

Smithfield



Consumer Analyst Group of New York Conference 2009

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Smithfield Foods, Inc.

February 17, 2009

Forward-Looking Statements

This presentation contains “forward-looking” statements within the meaning of the federal securities laws. The forward-looking statements include statements concerning the Company’s outlook for the future, as well as other statements of beliefs, future plans and strategies or anticipated events, and similar expressions concerning matters that are not historical facts. The Company’s forward-looking information and statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, the statements. These risks and uncertainties include the availability and prices of live hogs, raw materials, fuel and supplies, food safety, livestock disease, live hog production costs, product pricing, the competitive environment and related market conditions, hedging risk, operating efficiencies, changes in interest rate and foreign currency exchange rates, changes in our credit ratings, access to capital, the investment performance of the Company’s pension plan assets and the availability of legislative funding relief, the cost of compliance with environmental and health standards, adverse results from on-going litigation, actions of domestic and foreign governments, labor relations issues, credit exposure to large customers, the ability to make effective acquisitions and dispositions and successfully integrate newly acquired businesses into existing operations, the Company’s ability to effectively restructure portions of its operations and achieve cost savings from such restructurings and other risks and uncertainties described in the Company’s Annual Report on Form 10-K for fiscal 2008 and in its subsequent Quarterly Reports on Form 10-Q. Readers are cautioned not to place undue reliance on forward-looking statements because actual results may differ materially from those expressed in, or implied by, the statements. Any forward-looking statement that the Company makes speaks only as of the date of such statement, and the Company undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

Agenda

C. Larry Pope

1. What we have been doing

Robert W. Manly

2. Pork Group restructuring plan
3. Financial implications

Agenda

C. Larry Pope

4. Current market conditions

5. Bottom line

6. Appendix – Background

- Who we are
- Exports

What we have been doing

Smithfield's Past Record of Success

- **Growth through acquisitions**
- **Timely purchases of often distressed assets**
- **Turnarounds with minimal corporate restructuring**
- **Organization emphasized entrepreneurial independence**

Financial Strategies for Today and Tomorrow

- **Focus on ROIC: business unit, plant, product category**
- **Deleverage the balance sheet**
- **Manage liquidity**
- **Focus on integration, not acquisitions**
- **Manage capital expenditures**

Operating Strategies for Today and Tomorrow

- **Focus on improving core packaged meats and fresh pork margins**
- **Restructure Pork Division for higher performance**
- **Shed non-core or under-performing businesses**
- **Consolidate Western European presence into premier packaged meats company**
- **Manage hog production for least cost**

Proactively Managing the Business

<u>Date</u>	<u>Action</u>	<u>Impact</u>
February 2008	Initial Five Percent Reduction of Smithfield U.S. Sow Herd	Reduction of 50,000 sows and production of one million fewer market hogs annually by fiscal 2010
April 2008	Senior Management Changes	Strengthened overall management team to improve operations and financial performance
July 2008	\$400 Million Convertible Senior Notes Due 2013	Replaced bridge loans with permanent financing

Proactively Managing the Business

<u>Date</u>	<u>Action</u>	<u>Impact</u>
July 2008	Sale of 4.95 Percent of Shares to China's COFCO Limited	Improved liquidity and created long term relationship with one of China's leading trading companies
October 2008	Sale of Beef Processing and Cattle Feeding Operations to JBS	Significantly improved liquidity and refocused on core business
December 2008	Second Five Percent Reduction of Smithfield U.S. Sow Herd	Total reduction of 100,000 sows and production of two million fewer market hogs annually by fiscal 2010

Proactively Managing the Business

<u>Date</u>	<u>Action</u>	<u>Impact</u>
December 2008	Merger of Campofrío and Groupe Smithfield	Formed leading European packaged meats company and monetized joint venture into publicly-traded company
February 2009	Successfully Negotiated New Covenant Amendments	Ensured financial stability through bottom of hog cycle
February 2009	Pork Group Restructuring	\$125 million in estimated annual EBT improvement by fiscal 2011

Pork Group restructuring plan

Pork Group Restructuring Plan

- **Streamline Pork Group structure by reorganizing management team under George Richter**
- **Consolidate seven IOC's into three and close seven processing plants**
- **Merge three fresh pork sales organizations into two and consolidate three overseas export teams into one to improve efficiency and reduce SG&A**
- **Consolidate manufacturing platform to improve margins and lower costs by increasing plant utilization from 81 percent to 87 percent**

Pork Group Organizational Structure

BEFORE

The
Smithfield
Packing
Company,
Inc.

John
Morrell &
Co.

Farmland
Foods,
Inc.

Patrick
Cudahy,
Inc.

North
Side
Foods
Corp.

Stefano
Foods,
Inc.

Smithfield
RMH
Foods,
LLC

AFTER

The
Smithfield
Packing
Company,
Inc.

John
Morrell &
Co.

Farmland
Foods,
Inc.

Financial implications

Estimated Financial Impact of Pork Group Restructuring

Annual EBT improvement	\$125 million
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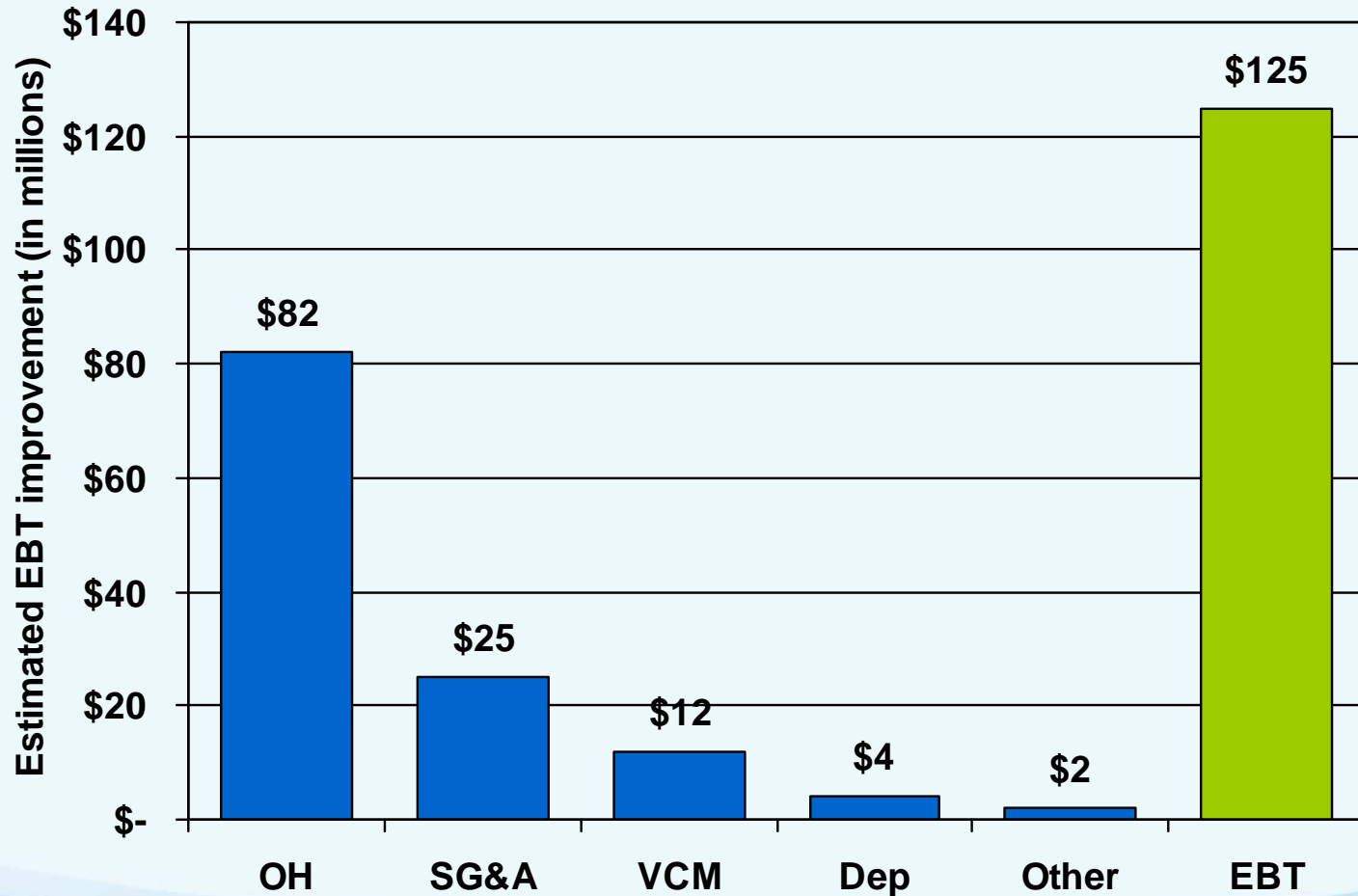
Plant consolidation capital requirements	\$53 million
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One time expenses	\$37 million
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Asset write-off	\$73 million
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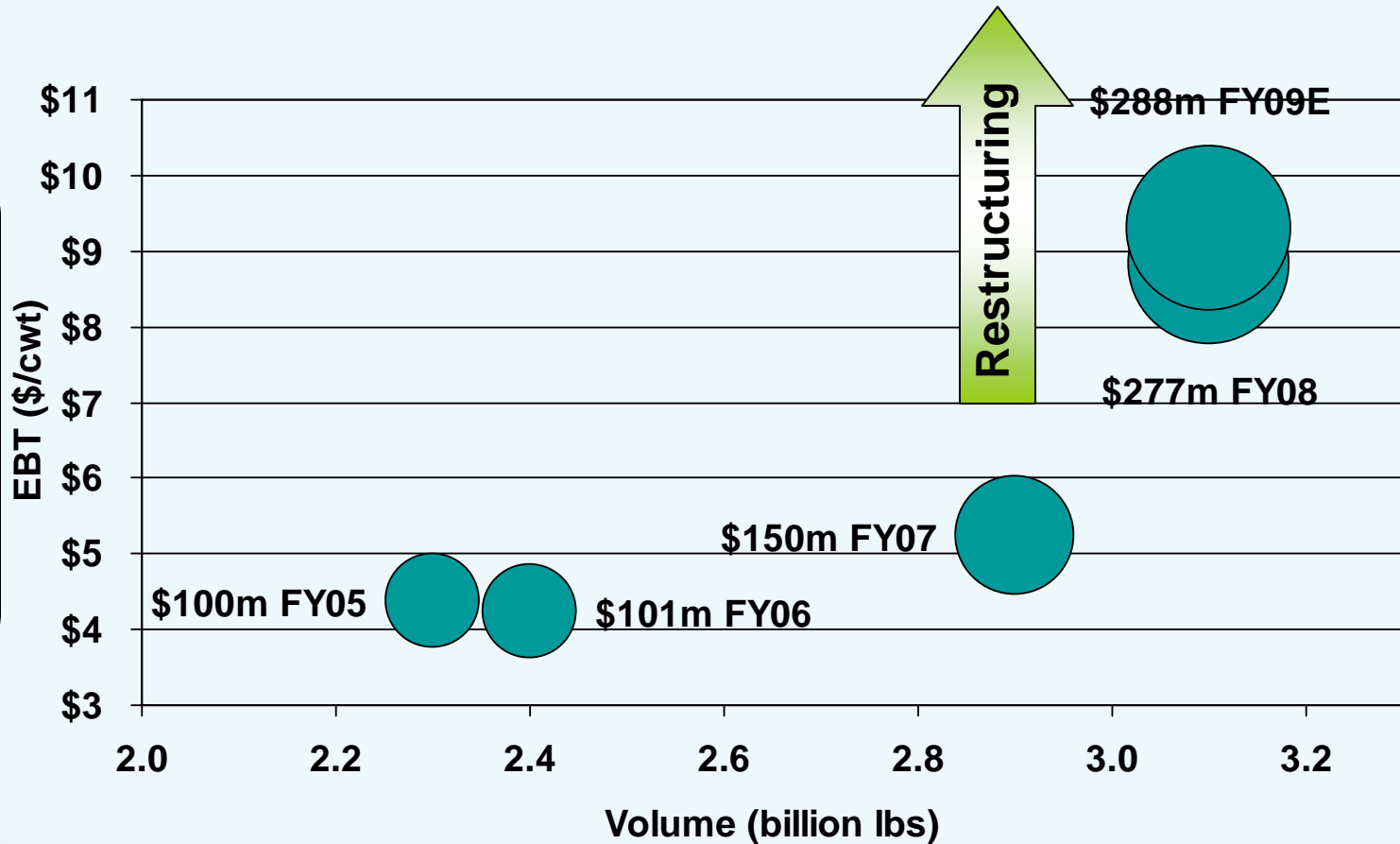
Details of Financial Impact

Restructuring will result in EBT improvement by reducing overhead, SG&A, and variable manufacturing costs



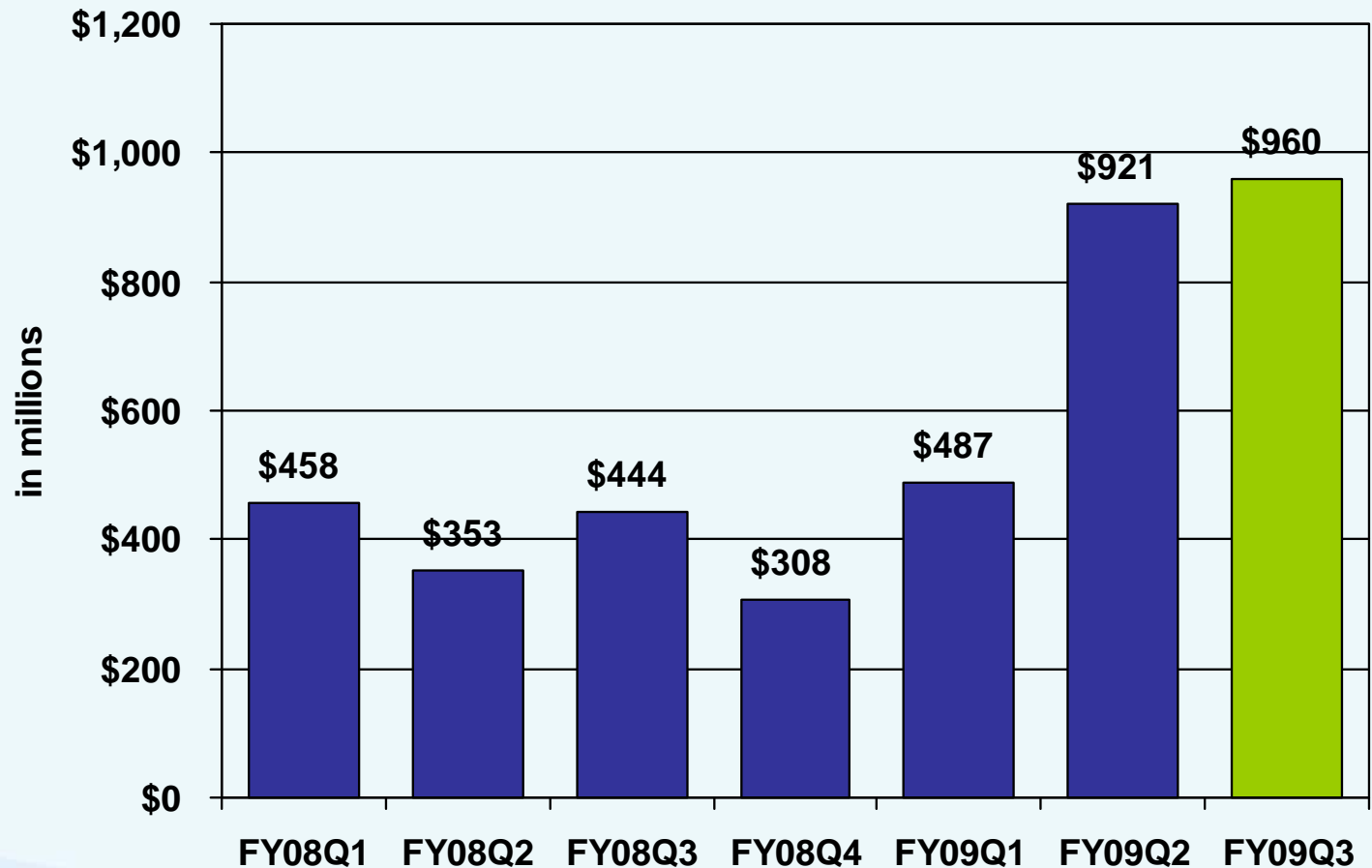
Packaged Meats Margin Growth

Smithfield estimates \$80 million in annual EBT improvement in packaged meats as a result of restructuring



Improved Liquidity

Smithfield has improved liquidity by more than \$650 million plus retirement of \$200 million in long term debt since the fourth quarter of fiscal 2008



Note: Amounts reflect additional borrowing capacity at quarter end and do not include cash balances reflected on balance sheet

New Covenant Amendments in Place

- **Interest coverage covenant**

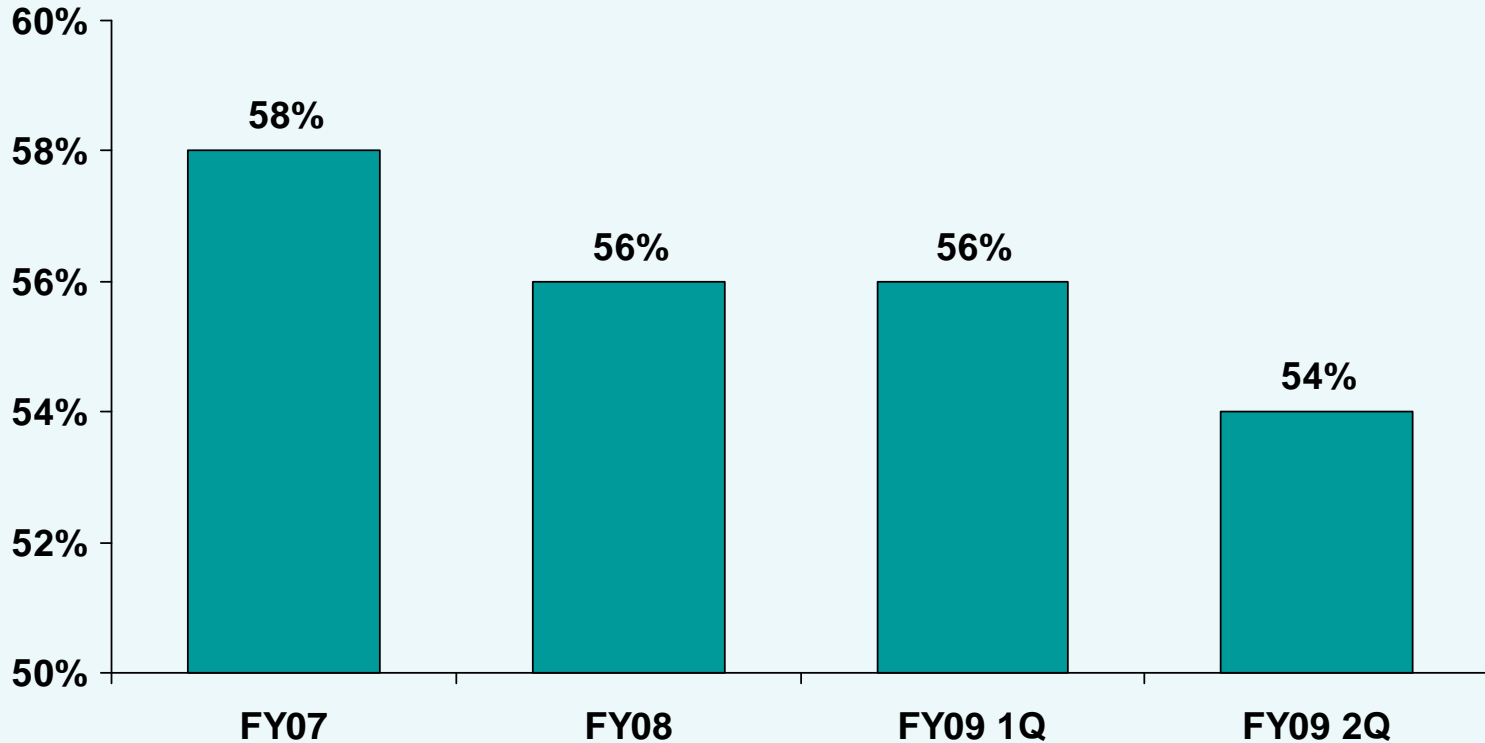
FY09 3Q	1.6:1
FY09 4Q	1.2:1
FY10 1Q	1.35:1
FY10 2Q	1.35:1
FY10 3Q	2.0:1
FY10 4Q to maturity	3.0:1

- **Estimated increase in annual interest expense of \$20-25 million and amendment fees of \$12 million**

Debt to Total Capitalization

•Reduced debt by \$600 million since the fourth quarter of fiscal 2008

•Goal is to reduce debt to total capitalization to below 50%



Current market conditions

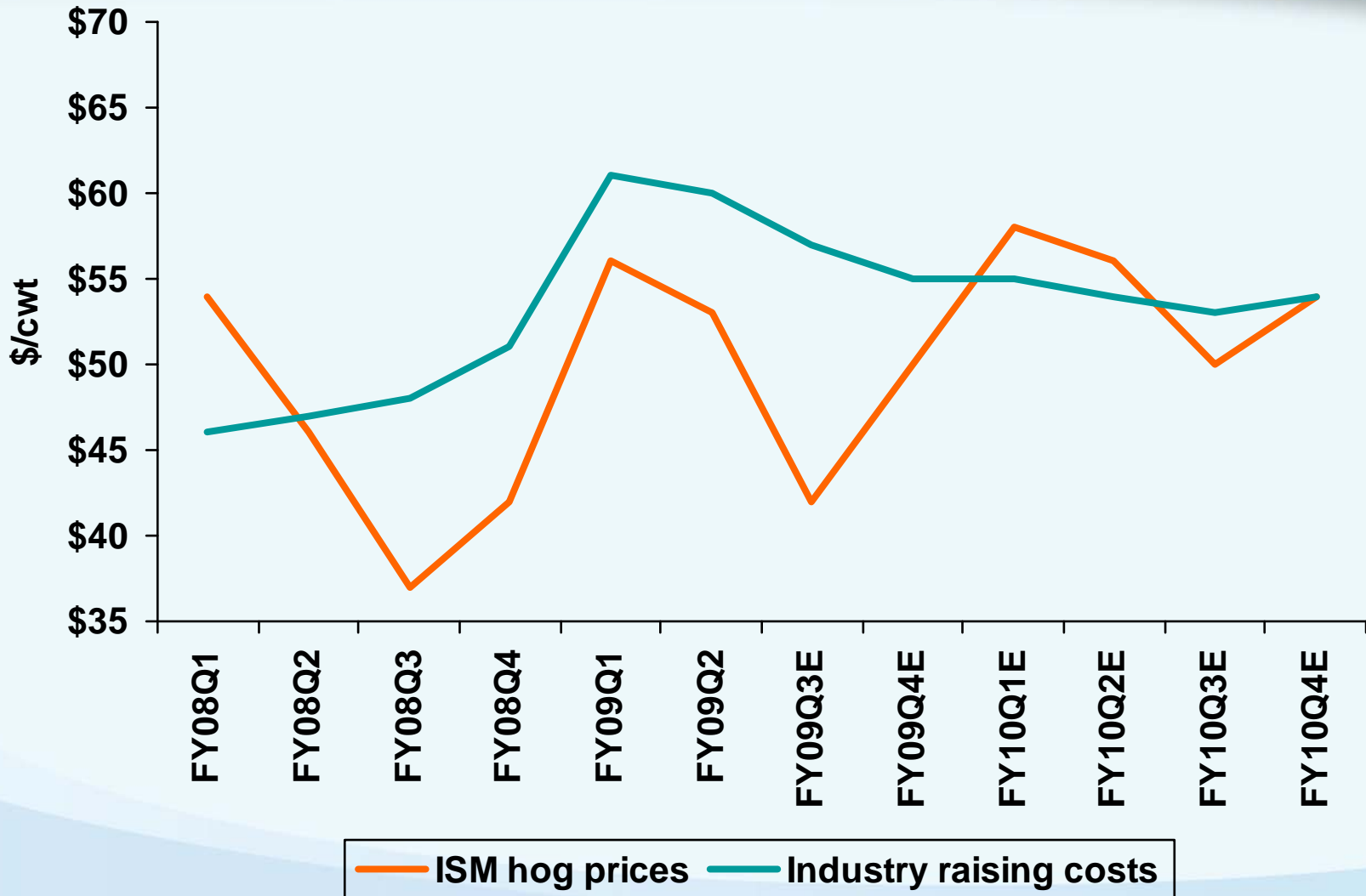
Domestic Market Conditions

- **Recession is hurting overall protein demand**
 - How much, which proteins, and which products is not fully apparent
- **Current government ethanol policy continues to plague protein producers by raising input costs that can not easily be passed on**

Domestic Market Conditions

- **Consumer trends friendly to Smithfield**
 - **Foodservice to retail** **Smithfield mix 25/75**
 - **White table cloth to quick service restaurant** **QSR higher volume**
 - **Trade down the brand ladder** **Smithfield's strength is "value brands"**

Hog Production Industry Forecast



International Situation Analysis

- **Smithfield remains optimistic on exports**
 - **Pork production declining worldwide**
 - **Production in several major importing countries declining**
 - **Production in major exporting countries declining**
 - **U.S. pork prices are cheap**

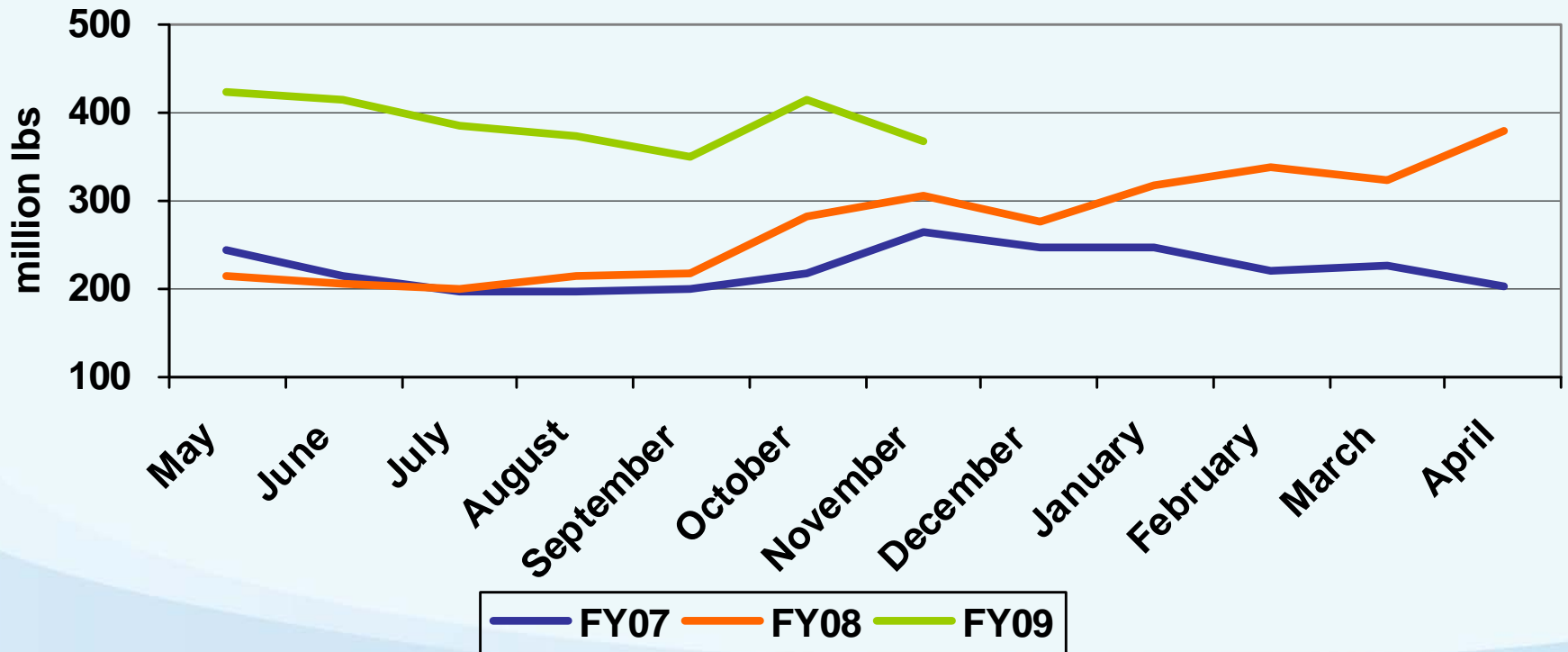
World Pork Prices

U.S. pork prices are among the lowest on the worldwide market



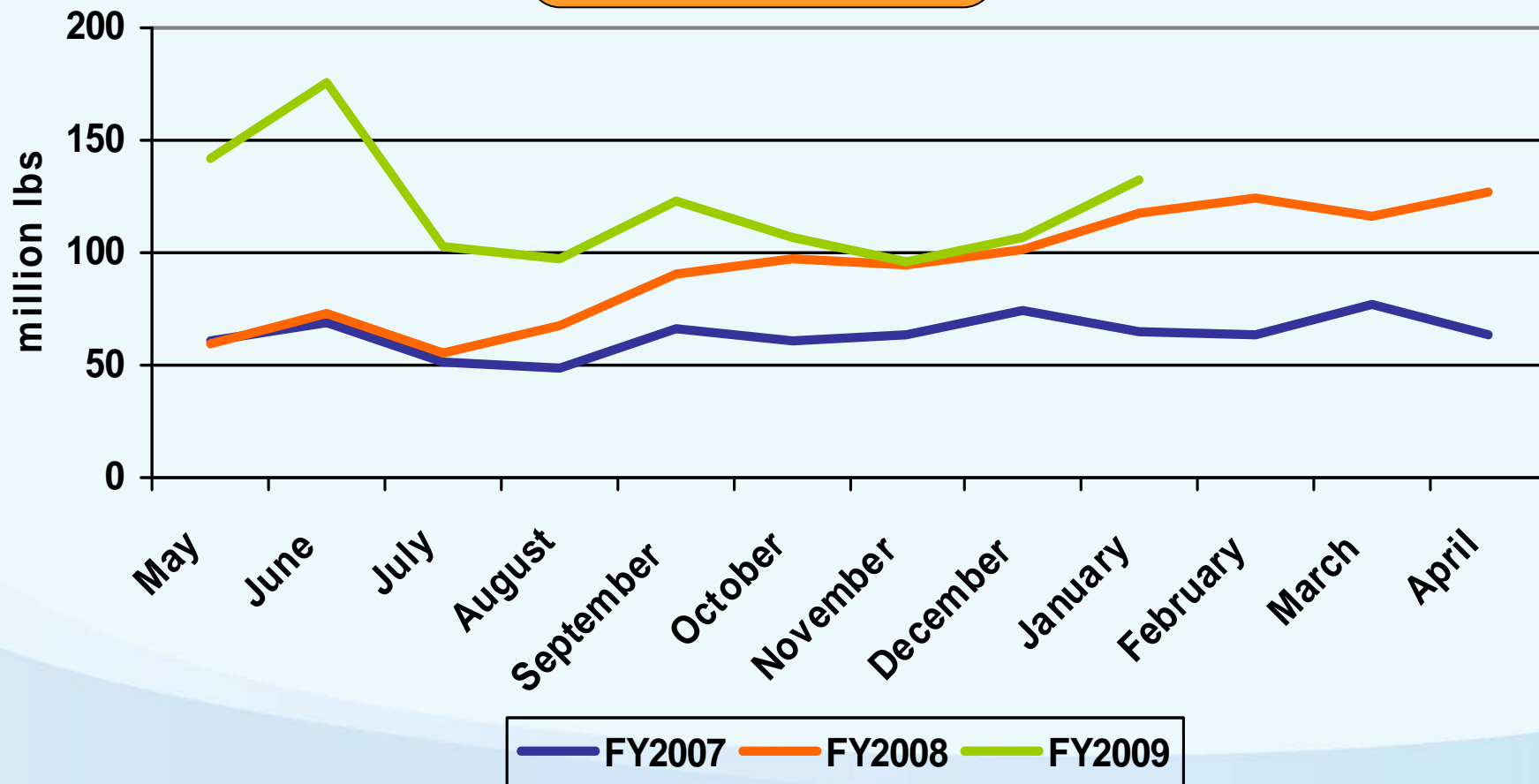
U.S. Monthly Pork Exports

U.S. exports of pork and pork variety meats continue to increase year over year



Smithfield Fresh Pork Exports

Smithfield fresh pork exports continue at near year ago levels



Note: January FY2009 five weeks versus January FY2008 and January FY2007 four weeks

Top Ten Worldwide Pork Producers

- Top ten producing countries account for 93% of worldwide production
- With exception of China and Russia, world pork production is shrinking
- China is "officially" projecting a 3% increase, our estimate is no annual growth

<u>Rank</u>	<u>Country</u>	<u>2008 Production (billion lbs)</u>	<u>Projected change 2008 to 2009</u>
1	China/HK	96.6	0%
2	EU-27	49.2	-6%
3	United States	23.5	-4%
4	Brazil	6.7	-1%
5	Russian Federation	4.5	4%
6	Vietnam	4.1	-3%
7	Canada	4.1	-10%
8	Japan	2.7	-5%
9	Philippines	2.6	-5%
10	Mexico	2.5	-9%
	Other	14.9	0%
Total		213.2	-2%

Bottom line

Bottom Line

- **Input costs have declined in both the hog production and pork processing businesses and are expected to remain below year ago levels**
 - Corn and soybean meal – lower raising costs
 - Oil – lower transportation, overhead, and packaging costs
- **Worldwide protein supplies are shrinking**
 - U.S. – Pork -4%, Chicken -6% to -8%, Turkey -5% to -10%, Beef -3% to -5%
 - Worldwide – Pork -2%

Bottom Line

- **Reduced debt by \$600 million and improved liquidity by more than \$650 million since the fourth quarter of fiscal 2008 to strengthen the balance sheet**
- **Shed non-core beef and cattle feeding businesses**
- **Restructuring Pork Group to streamline reporting structure and improve annual EBT by \$125 million**
- **Highest priority on integrating prior acquisitions and improving margins and ROIC, rather than making acquisitions**

Bottom Line

- **Monetized our investment in Western Europe and consolidated the businesses into one publicly-traded major packaged meats company**
- **Reduced our U.S. sow herd by ten percent to reduce exposure and improve efficiency**
- **Market conditions appear to be moving in the right direction with lower input costs, lower protein supplies, and stronger than expected pork exports**
- **We believe that fiscal 2010 should be a better year than the current year despite impact of current recession**

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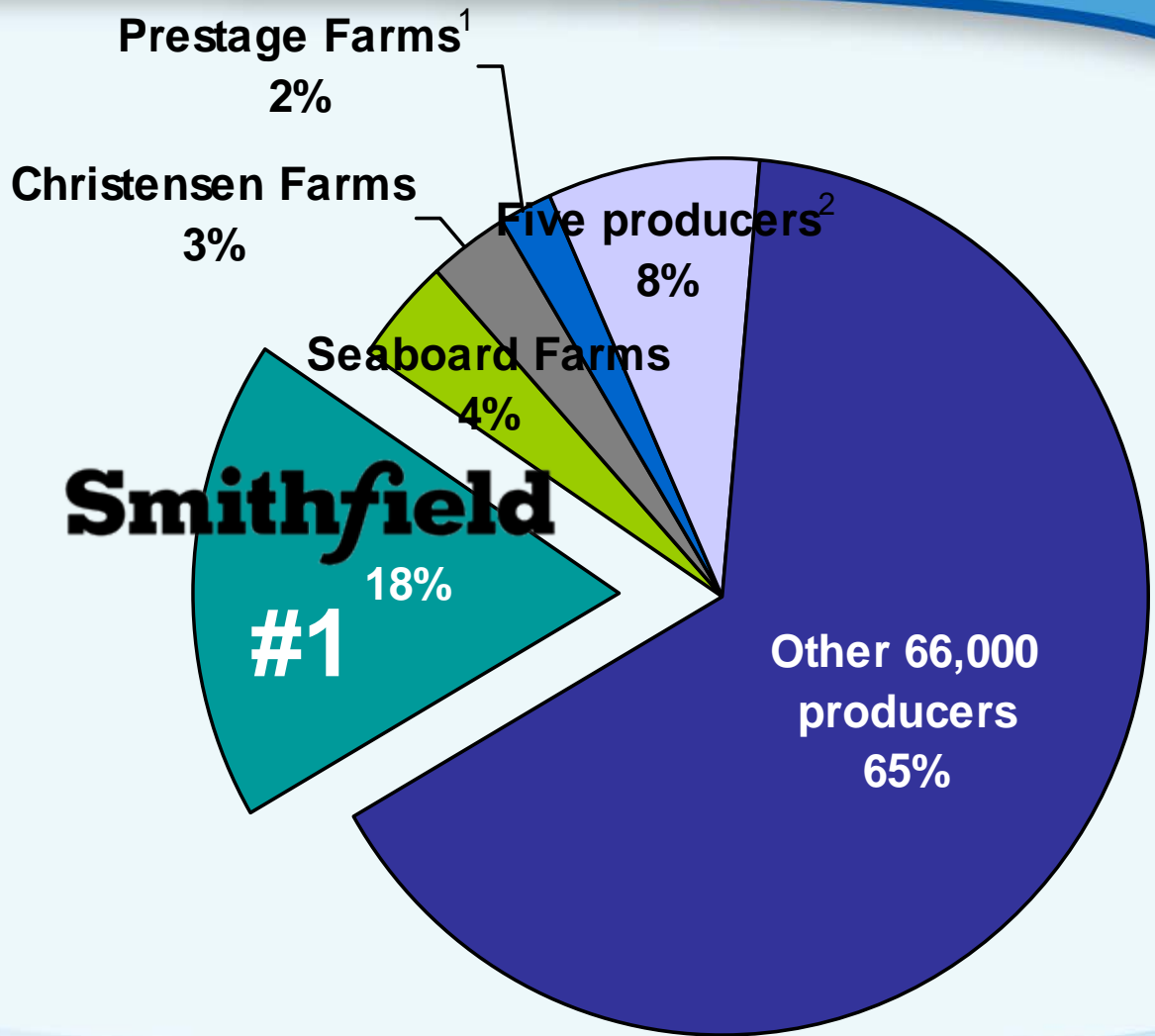
Appendix – Background

Who we are

Market Leader: Hog Production

Hog Production*
Sales: \$2.4 billion
Operating Loss: \$(98.1) million

- World's largest hog producer
- Produced 19 million hogs domestically in FY08
- Produced 1.6 million hogs in Poland and Romania in FY08



*Note: Fiscal 2008 sales and operating loss

Source: United States Industry Data Successful Farming

¹ The majority of hogs from Prestage Farms and Goldsboro Hog Farm are sold to Smithfield Foods, Inc. under long-term contract

² 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%

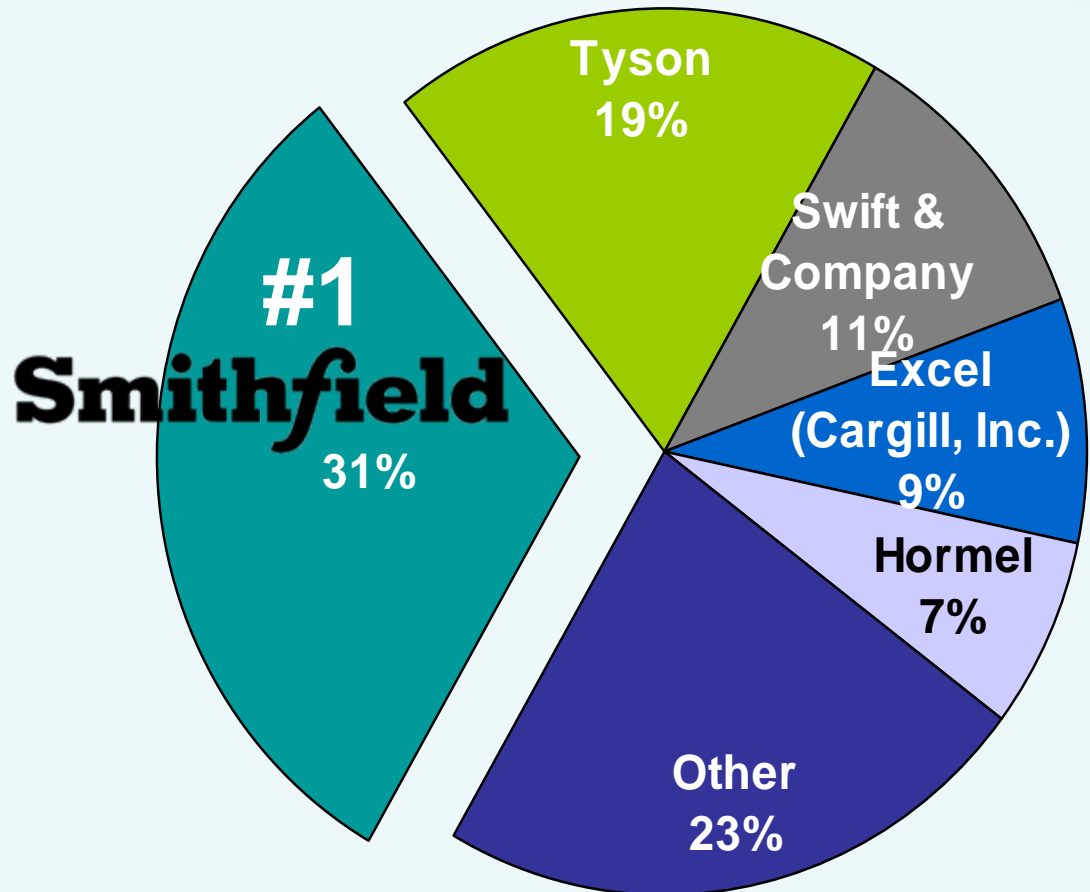
Market Leader: Pork

Pork*

Sales: \$9.6 billion

**Operating Profit:
\$449.4 million**

- World's largest pork processor
- Processed 31 million hogs in FY08
- Sold approximately 4.0 billion pounds of fresh pork in FY08
- Sold approximately 3.1 billion pounds of packaged meats in FY08



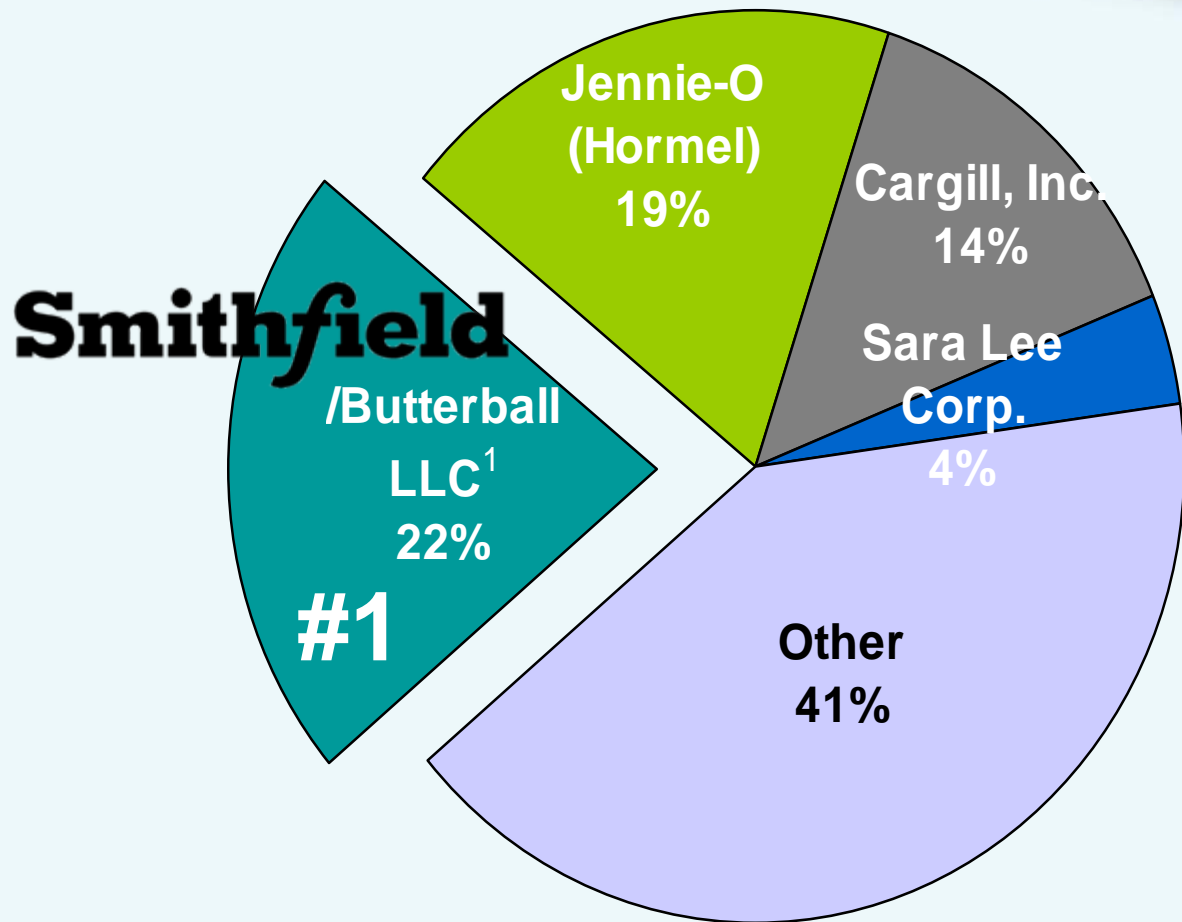
*Note: Fiscal 2008 sales and operating profit

Source: United States Industry Data Successful Farming

Market Leader: Turkey Processing

Other Segment*
Sales: \$149 million
Operating Profit:
\$28.2 million

- Comprised of turkey production operations and Butterball joint venture
- Butterball is the largest turkey processor in the U.S.
- Butterball processed 54 million turkeys in FY08



*Note: Fiscal 2008 sales and operating profit

Source: United States Industry Data Successful Farming

¹ 49 percent-owned joint venture

Market Leadership: International

International*

Sales: \$1.2 billion

**Operating Profit:
\$76.9 million**

- **Subsidiaries in Poland, Romania and the United Kingdom**
- **37% ownership of Campofrío Food Group (public company) with production facilities in Belgium, France, Italy, The Netherlands, Portugal and Spain**
- **Joint ventures or major investments in Mexico and China**



Campofrío Food Group – Dominant Brands

- **Leading European packaged meats company, and one of the largest worldwide with sales of €2.1 billion¹**
- **Smithfield owns 37% of publicly-traded company**
- **Current market value of approximately \$400 million²**
- **#1 packaged meats market share in**
 - **France**
 - **Spain**
 - **The Netherlands**
 - **Belgium**
 - **Portugal**

¹ Pro-forma combined figure as of December 2007

² Based on February 6, 2009 closing price

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Exports

Top Five Worldwide Pork Importers

- Top five pork importers account for 70% of all international pork trade
- Imports account for a substantial portion of domestic consumption, except for China
- Three of the top five importers are experiencing reductions in domestic production

<u>Rank</u>	<u>Country</u>	<u>2008 Imports (billion lbs)</u>	<u>Imports % of Domestic Production</u>	<u>Projected Change in Domestic Production</u>
1	Japan	2.8	100%	-5%
2	Russian Federation	2.1	46%	4%
3	China/HK	1.9	2%	0%
4	Mexico	1.2	47%	-9%
5	Korea	1.0	43%	-2%
	Other	3.9	-	-
Total		12.8	-	-

Top Five Worldwide Pork Exporters

•Top five pork exporters account for 95% of all international pork trade

•With exception of China, all exporters have shrinking domestic production

<u>Rank</u>	<u>Country</u>	<u>2008 Exports (billion lbs)</u>	<u>Projected change 2008 to 2009</u>
1	United States	5.3	-4%
2	EU-27	3.4	-6%
3	Canada	2.4	-10%
4	Brazil	1.5	-1%
5	China/HK	0.4	0%
	Other	0.7	-
Total		13.6	-

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