Incremental LT liquidity after bridge terminations, working capital and CAPEX. Beef transaction represents the cash Smithfield expects to receive in connection with the pending sale of Smithfield Beef. Cattle liquidation represents the net cash proceeds Smithfield expects to receive over the 12 months following the sale of Smithfield Beef from the liquidation of its live cattle inventories. Although the pending sale of Smithfield Beef is subject to regulatory review and there are other conditions to closing, Smithfield believes the Smithfield Beef sale will close in the second quarter of fiscal 2009.

# Corn and Soybean Meal Sensitivity: Accumulated Working Capital Requirements



# Debt to Total Capitalization



Majority of net proceeds of ≈\$750 million from the sale of beef processing and cattle feeding operations will be used for debt reduction

4.

**What does the future  
look like?**

# What does the future look like near-term?

- Near-term the volatility of all the markets makes for a choppy business climate
  - Input costs continue to be uncertain
  - Hog supplies are expected to continue to shrink to match demand
  - Export demand will likely remain excellent
  - Margins on packaged meats may be under some pressure

# What does the future look like longer-term?

- Hog production
  - Feed costs should stabilize at some level
  - Supplies should shrink to match demand
  - Profitability is expected to return
- Fresh pork margins should return to more normalized levels, although likely somewhat higher than the past due to overall worldwide demand and improved operational efficiencies

# What does the future look like longer-term?

- Packaged meats business should continue to deliver better and better margins and propel the company forward as a result of
  - Streamlined highly-efficient operations
  - Continued shift toward convenience products
  - Focused sales and marketing effort
- Western European operations should build upon the giant platform established
- Eastern European vertical integration strategy should become more mature and efficient

5.

**Why should I invest in  
Smithfield?**

# Why should I invest in Smithfield?

- I believe this will be a profitable industry and will deliver on my return
- I want to invest in the player with a market leading position
  - Hog Production #1
  - Fresh Pork Processing #1
  - Bacon Business #1
    - Raw #1
    - Precooked #1
  - Ham Business #1
    - Packaged #1
    - Fully cooked #1
  - Market leader in dry sausage, precooked sausage, hot dogs, lunchmeats

# Why should I invest in Smithfield?

- Business continues to migrate up the value chain and is moving more and more toward a consumer packaged goods play and less tied to a pure commodity play
  - 100 brands in every category and every market in 12 countries marketing to every segment of the market
- Adaptable business model with the ability to shift from foodservice to retail, traditional to convenience, convenience to traditional, etc.
- Strong manufacturing expertise that continues to focus on getting more efficient to deliver a highly competitively priced product

# Why should I invest in Smithfield?

- Strong experienced management team that knows how to react to changes in the industry's dynamic
- Earnings stream is spread across the supply chain from Hog Production → Fresh Pork → Packaged Meats
- Large domestic business plus large European business



# Smithyfield