FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

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FILER

SMITHFIELD FOODS INC

CIK:**91388**| IRS No.: **520845861** | State of Incorp.:**DE** | Fiscal Year End: **0427**
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SIC: **2011** Meat packing plants

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [Fee Required]

For the fiscal year ended April 30, 1995

Commission file number 0-2258

SMITHFIELD FOODS, INC.
(Exact name of Registrant as specified in its charter)

Delaware	52-0845861
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
501 North Church Street, Smithfield, VA	23430
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code.............(804) 357-4321

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.50 par value
(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 x No

The aggregate market value of the shares of Registrant's Common Stock held by non-affiliates as of July 14, 1995 was approximately $240,237,000. This figure was calculated by multiplying (i) the $23.00 last sales price of Registrant's Common Stock as reported on The Nasdaq National Market on July 14, 1995 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 14, 1995, 16,397,526 shares of the Registrant's Common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Annual Report to Stockholders for Fiscal Year Ended April 30, 1995 are incorporated by reference into Part II.

Portions of the Proxy Statement for the Annual Meeting of Stockholders to be held on August 30, 1995 are incorporated by reference into Part III.

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PART I

Item 1. BUSINESS

General

As a holding company, Smithfield Foods, Inc. conducts its pork processing operations through three principal subsidiaries: Gwaltney of Smithfield, Ltd. ("Gwaltney") and The Smithfield Packing Company, Incorporated ("Smithfield Packing"), both based in Smithfield, Virginia, and Patrick Cudahy Incorporated ("Patrick Cudahy"), based in Cudahy, Wisconsin. The Company, in furthering its strategy of vertical integration, also conducts hog production operations through its Brown's of Carolina, Inc. subsidiary ("Brown's") and Smithfield-Carroll's, a joint hog production arrangement between the Company and Carroll's Foods of Virginia, Inc., an affiliate of Carroll's Foods, Inc., Warsaw, North Carolina. Both Brown's and Smithfield-Carroll's produce hogs for the Company's pork processing plants in Smithfield, Virginia and Bladen County, North Carolina. The Company is also a participant in the Circle Four joint hog production arrangement with Carroll's Foods, Inc., Murphy Farms, Inc. and Prestage Farms, Inc., all large North Carolina hog producers, which conducts hog production operations in Milford, Utah. The Company, through its Ed Kelly, Inc. subsidiary ("Kelly"), operates a retail consumer electronics chain based in Winston-Salem, North Carolina. The Company has adopted a plan to sell Kelly, and its results are shown as discontinued operations on the Company's consolidated statements of income. In this report, references to "Smithfield Foods" or the "Company" are to Smithfield Foods, Inc. together with all of its subsidiaries, unless the context otherwise indicates.

The Company is the largest pork processor in the eastern United States. The Company produces a wide variety of fresh pork and processed meat products which it markets principally in the eastern United States. The Company has also expanded to national distribution and to international sales in Japan, Mexico and other foreign markets.

As consumers have become more health conscious, pork producers and processors, including the Company, have focused on providing leaner fresh pork products as well as lower-salt processed meats. Management believes that lean pork products which are more attractive to diet-conscious Americans, together with the industry's efforts to heighten public awareness of pork as an attractive protein source, have led to increased consumer demand for pork products. The Company, through its NPD pig program, is developing a line of extra-lean pork products to meet consumer demand for leaner pork.

Business Strategy

Since 1975, when current management assumed control, Smithfield Foods has expanded both its production capacity and markets through a combination of strong internal growth and the acquisition of regional operations with well-recognized brand identities. In fiscal 1982, the Company acquired Gwaltney, then Smithfield Packing's principal regional competitor. This acquisition doubled the Company's size and added several popular lines of branded products along with a state-of-the-art hot dog production facility. The proximity of Gwaltney to Smithfield Packing allowed for synergies and cost savings in manufacturing, purchasing and transportation.

This combination set the stage for a series of acquisitions of smaller regional processors with widely-recognized brands. In fiscal 1985, the Company acquired Patrick Cudahy, which added a prominent line of dry sausage products. In fiscal 1986, the Company acquired Esskay, Inc., a firm with a broad line of delicatessen products having substantial brand loyalty in the Baltimore-Washington, D.C. metropolitan area. In fiscal 1991, the Company acquired the Mash's brand name and a ham processing plant in Landover, Maryland. In fiscal 1993, the Company acquired the Valleydale and Reelfoot brand names and a processing plant in Salem, Virginia.

The Company's business is based around four strategic initiatives: (i) use of the leanest genetics available to enable the Company to market highly differentiated pork products, (ii) vertical integration into state-of-the-art hog production through company-owned hog production operations and long-term partnerships and alliances with large and efficient hog producers, (iii) operation of highly efficient processing facilities, and (iv) plant locations that reduce freight expense and permit rapid delivery and response to customers.

As a complement to the Company's hog processing operations, the Company has vertically integrated into state-of-the-art hog production through Brown's and Smithfield-Carroll's. In addition, the Company is supplementing the hogs it obtains from these hog production operations with market-indexed, multi-year agreements with several of the nation's largest suppliers of high quality hogs strategically located in North Carolina, including Carroll's Foods, Inc., Murphy Farms, Inc., Prestage Farms, Inc. and Maxwell Foods, Inc.

In May 1991, Smithfield-Carroll's, through Smithfield-Carroll's Farms (a partnership between the Company and an affiliate of Carroll's Foods, Inc.), acquired from National Pig Development Company ("NPD"), a British firm, the exclusive United States franchise rights for genetic lines of specialized breeding stock. The NPD hogs produced by these superior genetic lines are significantly leaner than almost any other animals available in commercial volume in the United States. Management believes that the leanness and increased meat yields of these hogs will, over time, improve the Company's profitability with respect to both fresh pork and processed meat products and provide a competitive advantage over other domestic pork processors. Smithfield-Carroll's and Brown's have replaced a significant proportion of their breeding stock with these superior genetic animals.

During the past four years, the Company has improved its competitive position through an aggressive capital investment program designed to increase production and reduce costs at its Mid-Atlantic locations. As part of this program, the Company, in October 1992, began operations at its new, state-of-the-art fresh pork processing plant in Bladen

County, North Carolina. The Company's principal competitors are located in the Midwest. The Company's Mid-Atlantic and Southeastern locations provide advantages to the Company over these competitors because of the Company's lower freight costs to East Coast customers and longer effective shelf-life for fresh pork products. Management believes that the benefits from its capital investment program and its new Bladen County plant, together with these transportation advantages, make the Company highly competitive in the Eastern United States, particularly in the corridor from Florida to Maine.

The Company's operations are in one industry segment, meat processing. The following table shows for the fiscal periods indicated the percentages of the Company's revenues derived from processed meats, fresh pork and other products.

	1995	1994	1993	1992	1991
Fresh Pork	51%	48%	41%	39%	44%
Processed Meats	45%	49%	55%	57%	53%
Other Products	4%	3%	4%	4%	3%
	100%	100%	100%	100%	100%

The increase in revenues derived from fresh pork in fiscal 1995 resulted from an increase in the number of hogs slaughtered at the Bladen County plant. The meat processing industry is generally characterized by narrow margins. Profit margins on processed meats are greater than profit margins on fresh pork and on other products.

Processed Meat Products

The Company manufactures 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. The Company markets its processed meat products under labels that include, among others, Smithfield, Luter's, Hamilton's, Great, Gwaltney, Esskay, Patrick Cudahy, Mash's and Valleydale.

In response to growing consumer preferences for more nutritious and healthful meats, the Company has emphasized production of more closely-trimmed, leaner and lower salt processed meats such as Smithfield Packing's Hamilton's Easy-Karv Ham and Patrick Cudahy's 97% fat-free Realean Ham.

Fresh Pork Products

The Company increased its commitment to fresh pork with the opening of its Bladen County plant. The plant, which is operated by Smithfield Packing's Carolina Food Processors Division, led to an increase in fresh pork output, both in absolute terms and relative to the Company's processed meats output, in fiscal 1995. The plant, which is currently processing 16,000 hogs per day on a one-shift basis, plans to process as many as 24,000 hogs per day on a two-shift basis beginning in the second quarter of fiscal 1996. This will lead to an additional increase in fresh pork output in fiscal 1996. A substantial portion of the Company's fresh pork is sold to its customers as unprocessed, trimmed cuts such as loins (including roasts and chops), butts, picnics and ribs. The Company is putting greater emphasis on the sale of value-added, higher-margin fresh pork products, such as boneless loins, hams, butts and picnics. In addition to meeting a growing consumer demand for its fresh pork, the Company's commitment to fresh pork also provides its processing operations with raw material of much higher quality than that generally available through market purchases.

The Company is also marketing an extensive product line of NPD fresh pork cuts (including boneless loins, shoulder cuts, chops, ribs and processed and cubed pork) to the foodservice industry under the Smithfield Lean Generation Pork trademark.

Smithfield Packing has developed a case-ready pork program designed to supply supermarket chains with pre-packaged, weighed, labeled and priced fresh pork, ready for immediate sale to the consumer. Management believes that this initiative, over time, should result in greater brand identification and higher margins for the Company's fresh pork products.

Raw Materials

The Company's primary raw material is live hogs. Historically, hog prices have been subject to substantial fluctuations. In addition, hog prices tend to rise as hog supplies decrease during the hot summer months and tend to decline as supplies increase during the fall. This is due to a lower farrowing performance during the winter months and slower animal growth rates during the hot summer months. Hog supplies, and consequently prices, are also affected by factors such as feed prices, weather and interest rates.

The Company produces its own hogs through Brown's and Smithfield-Carroll's and purchases hogs from several of the nation's largest hog producers strategically located in North Carolina, such as Carroll's Foods, Inc., Murphy Farms, Inc., Prestage Farms, Inc. and Maxwell Foods, Inc. as well as from other independent hog producers and dealers located in the East, Southeast and Midwest. The Company obtained 12.1% of the live hogs it processed in fiscal 1995 from Brown's and Smithfield-Carroll's. The Company's raw material costs fall when hog production at Brown's and Smithfield-Carroll's is profitable and conversely rise when such production is unprofitable. Management believes that hog production at Brown's and Smithfield-Carroll's will further the Company's strategic initiative to become vertically

integrated and may reduce exposure to the fluctuations of profitability historically experienced by the pork processing industry. The Company has established multi-year agreements with Carroll's Foods, Murphy Farms, Prestage Farms and Maxwell Foods which provide the Company with a stable supply of high-quality hogs at market-indexed prices. These producers supplied 52.2% of the hogs processed by the Company in fiscal 1995.

As a result of the hogs obtained from Brown's and Smithfield-Carroll's and from these major North Carolina producers, the percentage of hogs obtained by the Company from Midwestern sources has declined from 34.0% in fiscal 1987 to 7.2% in fiscal 1995. Midwestern hogs have historically been the Company's higher-cost hogs due to such factors as higher transportation costs, in-transit weight losses and inconsistency in size and quality. The Company anticipates that the percentage of hogs obtained by the Company from Midwestern sources will decline further as more hogs are produced by Brown's, Smithfield-Carroll's and the major North Carolina producers.

The Company purchases its hogs on a daily basis at its plants in Smithfield, Virginia and Bladen County, North Carolina, at buying stations in Virginia, North Carolina and South Carolina and at independent dealer-operated buying stations in the Midwest. The Company also purchases fresh pork from other meat processors to supplement its processing requirements, and raw beef, poultry and other meat products to add to its sausage, hot dogs and luncheon meats. Such meat products and other materials and supplies, including seasonings, smoking and curing agents, sausage casings and packaging materials are readily available from numerous sources at competitive prices.

Customers and Marketing

The Company has dominant market shares in the Mid-Atlantic and Southeastern United States, and growing market shares in the Northeast, South, Midwest and West. The Company's fundamental marketing strategy is to sell large quantities of moderate-priced processed meat products as well as fresh pork to national and regional supermarket chains, wholesale distributors and the foodservice industry (fast food, restaurant and hotel chains, hospitals and other institutional customers). Management believes that this marketing approach reaches the largest number of value-conscious consumers without requiring large advertising and promotional campaigns. The Company uses both salaried salesmen and independent commission brokers to sell its products. Except for a small number of orders for hams, the Company does not make sales directly to consumers. In fiscal 1995, the Company made sales to more than 3,000 customers, none of whom accounted for as much as 10% of the Company's revenues. The Company has no significant or seasonally variable backlog because most customers prefer to order products shortly before shipment, and therefore, do not enter into formal long-term contracts. Management believes that its registered trademarks have been important to the success of its branded processed meat products.

The Company, in fiscal 1994, entered into an agreement with Sumitomo Corporation for the exclusive distribution of a line of unique branded fresh pork products in Japan. Export sales to Japan increased substantially in fiscal 1995. The Company also had significant export sales to Russia and Mexico in fiscal 1995, and export sales in varying amounts to other foreign markets.

The Company's business is seasonal in that, traditionally, the heavier periods of sales for hams are the holiday seasons such as Easter, Thanksgiving and Christmas, and the heavier periods of sales for hot dogs and luncheon meats are the summer months. The Company maintains large inventories of hams in anticipation of its holiday seasons' business. Fresh pork is shipped, generally within two to three days after slaughter, by refrigerated trucks which are leased and operated by the Company and by common carrier. The Company enters into commodity futures contracts to reduce the risk of adverse price changes on the profitability of its hog production operations and future sales commitments, such as future sales commitments for hams for the holiday seasons.

Distribution

Because of the Mid-Atlantic and Southeastern locations of all but one production facility, the Company offers next-day delivery to most of its customers which affords it a competitive advantage in terms of service and freight costs. The Company's Mid-Atlantic and Southeastern locations allow it to supply customers in the Northeastern, Mid-Atlantic, Southeastern and Southern states with fresh pork products with a longer effective shelf-life than those shipped from competing Midwestern processors.

Competition

The protein industry generally, and the pork processing industry in particular, are highly competitive. The Company's products compete with a large number of other protein sources, including beef, chicken, turkey and seafood, but the Company's principal competition comes from other pork processors.

Management believes that the principal competitive factors in the pork processing industry are price, quality and brand loyalty. Many of the Company's competitors are considerably larger, have correspondingly greater financial and other resources and enjoy wider recognition for their branded products. Some of these competitors are also more diversified than the Company. To the extent that their other operations generate profits, such companies may be able to subsidize their pork processing operations.

The Company believes it is one of the largest producers of smoked meats, including hams, bacon and picnics, in the United States. The Company is the largest producer of "Genuine Smithfield" hams. By statute of the Commonwealth of Virginia, only hams processed within the Town of Smithfield can be labeled "Genuine Smithfield" hams.

Regulation

Like other participants in the meat processing industry, the Company is subject to various laws and regulations administered by federal, state and other government entities, including the Environmental Protection Agency and corresponding state agencies such as the Virginia State Water Control Board ("SWCB"), the North Carolina Division of Environmental Management, the United States Department of Agriculture and the Occupational Safety and Health Administration. Management believes that the Company complies with all such laws and regulations in all material respects, except as set forth immediately below, and that continued compliance with these standards will not have a material effect on the Company's financial position.

The wastewater discharge permit for the Company's major meat processing plants in Smithfield, Virginia, imposes more stringent phosphorus and ammonia effluent limitations than the plants can currently meet. To achieve compliance, the Company agreed to discontinue its wastewater discharges to the Pagan River and connect its wastewater treatment plants to the regional sewage collection and treatment system operated by the Hampton Roads Sanitation District ("HRSD"). This connection will likely be made in early 1996, following completion by the HRSD of the necessary pipeline facilities. The Company expects to incur approximately $2,000,000 in capital costs to upgrade its existing treatment systems and make this connection. The Company will incur sewer charges in addition to the existing costs of effluent treatment in fiscal 1996. These sewer charges will be accounted for as current period costs beginning in fiscal 1996.

Pending connection to the HRSD system, the plants are being operated under an administrative consent order entered into with the SWCB. During the period May 1994 through April 1995, the Company's plants had several violations of its permit and the consent order which led the SWCB to place the Company's plants on its "significant noncompliance" list. Placement on that list is required by the SWCB when any one of several circumstances occur, including a single violation of an administrative consent order provision. The Company has

corrected the conditions which caused these violations, and the plants are presently in full compliance with the SWCB permit and the administrative order. No administrative or judicial proceedings have been instituted as a result of these violations, and the Company does not believe that such proceedings will likely be instituted as a result of these violations.

The Company regularly conducts tests of wastewater discharges to assure compliance with the provisions of the wastewater discharge permits for its manufacturing plants. Federal and state laws require that records of such tests be maintained for three years. Failure to maintain such records may result in the imposition of civil penalties and, if records are destroyed, criminal sanctions. In the course of an SWCB inspection in May 1994, it was discovered that records of certain tests conducted by the Company from 1992 through early 1994 could not be located. The employee responsible for the supervision of the tests and maintenance of the test records has been replaced. No administrative or judicial proceedings have been instituted against the Company as a result of its inability to locate the records for the period noted. At this time the Company cannot express any view as to the likelihood that any such proceedings will be instituted against it.

Employees

The Company has approximately 9,000 employees, approximately 5,200 of whom are covered by collective bargaining agreements expiring between February 6, 1997 and March 15, 1999. The Company believes that its relationship with its employees is good.

Working Capital

The pork processing industry is characterized by high unit sales volume and rapid turnover of inventories and accounts receivable. Because of the rapid turnover rate, the Company considers its inventories and accounts receivable highly liquid and readily convertible into cash. Borrowings under lines of credit are used to finance increases in the levels of inventories and accounts receivable resulting from seasonal and other market-related fluctuations in raw material costs. The demand for seasonal borrowings usually peaks in early November when ham inventories are at their highest levels, and borrowings are repaid in January when the accounts receivable generated by the sales of these hams are collected. At April 30, 1995, the Company had aggregate lines of credit of $120.0 million. Borrowings under the lines of credit are secured by substantially all of the Company's inventories and accounts receivable. Weighted average borrowings under the lines were $69.9 million in fiscal

1995, $66.6 million in fiscal 1994 and $79.2 million in fiscal 1993. Maximum borrowings were $117.0 million in fiscal 1995, $105.1 million in fiscal 1994 and $105.7 million in fiscal 1993. The outstanding balances under these lines totaled $67.2 million as of April 30, 1995 and $52.1 million as of May 1, 1994.

Miscellaneous

With the exception of the franchise agreement between Smithfield-Carroll's and National Pig Development Company (See Item 1. Business), the Company has no patents, licenses, franchises or concessions which it considers material to its business.

The Company is not involved in significant research activities.

Item 2. PROPERTIES.

The following table summarizes information concerning the principal plants and other materially important physical properties of the Company:

<TABLE>
<CAPTION>

LOCATION	OPERATION	LAND AREA (ACRES)	APPROXIMATE FLOOR SPACE (SQ.FT.)
<S>	<C>	<C>	<C>
Smithfield Packing Plant No. 1 501 North Church Street Smithfield, Virginia	Slaughtering and cutting hogs; manufacture of bacon products, smoked meats, and dry salt meats; production of hams and picnics	25.5	457,000
Smithfield Packing Plant No. 2 2501 West Vernon Avenue Kinston, North Carolina	Production of bone-in and boneless cooked and smoked ham and other smoked meat products	20.0	218,000
Smithfield Packing Plant No. 3 5801 Columbia Park Drive Landover, Maryland	Production of bone-in smoked ham and other smoked meat products	7.8	136,000
Smithfield Packing Plant No. 4 Carolina Food Processors Division (Bladen County) Route #87 Tarheel, North Carolina	Slaughtering and cutting hogs; production of boneless hams and loins	860.0	966,000
Gwaltney Plant No. 1 601 North Church Street Smithfield, Virginia	Slaughtering and cutting hogs; manufacture of bacon products and sausage; produc-tion of bone-in and boneless	56.4	556,000

	cooked and smoked hams and picnics		
Gwaltney Plant No. 2 3515 Airline Blvd. Portsmouth, Virginia	Manufacture of hot dogs, bologna, luncheon meats and sausage products	13.1	200,000
Gwaltney Plant No. 3 1013 Iowa Street Salem, Virginia	Manufacture of bacon, smoked sausage and boneless cooked hams	11.0	152,000
Patrick Cudahy Plant 3500 E. Barnard Ave. Cudahy, Wisconsin	Manufacture of bacon, dry sausage, boneless cooked hams and operation of a refinery	60.0	1,090,000

</TABLE>

The Company operates hog buying stations in Virginia, North Carolina and South Carolina which have facilities for purchasing and loading hogs for shipment to the Company's plant's in Smithfield, Virginia and Bladen County, North Carolina.

The Company, through Brown's, owns and leases hog production facilities in North Carolina, and through Smithfield-Carroll's, owns hog production facilities in North Carolina and Virginia.

Smithfield Packing Plants No. 1 and No. 2, including all real property, machinery and equipment, are pledged as security for Smithfield Packing's 9.8% Secured Notes, due August 2003, and 10.75% Secured Notes, due August 2005, held by John Hancock Mutual Life Insurance Company. The machinery and equipment in Smithfield Packing Plant No. 3 is pledged as security for Smithfield Packing's 7.15% Secured Notes, due October 1997, held by MetLife Capital Corporation. Smithfield Packing Plant No. 4, including all real property, machinery

and equipment, is pledged as security for Smithfield Packing's 8.41% Secured Notes, due February 2013, held by John Hancock Mutual Life Insurance Company, Massachusetts Mutual Life Insurance Company and MML Pension Insurance Company, and Smithfield Foods, Inc.'s 6.48% Notes, due September 1998, and prime rate based Term Loan, due October 1997, held by NationsBank of Virginia, N.A. Gwaltney Plants No. 1 and No. 2, including all real property, machinery and equipment, are pledged as security for Gwaltney's 6.24% Secured Notes, due November 1998, and 9.85% Secured Notes, due November 2006, held by John Hancock Mutual Life Insurance Company.

Based on standard hourly rates of production, converted to annual capacities based on a 40-hour work week, Smithfield Plant No. 1 has an annual slaughter capacity of 2,080,000 head and Gwaltney Plant No. 1 has an annual slaughter capacity of 2,080,000 head. Based on standard hourly rates of production, converted to an annual capacity based on a 40-hour work week, Smithfield Plant No. 4 has an annual slaughter capacity on a one-shift basis of 4,160,000 head. The plant is designed to operate on a two-shift basis. Subject to applicable environmental and other regulations, production at all the Company's plants can be increased without physically expanding existing facilities by increasing the number of production hours.

Item 3. LEGAL PROCEEDINGS.

Smithfield Foods and its subsidiaries are defendants in various lawsuits arising in the ordinary course of business. In the opinion of management, any ultimate liability with respect to these matters will not have a material effect on the Company's financial statements.

Reference is made to "Item 1.--Business--Regulation."

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None

Item 4A. EXECUTIVE OFFICERS OF THE COMPANY.

The executive officers of the Company as of July 15, 1994 are as follows:

Name	Age	Office	Officer Since
Joseph W. Luter, III	56	Chairman of the Board and Chief Executive Officer of the Company	1975
John O. Nielson	64	President and Chief Operating Officer of the Company and Smithfield Packing	1995
Roger R. Kapella	53	President and Chief Operating Officer of Patrick Cudahy	1985
Lewis R. Little	51	President and Chief Operating Officer of Gwaltney	1993
Aaron D. Trub	60	Vice President, Secretary and Treasurer of the Company	1970
C. Larry Pope	40	Controller of the Company	1981

Mr. Luter is Chairman of the Board and Chief Executive Officer of the Company. He was also President of the Company prior to May 1995.

Mr. Nielson is President and Chief Operating Officer of the Company and Smithfield Packing. He was a consultant and private investor from June 1989 to May 1995. Prior to June 1989, he held various executive positions with John Morrell & Co., including president and chief operating officer.

Mr. Kapella is President and Chief Operating Officer of Patrick Cudahy.

Mr. Little has been President and Chief Operating Officer of Gwaltney since May 1993. He was Executive Vice President of Gwaltney prior to May 1993.

Mr. Trub is Vice President, Secretary and Treasurer of the Company.

Mr. Pope is Controller of the Company.

There is no family relationship among any officers.

The officers of Smithfield Foods, Inc. and its subsidiaries are elected annually by the Board of Directors of the respective company of which they are an officer. Each officer holds the office to which he was elected at the discretion of the Board of his company for the ensuing year or until removed or replaced.

PART II

Item 5. MARKET FOR COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

For information required by this item, see the information in Exhibit 13-1995 Annual Report to Stockholders (i) on page 24 adjacent to the caption "Common Stockholders of Record" and (ii) under the caption "Common Stock Data" on the inside back cover, which information is incorporated herein by reference.

Item 6. SELECTED FINANCIAL DATA.

For selected financial data required by this item, see the data in Exhibit 13-1995 Annual Report to Stockholders under the caption "Financial Summary" on pages 24 and 25, which data are incorporated herein by reference.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

For information required by this item, see information in Exhibit 13-1995 Annual Report to Stockholders under the caption "Financial Discussion" on pages 20 through 22, which information is incorporated herein by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The consolidated financial statements required by this item are on pages 26 through 41 of Exhibit 13-1995 Annual Report to Stockholders and are incorporated herein by reference.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY.

For information concerning the directors and nominees for directorship, see the information under the captions "Election of Directors" on pages 3 and 4, and "Board of Directors and Committees" on pages 6 and 7 in the Company's Proxy Statement for Annual Meeting of Stockholders to be held on August 30, 1995, which information is incorporated herein by reference.

For information concerning executive officers of the Company, reference is made to "Item 4A. Executive Officers of the Company."

Item 11. EXECUTIVE COMPENSATION.

For information required by this item, see the information under the captions "Executive Compensation" on pages 7 through 10 and "Board of Directors and Committees" on pages 6 and 7 in the Company's Proxy Statement for Annual Meeting of Stockholders to be held on August 30, 1995, which information is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

For information required by this item, see the information under the captions "Principal Stockholders" on pages 2 and 3 and "Common Stock Ownership of Executive Officers and Directors" on pages 5 and 6 in the Company's Proxy Statement for Annual Meeting of Stockholders to be held on August 30, 1995, which information is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

For information required by this item, see the information under the caption "Other Transactions" on pages 13 and 14 in the Company's Proxy Statement for Annual Meeting of Stockholders to be held on August 30, 1995, which information is incorporated herein by reference.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

<TABLE>
<CAPTION>

	Reference Annual Report to Stockholders Page	Form 10-K Page
<S>	<C>	<C>
(a)(1) Financial Statements		
The following consolidated financial statements of Smithfield Foods, Inc. and its consolidated subsidiaries are incorporated by reference in Item 8:		
Consolidated statements of income - 52 weeks ended April 30, 1995, 52 weeks ended May 1, 1994, 52 weeks ended May 2, 1993.	28	
Consolidated balance sheets - April 30, 1995 and May 1, 1994	26, 27	

</TABLE>

Schedules other than those listed above have been omitted since they are either not required or not applicable, or the information called for is shown in the financial statements or in the notes thereto.

(a)(3) Exhibits

Exhibit 3.1 - Composite Certificate of Incorporation of the Company, as amended to date (incorporated by reference to Exhibit 3.1 to the Company's Form 10-K Annual Report for the fiscal year ended April 28, 1991).

Exhibit 3.1(a) - Certificate of Designations of Series B 6-3/4% Cumulative Convertible Preferred Stock, par value $1.00 per share, of the Company (incorporated by reference to Exhibit 3.1(a) to the Company's Form 10-K Annual Report for the fiscal year ended May 2, 1993).

Exhibit 3.2 - By-laws of the Company, as amended to date (incorporated by reference to Exhibit 3.2 to the Company's Form 10-K Annual Report for the fiscal year ended April 28, 1991).

Exhibit 4.1 - Composite Certificate of Incorporation - See Exhibit 3.1.

Exhibit 4.2 - Form of Certificate representing the Company's Common Stock, par value $.50 per share (including Rights legend) (incorporated by reference to Exhibit 4.2 to the Company's Form 10-K Annual Report for the fiscal year ended April 28, 1991).

Exhibit 4.3 - Form of Certificate representing the Company's Series B 6-3/4% Cumulative Convertible Preferred Stock, par value $1.00 per share (including Rights legend) (incorporated by reference to Exhibit 4.3 to the Company's Form 10-K Annual Report for the fiscal year ended May 2, 1993).

Exhibit 4.4 - Form of Certificate representing Rights (incorporated by reference to Exhibit 4 to the Company's Amendment No. 1 to Registration Statement on Form 8-A dated May 23, 1991 (the "Amended Form 8-A").

Exhibit 4.5 - Rights Agreement, dated as of May 8, 1991, as amended by Amendment No. 1 dated as of January 31, 1994, by and between Smithfield Foods, Inc. and First Union National Bank of North Carolina, Rights Agent (incorporated by reference to Exhibit 4.5 to the Company's Form 10-K Annual Report for the fiscal year ended May 1, 1994).

Exhibit 4.6 - Second Amended, Restated and Continued Revolving Credit Agreement dated March 1, 1994, among Gwaltney of Smithfield, Ltd., The Smithfield Packing Company, Incorporated, Patrick Cudahy Incorporated, Esskay, Inc., Brown's of Carolina, Inc., Carolina Food Processors, Inc. and Cooperative Centrale Raiffeisen-Boerenleenbank B.A., "Rabobank Nederland", New York Branch, as agent and each bank a party thereto (incorporated by reference to Exhibit 4.6 to the Company's Form 10-K Annual Report for the fiscal year ended May 1, 1994).

Exhibit 4.6(a) - First Amendment to Credit Agreement and First Amendment to Security Agreement dated March 1, 1994 of The Smithfield Packing Company, Incorporated (incorporated by reference to Exhibit 4.6(a) to the Company's Form 10-K Annual Report for the fiscal year ended May 1, 1994).

Exhibit 4.6(b) - Second Amended, Restated and Continued Guaranty, dated March 1, 1994 made by Smithfield Foods, Inc. in favor of Rabobank Nederland (incorporated by reference to Exhibit 4.6(b) to the Company's Form 10-K Annual Report for the year ended May 1, 1994).

Exhibit 4.7 - Note Agreement dated July 29, 1988, between The Smithfield Packing Company, Incorporated and John Hancock Mutual Life Insurance Company, covering $15,000,000 9.8% Secured Notes due August 1, 2003 (incorporated by reference to Exhibit 4.11 to the Company's Form 10-K Annual Report for the fiscal year ended April 30, 1989).

Exhibit 4.7(a) - Guaranty and Agreement by Smithfield Foods, Inc. dated July 29, 1988 (incorporated by reference to Exhibit 4.11(a) to the Company's Form 10-K Annual Report for the fiscal year ended April 30, 1989).

Exhibit 4.8 - Note Agreement dated August 6, 1990, between The Smithfield Packing Company, Incorporated and John Hancock Mutual Life Insurance Company, covering $15,000,000 10.75% Secured Notes due August 1, 2005 (incorporated by reference to Exhibit 4.10 to the Company's Form 10-K Annual Report for the fiscal year ended April 28, 1991).

Exhibit 4.8(a) - Form of Guaranty and Agreement by Smithfield Foods, Inc. dated August 6, 1990 (incorporated by reference to Exhibit 4.10(a) to the Company's Form 10-K Annual Report for the fiscal year ended April 28, 1991).

Exhibit 4.9 - Note Agreement dated October 31, 1991, between Gwaltney of Smithfield, Ltd. and John Hancock Mutual Life Insurance Company, covering $20,000,000 9.85% Secured Notes due November 1, 2006 (incorporated by reference to Exhibit 4.9 to the Company's Form 10-K Annual Report for fiscal year ended May 3, 1992).

Exhibit 4.9(a) - Guaranty and Agreement by Smithfield Foods, Inc. dated October 31, 1991 (incorporated by reference to Exhibit 4.9(a) to the Company's Form 10-K Annual Report for fiscal year ended May 3, 1992).

Exhibit 4.10 - Note Purchase Agreement dated January 15, 1993 by and among Carolina Food Processors, Inc. and Smithfield Foods, Inc. and John Hancock Mutual Life Insurance Company, Massachusetts Mutual Life Insurance Company and MML Pension Insurance Company, covering $25,000,000 8.41% Senior Secured Notes due February 1, 2013, guaranteed by Smithfield Foods, Inc. (incorporated by reference to Exhibit 4.11 to the Company's Form 10-K Annual Report for fiscal year ended May 2, 1993).

Exhibit 4.10(a)- Omnibus Amendment Agreement dated December 1, 1993 by and among Smithfield Foods, Inc., Carolina Foods Processors, Inc., John Hancock Mutual Life Insurance Company, Massachusetts Mutual Life Insurance Company and MML Pension Insurance Company (incorporated by reference to Exhibit 4.10(a) to the Company's Form 10-K Annual Report for the fiscal year ended May 1, 1994).

Exhibit 4.10(b)- Assumption, Waiver and Amendment Agreement dated May 1, 1994 by and among The Smithfield Packing Company, Incorporated. Smithfield Foods, Inc., John Hancock Mutual Life Insurance Company, Massachusetts Mutual Life Insurance Company and MML Pension Insurance Company (incorporated by reference to Exhibit 4.10(b) to the Company's Form 10-K Annual Report for the fiscal year ended May 1, 1994).

Exhibit 4.11 - Master Lease Agreement dated May 14, 1993 between General Electric Capital Corporation and Brown's of Carolina, Inc. (incorporated by reference to Exhibit 4.12 to the Company's Form 10-K Annual Report for

fiscal year ended May 2, 1993).

Exhibit 4.11(a)- Corporate Guaranty by Smithfield Foods, Inc. dated May 14, 1993 (incorporated by reference to Exhibit 4.12(a) to the Company's Form 10-K Annual Report for fiscal year ended May 2, 1993).

Exhibit 4.12 - Amended and Restated Credit Agreement dated June 28, 1993 between Smithfield Foods, Inc. and NationsBank of Virginia, N.A., covering $25,000,000 6.48% Notes due September 30, 1998 (incorporated by reference to Exhibit 4.13 to the Company's Form 10-K Annual Report for fiscal year ended May 2, 1993).

Exhibit 4.12(a) -Loan Modification Agreement dated April 30, 1994 among Smithfield Foods, Inc., Carolina Food Processors, Inc., The Smithfield Packing Company, Incorporated and NationsBank of Virginia, N.A. (incorporated by reference to Exhibit 4.12(a) to the Company's Form 10-K Annual Report for fiscal year ended May 1, 1994).

Exhibit 4.13 - Credit Agreement dated August 19, 1994 between Smithfield Foods, Inc. and NationsBank of Virginia, N.A., covering $50,000,000 Term Loan due October 1997.

Exhibit 10.1 - Subscription Agreement dated September 3, 1992 between Smithfield Foods, Inc. and Carroll's Foods, Inc., covering 1,000,000 shares of Smithfield Foods, Inc. Common Stock (incorporated by reference to Exhibit 10.1 of the Company's Form 10-K Annual Report for fiscal year ended May 2, 1993).

Exhibit 10.2 - Subscription Agreement dated as of October 21, 1992 between Smithfield Foods, Inc. and Wake Forest University, covering $10,000,000 Series B 6-3/4% Cumulative Convertible Preferred Stock (incorporated by reference to Exhibit 10.2 of the Company's Form 10-K Annual Report for fiscal year ended May 2, 1993).

Exhibit 10.3 - Smithfield Foods, Inc. Stock Option Plan (1984), as amended (incorporated by reference to Exhibit 10.1 to the Company's Form 10-K Annual Report for fiscal year ended April 28, 1991).

Exhibit 10.4 - Smithfield Foods, Inc. 1992 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Form 10-K Annual Report for fiscal year ended May 2, 1993).

Exhibit 10.5 - Master Lease Agreement (Smithfield 91-1) dated December 9, 1991, between State Street Bank and Trust Company of Connecticut, National Association, as Lessor, and The Smithfield Packing Company, Incorporated, as Lessee (Trailers and Yard Equipment) (incorporated by reference to Exhibit 10.2 to the Company's Form 10-K

Annual Report for fiscal year ended May 3, 1992).

Exhibit 10.5(a)- Master Lease Agreement (Smithfield 91-2) dated December 9, 1991, between State Street Bank and Trust Company of Connecticut, National Association, as Lessor, and The Smithfield Packing Company, Incorporated, as Lessee (Tractors) (incorporated by reference to Exhibit 10.2(a) to the Company's Form 10-K Annual Report for fiscal year ended May 3, 1992).

Exhibit 10.5(b)- Master Lease Agreement (Smithfield 91-3) dated December 9, 1991, between State Street Bank and Trust Company of Connecticut, National Association, as Lessor, and Gwaltney of Smithfield, Ltd., as Lessee (Trailers and Yard Equipment) (incorporated by reference to Exhibit 10.2(b) to the Company's Form 10-K Annual Report for fiscal year ended May 3, 1992).

Exhibit 10.5(c)- Master Lease Agreement (Smithfield 91-4) dated December 9, 1991, between State Street Bank and Trust Company of Connecticut, National Association, as Lessor, and Gwaltney of Smithfield, Ltd., as Lessee (Tractors) (incorporated by reference to Exhibit 10.2(c) to the Company's Form 10-K Annual Report for fiscal year ended May 3, 1992).

Exhibit 10.6 - Storage Agreement dated September 4, 1987, by and between RCS-Smithfield, Inc. and Smithfield Foods, Inc. (incorporated by reference to Exhibit 10.9 to the Company's Form 10-K Annual Report for the fiscal year ended May 1, 1988).

Exhibit 10.7 - Storage Agreement dated September 18, 1991, by and between Carolina Cold Storage Limited Partnership and Smithfield Foods, Inc. (incorporated by reference to Exhibit 10.5 of the Company's Form 10-K Annual Report for fiscal year ended May 3, 1992).

Exhibit 10.8 - Smithfield Foods, Inc. Incentive Bonus Plan.

Exhibit 11 - Computation of Net Income Per Common Share.

Exhibit 13 - 1995 Annual Report to Stockholders (With the exception of the data incorporated by reference in Items 5, 6, 7 and 8, no other data appearing in the accompanying 1995 Annual Report to Stockholders is to be deemed filed as part of this Form 10-K Annual Report).

Exhibit 21 - List of Subsidiaries of Smithfield Foods, Inc.

Exhibit 23 - Consent of Independent Public Accountants (see page immediately following the signature pages of this Form 10-K Annual Report).

(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SMITHFIELD FOODS, INC.

By /s/ Joseph W. Luter, III

Joseph W. Luter, III
Chairman of the Board and
Chief Executive Officer

Date 7/14/95

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities indicated.

By /s/ Joseph W. Luter, III
Joseph W. Luter, III
Chairman of the Board and
Chief Executive Officer of
the Company and Director

Date 7/14/95

By /s/ John O. Nielson
John O. Nielson
President and Chief Operating
Officer of the Company and The
Smithfield Packing Company,
Incorporated and Director

Date 7/14/95

By /s/ Roger R. Kapella
Roger R. Kapella
President and Chief Operating
Officer of Patrick Cudahy
Incorporated and Director

Date 7/13/95

By /s/ Lewis R. Little
Lewis R. Little
President and Chief Operating
Officer of Gwaltney of Smithfield,
Ltd. and Director

Date 7/14/95

By /s/ Robert W. Manly, IV

By /s/ Aaron D. Trub

Robert W. Manly, IV
Executive Vice President of
the Company and Director

Date 7/13/95

Aaron D. Trub
Vice President, Secretary and
Treasurer of the Company and
Director

Date 7/14/95

By /s/ C. Larry Pope
C. Larry Pope
Controller of the Company

Date 7/21/95

By /s/ F. J. Faison, Jr.
F. J. Faison, Jr.
Director

Date 7/21/95

By /s/ Joel W. Greenberg
Joel W. Greenberg
Director

Date 7/13/95

By /s/ Cecil W. Gwaltney
Cecil W. Gwaltney
Director

Date 7/13/95

By /s/ George E. Hamilton, Jr.
George E. Hamilton, Jr.
Director

Date 7/13/95

By /s/ Richard J. Holland
Richard J. Holland
Director

Date 7/13/95

By /s/ Wendell H. Murphy
Wendell H. Murphy
Director

Date 7/19/95

By /s/ William H. Prestage
William H. Prestage
Director

Date 7/12/95

SMITHFIELD FOODS, INC.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULES

To Smithfield Foods, Inc.:

We have audited in accordance with generally accepted auditing standards, the financial statements included in Smithfield Foods, Inc.'s 1995 annual report to stockholders incorporated by reference in this Form 10-K, and have issued our report thereon dated June 13, 1995. Our report on the financial statements includes an explanatory paragraph with respect to the change in the method of accounting for income taxes as discussed in Note 5 to the financial statements. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedules listed in the index under Item 14(a)(2) are the responsibility of the Company's management and are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Richmond, Virginia,
June 13, 1995

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included (or incorporated by reference) in this Form 10-K, into the Company's previously filed Registration Statements File No. 33-14219, No. 33-14220 and No. 33-53024.

ARTHUR ANDERSEN LLP

Richmond, Virginia,
July 28, 1995

SCHEDULE III - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
SMITHFIELD FOODS, INC.
PARENT COMPANY BALANCE SHEETS
AS OF APRIL 30, 1995 AND MAY 1, 1994

<TABLE>
<CAPTION>

ASSETS

	April 30, 1995	May 1, 1994
<S>	<C>	<C>
Current assets:		
Cash	$ 157,000	$ 331,000
Accounts receivable	175,000	120,000
Receivables from related parties	15,765,000	18,834,000

Refundable income taxes	3,458,000	-
Deferred income taxes	9,246,000	8,470,000
Other	452,000	517,000
Total current assets	29,253,000	28,272,000
Investments in and net advances to subsidiaries, at cost plus equity in undistributed earnings	233,993,000	184,324,000
Other assets:		
Investments in partnerships	26,026,000	9,403,000
Property, plant and equipment, net	6,554,000	2,518,000
Other	10,563,000	2,128,000
Total other assets	43,143,000	14,049,000
	$306,389,000	$226,645,000

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Note payable	$ 2,500,000	$ -
Current portion of long-term debt	2,420,000	1,938,000
Accounts payable	895,000	2,211,000
Accrued expenses	16,933,000	15,071,000
Income taxes payable	-	3,154,000
Total current liabilities	22,748,000	22,374,000
Long-term debt	68,140,000	25,360,000
Deferred income taxes and other noncurrent liabilities	21,485,000	13,961,000
Series B 6.75% cumulative convertible redeemable preferred stock	10,000,000	10,000,000
Stockholders' equity	184,016,000	154,950,000
	$306,389,000	$226,645,000

</TABLE>

The accompanying notes are an integral part of these balance sheets.

SCHEDULE III - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
SMITHFIELD FOODS, INC
PARENT COMPANY STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

<S>	52 Weeks Ended April 30, 1995 <C>	52 Weeks Ended May 1, 1994 <C>	52 Weeks Ended May 2, 1993 <C>
Sales	$ -	$ -	$ -

Cost of sales	-	-	-
Gross profit	-	-	-
General and administrative expenses, net of allocation to subsidiaries	1,312,000	928,000	1,773,000
Depreciation expense	496,000	452,000	540,000
Interest expense	2,596,000	2,046,000	274,000
Income (loss) before income taxes, cumulative effect of change in accounting for income tax and equity in earnings of subsidiaries	(4,404,000)	(3,426,000)	(2,587,000)
Income tax credit	(1,003,000)	(600,000)	(627,000)
Income (loss) before cumulative effect of change in accounting for income taxes and equity in earnings of subsidiaries	(3,401,000)	(2,826,000)	(1,960,000)
Cumulative effect of change in accounting for income taxes	-	-	(1,138,000)
Net income (loss) before equity in earnings of subsidiaries	(3,401,000)	(2,826,000)	(822,000)
Equity in earnings of subsidiaries	31,241,000	22,528,000	4,811,000
Net income	$27,840,000	$19,702,000	$ 3,989,000

</TABLE>
The accompanying notes are an integral part of these statements.

SCHEDULE III - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
SMITHFIELD FOODS, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

<S>	52 Weeks Ended April 30, 1995 <C>	52 Weeks Ended May 1, 1994 <C>	53 Weeks Ended May 2, 1993 <C>
Cash flows from operating activities:			
Net income	$ 27,840,000	$ 19,702,000	$ 3,989,000
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization	619,000	452,000	540,000
Gain on sale of property and equipment	(5,000)	-	(1,000)

Cumulative effect of change in accounting for income taxes	-	-	(1,138,000)
(Increase) decrease in deferred income taxes and other noncurrent liabilities	6,748,000	3,768,000	(2,618,000)
(Increase) decrease in accounts receivable	(55,000)	103,000	(2,000)
Decrease in receivables from related parties	3,069,000	996,000	8,801,000
Increase in investments in and advances to subsidiaries	(49,669,000)	(58,670,000)	(44,407,000)
(Increase) decrease in other current assets	65,000	(229,000)	(211,000)
Increase in accounts payable and accrued expenses	546,000	7,001,000	3,926,000
(Increase) decrease in refundable income taxes	(3,458,000)	1,303,000	(1,303,000)
Increase (decrease) in taxes payable	(3,154,000)	3,154,000	(540,000)
Increase in other assets	(8,558,000)	(215,000)	(498,000)
Net cash used in operating activities	(26,012,000)	(22,635,000)	(33,462,000)
Cash flows from investing activities:			
Capital expenditures	(4,534,000)	(1,394,000)	673,000
Proceeds from sale of property, plant and equipment	7,000	1,500,000	6,000
Investment in partnerships	(16,623,000)	(988,000)	138,000
Net cash provided by (used in) investing activities	(21,150,000)	(882,000)	817,000
Cash flows from financing activities:			
Proceeds from issuance of short-term note	2,500,000	-	-
Proceeds from issuance of long-term debt	50,000,000	25,000,000	3,800,000
Principal payments on long-term debt	(6,738,000)	(1,309,000)	(193,000)
Proceeds from sale of common stock	-	-	16,750,000
Exercise of options	1,901,000	153,000	1,642,000
Issuance of preferred stock	-	-	10,000,000
Preferred dividends	(675,000)	(675,000)	(365,000)
Net cash provided by financing activities	46,988,000	23,169,000	31,634,000
Net decrease in cash	(174,000)	(348,000)	(1,011,000)
Cash at beginning of year	331,000	679,000	1,690,000
Cash at end of year	$ 157,000	$ 331,000	$ 679,000

</TABLE>

The accompanying notes are an integral part of these statements.

SCHEDULE III - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
SMITHFIELD FOODS, INC.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS
APRIL 30, 1995 AND MAY 1, 1994

1. The Notes to Parent Company Financial Statements should be read in conjunction with the Notes to Registrant's Annual Report to Stockholders for the years then ended.

2. Restricted assets of Registrant:

Existing loan covenants contain provisions which substantially limit the amount of funds available for transfer from the subsidiaries to Smithfield Foods, Inc. without the consent of certain lenders.

3. Accrued expenses as of April 30, 1995 and May 1, 1994 are as follows:

	1995	1994
Self-insurance reserves	$10,718,000	$10,489,000
Payroll and related benefits	4,489,000	2,056,000
Professional fees	374,000	438,000
Other	1,352,000	2,088,000
	$16,933,000	$15,071,000

4. Long-Term Debt:

As of April 30, 1995, the Registrant is guaranteeing $87,532,000 of long-term debt and capital lease obligations of its subsidiaries and lines of credit aggregating $120,000,000 (of which $67,195,000 is outstanding) which the Registrant and its subsidiaries have with banks.

Scheduled maturities of the Registrant's long-term debt consists of the following:

FISCAL YEAR	
1996	$ 2,420,000
1997	3,304,000
1998	50,586,000
1999	14,250,000
	$70,560,000

5. The amount of dividends received from subsidiaries in fiscal 1995 and 1994 was $17,626,000 and $12,000,000, respectively. No dividends were received in fiscal 1993.

6. Income Taxes:

During fiscal 1993, the Registrant adopted SFAS No. 109, "Accounting for Income Taxes," which requires the use of the liability method in accounting for income taxes. The cumulative effect of adopting this change totaled $1,138,000 and has been reflected in the statements of operations.

7. Supplemental disclosures of cash flow information:
<TABLE>
<CAPTION>

Cash paid during year for:	1995	1994	1993
<S>	<C>	<C>	<C>
Interest	$ 2,403,000	$ 1,007,000	$ 306,000
Income taxes	$16,254,000	$ 5,574,000	$ 5,018,000

</TABLE>

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SMITHFIELD FOODS, INC.

____

CREDIT AGREEMENT

Dated as of August 19, 1994

____

NATIONSBANK OF VIRGINIA, N. A.

CREDIT AGREEMENT dated as of August 19, 1994, between SMITHFIELD FOODS, INC. a Delaware corporation (the "Company"), and NATIONSBANK OF VIRGINIA, N.A. (the "Bank").

RECITALS

The Bank has agreed to make a loan of $50,000,000.00 to the Company pursuant to the terms hereof.

AGREEMENT

The parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS

1.1. Defined Terms. As used in this Agreement, the following terms have the following meanings:

"Affiliate": as to the Company, (a) any Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, the Company, or (b) any Person who is a director, officer or employee (i) of the Company, (ii) of any Subsidiary of the Company or (iii) of any Person described in the preceding clause (a). For purposes of this definition, control of a Person shall mean (A) the power, direct or indirect, (i) to vote 15% or more of the securities having ordinary voting power for the election of directors of such Person or (ii) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise, of (B) the ownership, direct or indirect, of 15% or more of any class of common stock of such Person.

"Agreement": this Credit Agreement, as amended, supplemented or otherwise modified from time to time.

"Applicable Margin": (i) 0% for the period commencing on the date hereof through February 19, 1996, (ii) 0.25% for the period commencing on February 20, 1996 through August 18, 1996, (iii) 0.50% for the period commencing on August 19, 1996 through February 19, 1997 and (iv) 0.75% for the period commencing on February 20, 1997 through July 31, 1997.

"Business Day": a day other than a Saturday, Sunday or other day on which commercial banks in Richmond, Virginia are authorized or required by law to close.

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Commonly Controlled Entity": an entity, whether or not incorporated, which is under common control with the Company within the meaning of Section 414(c) of the Code.

"Consolidated Capitalization": Consolidated Funded Debt plus Consolidated Tangible Net Worth.

"Consolidated Capitalized Lease Obligations": as of the date of any determination thereof, the consolidated obligations of any Person, contingent or otherwise, under any agreements for the lease, hire or use of real or personal property which agreements have been, or under GAAP are required to be, capitalized whether or not such obligations are shown as liabilities or commitments on the balance sheet of such Person.

"Consolidated Current Assets": of a Person, at a particular date, all amounts which would, in conformity with GAAP, be included under consolidated current assets on a balance sheet of such Person as at such date, provided that there shall be excluded therefrom (a) all prepared expenses of every type and nature, (b) any receivables that arise outside the ordinary course of business, and (c) all amounts due from officers, stockholders, employees and affiliates.

"Consolidated Current Liabilities": of a Person, at a particular date, the sum of all amounts which would, in conformity with GAAP, be included under consolidated current liabilities on a balance sheet of such Person as at such date.

"Consolidated Funded Debt": any Indebtedness of the Company and its consolidated Subsidiaries for borrowed money which has an original maturity in excess of one year (excluding (a) Consolidated Funded Debt constituting a guaranty of the funded debt of Smithfield-Carroll's Farms if the tangible net worth of Smithfield-Carroll's Farms at such time is greater than zero and (b) the obligations set forth in the Production Sales Agreements, as defined in the Note Purchase Agreement).

"Consolidated EBIT": for any period, the sum of (i) Consolidated Net Income plus (ii) (to the extent deducted in determining Consolidated Net Income for such period) (a) all provisions for federal, state or other taxes based on the income of the Company and its consolidated Subsidiaries plus (b) depreciation and amortization expense of the Company and its consolidated Subsidiaries during such period plus (c) Consolidated Interest Expense for such period.

"Consolidated Interest Expense": for any period, the consolidated interest expense of the Company for such period, including, without limitation, the portion of any Consolidated Capitalized Lease Obligation allocable to interest expense in accordance with GAAP.

"Consolidated Net Income": of a Person, for a particular period, the net income of such Person, all as determined in accordance with GAAP for such period.

"Consolidated Tangible Net Worth": at a particular date, all amounts which would, in conformity with GAAP, be included under shareholders' equity on a balance sheet of the Company at such date; provided, however, such amounts are to be net of amounts carried on the books of the Company for (a) any write-up in the book value of any assets of the Company resulting from a revaluation thereof, (b) treasury stock, (c) unamortized debt discount and expense, (d) any cost of investments in excess of net assets acquired at any time of acquisition by the Company, (e) patents, patent applications, copyrights, trademarks, trade names, and other like intangibles and (f) goodwill, experimental or organizational expenses and other like intangibles.

"Contingent Obligation": as to any Person, any obligation of such Person guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (b) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (d) otherwise to assure or hold harmless the owner of such primary obligation against loss in respect thereof; provided, however, that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business.

"Contractual Obligation": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its property is bound.

"Default": any of the events specified in Section 7, whether or not any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Equipment": the meaning assigned thereto in the Security Agreement.

"ERISA": The Employee Retirement Income Security Act of 1974, as amended from time to time.

"Event of Default": any of the events specified in Section 7, provided that any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Facility": the Guarantor's production facility in Bladen County, North Carolina.

"GAAP": Generally Accepted Accounting Principles in the United States of America in effect from time to time.

"Governmental Authority": any nation or government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled (through stock or capital ownership or otherwise) by any of the foregoing.

"Guarantee": the Guarantee executed and delivered by the Guarantor in favor of the Bank pursuant hereto, substantially in the form of Exhibit B hereto, as the same may be amended, supplemented or otherwise modified from time to time.

"Guarantor": Smithfield Packing Company, Incorporated, a Virginia corporation and a wholly owned Subsidiary of the Company.

"Indebtedness": as to any Person, at a particular time, (a) all indebtedness for borrowed money or for the deferred purchase price of property or services in respect of which such Person is liable, contingently or otherwise, as obligor, guarantor or otherwise, or in respect of which such Person otherwise assures a creditor against loss, including, without limitation, accounts payable, accrued expenses and other current liabilities, and inter-company accounts, (b) all liabilities secured by any Lien on any property owned by such Person even though such Person has not assumed or otherwise become liable for the payment thereof, and (c) Capitalized Lease Obligations of such Person.

"Lien": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction).

"Mortgage": the reference to the Deed of Trust and Security Agreement, to be executed and delivered by the Guarantor in favor of the Bank, in respect of certain of the real property owned by the Guarantor in Bladen County, North Carolina substantially in the form of Exhibit D hereto, as it may be amended, supplemented or otherwise modified from time to time.

"Multiemployer Plan": a Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Note": the Term Note described in subsection 2.2.

"Note Purchase Agreement": shall mean collectively the Note Purchase Agreements dated as of January 15, 1993, copies of which have been delivered to the Bank, entered into between the Guarantor and the various purchasers who are parties thereto, pursuant to which the Guarantor issued $25,000,000 of its 8.41% Senior Secured Notes due February 1, 2013, as amended by Amendment Agreement dated as of June 15, 1993 but not as further amended.

"PBGC": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA.

"Person": an individual, a partnership, a corporation, a business trust, a joint stock company, a trust, an unincorporated association, a joint venture, a Governmental Authority or any other entity of whatever nature.

"Plan": any plan of a type described in Section 4021(a) of ERISA in respect of which the Company or a Commonly Controlled Entity is an "employer" as defined in Section 3(5) of ERISA.

"Prime Rate" means the rate of interest publicly announced by the Bank in Charlotte, North Carolina from time to time as its "prime rate", which shall not necessarily be the best or lowest rate of interest offered by the Bank.

"Reportable Event": any of the events set forth in Section 4043(b) of ERISA or the regulations thereunder.

"Requirement of Law": as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person, and any law, treasury rule or regulation, or determination of an arbitrator or a court or other Government Authority, in each case applicable to or binding upon such Person or any of its properties or to which such Person or any of its property is subject.

"Responsible Officer": the Chairman, the President or any Vice President of the Company or, with respect to financial matters, the chief financial officer of such Company or the chief accounting officer of the Company or such other person designated by the Bank and the Company, in writing.

"Security Agreement": the Security Agreement to be executed and delivered by the Company in favor of the Bank, substantially in the form of Exhibit C hereto, as the same may be amended, supplemented or otherwise modified from time to time.

"Security Documents": the collective reference to the Security

Agreement, the Mortgage, and all additional deeds of trust, security agreements and pledge agreements as may from time to time be delivered by the Company or the Guarantor to the Bank pursuant hereto; individually, a "Security Document".

"Subsidiary": as to any Person, a corporation of which shares of stock having ordinary voting power (other than stock having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation are at the time owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person.

"Withdrawal Liability": at a particular date, the aggregate liability of the Company or any Commonly Controlled Entity (regardless of the date of payment) to any Multiemployer Plans pursuant to (S)4201 of ERISA if, on such date, the Company or any Commonly Controlled Entity were to withdraw from such Plans.

1.2. Other Definitional Provisions.

(a) All terms defined in this Agreement shall have the defined meanings when used in the Note, the Security Documents and the Guarantee and in any certificate or other document made or delivered pursuant hereto or thereto, unless otherwise defined therein.

(b) As used herein and in the Note, and any certificate or other document made or delivered pursuant hereto, accounting terms relating to the Company not defined in subsection 1.1, and accounting terms partly defined in subsection 1.1 to the extent not defined, shall have the respective meanings given to them under GAAP.

SECTION 2. THE LOAN

2.1. Loan. Subject to the terms and conditions hereof, the Bank agrees to make a loan to the Company in an amount not to exceed FIFTY MILLION DOLLARS ($50,000,000.00), the proceeds of which must be drawn by the Company by October 31, 1994.

2.2. Note. The term loan made by the Bank pursuant hereto shall be evidenced by the term note of the Company, substantially in the form of Exhibit A hereto with appropriate insertions (the "Note"), payable to the order of the Bank, representing the obligation of the Company to pay the term loan with interest thereon as described in this subsection 2.2.

(a) Interest Rate. The Note shall bear interest from the date thereof on the unpaid principal amount thereof until such amount shall become due and payable (whether at the stated maturity, by acceleration or otherwise) at a rate per annum equal to the Prime Rate plus the Applicable Margin, and thereafter at a rate per annum equal to the Prime Rate plus three percent (3%), until paid in full (both before and after judgment).

(b) Late Charge. In the event the Company fails to pay any installment of principal and/or interest or otherwise fails to repay the Note within ten (10) days of its due date, the Company will pay the Bank on demand a late charge of 5% of the overdue payment.

(c) Payment of Principal and Interest. Interest accrued on the Note shall be payable quarterly on the first day of each calendar quarter commencing on October 1, 1994, and upon payment (including prepayment) in full thereof. Principal on the Note shall be payable on July 31, 1997.

(d) Security. The Note shall be secured by the Security Documents.

2.3. Prepayments.

(a) Voluntary Prepayments. The principal of the Note may be prepaid in full or in part at any time provided that any partial prepayments shall be in increments of $10,000.

(b) Mandatory Prepayment. The Company shall prepay the Note with the proceeds of any Indebtedness incurred by the Company subsequent to the date hereof (other than any indebtedness permitted hereunder or under the Guarantee). Such prepayments shall be made simultaneously with the receipt by the Company of such proceeds.

2.4. Computation of Interest and Fees. Interest and fees shall be calculated on the basis of a 360-day year for the actual days elapsed. Any change in the interest rate on the Note resulting from a change in the NationsBank Rate shall become effective as of the opening of the business on the date on which such change in the NationsBank Rate shall become effective.

2.5. Payments. Each payment by the Company on account of principal, interest and fees with respect to the term loan shall be made to the Bank. All payments (including prepayments) by the Company on account of principal, interest and fees shall be made without set-off or counterclaim to the Bank at the office of the Bank in lawful money of the United States of America and in immediately available funds. If any payment hereunder or on the Note becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal or interest thereon shall be payable at the then applicable rate during such extension. The Company hereby authorizes and directs the Bank to charge any account of the Company maintained at any office of the Bank with the amount of any principal, interest or fee when the same becomes due and payable under the terms hereof or of the Note.

2.6. Use of Proceeds. The proceeds of the loan made hereunder shall be used by the Company to fund the expansion of the Facility and for other general corporate purposes.

2.7 Facility Fee. The Company shall pay the Bank a facility fee on October 31, 1994 in an amount equal to the greater of (i) $20,000.00 or (ii) an amount equal to .20% per annum on the daily average unused amount of the loan proceeds available hereunder for the period commencing on the date hereof through October 31, 1994.

2.8 Origination Fee. The Company shall pay the Bank an origination fee of $200,000.00 on the date hereof.

SECTION 3. REPRESENTATIONS AND WARRANTIES

In order to induce the Bank to enter into this Agreement and to make the loan herein provided for, the Company hereby covenants, represents and warrants to the Bank that:

3.1. Corporate Existence; Compliance with Law. The Company (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, (b) has the corporate power and authority to own and operate its property, to lease the property it operates and to conduct the business in which it is currently engaged, (c) is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business required such qualification, and (d) is in compliance with all Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, have a material adverse effect on the business, operations, property or financial or other condition of the Company and could not materially adversely affect the ability of the Company to perform its obligations under the Agreement, the Note and the Security Documents and to effectuate the transactions contemplated hereby and thereby.

3.2. Corporate Power; Authorization; Enforceable Obligations. The Company and the Guarantor, as the case may be, have the corporate power and authority to make, deliver and perform this Agreement, the Note and the

Security Documents, to borrow hereunder and to effectuate the transactions contemplated hereby and have taken all necessary corporate action to authorize the borrowings on the terms and conditions of this Agreement and the Note, to grant the mortgage liens and security interests pursuant to the Security Documents and to authorize the execution, delivery and performance of this Agreement, the Note and the Security Documents. No consent or authorization of, filing with, or other act by or in respect of any Person or any Governmental Authority, is required or advisable in connection with the borrowings hereunder or with the execution, delivery, performance, validity or enforceability of this Agreement, the Note and the Security Documents. This Agreement has been, and the Note and Security Document will be, duly executed and delivered on behalf of the Company and the Guarantor, as the case may be, and this Agreement constitutes, and the Note and each Security Document when executed and delivered will constitute, a legal, valid and binding obligation of the Company or the Guarantor, as the case may be, enforceable against the Company or the Guarantor, as the case may be, in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally.

3.3. No Legal Bar. The execution, delivery and performance of this Agreement, the Note and the Security Documents and the borrowings hereunder, the use of the proceeds thereof and the granting of the mortgage liens and security interests pursuant to the Security Documents will not violate any Requirement of Law or any Contractual Obligation of the Company, and will not result in, or require, the creation or imposition of any lien on any of its properties or revenues pursuant to any Requirement of Law or Contractual Obligation except as permitted in subsection 6.2 hereof.

3.4. No Material Litigation. No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Company, threatened by or against the Company or against any of its properties or revenues (a) with respect to this Agreement, the Note, the Guarantee, any of the Security Documents or any of the transactions contemplated hereby or thereby, or (b) which could have a material adverse effect on the business, operations, property or financial or other condition of the Company.

3.5. No Default. The Company is not in default under or with respect to any Contractual Obligation in any respect which could be materially adverse to the business, operations, property or financial or other condition of the Company, or which could materially adversely affect the ability of the Company to perform its obligations under this Agreement, the Note or any of the Security Documents. No Default or Event of Default has occurred and is continuing.

3.6. Ownership of Property; Liens. The Company has good record and marketable title in fee simple to all its real property, and good title to all its other property, and none of such property is subject to any Lien, except as permitted in subsection 6.2 hereof.

3.7. No Burdensome Restrictions. No Contractual Obligation of the Company and no Requirement of Law materially adversely affects, or insofar as the Company may reasonably foresee may so affect, the business, operations, property or financial or other condition of the Company.

3.8. Taxes. The Company has filed or caused to be filed all tax returns which to the knowledge of the Company are required to be filed, and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its property and all other taxes, fees or other charges imposed on it or any of its property by any Governmental Authority; and no tax liens have been filed and, to the knowledge of the Company, no claims are being asserted with respect to any such taxes, fees or other charges.

3.9. Federal Regulations. The Company is not engaged and will not engage, principally or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect. No part of the proceeds of any loans hereunder will be used for "purchasing" or "carrying" "margin stock" as so defined or for any purpose which violates, or which would be inconsistent with, the provisions of the Regulations of such Board of Governors.

3.10. ERISA. No prohibited transaction or accumulated funding deficiency (each as defined in Section 7) or Reportable Event has occurred with respect to any Plan except those reported to the Bank prior to the execution hereof. The present value of all benefits vested under all Plans except Multiemployer Plans does not exceed the value of the assets of such Plans allocable to such vested benefits. None of the Plans is a Multiemployer Plan.

3.11. Investment Company Act. The Company is not an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

3.12. Patents, Copyrights, Permits, Licenses, Trademarks and Leases. Either the Company or an Affiliate of the Company owns all of the patents, trademarks, permits, service marks, trade names, copyrights and licenses, or rights with respect to the foregoing, and shall have obtained assignments of all material leases and other rights of whatever nature, necessary for the present conduct of the Company's business, without any known conflict with the rights of others which might result in a material adverse effect on the business, operations, property or financial or other condition of the Company.

3.13. The Security Documents.

(a) Upon the due execution and delivery thereof pursuant to this Agreement, the provisions of the Security Agreement will be effective to create in favor of the Bank, a legal, valid and enforceable security interest in all right, title and interest of the Guarantor in the collateral described therein, which collateral constitutes all of the Equipment owned by the Guarantor and located at the Facility. When Uniform Commercial Code financing statements have been filed in the offices in the jurisdictions listed in Schedule 1 hereto under the names set forth in such Schedule, the Security Agreement shall constitute a fully perfected third security interest in all right, title and interest of the Guarantor in such collateral (except that the Security Agreement creates a fourth security interest in the back-up power plant located at the Facility) superior in right to any Liens, which the Company or any third Person may have against such collateral or interest therein, except as permitted by Section 6.2, hereof or by Section 10(b) of the Guarantee.

(b) Upon the due execution and delivery thereof pursuant to this Agreement, the Mortgage will be effective to grant to the Bank a legal, valid and enforceable Lien on all the property described therein, which property includes all of the real property owned by the Guarantor in Bladen County, North Carolina. When the Mortgage is duly recorded in the office of the Register of Deeds of Bladen County, North Carolina and the recording fees and taxes in respect thereof are paid, the Mortgage shall constitute a fully perfected fourth Lien on the back-up power plant if the back-up power plant is a fixture and a third Lien on the balance of the mortgaged property, subject to the encumbrances and exceptions to title approved by the Bank, and subordinate only to Liens permitted hereby; and when financing statements have been filed in the offices listed on Schedule 1 hereto under the names set forth in such Schedule, the Mortgage shall also create a legal, valid and enforceable fully perfected third or fourth security interest in all personal property which is the subject of the Mortgage, subject to the encumbrances and exceptions to title approved by the Bank, and subordinate only to Liens permitted hereby. All such interests of the Bank shall, except as noted above, be superior in right to any Lien, existing or future, which the Company or any third Person may have against the mortgaged property or interests therein, other than as may be expressly permitted in the Mortgage or by Section 6.2 hereof or by Section 10(b) of the Guarantee.

SECTION 4. CONDITIONS PRECEDENT

The obligation of the Bank to make the loan hereunder is subject to the satisfaction of the following conditions precedent:

4.1. Note. The Bank shall have received the Note conforming to the requirements hereof, duly executed and delivered by a duly authorized officer of the Company.

4.2. Legal Opinion of Counsel. The Bank shall have received an executed legal opinion of Ward and Smith, counsel to the Company, addressed to the Bank, substantially in the form of Exhibit E hereto and covering such other matters incidental to the transactions contemplated hereby as the Bank may reasonably require and satisfactory in form and substance to the Bank.

4.3. Corporate Proceedings. The Bank shall have received a copy of the resolutions (in form and substance satisfactory to the Bank) of the Board of Directors of the Company authorizing (i) the execution, delivery and performance of this Agreement, (ii) the consummation of the transactions contemplated hereby, (iii) the borrowings herein provided for and the granting of the mortgage Liens and security interest pursuant to the Security Documents, and (iv) the execution, delivery and performance of the Note, the Security Documents and the other documents provided for in this Agreement, certified by the Secretary or the Assistant Secretary of the Company. Such certificate shall state that the resolutions set forth therein have not been amended, modified, revoked or rescinded as of the date of such certificate. The Bank shall have also received copies of such other corporate documents of the Company as it may request.

4.4. Incumbency Certificate of Company. The Bank shall have received a certificate of the Secretary or an Assistant Secretary of the Company, as to the incumbency and signature of the officers of the Company executing this Agreement, the Note and any certificate or other document to be delivered pursuant hereto or thereto, together with evidence of the incumbency of such Secretary or Assistant Secretary.

4.5. Corporate Proceedings of Guarantor. The Bank shall have received a copy of the resolutions (in form and substance satisfactory to the Bank) of the Board of Directors of the Guarantor authorizing (i) the execution, delivery and performance of the Guaranty, the Security Agreement and the Mortgage, (ii) the consummation of the transactions contemplated hereby and thereby, and (iii) the granting of the mortgage Liens and security interests pursuant to the Security Documents, certified by the Secretary or the Assistant Secretary of the Guarantor. Such certificate shall state that the resolutions set forth therein have not been amended, modified, revoked or rescinded as of the date of such certificate. The Bank shall have also received certified copies of the certificate of incorporation and bylaws of the Guarantor and evidence that the Guarantor is qualified to do business in North Carolina.

4.6. Incumbency Certificate of Guarantor. The Bank shall have received a certificate of the Secretary or an Assistant Secretary of the Guarantor, as to the incumbency and signature of the officers of the Guarantor executing the Guarantee, the Security Documents and any certificate or other document to be delivered pursuant hereto or thereto, together with evidence of the incumbency of such Secretary or Assistant Secretary.

4.7. Guarantee. The Bank shall have received the Guarantee, duly executed and delivered by the Guarantor and dated the date hereof.

4.8. No Proceedings or Litigation. No action, suit or proceeding before any arbitrator or any Governmental Authority shall have been commenced, no investigation by any Governmental Authority shall have been threatened, against the Company or the Guarantor or any of the officers or directors of the Company seeking to restrain, prevent or change the transactions contemplated by this Agreement in whole or in part or questioning the validity or legality of the transactions contemplated by this Agreement or seeking damages in connection with such transactions.

4.9. Security Agreement. The Bank shall have received the Security Agreement, duly executed and delivered by a duly authorized Responsible Officer of the Guarantor.

4.10. Mortgage. The Bank shall have received the Mortgage, executed and delivered by a duly authorized Responsible Officer of the Guarantor and duly acknowledged.

4.11. Filings, Registrations and Recordings. Any documents (including, without limitation, Uniform Commercial Code financing statements) required to be filed, registered or recorded in order to create, in favor of the Bank, a perfected second Lien on the collateral described in the Security Documents shall have been properly filed, registered or recorded in each office in each jurisdiction in which such filings, registrations and recordations are required; the Bank shall have received acknowledgment copies of all such filings, registrations and recordations stamped by the appropriate filing, registration or recording officer (or, in lieu thereof, other evidence satisfactory to the Bank that all such filings, registrations and recordations have been made); and the Bank shall have received evidence that all necessary filing, subscription and inscription fees and all recording and other similar fees, and all taxes and other expenses related to such filings, registrations and recordings have been paid in full by or on behalf of the Company.

4.12. Survey. The Bank shall have received a survey of the real property conveyed by the Mortgage, in form and substance satisfactory to the Bank.

4.13. Title Insurance Policies. The Bank shall have received for the Mortgage a mortgagee's title policy or marked up unconditional binder for such insurance and any endorsements reflecting amendments to the Mortgage deemed necessary by the Bank. The policies shall (i) be in amounts reasonably satisfactory to the Bank; (ii) be issued at ordinary rates; (iii) insure that the Mortgage insured thereby creates a valid third Lien on the real property covered by such Mortgage free and clear of all defects and encumbrances except encumbrances approved by the Bank; (iv) name the Bank, as the insured thereunder; (v) be in the form of an ALTA Loan Policy acceptable to the Bank; and (vi) contain such other endorsements and affirmative coverage as the Bank may request. The Bank shall also have received evidence satisfactory to it that all premiums in respect of such policies have been paid by or on behalf of the Company.

4.14. Copies of Documents. The Bank shall have received certified copies of all recorded documents referred to, or listed as exceptions to title in, the title policy referred to in paragraph (m) above and copies, certified by such parties as the Bank may deem appropriate, of all other documents affecting the properties covered by the Mortgage.

4.15. Insurance. The Bank shall have received evidence satisfactory to it that the Company or other appropriate party has obtained the policies of insurance required by the Security Documents and subsection 5.5 of this Agreement.

4.16. Environmental Compliance. The Bank shall have received a recent Phase I environmental audit with respect to the Facility and such additional evidence as it may require that the Facility is in compliance with all applicable environmental laws and laws relating to hazardous materials.

4.17. Consents, Licenses, Approvals, etc. The Bank shall have received certified true copies of all consents, licenses and approvals required or advisable in connection with the execution, delivery, performance, validity and enforceability of this Agreement, the Note, the Guarantee and the Security Documents, and such consents, licenses and approvals shall be in full force and effect and be satisfactory in form and substance to the Bank.

4.18. Facility Compliance. The Bank shall have received such evidence as it may request satisfactory in form and substance to the Bank that the Facility and the land conveyed by the Mortgage are in compliance with all Requirements of Law, including, without limitation, evidence that the land conveyed by the Mortgage is a separate tax parcel and is in compliance with zoning and subdivision ordinances, evidence that necessary utilities are available at the Facility, and a letter from an architect or engineer stating that all permits required for the construction of the Facility have been obtained.

4.19. Lien Searches. The Bank shall have received the results of searches for Uniform Commercial Code financing statements, judgments and tax Liens conducted in the jurisdictions listed on Schedule 1 hereto.

4.20. Facilities for Handicapped. The Bank shall have received and approved evidence satisfactory to the Bank that the Facility when completed will comply with all Requirements of Law regarding access or facilities for handicapped or disabled persons, including, without limitation and to the extent applicable, The Federal Architectural Barriers Act (42 U.S.C. (S)4151 et seq.), The Fair Housing Amendments Act of 1988 (42 U.S.C. (S)3601 et seq.), The Americans with Disabilities Act of 1990 (42 U.S.C. (S)12101 et seq.), The Rehabilitation Act of 1973 (29 U.S.C. (S)794) and any applicable state statutes relating to access and facilities for handicapped or disabled persons.

4.21. Evidence of Cost. The Company shall have delivered to the Bank evidence, satisfactory in form and substance to the Bank, that (i) the costs of expanding the Facility which have been actually paid by the Company or the Guarantor plus (ii) the costs of Equipment incurred in connection with such expansion which have been actually paid by the Company or the Guarantor equal or exceed $23,402,069.25.

4.22. No Default or Event of Default. No Default or Event of Default shall have occurred and be continuing hereunder or after giving effect to the making of the loans hereunder.

4.23. Additional Information. The Bank shall have received, such additional information and materials which it shall have reasonably requested, including, without limitation, copies of any debt agreements, security agreements and other material contracts.

4.24. Additional Matters. All corporate and other proceedings and all other documents and legal matters in connection with the transactions contemplated by this Agreement, the Guarantee, the Note, and the Security Documents shall be reasonably satisfactory in form and substance to the Bank and its counsel.

SECTION 5. AFFIRMATIVE COVENANTS

The Company hereby agrees that, so long as the Note remains outstanding and unpaid or any other amount is owing to the Bank hereunder, the Company shall:

5.1. Financial Statements and Reports. Furnish to the Bank:

(a) as soon as available, but in any event within 120 days after the end of the fiscal year of the Company, a copy of the consolidated and consolidating balance sheet of the Company as at the end of such year and the related consolidated and consolidating statements of income and retained earnings and paid-in capital and cash flows for such year, setting forth in each case in comparative form the figures for the previous year, certified (except for consolidating statements) without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by an independent certified public accountant acceptable to the Bank and certified by a Responsible Officer;

(b) as soon as available, but in any event not later than 45 days after the end of each accounting quarter of the Company, the unaudited consolidated and consolidating balance sheet of the Company as at the end of each such quarter and the related unaudited consolidated and consolidating statements of income and retained earnings and paid-in capital and cash flows of the Company for such quarterly period and the portion of the fiscal year through such date, setting forth in each case in comparative form the figures for the previous comparable period, certified by a Responsible Officer (subject to normal year-end adjustments);

All such financial statements to be complete and correct in all material respects and be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods.

5.2. Certificates; Other Information. Furnish to the Bank (or in the case of 5.2(c) below, cause the Guarantor to furnish to the Bank:

(a) concurrently with the delivery of the financial statements referred to in subsection 5.1(a) above, a certificate of the independent certified public accountants certifying such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default, except as specified in such certificate;

(b) concurrently with the delivery of the financial statements referred to in subsections 5.1(a) and (b) above, a certificate of a Responsible Officer of the Company stating that, to the best of such officer's knowledge, the Company during such period has observed or performed all of its covenants and other agreements, and satisfied every condition, contained in this Agreement, the Note and the Security Documents to be observed, performed or satisfied by it, and that such officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate and further illustrating the calculation of the matters covered by Sections 6.1, 6.6, 6.7, 6.8 and 6.9.

(c) promptly, such additional financial and other information as the Bank may from time to time reasonably request (including verifications of the use of the proceeds of the loan made hereunder).

5.3. Payment of Obligations. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its Indebtedness and other obligations of whatever nature, except, in the case of such other obligations, when the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the Company.

5.4. Conduct of Business and Maintenance of Existence. Engage in business of the same general type as now conducted, and preserve, renew and keep in full force and effect its corporate existence and take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business; comply with all Contractual Obligations and Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, have a material adverse effect on the business, operations, property or financial or other condition of the Company.

5.5. Maintenance of Property, Insurance. Keep all property useful and necessary in its business in good working order and condition, normal wear and tear excepted; maintain with financially sound and reputable insurance companies insurance on all its property in at least such amounts and against at least such risks as are usually insured against in the same general area by companies engaged in the same or a similar business, designating the Bank as loss payee, provided that, in any event, the Company shall maintain insurance at all times on its tangible personal property and real property in an amount equal to the replacement cost of such property at such time; and furnish to the Bank, upon written request, full information as to the insurance carried.

5.6. Inspection of Property; Books and Records; Discussions. Keep proper books of record and account in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities; and permit representatives of the Bank to visit and inspect any of its properties and examine and make abstracts from any of its books and records at any reasonable time and as often as may reasonably be desired, and to discuss the business, operations, properties and financial and other condition of the Company with officers and employees of the Company and with its independent certified public accountants.

5.7. Notices. Promptly give notice to the Bank:

(a) of the occurrence of any Default or Event of Default;

(b) of any (i) default or event of default under any Contractual Obligation of the Company or (ii) litigation, investigation or proceeding which may exist at any time between the Company and any Governmental Authority, which in either case could have a material adverse effect on the business, operations, property or financial or other condition of the Company;

(c) of any litigation or proceeding affecting the Company in which the amount involved is $100,000 or more and not fully covered by insurance or in which injunctive or similar relief is sought and of any material adverse development in such litigation or proceeding;

(d) of the following events, as soon as possible and in any event within 30 days after the Company knows or has reason to know thereof: (i) the occurrence or expected occurrence of any Reportable Event with respect to any Plan, or (ii) the institution of proceedings or the taking or expected taking of any other action by PBGC or the Company or any Plan, and in addition to such notice, deliver to the Bank whichever of the following may be applicable: (A) a certificate of the chief financial officer of the Company setting forth details as to such Reportable Event and the action that the Company or Commonly Controlled Entity proposes to take with respect thereto, together with a copy of any notice of such Reportable Event that may be required to be filed with PBGC, or (B) any notice delivered by PBGC evidencing its intent to institute such proceedings or any notice to PBGC that such Plan is to be terminated, as the case may be; and

(e) of a material adverse change in the business, operations, property or financial or other condition of the Company.

Each notice pursuant to this subsection shall be accompanied by a statement of the chief executive officer or chief financial officer of the Company setting forth details of the occurrence referred to therein and stating what action the Company proposes to take with respect thereto. For all purposes of clause (d) of this subsection, the Company shall be deemed to have knowledge of all facts attributable to the administrator of such Plan.

instruments, and perform such other acts, as the Bank may determine are necessary or advisable to maintain the third or fourth priority, as the case may be, of the Liens of the Security Documents in all property subject thereto.

SECTION 6. NEGATIVE COVENANTS

The Company hereby agrees that, so long as the Note remains outstanding and unpaid or any other amount is owing to the Bank hereunder, the Company shall not, directly or indirectly without the Bank's consent:

6.1. Consolidated Funded Debt. Create, incur, assume or suffer to exist any Consolidated Funded Debt not in existence on the date of this Agreement and reflected on the financial statements of the Company previously delivered to the Bank unless after giving effect thereto, Consolidated Funded Debt does not exceed the percentage of Consolidated Capitalization at such time as set forth in the following table:

If such time is	Percentage of Consolidated Capitalization at such time
Before April 30, 1995	55%
On or After April 30, 1995	50%

6.2. Limitation on Liens. Create, incur, assume or suffer to exist, any Lien on any of its assets or the assets of its Subsidiaries, except as permitted in the Note Purchase Agreement.

6.3. Limitation on Contingent Obligations. Agree to, or assume, guarantee, endorse or otherwise in any way, be or become responsible or liable for, directly or indirectly, any Contingent Obligation, except those incurred in the ordinary course of business or those in existence on the date of this Agreement and reflected on the financial statements of the Company previously delivered to the Bank.

6.4. Prohibition of Fundamental Changes. Except as permitted by the Note Purchase Agreement, enter into any transaction of merger or consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, all or any part of its business or assets or stock in a Subsidiary, whether now owned or hereafter acquired (including, without limitation, receivables and leasehold interests but excluding obsolete or worn out property, or inventory disposed of in the ordinary course of business), or acquire by purchase or otherwise all or substantially all the business or assets of, or stock or other evidence of beneficial ownership of, any Person, or make any material change in its present method of conducting business.

6.5. Dividends. Except as permitted by the Note Purchase Agreement, declare any dividends on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, retirement or other acquisition of any shares of any class of stock of the Company, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of the Company.

6.6. Maintenance of Working Capital. At any time permit the excess of Consolidated Current Assets of the Company over Consolidated Current Liabilities of the Company to be less than the amount applicable at such time set forth in the following table:

If such time is	Amount Applicable at such time
After May 1, 1994 and on or before April 30, 1995	$ 55,000,000
After April 30, 1995	$ 60,000,000

of the Company over Consolidated Current Liabilities of the Company to be less than 1.25 to 1.0.

6.8. Consolidated Tangible Net Worth. Permit the Consolidated Tangible Net Worth of the Company to be less than $150,000,000.00.

6.9. Charge Coverage Ratio. Permit the ratio of (i) Consolidated EBIT plus Consolidated Lease Expense to (ii) Consolidated Interest Expense plus Consolidated Lease Expense to be less than 1.50 to 1.00, tested on the last day of each calendar quarter by calculating the average of the eight most recent quarterly periods.

6.10. Transactions with Affiliates and Officers. Enter into any transactions, including, without limitation, the purchase, sale or exchange of property or the rendering of any services, with any Affiliate, or enter, assume or suffer to exist any employment or consulting contract with any Affiliate or any officer thereof, except a transaction or contract which is in the ordinary course of the Company's business and which is upon fair and reasonable terms no less favorable to the Company than it would obtain in a comparable arm's length transaction with a Person not an Affiliate.

6.11. Compliance with ERISA. (a) Terminate any Plan so as to result in any material liability to PBGC or any material Withdrawal Liability, (b) engage in or permit any Person to engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan which would subject the Company to any material tax, penalty or other liability, (c) incur or suffer to exist any material "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, involving any Plan, or (d) allow or permit to exist any event or condition which presents a material risk of incurring a material liability to PBGC.

6.12. Management. Permit any change in senior management of the Company.

6.13. Trademark Subsidiaries.

(a) Basic Provisions. Except as set forth on Annex 1 hereto and as otherwise permitted under Section 6.13(b) hereof, the Company will not, and will not permit any Subsidiaries other than SF Investments, Inc. to, own any patents, trademarks, service marks, trade names, copyrights and other similar licenses and intangibles used or useful in the conduct of the business of the Company or any of its Subsidiaries. The Company will at all times directly or indirectly own one hundred percent (100%) of the capital stock of SF Investments, Inc. and at least eighty percent (80%) of the common stock and one hundred percent (100%) of the Preferred Stock of Patcud Investments, Inc. outstanding at such time.

(b) No Sale or Merger. The Company will not permit SF Investments, Inc. or Patcud Investments, Inc. to merge with or into, consolidate with, or sell, lease, transfer or otherwise dispose of all or substantially all of its property to, any other Person or permit any other Person to merge with or into or consolidate with it (except Patcud Investments, Inc. may merge into, or sell, lease, transfer or otherwise dispose of all or substantially all of its assets to, SF Investments, Inc.). The Company will not permit SF Investments, Inc. or Patcud Investments, Inc. to sell, lease as lessor, transfer or otherwise dispose of any patents, trademarks, service marks, trade names, copyrights and licenses (except Patcud Investments, Inc. may sell such assets to SF Investments, Inc.); provided that the foregoing restrictions will not apply to sales, leases, transfers or other dispositions of each such patent, trademark, service mark, trade name, copyright and license to the Subsidiary designated as its "User" on Annex 1 hereto if, on or prior to the date of disposition, such Subsidiary enters into an enforceable and unconditional Guaranty of the obligations of the Company hereunder and under the Note upon terms and conditions satisfactory to the Bank.

(c) No Debt or Liens. The Company will not permit SF Investments, Inc. or Patcud Investments, Inc. to cause or permit, or agree or consent to cause or permit in the future (upon the happening of a contingency or otherwise), any of its property, whether now owned or hereafter acquired, to be subject to a Lien. The Company will not at any time permit SF Investments, Inc. or Patcud Investments, Inc. to be or become liable for any Indebtedness or to issue mandatorily redeemable stock.

6.14 Capital Expenditures. Incur, on a consolidated basis with its Subsidiaries, capital expenditures (other than expenditures for normal replacements in the ordinary course of business) in the fiscal year ending April 30, 1995 in excess of $85,000,000 or, in any successive fiscal year, in excess of $50,000,000.

SECTION 7. EVENTS OF DEFAULT

Upon the occurrence of any of the following events:

(a) The Company shall fail to pay any interest on the Note within five (5) days of the date such amount becomes due, or the Company shall fail to pay any principal of the Note or any other amount payable hereunder in accordance with the terms hereof, or

(b) Any representation or warranty made or deemed made by the Company or the Guarantor herein or in any Security Document, the Guarantee or in any certificate, document or financial or other statement furnished at any time under or in connection with this Agreement, the Guarantee or any Security Document shall prove to have been incorrect in any material respect on or as of the date made or deemed made; or

(c) The Company shall default in the observance or performance of any agreement contained in subsection 5.5 or Section 6 hereof; or

(d) The Company shall default in the observance or performance of any other covenant or agreement contained in this Agreement, and such default shall continue unremedied for a period of 30 days; or

(e) Any Security Document or the Guarantee shall cease, for any reason, to be in full force and effect in accordance with its terms or any party thereto shall so assert in writing; or the Security Agreement shall cease, for any reason, to grant to the Bank a legal, valid and enforceable lien on any of the collateral described therein or shall cease, for any reason, to have the priority purported to be created thereby at the time of the execution thereof; or any party to any Security Document or the Guarantee shall default in the observance or performance of any of the covenants or agreements contained therein; or

(f) The Company shall (i) default in any payment of principal of or interest on any Indebtedness (other than the Note) or in the payment of any Contingent Obligation, beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness or Contingent Obligation was created; or (ii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or Contingent Obligation or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur, and as a result of the events specified in (i) or (ii) above such Indebtedness shall have become due prior to its stated maturity or such Contingent Obligation shall have become payable; or

(g) (i) The Company shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it, or for all or any substantial part of its assets, or the Company shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Company any case, proceeding or other action of a nature referred to in clause (i) above which results in the entry of an order for relief or any such adjudication or appointment; or (iii) there shall be commenced against the Company any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) the Company shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) the Company shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(h) (i) Any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Plan, which Reportable Event or institution of proceedings is, in the reasonable opinion of the Bank, likely to result in the termination of such Plan for purposes of Title IV of ERISA, and, in the case of a Reportable Event, the continuance of such Reportable Event unremedied for ten days after notice of such Reportable Event pursuant to Section 4043(a), (c) or (d) of ERISA is given or the continuance of such proceedings for ten days after commencement thereof, as the case may be, (iv) any Plan shall terminate for purposes of Title IV of ERISA, (v) if on any date, the Withdrawal Liability exceeds $250,000.00, or (vi) any other event or condition shall occur or exist and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could subject the Company to any tax, penalty or other liabilities which in the aggregate are material in relation to the business, operations, property or financial or other condition of the Company, or

(i) One or more judgments or decrees shall be entered against the Company involving in the aggregate a liability (not paid or fully covered by insurance) of $100,000.00 or more and all such judgments or decrees shall not have been vacated, discharged, or stayed within 60 days from the entry thereof; or

(j) Joseph W. Luter, III shall cease to own at least 12% of the voting stock of the Company or any Person other than Joseph W. Luter, III shall hold 12% or more of the voting stock of the Company (calculated on the same basis as the Company calculates stock ownership for purposes of reporting to the Securities and Exchange Commission); or

(k) An Event of Default shall occur under the Note Purchase Agreement.

then, and in any such event, (a) if such event is an Event of Default specified in paragraph (g) above, all amounts owing under this Agreement and the Note shall immediately become due and payable, and (b) if such event is any other Event of Default and has not been cured within any applicable grace period the Bank may, by notice of default to the Company, declare the loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the Note to be due and payable forthwith, whereupon the same shall immediately become due and payable. Except as expressly provided above in this Section, presentment, demand, protest and all other notices of any kind are hereby expressly waived.

SECTION 8. MISCELLANEOUS

8.1 Amendments and Waivers. No provision of this Agreement, the Note, the Guarantee or any of the Security Documents may be amended or modified in any way, nor may non-compliance therewith be waived, except pursuant to a written instrument executed by the Bank and the Company. In the case of any waiver, the Company and the Bank shall be restored to their former position and rights hereunder and under the Note, the Guarantee and the Security Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

8.2 Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing, which shall include telefax and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered by hand, or when deposited in the mail, postage prepaid, or, in the case of telefaxed notice, when delivered, addressed as follows or to such address as may be hereafter notified by the respective parties hereto and any future holders of the Note:

The Company:	Smithfield Foods, Inc. 501 North Church Street Smithfield, Virginia 23430 Attn: Aaron D. Trub Vice President
The Bank:	NationsBank of Virginia, N.A. 6610 Rockledge Drive 1st Floor Bethesda, Maryland 20817 Attn: Michael R. Heredia Vice President

provided that any notice, request or demand to or upon the Bank shall not be effective until received.

8.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Bank, any right, remedy, power or privilege hereunder, under the Guarantee or under any Security Document, shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein or therein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

8.4 Survival of Representations and Warranties. All representations and warranties made hereunder, under the Guarantee and under any Security Document and in any document, certificate or statement delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery of this Agreement, the Note, the Guarantee and such Security Document.

8.5 Payment of Expenses and Taxes. The Company agrees (a) to pay or reimburse the Bank for all of its out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement, the Guarantee, the Note and the Security Documents and any other documents prepared in connection herewith or therewith, and the consummation of the transactions contemplated hereby and thereby, including, without limitation, the fees and disbursements of counsel to the Bank, (b) to pay or reimburse the Bank for all its costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the Note, the Guarantee and the Security Documents and any such other documents, including, without limitation, fees and disbursements of counsel to the Bank, (c) to pay, indemnify, and to hold the Bank harmless from, any and all recording and filing fees and taxes and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery and recordation of, or consummation of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the Note, the Security Documents, the Guarantee and any such other documents, and (d) to pay, indemnify, and hold the Bank harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement, the Note, the Guarantee and any of the Security Documents or any transaction financed in whole or in part directly or indirectly with the proceeds of any loans made under this Agreement (all the foregoing, collectively, the "indemnified liabilities"), provided, that the Company shall have no obligation hereunder with respect to indemnified liabilities arising from (i) the gross negligence or willful misconduct of the Bank or (ii) legal proceedings commenced against the Bank by any security holder or creditor thereof arising out of and based upon rights afforded any such security holder or creditor solely in its capacity as such. The agreements in this subsection shall survive repayment of the Note and all other amounts payable hereunder.

8.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Company and the Bank, all future holders of the Note and their respective successors and assigns, except that the Company may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Bank.

8.7 Setoff.

(a) The Company agrees that the Bank shall have the right to set off and apply against all amounts owing to the Bank by the Company under the Note, the Security Documents and this Agreement, any amount owing to the Company from the Bank, subject to the rights of others, if any, in such amounts.

(b) In addition to any rights and remedies of the Bank provided by law, the Bank shall have the right, without prior notice to the Company, any such notice being expressly waived by the Company to the extent permitted by applicable law, upon the filing of a petition under any of the provisions of the federal bankruptcy act or amendments thereto, by or against; the making of an assignment for the benefit of creditors by; the application for the appointment, or the appointment, of any receiver of, or of any of the property of; the issuance of any execution against any of the property of; the issuance of a subpoena or order, in supplementary proceedings, against or with respect to any of the property of; the Company to set off and apply against all amounts owing to the Bank by the Company under the Note, the Security Documents, and this Agreement, and against any other Indebtedness, whether matured or unmatured, of the Company to the Bank, any amount owing from the Bank to the Company, at, or at any time after, the happening of any of the above-mentioned events, and the aforesaid right of setoff may be exercised by the Bank against the Company or against any trustee in bankruptcy, debtor in possession, assignee for the benefit of creditors, receiver, or execution, judgment or attachment creditor of the Company, or any of them, or against anyone else claiming through or against the Company or such trustee in bankruptcy, debtor in possession, assignee for the benefit of creditors, receiver, or execution, judgment or attachment creditor of the Company, or any of them, or against anyone else claiming through or against the Company or such trustee in bankruptcy, debtor in possession, assignee for the benefit of creditors, receiver, or execution, judgment or attachment creditor of the Company, or any of them, or against anyone else claiming through or against the Company or such trustee in bankruptcy, debtor in possession, assignee for the benefit of creditors, receivers, or execution, judgment or attachment creditor, notwithstanding the fact that such right of setoff shall not have been exercised by the Bank prior to the making, filing or issuance, or service upon the Bank of, or of notice of, any such petition; assignment for the benefit of creditors; appointment or application for the appointment of a receiver; or issuance of execution, subpoena or order or warrant.

8.8 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all parties shall be lodged with the Company and the Bank.

8.9 Governing Law. This Agreement, the Note, the Guarantee and the Security Documents and the rights and obligations of the parties under this Agreement, the Note, the Guarantee and the Security Documents shall be governed by, and construed and interpreted in accordance with, the law of the State of Virginia, except to the extent that the perfection of any Lien on any collateral may be governed by the law of the state in which such collateral is located.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their properly and duly authorized officers as of the day and year first above written.

SMITHFIELD FOODS, INC.

By:_________________________
Title:______________________

NATIONSBANK OF VIRGINIA, N.A.

By:_________________________
Title:______________________

Schedule 1

Jurisdictions for filing Uniform Commercial Code financing statements under the name Carolina Food Processors, Inc.:

Register of Deeds, Bladen County, North Carolina
Secretary of State, North Carolina

ANNEX 1

<TABLE>
<CAPTION>

MARK	GOODS	REG/APPLN	STATUS	OWNER	USER	FILE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ABERDEEN FARMS	cooked and uncooked smoked ham, sliced bacon, chicken frankfurters, chicken, pork and bacon hot dogs, pork sausage, bologna	REG. 1,628,491	ISSUED 12/18/90 AFFIDAVITS: 12/18/96 RENEWAL: 12/18/2000	SF Investments	Gwaltney	40860
ABERDEEN FARMS & Oval & Scenery Design	cooked and uncooked smoked ham, sliced bacon, chicken frankfurters, chicken, pork and bacon hot dogs, pork sausage, bologna	REG. 1,633,321	ISSUED 1/29/91 AFFIDAVITS: 1/29/97 RENEWAL: 1/29/2001	SF Investments	Gwaltney	40861
AGAR	bacon and cooked hams	REG. 1,631,010	ISSUED 1/8/91 AFFIDAVITS: 1/8/97 RENEWAL: 1/8/2001	PatCud Investments	Patrick Cudahy	40828
APPLE BLOSSOM	cooked ham	REG. 747,697	ISSUED 4/2/63 RENEWAL: 4/2/2003	PatCud Investments	Patrick Cudahy	40830
APPLE BLOSSOM	bacon, turkey ham and sausage	REG. 1,654,655	ISSUED 8/29/91 AFFIDAVITS: 8/20/97 RENEWAL: 8/20/2001	PatCud Investments	Patrick Cudahy	40829
BAKE-KING	hydrogenated lard	REG. 571,213	ISSUED 3/3/53 RENEWAL: 3/3/93	PatCud Investments	Patrick Cudahy	40831
BIG 8'S	frankfurters	REG. 974,101	ISSUED 11/27/73 RENEWAL: 11/27/93	SF Investments	Gwaltney	40826

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MARK	GOODS	REG/APPLN	STATUS	OWNER	USER	FILE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BLUEBIRD & Design	hams and pork shoulders	REG. 968,746	ISSUED 9/18/73 RENEWAL: 9/18/93	PatCud Investments	Patrick Cudahy	40832
BRIGGS & Design	fresh, canned, and smoked hams, bacon, lard, sausage, luncheon meats, scrapple, hamburger steak, liverwurst, salami, bologna, pepper loaf, pork and cheese loaf, olive loaf	REG. 628,792	ISSUED 6/12/56 RENEWAL: 6/12/96	Esskay, Inc.	???	40823
BRITISH	pork products	S.N. 245,227	FILED 2/7/92 RESPONSE DUE: 1/1/93	Smithfield Foods NEED TO ASSIGN TO SF INVESTMENTS WHEN USE BEGINS	Smithfiel d Foods	40____
BURST OF BACON	bacon	S.N. ______	FILED 11/12/92	PatCud Investments	Patrick Cudahy	41137
CEBECO (stylized)	smoked meats-namely, bacon	REG. 372,712	ISSUED 11/14/30 RENEWAL: 11/14/99	PatCud Investments	Patrick Cudahy	40833
CIRCLE "A" BRAND & Branding Iron Design	pork shoulders	REG. 1,086,100	ISSUED 2/21/78 RENEWAL: 2/21/98	PatCud Investments	Patrick Cudahy	40834
CORNER BUTCHER	ham and luncheon meats	REG. 1,463,023	ISSUED 10/27/98 AFFIDAVITS: 10/27/93	SF Investments	Gwaltney	40863

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MARK	GOODS	REG/APPLN	STATUS	OWNER	USER	FILE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
CRAFT MASTER	pork products	S.N. 308,887	FILED 4/1/92	Patrick Cudahy NEED TO ASSIGN TO PATCUD AFTER USE BEGINS	Patrick Cudahy	40679
CYPRESS	smoked, sliced bacon	REG. 598,572	ISSUED 11/23/54 RENEWAL: 11/23/94	SF Investments	Gwaltney	40865
DANDY	prepared meats-namely, bacon, vienna sausage, potted meat and pork jowls	REG. 670,691	ISSUED 12/2/58 RENEWAL: 12/2/98	PatCud Investments	Patrick Cudahy	40835
DANZIG & Design	ham	REG. 1,044,326	ISSUED 7/20/76 RENEWAL: 7/29/96	PatCud Investments	Patrick Cudahy	40836
EASY-KARV	ham	REG. 1,435,143	ISSUED 3/31/87 - Supplemental Register RENEWAL:	SF Investments	Smithfiel d Packing	40866

3/31/2007

EL GORDITO (stylized) "The little fat one"	rendered pork fat	REG. 608,072	ISSUED 6/28/55 RENEWAL: 6/28/95	PatCud Investments	Patrick Cudahy	40837
ENGLISH	meat	S.N. 260,923	FILED 3/30/92 RESPONSE DUE 1/8/93	Smithfield Foods NEED TO ASSIGN TO SF INVESTMENTS WHEN USE BEGINS	Smithfield Foods	40629

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MARK	GOODS	REG/APPLN	STATUS	OWNER	USER	FILE
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ESS-KAY (stylized)	creamery butter, pure lard, hams, bacon, shoulders, sausages, pork rolls, dried beef, cheese, and lard compounds made of cottonseed oil	REG. 154,687	ISSUED 4/18/22 RENEWAL: 4/18/2002	SF Investments	Esskay	40689
ESS-KAY REFINED PURE LARD, SK & Design	lards	REG. 154,807	ISSUED 5/9/22 RENEWAL: 5/9/2002	SF Investments	Esskay	40868
ESSKAY & Curved Rectangle background	hams, bacon, frankfurters, sausages, bologna	REG. 1,649,603	ISSUED 7/2/91 AFFIDAVITS: 7/2/97 RENEWAL: 7/2/2001	SF Investments	Esskay	40870
F.F.V.	cured meats, namely hams	REG. 1,634,925	ISSUED 2/12/91 AFFIDAVITS: 2/12/97 RENEWAL: 2/12/2001	SF Investments	Smithfield Packing	40871
FLAVOR-TAINER	bacon	REG. 1,606,560	ISSUED 7/17/90 AFFIDAVITS: 7/17/96 RENEWAL: 7/17/2010	PatCud Investments	Patrick Cudahy	40838
FROM THE LAND OF PEANUTS	cooked Smithfield hams, uncooked Smithfield hams, smoked ham, sausage and lard	REG. 699,087	ISSUED 6/7/60 RENEWAL: 6/7/2000	SF Investments	Gwaltney	40872

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MARK	GOODS	REG/APPLN	STATUS	OWNER	USER	FILE
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GWALTNEY	bacon, sausage,	S.N. 183,867	FILED 7/11/91	SF	Gwaltney	40678

	frankfurters made of chicken, pork and bacon, bologna, smoked hams, fresh hams, picnics, pork tenderloin tips, pork ribs, pork butts and pork chitterlings			Investments		
GWALTNEY & Oval Design (lined for red)	smoked, cooked and boned hams, bacon, sausage and lard	REG. 815,084	ISSUED 9/13/66 - (S)2(f) RENEWAL: 9/13/2006	SF Investments	Gwaltney	40873
GWALTNEY & Oval Design	bacon, sausage, frankfurters made of chicken, pork and bacon, bologna, smoked hams, fresh hams, picnics, pork tenderloin tips, pork ribs, port butts and pork chitterlings	S.N. 183,660	FILED 7/11/91 PUBLISHED 8/25/92	ownership needs correction: application filed by SF Investments, then unnecessary assignment from gwaltney to SF filed; as published applicant is Gwaltney of Smithfield	Gwaltney	40677
GWALTNEY SILVER SERVICE & Design	frankfurters, bacon, ham, sausage and lunch meat	REG. 1,113,726	ISSUED 2/20/79 RENEWAL: 2/20/99	SF Investments	Gwaltney	41856

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MARK	GOODS	REG/APPLN	STATUS	OWNER	USER	FILE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
HAMDINGERS	ham patties	REG. 1,031,614	ISSUED 1/27/76 RENEWAL: 1/27//96	PatCud Investments	Patrick Cudahy	40839
HAMILTON'S TAVERN HAM						40676
HANCOCK'S COUNTRY BRAND & Design	sliced and whole hams, ham butts, ham hocks, sausage and bacon and pork side meat	REG. 870,563	ISSUED 6/3/69 RENEWAL: 6/3/99	SF Investments	Gwaltney	40874
HI-FLAKE	shortening of animal origin	REG. 670,706	ISSUED 12/2/58 RENEWAL: 12/2/98	PatCud Investments	Patrick Cudahy	40840
HIGHLAND (stylized)	pork and beef products; namely ham, bacon, corned beef and cooked shoulder	REG. 163,395	ISSUED 1/9/23 RENEWAL: 1/9/2003	SF Investments	Esskay	40875
HOME OF SWEET APPLE-WOOD SMOKE FLAVOR	ham, ham patties and ham and cheese patties	REG. 1,474,345	ISSUED 1/26/88 AFFIDAVITS: 1/26/94 RENEWAL: 1/26/2008	PatCud Investments	Patrick Cudahy	40842

HOME OF SWEET APPLE-WOOD SMOKE FLAVOR	bacon, fresh and dry sausage and smoked and cooked hams	REG. 1,640,636	ISSUED 4/9/91 AFFIDAVITS: 4/9/97 RENEWAL: 4/9/2001	PatCud Investments	Patrick Cudahy	40841
HYDROLARD (stylized)	hydrogenated lard	REG. 607,458	ISSUED 6/14/55 - Supplemental Register RENEWAL: 6/14/95	PatCud Investments	Patrick Cudahy	40843
JACK SPRAT (stylized)	bacon and ham	REG. 122,466	ISSUED 8/29/18 RENEWAL: 8/20/98	PatCud Investments	Patrick Cudahy	40844

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MARK	GOODS	REG/APPLN	STATUS	OWNER	USER	FILE
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JAMESTOWN	cured and smoked ham, slab and sliced bacon, fresh and smoked sausage, bologna and frankfurters	REG. 875,734	ISSUED 8/26/69 RENEWAL: 8/26/99	SF Investments	Smithfield Packing	40876
JORDAN'S (stylized)	ham, bacon and pork shoulder steaks	REG. 544,493	ISSUED 7/3/51 RENEWAL: 7/3/2001	SF Investments	Smithfield Foods	40877
KING RICHARD'S	hot dogs	S.N. 242,876	FILED 1/31/92 STATEMENT OF USE DUE 3/15/93	Gwaltney of Smithfield, Ltd. NEEDS ASSIGNMENT TO SF INVESTMENTS AFTER USE BEGINS	Gwaltney	40685
LA FORTUNA	dry sausage, namely salami	REG. 1,609,953	ISSUED 8/14/90 AFFIDAVITS: 8/14/96 RENEWAL: 8/14/2000	PatCud Investments	Patrick Cudahy	40845
LUTER'S	cured ham, cooked ham	REG. 568,899	ISSUED 1/6/53 RENEWAL: 1/6/2003	SF Investments	Smithfield Packing	40878
MAPLEAN	ham	S.N. 214,625	FILED: 10/19/91 STATEMENT OF USE DUE 2/11/93	Patrick Cudahy NEEDS ASSIGNMENT TO PATCUD AFTER USE BEGINS	Patrick Cudahy	4____
MASH'S & Oval Design	meats and meat products - namely, bacon, hams, pastrami, corned beef and roast beef	REG. 1,547,564	ISSUED 7/11/89 AFFIDAVITS: 7/11/95 RENEWAL: 7/11/2009	Esskay, Inc.	Esskay	40827

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MARK	GOODS	REG/APPLN	STATUS	OWNER	USER	FILE
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MASH'S & Design MARYLAND STATE REGISTRATION	hams	REG. 85-6488	ISSUED 7/1/75 RENEWAL: 7/1/95	Esskay, Inc.	Esskay	40824

MASH'S & Design MARYLAND STATE REGISTRATION	corned beef brisket	REG. 85-6489	ISSUED 7/1/75 RENEWAL: 7/1/95	Esskay, Inc.	Esskay	40825
MASH'S & Design MARYLAND STATE REGISTRATION	corned beef round	REG. 85-6490	ISSUED 7/1/75 RENEWAL: 7/1/95	Esskay, Inc.	Esskay	40826
MAXI LEAN	pork	S.N. 254,011	ISSUED 3/10/92 PUBLISHED 8/18/92	Patrick Cudahy NEEDS ASSIGNMENT TO PATCUD AFTER USE BEGINS	Patrick Cudahy	40681
OLDE SMITHFIELD	fresh sausage, bacon and ham	REG. 1,140,468	ISSUED 10/14/80 RENEWAL: 10/14/2000	SF Investments	Gwaltney	40879
OLDE SMITHFIELD	frankfurters	REG. 1,441,351	ISSUED 6/2/87 RENEWAL: 6/2/2007	SF Investments	Gwaltney	40880
PAGAN (stylized)	hams, picnics, bacon and shoulder butts	REG. 384,542	ISSUED 1/21/41 RENEWAL: 1/21/2001	SF Investments	Gwaltney	40881
PATRICK'S PRIDE	bacon	S.N. 257,265	FILED: 3/20/92 PUBLISHED 10/6/92	PatCud Investments	Patrick Cudahy	40684

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MARK	GOODS	REG/APPLN	STATUS	OWNER	USER	FILE
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PARTICK'S PRIDE	ham	REG. 1,640,648	ISSUED 4/9/91 AFFIDAVITS: 4/9/97 RENEWAL: 4/9/2001	PatCud Investments	Patrick Cudahy	4____
PAVONE	beef and pork products - namely, salami sausages, peppered butts and prosciutto (ham)	REG. 372,713	ISSUED 11/14/39 RENEWAL: 11/14/99	PatCud Investments	Patrick Cudahy	40847
PEPPERINOS	pepporoni	REG. 1,609,955	ISSUED 8/14/90 AFFIDAVITS: 8/14/96 RENEWAL: 8/14/2000	PatCud Investments	Patrick Cudahy	40848
QUEEN O'HEARTS	shortening prepared from meat fats and vegetable oils	REG. 681,220	ISSUED 6/30/59 RENEWAL: 6/30/99	PatCud Investments	Patrick Cudahy	40849
REALEAN	hams	REG. 1,421,583	ISSUED 12/16/86 - Supplemental Register RENEWAL: 12/16/2006	PatCud Investments	Patrick Cudahy	40850
ROSSO ("Red")	dry sausage, namely pepperoni	REG. 1,609,954	ISSUED 8/14/90 AFFIDAVITS: 8/14/96 RENEWAL: 8/14/2000	PatCud Investments	Patrick Cudahy	40851

ROYALEAN	ham	S.N. 234,470	FILED 12/27/91 STATEMENT OF USE DUE: 3/19/93	Patrick Cudahy NEEDS ASSIGNMENT TO PATCUD AFTER USE BEGINS	Patrick Cudahy	40682

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MARK	GOODS	REG/APPLN	STATUS	OWNER	USER	FILE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
SIGNAL	frankfurters, hams, fresh and smoked sausage and bologna	REG. 1,113,723	ISSUED 2/20/79 RENEWAL: 2/20/99	SF Investments	Gwaltney	40882
SILVER LABEL	fresh, canned, frozen, smoked and processed ham, pork, bacon and luncheon meats	REG. 900,879	ISSUED 10/13/70 RENEWAL: 10/13/2000	SF Investments	Esskay	40684
SK & Design	creamery butter, pure lard, hams, bacon, shoulders, sausages, pork rolls, dried beef and cheese	REG. 156,921	ISSUED 7/18/22 RENEWAL: 7/28/2002	SF Investments	Esskay	40885
SMITHFIELD BY LUTER & House Design	fresh meats, hams, bacon, sausage, franks, lard	REG. 1,104,410	ISSUED 10/17/78 RENEWAL: 10/17/98	SF Investments CHECK ASSIGNMENT	Smithfiel d Packing	40886
SMITHFIELD'S CHICKEN 'N BAR-B-Q	restaurant services specializing in serving barbeque chicken dinners	REG. 1,530,259	ISSUED 3/14/89 AFFIDAVITS: 3/14/95 RENEWAL: 3/14/2009	SF Investments	Gregory Allen Moore	40687
SMITHFIELD'S CHICKEN 'N BAR-B-Q North Carolina state registration	?	REG. 0006163	ISSUED 9/17/85 RENEWAL: 9/17/95	SF Investments	Gregory Allen Moore	41854

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MARK	GOODS	REG/APPLN	STATUS	OWNER	USER	FILE
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SNOW BALL	lard, tallow, animal fat shortening, hydrogenated lard or tallow, and deodorized lard or tallow	REG. 1,629,306	ISSUED 12/25/90 AFFIDAVITS: 12/26/96 RENEWALS: 12/25/2000	PatCud Investments	Patrick Cudahy	40852

</TABLE>

SMITHFIELD FOODS, INC.
INCENTIVE BONUS PLAN

1. Purpose. Smithfield Foods, Inc. hereby establishes an Incentive Bonus Plan (the "Plan") applicable to Joseph W. Luter, III, as President and Chief Executive Officer of the Company ("Executive"). The Company intends to provide the Executive with incentive bonuses that are related to and measured by the Company's performance under a program intended to meet the requirements of Code section 162(m) and regulations thereunder. The Plan was adopted by the Committee and ratified by the Board on January 26, 1994 and is subject to approval of the Company's stockholders. The Plan is effective as of May 3, 1993.

2. Definitions. As used in the Plan, the following terms have the meanings indicated.

(a) "Auditor" means the independent public accounting firm then employed by the Company to prepare the Company's financial statements.

(b) "Beneficiary" means the person or persons designated by the Executive in a writing filed with the Company to receive his Bonus Payment upon his death.

(c) "Board" means the board of directors of the Company.

(d) "Bonus Base" means the consolidated net income of the Company and its subsidiaries prepared in accordance with generally accepted accounting principles before (i) Bonus Payments to Executive, (ii) accounting for minority ownership interests in subsidiaries, (iii) incentive payments due officers based on income approved by the Board, and (iv) applicable federal and state income taxes.

(e) "Bonus Payment" means the amount due the Executive under the Bonus Plan, as computed by the Company, and certified by the Committee.

(f) "Cause" means (i) continued neglect by Executive of his employment duties (as reasonably determined by the Company's Board of Directors) after delivery of written notice thereof to Executive specifying with particularity the duties Executive has neglected, (ii) willful misconduct in connection with the performance of Executive's duties, including by way of example but without limitation, intentional misappropriation of funds or property of the Company or any of its subsidiaries, or securing or attempting to secure personally any profit in connection with any transaction entered into on behalf of the Company or any of its subsidiaries, (iii) conduct by Executive that would result in material injury to the reputation of the Company or any of its subsidiaries (whether publicly known or unknown), including by way of example but without limitation, pleading guilty to or conviction of a felony involving moral turpitude, or (iv) certification by a physician that Executive is unable to regularly perform his duties hereunder by reason of Executive's addiction to alcohol or a controlled substance.

(g) "Code" means the Internal Revenue Code of 1986, as amended, and regulations thereunder.

(h) "Committee" means two or more directors appointed by the Board who are "outside directors" within the meaning of section 162(m) of the Internal Revenue Code. The Committee may be a duly appointed sub-committee of the Compensation Committee.

(i) "Company" means Smithfield Foods, Inc., a Delaware corporation.

(j) "Disabled" means, in general, the inability to perform the services for which the Executive was employed. The Committee shall determine whether a Disability exists and such determination shall be conclusive.

(k) "Executive" means Joseph W. Luter, III.

(l) "1993 Bonus Plan" means the incentive bonus plan covering the Executive adopted by the Board on January 18, 1993 as in effect for the calendar year 1993.

(m) "Transition Payments" means the portion of the aggregate payments made to the Executive pursuant to the 1993 Bonus Plan with respect to the Bonus Base for the period May 3 through January 2, 1994, computed in accordance with the 1993 Bonus Plan.

3. Incentive Bonuses.

(a) Executive shall be entitled to receive as a Bonus Payment with respect to the fiscal year beginning May 3, 1993 and ending May 1, 1994, an amount in cash equal to the sum of (i) 1% of the first $15,000,000 of the Bonus Base, and (ii) 2% of the excess of the Bonus Base over $15,000,000, less (iii) any Transition Payments.

(b) Subject to (c), Executive shall be entitled to receive as a Bonus Payment with respect to the fiscal year beginning May 2, 1994 and ending April 30, 1995, and each fiscal year thereafter, and until the Plan is terminated by the Company, an amount in cash equal to the sum of (1) 1% of the first $15,000,000 of the Bonus Base, and (2) 2% of the excess of the Bonus Base over $15,000,000.

(c) The Committee may before the first day of each fiscal year beginning on or after May 2, 1994, establish such other threshold and percentage requirements for receipt of a Bonus Payment as the Committee shall deem appropriate.

(d) Notwithstanding the provisions of (a) and (b), the Committee expressly reserves the right to reduce or eliminate entirely any Bonus Payment if it determines it is in the best interests of the Company to do so. Such determination shall be conclusive and binding.

4. Payment of Incentive Bonuses. The Bonus Payment will be made (i) after the date the Company's audited financial statements have been certified by the Auditor for the relevant fiscal year of computation and the Committee has certified that the performance criteria have been met, and (ii) before the date by which the Bonus Payment must be made to be otherwise deductible by the Company.

5. Termination of Employment. If Executive ceases to be employed, his right to receive a Bonus Payment shall be governed by the following principles:

(a) If the termination occurs as a result of death, Disability, termination by the Company without Cause, retirement or voluntarily by the Executive, the Executive (or the Executive's Beneficiary in the event of death) shall be entitled to receive an amount equal to the Bonus Payment Executive would have received if the last day of the fiscal year coincided with the date of Executive's termination of employment, computed based on unaudited financial information.

(b) If the termination of employment occurs for Cause, the Executive shall forfeit all rights to a Bonus Payment for the fiscal year in which such termination of employment occurs.

6. Administration.

(a) The Plan shall be administered by the Compensation Committee of the Board of Directors (the "Committee"), which shall be comprised solely of two or more "outside directors", as that term is defined for purposes of Code section 162(m).

(b) The Board from time to time may appoint members previously appointed and may fill vacancies, however caused, in the Committee. Insofar as it is necessary to satisfy the requirements of Section 16(b) of the Securities Exchange Act of 1934, no member of the Committee shall be eligible to participate in the Plan or in any other similar plan of the Company or any Parent or Subsidiary of the Company.

(c) If any member of the Committee fails to qualify as an "outside director" or otherwise meet the requirements of this section, such person shall immediately cease to be a member of the Committee solely for purposes of the Plan and shall not take part in future Committee deliberations.

(d) The Committee may adopt rules and regulations for carrying out the Plan, and the Committee may take such actions as it deems appropriate to ensure that the Plan is administered in the best interests of the Company. The Committee has the authority to construe and interpret the Plan, resolve any ambiguities, and make determinations with respect to the eligibility for or amount of any award. The interpretation, construction and administration of the Plan by the Committee shall be final and conclusive. The Committee may consult with counsel, who may be counsel to the Company, and shall not incur any liability for any action taken in good faith in reliance upon the advice of counsel.

7. Rights. Participation in the Plan and the right to receive cash awards under the Plan shall not give Executive any proprietary interest in the Company, any subsidiary or any of their assets. No trust fund shall be created in connection with the Plan, and there shall be no required funding of amounts that may become payable under the Plan. Executive shall for all purposes be a general creditor of the Company. The interests of Executive cannot be assigned, anticipated, sold, encumbered or pledged and shall not be subject to the claims of his creditors. Nothing in the Plan shall confer upon Executive the right to continue in the employ of the Company or any subsidiary or shall interfere with or restrict in any way the right of the Company and its subsidiaries to discharge Executive at any time for any reason whatsoever, with or without cause.

8. Successors. The Plan shall be binding on the Executive and his personal representatives. If the Company becomes a party to any merger, consolidation, reorganization or other corporate transaction, the Plan shall remain in full force and effect as an obligation of the Company or its successor in interest.

9. Amendment and Termination. The Board may amend or terminate the Plan at any time as it deems appropriate; provided that (a) no amendment or termination of the Plan after the end of a fiscal year may increase the Bonus Payment for the fiscal year just ended, and (b) to the extent required to meet the requirements of Code section 162(m) for performance-based compensation, any amendment that makes a material change to the Plan must be approved by the stockholders of the Company. The Board is specifically authorized to amend the Plan and take such other action as necessary or appropriate to comply with Code section 162(m) and regulations issued thereunder, and to comply with or avoid administration of the Plan in a manner that could cause a Participant to incur liability under Section 16(b) of the Securities Exchange Act of 1934 and regulations issued thereunder.

10. Construction. The Plan shall be construed in accordance with the laws of Delaware. The headings in this Plan have been inserted for convenience of reference only and are to be ignored in any construction of the provisions. If a provision of this Plan is not valid, that invalidity does not affect other provisions.

EXHIBIT 11
SMITHFIELD FOODS, INC.
COMPUTATION OF NET INCOME PER COMMON SHARE

Income and the number of shares used in the computation of net income per common and common equivalent shares were computed as follows:
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Income	52 Weeks Ended April 30,1995	52 Weeks Ended May 1, 1994	52 Weeks Ended May 2, 1993
<S>	<C>	<C>	<C>
Net income	$27,840,000	$19,702,000	$ 3,989,000
Dividends accumulated for Series B preferred stock	(675,000)	(675,000)	(365,000)
Net income available to common stockholders	$27,165,000	$19,027,000	$ 3,624,000
Shares			
Weighted average common shares:			
Outstanding	16,397,000	16,276,000	15,842,000
Incremental common shares for outstanding stock options and dilutive preferred shares	662,000	492,000	530,000
Common shares for computation	17,059,000	16,768,000	16,372,000
Net income per common share	$1.59	$1.13	$ .22

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FINANCIAL DISCUSSION

OPERATIONS FISCAL 1995 COMPARED TO FISCAL 1994 Sales in fiscal 1995 increased $123.0 million, or 8.8%, from fiscal 1994. The increase was the result of an 18.0% increase in sales tonnage offset by a 7.8% decrease in unit selling prices due to lower live hog costs. The increase in sales tonnage was the result of a 16.5% increase in fresh pork tonnage combined with a 17.1% increase in processed meats tonnage.

Cost of sales increased $74.9 million, or 6.2%,in fiscal 1995, primarily due to the increased sales tonnage offset by a 16.0% decrease in the cost of live hogs. Gross profit increased $48.1 million, or 25.3%, in fiscal 1995, compared to fiscal 1994. The increase in gross profit resulted from the increased sales tonnage of both fresh pork (51.2% of dollar sales) and processed meats (44.6% of dollar sales), and increased margins on sales of both fresh pork and processed meats.

Gross profit in fiscal 1995 was adversely affected by a $0.2 million increase in cost of sales as a result of the performance of Brown's of Carolina, Inc. ("Brown's") and the Smithfield-Carroll's joint hog production arrangement ("Smithfield-Carroll's"). In fiscal 1994, the performance of these operations resulted in a reduction in cost of sales of $10.3 million. The Company obtained 12.1% of the hogs which it processed in fiscal 1995 from Brown's and Smithfield-Carroll's, compared to 11.4% in fiscal 1994.

Selling, general and administrative expenses increased $28.8 million, or 22.9%, in fiscal 1995. The increase reflected higher storage and delivery costs associated with the increased sales tonnage, including significantly higher export tonnage, and increased compensation and administrative costs related to additional sales, supervisory and support staff for current and anticipated future growth.

Depreciation expense decreased $1.6 million, or 7.5%, in fiscal 1995. Increased depreciation charges related to expansion at the Company's Bladen County, North Carolina, plant and Brown's were offset by reduced depreciation charges resulting from a revision in estimated useful lives of certain assets beginning in the third quarter of fiscal 1994. This change in accounting estimate reduced depreciation by $7.7 million in fiscal 1995 and $3.9 million in fiscal 1994.

Interest expense increased $2.4 million, or 21.1%, reflecting higher long-term debt related to the funding of capital projects at the Bladen County plant and Brown's, and higher short- and long-term rates.

The effective income tax rate in fiscal 1995 decreased to 36.7% from 39.5% in the prior year, reflecting the impact of increased employment incentive credits, lower taxes on foreign sales, and benefits related to certain insurance contracts.The Company had no valuation allowance related to income tax assets as of April 30, 1995, and there was no change in the valuation allowance during fiscal 1995.

The increase in income from continuing operations in fiscal 1995 was largely attributable to substantially higher sales margins on fresh pork in the second and third quarters which resulted from a large supply of hogs and the lowest hog prices in a decade. Margins on both fresh pork and processed meats narrowed as hog prices rose during the fourth quarter. Margins in the quarter were also pressured by strong price competition from burdensome supplies of beef, pork and poultry. In addition, fourth quarter results were adversely impacted by ongoing costs associated with maximizing production capacity in the new conversion room and start-up costs related to a new vacuum-packaging operation, both at the Bladen County plant. The Company expects to see continued pressure on margins in fiscal 1996 from large supplies of competing protein products as well as from additional slaughter capacity which the Company anticipates will be brought on line by several large processors in the fall of 1995 in geographic areas of the country where hogs are already in short supply.

As of April 30, 1995, the Company adopted a plan to sell the assets and business of Ed Kelly, Inc. ("Kelly"), the Company's retail electronics subsidiary. The operating results of Kelly, net of tax, for fiscal 1995 and 1994 are shown as income (loss) from discontinued operations. The loss from discontinued operations in fiscal 1995 includes the write-off of the goodwill and all costs and write-downs related to the planned disposal of the assets and business of Kelly.

Reflecting the factors discussed above, net income increased to $27.8 million in fiscal 1995,up from $19.7 million in the prior fiscal year.

FISCAL 1994 COMPARED TO FISCAL 1993 Sales in fiscal 1994 increased $289.8 million, or 26.0%, from fiscal 1993. The increase was the result of a 20.2% increase in sales tonnage and a 4.8% increase in unit sales prices. The increase in sales tonnage was the result of a 39.4% increase in fresh pork tonnage combined with a 4.8% increase in processed meats tonnage.The substantial increase in fresh pork tonnage reflected the operation of the Company's Bladen County plant for the full year,compared to six months of operation in fiscal 1993.

Cost of sales increased $233.8 million, or 23.9%, in fiscal 1994, primarily due to the increased sales tonnage and a 3.3% increase in the cost of live hogs. Gross profit increased $55.9 million, or 41.6%, in fiscal 1994 compared to fiscal 1993. This increase in gross profit resulted from the increased sales tonnage of both fresh pork (48.4% of dollar sales) and processed meats (47.7% of dollar sales), and increased margins on sales of both fresh pork and processed meats.

Gross profit in fiscal 1994 was favorably affected by a $10.3 million reduction in cost of sales as a result of the performance of Brown's and Smithfield-Carroll's. In fiscal 1993, the performance of these operations resulted in a reduction in cost of sales of $4.0 million. The Company obtained 11.4% of the hogs which it processed in fiscal 1994 from Brown's and Smithfield-Carroll's, compared to 9.4% in fiscal 1993.

Selling, general and administrative expenses increased $24.2 million, or 23.9%, in fiscal 1994, reflecting sharply increased distribution costs related to increased sales tonnage of fresh pork produced at the Bladen County plant, increased marketing costs associated with increased sales tonnage of both fresh pork and processed meats, and increased storage costs related to an overall increase in business levels.

Depreciation expense increased $2.9 million, or 15.8%, in fiscal 1994, reflecting the high levels of capital expenditures in recent years related to the expansion of the Company's hog production facilities and modernization and expansion of its meat processing plants. In light of the Company's aggressive capital expenditure programs over the past four fiscal years during which the Company invested $218.6 million in new plant and equipment, the Company reviewed the estimated useful lives of these most recently acquired assets which were being used for depreciation purposes. As a result of this review, effective November 1, 1993, the Company revised these lives to more accurately reflect the economic useful lives of these assets and to better align them with those generally used in the meat processing industry. This change in accounting estimate reduced depreciation charges in fiscal 1994 by $3.9 million.

Interest expense increased $5.4 million, or 87.7%, reflecting significantly higher carrying costs on long-term debt related to the funding of capital projects, including the Bladen County plant, and the impact of replacing short-term borrowings with long-term debt at somewhat higher interest rates.

In fiscal 1993,the Company recorded a nonrecurring pre-tax charge of $3.6 million related to the closing of Esskay, Inc.'s meat processing plant in Baltimore, Maryland.

The effective income tax rate in fiscal 1994 increased to 39.5% from 34.1% in the prior year, reflecting the impact of an increase in the statutory rate at the federal level and the reduced impact of tax credits for the year.

The increase in income from continuing operations in fiscal 1994 was largely attributable to improved sales margins and operating efficiencies at Gwaltney of Smithfield, Ltd. and The Smithfield Packing Company, Incorporated during the second half of the year. The improvement in financial results also reflected generally improved conditions in the pork processing industry.

As a result of the adoption of a plan to dispose of the assets and business of Kelly as of April 30, 1995, the operating results of Kelly, net of tax, for fiscal 1994 and 1993 are shown as income (loss) from discontinued operations.

Reflecting the factors discussed above, net income increased $15.7 million in fiscal 1994, up sharply from $4.0 million in the prior fiscal year.Net income in fiscal 1993 included the cumulative effect of a change in accounting principle associated with the adoption of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," effective May 4, 1992. The Company had no valuation allowance related to income tax assets as of May 1, 1994, and there was no change in the valuation allowance during fiscal 1994.

FINANCIAL CONDITION The pork processing industry is characterized by high sales tonnage and rapid turnover of inventories and accounts receivable. Because of the rapid turnover rate, the Company considers its inventories and accounts receivable highly liquid and readily convertible into cash. Borrowings under the Company's lines of credit and accounts receivable resulting from seasonal and other market-related fluctuations in raw material costs. The demand for seasonal borrowings usually peaks in early November when ham inventories are at their highest levels, and borrowings are repaid in January when accounts receivable generated by sales of these hams are collected. As of April 30, 1995, the Company had aggregate lines of credit of $120.0 million. credit are secured by substantially all of the Company's inventories and accounts receivable. Weighted average borrowings under the lines were $69.9 million in fiscal 1995, $66.6 million in fiscal 1994 and $79.2 million in fiscal 1993 at weighted average interest rates of approximately 6%, 4% and 4%, respectively. Maximum borrowings were $117.0 million in fiscal 1995, $105.1 million in fiscal 1994 and $105.7 million in fiscal 1993.The outstanding balances under these lines totaled $67.2 million and $52.1 million as of April 30, 1995 and May 1, 1994 at weighted average interest rates of 7% and 5%, respectively.

Capital expenditures totaled $91.9 million in fiscal 1995. These large expenditures included $54.7 million for capital projects at the Company's Bladen County plant, including a rapid carcass-chilling system, a new value-added conversion room and additional hog coolers. In connection with its strategy of vertical integration, the Company expended $22.3 million on the construction of hog production facilities at Brown's. In addition to the expansion at Brown's, the Company increased its advances to, and investments in, joint hog production arrangements by $10.4 million.These capital expenditures and advances and investments were funded with $47.2 million in cash provided by operations and the placement of a new $50.0 million three-year term loan with a bank.

In fiscal 1996,the Company plans to expend approximately $69.0 million in capital expenditures, consisting of $37.0 million for additional capital projects at the Company's various meat processing facilities and $28.0 million for additional hog production facilities at Brown's. In addition, the Company expects to make $4.0 million of advances to, and investments in, hog production arrangements.

These capital expenditures and advances and investments will be funded with cash from operations and borrowings under a new $200.0 million revolving line of credit facility for which the Company has received commitments from a bank group. This new credit facility will replace the Company's existing $110.0 million line of credit facility.

The Company's various debt agreements contain covenants regarding working capital, current ratio, fixed charges coverage and net worth, and, among other restrictions, limit additional borrowings, the acquisition, disposition and leasing of assets, and payments of dividends to stockholders. Additionally, existing loan covenants contain provisions which substantially limit the amount of funds available for transfer from its subsidiaries to Smithfield Foods, Inc. without the consent of certain lenders.

FINANCIAL SUMMARY
SMITHFIELD FOODS, INC. AND SUBSIDIARIES

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(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)	APRIL 30,1995	MAY 1, 1994(1)	MAY 2, 1993(1)
<S>	<C>	<C>	<C>
Sales	$1,526,518	$1,403,485	$1,113,712
Gross profit	238,492	190,387	134,441
Selling, general and administrative expenses	154,283	125,520	101,281
Interest expense	14,054	11,605	6,183
Income from continuing operations before extraordinary loss and change in accounting for income taxes	31,915	19,319	3,271

Income (loss) from discontinued operations	(4,075)	383	(420)
Extraordinary loss and change in accounting for income taxes	-	-	1,138(2)
Net income	27,840	19,702	3,989
FINANCIAL POSITION:			
Working capital	$ 60,911	$ 81,529	$ 64,671
Total assets	550,225	452,279	399,567
Long-term debt and capital lease obligations	155,047	118,942	124,517
Stockholders' equity	184,015	154,950	135,770
FINANCIAL RATIOS:			
Current ratio	1.35	1.56	1.57
Long-term debt to total capitalization	44.4%	41.9%	46.1%
Return on average stockholders' equity(4)	18.4%	12.8%	2.3%
PER COMMON SHARE:			
Income from continuing operations before extraordinary loss and change in accounting for income taxes	$ 1.83	$ 1.11	$ .18
Income (loss) from discontinued operations	(.24)	.02	(.03)
Extraordinary loss and change in accounting for income taxes	-	-	.07(2)
Net income	1.59	1.13	.22
Book value	11.82	9.43	8.32
Weighted average common shares outstanding	17,059	16,768	16,372
OTHER INFORMATION:			
Capital expenditures(5)	$ 91,921	$ 29,291	$ 87,992
Depreciation expense	19,717	21,327	18,418
Common stockholders of record	1,571	1,796	1,867
Number of employees	9,000	8,000	7,000

</TABLE>

(1) Restated for discontinued operations (see Note 2 to Consolidated Financial Statements) (2) Change in accounting principle (see Note 5 to Consolidated Financial Statements) (3) Extraordinary loss (4) Computed using income from continuing operations before extraordinary loss and cumulative effect of change in accounting for income taxes (5) Excludes capital expenditures related to acquisitions

<TABLE>
<CAPTION>

MAY 3, 1992(1)	APRIL 28, 1991	APRIL 29,1990	APRIL 30, 1989	MAY 1, 1988	MAY 3, 1987	APRIL 27, 1986
<S>	<C>	<C>	<C>	<C>	<C>	<C>
$1,036,613	$1,071,791	$853,401	$774,790	$916,328	$1,046,642	$864,324
135,137	140,302	97,504	94,976	106,020	98,563	86,138
87,789	81,052	71,831	67,042	67,150	66,377	59,773
3,903	7,739	6,346	4,130	4,670	5,628	5,986
21,824	28,658	7,060	9,814	15,152	9,743	9,193
(189)	-	-	-	-	-	-
-	-	-	-	-	(2,097)(3)	(4,553)(3)
21,635	28,658	7,060	9,814	15,152	7,646	4,660
$ 26,672	$ 35,288	$ 14,991	$ 25,337	$ 21,747	$ 21,419	$ 23,280
277,685	200,797	164,886	152,150	132,933	134,924	130,014
49,091	37,392	28,193	27,596	18,469	26,137	33,591
113,754	71,081	45,359	43,829	40,471	37,055	27,312
1.27	1.46	1.20	1.43	1.41	1.39	1.43
30.1%	34.5%	38.3%	38.6%	31.4%	41.7%	55.2%
23.6%	49.2%	15.8%	23.2%	39.1%	30.3%	40.5%
$ 1.38	$ 1.99	$ .48	$ .60	$ .85	$ .55	$ .47
(.01)	-	-	-	-	-	-
-	-	-	-	-	(.12)(3)	(.22)(3)
1.37	1.99	.48	.60	.85	.43	.25
7.55	5.29	3.20	2.92	2.60	2.13	1.69
15,813	14,402	14,818	16,242	17,900	18,220	20,184
$ 74,793	$ 26,518	$ 19,555	$ 16,034	$ 6,941	$ 11,094	$ 6,602

12,630	11,382	9,912	8,564	8,643	8,099	7,325
1,544	1,148	1,239	1,334	1,414	1,523	1,395
5,400	5,000	4,200	3,900	4,100	4,700	4,800

</TABLE>

CONSOLIDATED BALANCE SHEETS
SMITHFIELD FOODS, INC. AND SUBSIDIARIES

<TABLE>
<CAPTION>

(IN THOUSANDS)	APRIL 30, 1995	MAY 1, 1994
<S>	<C>	<C>
ASSETS		
Current Assets:		
Cash	$ 14,790	$ 12,350
Accounts receivable less allowances of $540 and $458	66,727	60,586
Inventories	119,170	119,269
Advances to joint hog production arrangements	14,042	20,178
Prepaid expenses and other current assets	18,564	13,946
Total current assets	233,293	226,329
Property, plant and equipment:		
Land	9,747	8,039
Buildings and improvements	116,637	108,901
Machinery and equipment	220,750	203,443
Construction in progress	68,705	9,750
	415,839	330,133
Less accumulated depreciation	(141,533)	(124,112)
Net property, plant and equipment	274,306	206,021
Other assets:		
Cost in excess of net assets acquired less accumulated amortization of $1,429 and $1,456	4,835	4,385
Investments in partnerships	27,209	10,672
Other	10,582	4,872
Total other assets	42,626	19,929
	$ 550,225	$ 452,279

</TABLE>

The accompanying notes are an integral part of these balance sheets.

<TABLE>
<CAPTION>

(IN THOUSANDS)	APRIL 30, 1995	MAY 1, 1994
<S>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 69,695	$ 52,135
Current portion of long-term debt and capital lease obligations	9,961	9,655
Accounts payable	55,371	48,017
Accrued expenses and other current liabilities	37,355	31,840
Income taxes payable	-	3,153
Total current liabilities	172,382	144,800
Long-term debt and capital lease obligations	155,047	118,942
Other noncurrent liabilities:		
Deferred income taxes	18,404	11,767
Pension and post-retirement benefits	4,733	5,220
Other	5,644	6,600
Total other noncurrent liabilities	28,781	23,587
Commitments and contingencies		
Series B 6.75% cumulative convertible preferred stock, $1.00 par value, 1,000 shares authorized, issued and outstanding	10,000	10,000
Stockholders' equity:		
Preferred stock, $1.00 par value, authorized 1,000,000 shares	-	-

Common stock, $.50 par value, authorized 25,000,000 shares; issued 16,834,026 and 16,713,126 shares	8,417	8,357
Additional paid-in capital	49,804	47,964
Retained earnings	133,437	106,272
Treasury stock, at cost, 437,000 shares	(7,643)	(7,643)
Total stockholders' equity	184,015	154,950
	$550,225	$452,279

</TABLE>

CONSOLIDATED STATEMENTS OF INCOME
SMITHFIELD FOODS, INC. AND SUBSIDIARIES

<TABLE>
<CAPTION>

(IN THOUSANDS, EXCEPT PER SHARE DATA)	52 WEEKS ENDED APRIL 30, 1995	52 WEEKS ENDED MAY 1, 1994	52 WEEKS ENDED MAY 2, 1993
<S>	<C>	<C>	<C>
Sales	$1,526,518	$1,403,485	$1,113,712
Cost of sales	1,288,026	1,213,098	979,271
Gross profit	238,492	190,387	134,441
Selling, general and administrative expenses	154,283	125,520	101,281
Depreciation expense	19,717	21,327	18,418
Interest expense	14,054	11,605	6,183
Plant closing costs	-	-	3,598
Income from continuing operations before income taxes	50,438	31,935	4,961
Income taxes	18,523	12,616	1,690
Income from continuing operations before cumulative effect of change in accounting for income taxes	31,915	19,319	3,271
Income (loss) from discontinued operations, net of tax	(4,075)	383	(420)
Income before cumulative effect of change in accounting for income taxes	27,840	19,702	2,851
Cumulative effect of change in accounting for income taxes	-	-	1,138
Net income	$ 27,840	$ 19,702	$ 3,989
Net income available to common stockholders	$ 27,165	$ 19,027	$ 3,624
Income (loss) per common share:			
Continuing operations before cumulative effect of change in accounting for income taxes	$ 1.83	$ 1.11	$ .18
Discontinued operations	(.24)	.02	(.03)
Cumulative effect of change in accounting for income taxes	-	-	.07
Net income	$ 1.59	$ 1.13	$ .22

</TABLE>

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
SMITHFIELD FOODS, INC. AND SUBSIDIARIES

<TABLE>
<CAPTION>

(IN THOUSANDS)	52 WEEKS ENDED APRIL 30, 1995	52 WEEKS ENDED MAY 1, 1994	52 WEEKS ENDED MAY 2, 1993
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	$ 27,840	$ 19,702	$ 3,989
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	22,127	23,010	20,055
Loss on sale of property, plant and equipment	1,130	1,088	1,169

Increase in accounts receivable	(6,141)	(9,763)	(13,899)
(Increase) decrease in inventories	99	(24,447)	(43,327)
(Increase) decrease in prepaid expenses and other current assets	(4,618)	(4,529)	2,432
Increase in other assets	(8,121)	(1,398)	(3,489)
Increase in accounts payable, accrued expenses and other liabilities	8,272	25,608	7,667
Cumulative effect of change in accounting for income taxes	-	-	(1,138)
Increase (decrease) in deferred income taxes	6,637	6,177	(1,023)
Net cash provided by (used in) operating activities	47,225	35,448	(27,564)
Cash flows from investing activities:			
Capital expenditures	(91,921)	(29,291)	(87,992)
Proceeds from sale of property, plant and equipment	2,340	4,494	1,112
Investments in partnerships	(16,537)	(2,257)	(100)
Advances to joint hog production arrangements	(18,130)	(20,178)	(19,830)
Reductions of advances to joint hog production arrangements	24,266	19,830	23,330
Net cash used in investing activities	(99,982)	(27,402)	(83,480)
Cash flows from financing activities:			
Net borrowings on notes payable	17,560	4,322	6,627
Proceeds from issuance of long-term debt and capital lease obligations	50,000	5,341	83,036
Principal payments on long-term debt and capital lease obligations	(13,588)	(7,916)	(5,303)
Proceeds from sale of preferred stock	-	-	10,000
Proceeds from sale of common stock	-	-	16,750
Exercise of common stock options	1,900	153	1,642
Dividends on preferred stock	(675)	(675)	(365)
Net cash provided by financing activities	55,197	1,225	112,387
Net increase in cash	2,440	9,271	1,343
Cash at beginning of year	12,350	3,079	1,736
Cash at end of year	$ 14,790	$ 12,350	$ 3,079
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest, net of amount capitalized	$ 14,630	$ 12,379	$ 9,037
Income taxes	$ 16,254	$ 5,574	$ 5,018

</TABLE>

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
SMITHFIELD FOODS, INC. AND SUBSIDIARIES

<TABLE>
<CAPTION>

(IN THOUSANDS)	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK
<S>	<C>	<C>	<C>	<C>
Balance, May 3, 1992	$7,775	$30,001	$ 83,621	$ (7,643)
Net income	-	-	3,989	-
Sale of common stock	500	16,250	-	-
Exercise of stock options	75	1,567	-	-
Dividends on preferred stock	-	-	(365)	-
Balance, May 2, 1993	8,350	47,818	87,245	(7,643)
Net income	-	-	19,702	-
Exercise of stock options	7	146	-	-
Dividends on preferred stock	-	-	(675)	-
Balance, May 1, 1994	8,357	47,964	106,272	(7,643)
Net income	-	-	27,840	-
Exercise of stock options	60	1,840	-	-
Dividends on preferred stock	-	-	(675)	-
Balance,April 30, 1995	$8,417	$49,804	$133,437	$ (7,643)

</TABLE>

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SMITHFIELD FOODS, INC. AND SUBSIDIARIES

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES PRINCIPLES OF CONSOLIDATION The accompanying consolidated financial statements include the accounts of Smithfield Foods,Inc. and subsidiaries (the "Company").The Company's principal subsidiaries include Brown's of Carolina, Inc. ("Brown's"), Esskay, Inc. ("Esskay"), Gwaltney of Smithfield, Ltd. ("Gwaltney"), Patrick Cudahy Incorporated ("Patrick Cudahy"), Smithfield International, Inc. ("International") and The Smithfield Packing Company, Incorporated ("Smithfield Packing"). The accounts of Ed Kelly, Inc. ("Kelly") are reflected as discontinued operations (see Note 2) and are reported separately on the consolidated statements of income. All material intercompany balances and transactions have been eliminated.

FISCAL YEAR The Company's fiscal year is the 52 or 53 week period which ends on the Sunday nearest April 30.

INVENTORIES The Company's inventories are valued at the lower of first-in, first-out (FIFO) cost or market. Inventories consist of the following:

(IN THOUSANDS)	APRIL 30, 1995	MAY 1, 1994
Fresh and processed meats	$ 82,957	$ 90,219
Livestock and manufacturing supplies	28,596	19,809
Other	7,617	9,241
	$119,170	$119,269

PROPERTY, PLANT AND EQUIPMENT Property, plant and equipment is stated at cost. Buildings and improvements are depreciated over periods from 10 to 40 years. Machinery and equipment is depreciated over periods from 3 to 25 years. Repairs and maintenance are charged to expense as incurred. Improvements and betterments are capitalized. Gains and losses from dispositions or retirements of property, plant and equipment are recognized currently.

In fiscal 1994,the Company revised the estimated useful lives of certain assets to more accurately reflect their economic useful lives and to better align them with those generally used in the meat processing industry. This change was made to assets acquired after April 1990 and is reflected on a prospective basis beginning in November 1993. This change reduced depreciation charges and increased net income by $7,732,000 and $4,932,000, respectively, in fiscal 1995 and by $3,868,000 and $2,336,000, respectively, in fiscal 1994.

Interest on capital projects is capitalized during the construction period. Total interest capitalized was $842,000 in fiscal 1995, $612,000 in fiscal 1994 and $1,860,000 in $50,975,000, $40,713,000 and $36,830,000 in fiscal 1995, 1994 and 1993, respectively.

OTHER ASSETS Cost in excess of net assets acquired is amortized over 40 years. Organization costs are amortized over a five-year period. Deferred debt issuance costs are amortized over the terms of the related loan agreements. Start-up costs associated with hog production are amortized over a three-year period.

ENVIRONMENTAL EXPENDITURES Environmental expenditures that relate to current or future revenues are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or cleanups are probable and the cost can be reasonably estimated. Generally, the timing of these accruals coincides with the Company's commitment to a formal plan of action.

SELF-INSURANCE PROGRAMS The Company is self-insured for certain levels of general and vehicle liability, workers' compensation and health care coverage. The estimated cost of these self-insurance programs is accrued based upon projected settlements for known and anticipated claims. Any resulting adjustments to previously recorded reserves are reflected in current operating results.

COMMODITY FUTURES The Company, from time to time,enters into commodity futures contracts for hogs, pork bellies and corn to minimize its exposure to price fluctuations. As of April 30, 1995, the Company had deposits of $1,208,000 with brokers for all outstanding commodity futures contracts. Contracts for hogs and pork bellies related to firm sales commitments are accounted for as hedges. Gains and losses on these contracts are deferred and recorded to cost of sales when the sales commitments are fulfilled. As of April 30, 1995, $222,000 of unrealized hedging gains on outstanding futures contracts were deferred. These contracts mature within one year.

In addition, the Company uses futures contracts to reduce the risk associated with the Company's hog production operations. These contracts are marked to market with gains and losses recognized in cost of sales currently. As of April 30, 1995, unrealized gains of $371,000 were recognized on open contracts having a total market value of $11,136,000. These contracts mature within one year.

INCOME PER COMMON SHARE Income per common share is computed using the weighted average shares of common stock and dilutive common stock equivalents (options and convertible preferred stock) outstanding during the respective periods.

Net income available to common stockholders is net income less dividends on preferred stock. The number of weighted average shares used in calculating income per common share was 17,059,000 in fiscal 1995, 16,768,000 in fiscal 1994 and 16,372,000 in fiscal 1993.

RECLASSIFICATIONS Certain prior year balances have been reclassified to conform to fiscal 1995 presentations.

NOTE 2 - DISCONTINUED OPERATIONS As of April 30, 1995, the Company adopted a plan to dispose of the assets and business of Kelly, its retail electronics subsidiary. Under the plan, the Company will aggressively reduce operating expenses, close certain stores and seek to sell the business. The operations of Kelly in fiscal 1995, 1994 and 1993 have been reported separately as discontinued operations in the consolidated statements of income.

The loss from discontinued operations in fiscal 1995 includes the write-off of goodwill and all costs and write-downs related to the planned disposal of assets and business of Kelly. The Company anticipates little, if any, loss from disposal of Kelly. As of April 30, 1995, Kelly had total current assets of $11,635,000, noncurrent assets of $1,012,000 and total liabilities of $13,748,000.

NOTE 3 - JOINT HOG PRODUCTION ARRANGEMENTS

SMITHFIELD-CARROLL'S The Company has an arrangement with affiliates of Carroll's Foods,Inc. ("CFI") to produce hogs for the Company's meat processing plants. The arrangement involves: (1) Smithfield-Carroll's Farms, a partnership owned jointly by the Company and Carroll's Farms of Virginia, Inc. ("CFAV"), which owns the hog raising facilities, and (2) a long-term purchase contract between the Company and Carroll's Foods of Virginia, Inc. ("CFOV"), which leases and operates the facilities, that obligates the Company to purchase all the hogs produced by CFOV at prices which are equivalent to market at the time of delivery. A director of the Company is the president and a director of CFI, CFAV and CFOV. In addition, the Company has a long-term agreement to purchase hogs from CFI at prices which, in the opinion of management, are equivalent to market.

As of April 30, 1995 and May 1, 1994, the Company had investments of $20,231,000 and $7,757,000, respectively, in the partnership which are accounted for using the equity method. During fiscal 1995, the Company converted $12,500,000 of advances to partners' equity, which is included in investments in partnerships on the consolidated balance sheet as of April 30, 1995. In addition, as of April 30, 1995, the Company had $6,960,000 of working capital loans outstanding to the partnership. These demand loans are expected to be repaid in the next fiscal year. Unaudited summarized financial information relative to the partnership is as follows:

(IN THOUSANDS)	APRIL 30, 1995	MAY 1, 1994
Current assets	$ 1,621	$ 847
Property and equipment	64,731	66,448
Other assets	288	383
	$66,640	$67,678
Current liabilities	$13,774	$25,461
Long-term debt	25,013	26,812

Partners' equity	27,853	15,405
	$66,640	$67,678

Substantially all revenues of the partnership consist of lease payments from CFOV which cover debt service, depreciation charges and other operating expenses. For the fiscal years 1995, 1994 and 1993, revenues were $9,479,000, $9,706,000 and $8,242,000, respectively.

Pursuant to the long-term purchase contract, the Company purchased $54,081,000, $62,348,000 and $52,871,000 of live hogs from CFOV in fiscal years 1995, 1994 and 1993, respectively. The contract resulted in increased raw material costs (as compared to market costs) of $2,615,000 in fiscal 1995 and decreased raw material costs of $2,223,000 and $2,892,000 in fiscal 1994 and 1993, respectively. In fiscal 1995, the Company made $10,805,000 of working capital loans to CFOV, of which $8,805,000 were outstanding as of April 30, 1995. These demand loans are expected to be repaid in the next fiscal year.

Pursuant to the agreement with CFI, the Company purchased $134,937,000, $127,849,000 and $87,477,000 of hogs in fiscal 1995, 1994 and 1993, respectively.

CIRCLE FOUR In fiscal 1994, the Company entered into a joint hog production arrangement with three of its principal hog suppliers to produce hogs in the state of Utah. The chief executive officers of two of the suppliers and the president of another serve as directors of the Company. As of April 30, 1995, the Company had a 31.5% interest in the arrangement which is accounted for using the equity method. In fiscal 1994, the Company transferred certain real estate and related costs to the arrangement for an aggregate sales price of $1,694,000, which represented the historical cost of the assets to the Company. As of April 30, 1995 and May 1, 1994, the Company had investments of $5,050,000 and $1,000,000, respectively, in the partnership. The arrangement had no sales in fiscal 1995 or 1994.

B&G In fiscal 1994, Brown's entered into a joint hog production arrangement with a company owned by the daughter and son-in-law of the chairman and chief executive officer of the Company. The arrangement, B&G Farms LLC ("B&G"), involves the leasing of hog production facilities to Brown's and the production of hogs by Brown's on a contractual basis. In addition,the Company has a contract to purchase all of the hogs produced by B&G at prices, which in the opinion of management, are equivalent to market. Profits and losses are shared equally under the arrangement. In fiscal 1994, each participant invested $1,200,000 and loaned an additional $1,100,000 to B&G. The loans were repaid in fiscal 1995. In fiscal 1994, Brown's sold hog production facilities to B&G for $3,302,000, which represented the historical cost of the facilities to Brown's. As of April 30, 1995 and May 1, 1994, B&G had advanced $1,723,000 and $1,295,000, respectively, to Brown's for working capital.

B&G's revenues consist of lease payments from Brown's, which cover debt service and depreciation charges, and the profits or losses on the sale of hogs. Pursuant to the contract, the Company purchased $3,048,000 of hogs in fiscal 1995. B&G had no sales during fiscal 1994.

NOTE 4 - DEBT LONG-TERM DEBT Long-term debt consists of the following:

(IN THOUSANDS)	APRIL 30, 1995	MAY 1, 1994
Notes payable to institutional lenders:		
6.24% notes, payable through November 1998	$ 4,237	$ 5,085
7.00% notes, payable through September 1998	2,017	2,521
7.15% notes, payable through October 1997	4,899	6,628
8.41% notes, payable through February 2013	25,000	25,000
9.80% notes, payable through August 2003	9,938	10,688
9.85% notes, payable through November 2006	15,667	16,667
10.75% notes, payable through August 2005	10,500	11,250
11.00% notes, payable through October 1994	-	500

Notes payable to banks:		
6.48% notes, payable through September 1998	22,600	24,100
7.10% notes, payable through September 1997	2,760	3,198
Notes, payable October 1997	45,000	-
Other note payable:		
9.00% note, payable through February 1999	200	-
	142,818	105,637
Less current portion	(9,030)	(8,885)
	$133,788	$ 96,752

Scheduled maturities of long-term debt are as follows:

(IN THOUSANDS)

Fiscal year	
1996	$ 9,030
1997	11,560
1998	57,944
1999	19,924
2000	4,554
Thereafter	39,806
	$142,818

In fiscal 1995, the Company placed $50,000,000 of three-year notes with a bank. The notes bear interest at rates increasing from prime (9.00% as of April 30, 1995) to three-quarters of a percentage point above prime over the three-year term of the loan. The Company prepaid $5,000,000 of these notes in fiscal 1995. In fiscal 1994, the Company placed $25,000,000 of five-year 6.48% notes with a bank and $2,800,000 of five-year 7.00% notes with an institutional lender. Notes payable to institutional lenders and banks are collateralized by substantially all of the assets of Gwaltney and Smithfield Packing.

The fair value of long-term debt as of April 30, 1995 was $148,652,000, based on the market value of debt with similar maturities and covenants.

LINES OF CREDIT The Company has aggregate lines of credit of $120,000,000. The lines have no material compensating balance requirements but require commitment fees based on the unused portions of the lines. Borrowings under the lines of credit are secured by substantially all of the Company's inventories and accounts receivable. Weighted average borrowings under the lines were $69,857,000 in fiscal 1995, $66,586,000 in fiscal 1994 and $79,206,000 in fiscal 1993 at weighted average interest rates of 6%, 4% and 4%, respectively. Maximum borrowings were $117,038,000 in fiscal 1995, $105,079,000 in fiscal 1994 and $105,653,000 in fiscal 1993. The outstanding balances under these lines totaled $67,195,000 and $52,135,000 as of April 30, 1995 and May 1, 1994 at weighted average interest rates of 7% and 5%, respectively.

DEBT COVENANTS The Company's various debt agreements contain covenants regarding current ratio, fixed charges coverage, net worth, and, among other restrictions, limit additional borrowings, the acquisition, disposition and leasing of assets and payments of dividends to stockholders. Additionally, existing loan covenants contain provisions which substantially limit the amount of funds available for transfer from subsidiaries to the parent company without the consent of certain lenders.

NOTE 5 - INCOME TAXES Total income tax expense (benefit) was allocated as follows:

(IN THOUSANDS)	APRIL 30, 1995	MAY 1, 1994	MAY 2, 1993
Income from continuing operations	$18,523	$12,616	$1,690
Discontinued operations	(2,716)	305	(240)
	$15,807	$12,921	$1,450

Income tax expense attributable to income from continuing operations consists of the following:

(IN THOUSANDS)	APRIL 30, 1995	MAY 1, 1994	MAY 2, 1993
Current tax expense:			
Federal	$10,373	$ 7,235	$ 2,350
State	1,835	1,675	44
	12,208	8,910	2,394
Deferred tax expense (benefit):			
Federal	5,301	3,108	(1,031)
State	1,014	598	327
	6,315	3,706	(704)
	$18,523	$12,616	$ 1,690

A reconciliation of taxes computed at the federal statutory rate to the provision for income taxes is as follows:

(IN THOUSANDS)	APRIL 30, 1995	MAY 1, 1994	MAY 2, 1993
Federal income taxes at statutory rate	$17,653	$11,177	$1,687
State income taxes, net of federal tax benefit	1,852	1,478	245
Reduction in tax reserves	-	-	(250)
Other	(982)	(39)	8
	$18,523	$12,616	$1,690

The tax effects of temporary differences consist of the following:

(IN THOUSANDS)	APRIL 30, 1995	MAY 1, 1994
Deferred tax assets:		
Employee benefits	$ 6,019	$ 7,003
Alternative minimum tax credit	2,680	2,540
Tax credits and net operating losses	2,709	867
Inventories	1,155	814
Other assets	968	-
Accrued expenses	1,041	1,154
	$14,572	$12,378
Deferred tax liabilities:		
Property, plant and equipment	$21,853	$13,791
Investment in subsidiary	574	715
Start-up costs	1,303	1,033
	$23,730	$15,539

Effective May 4, 1992, the Company adopted SFAS No. 109, "Accounting for Income Taxes," which requires the use of the liability method in accounting for income taxes. The cumulative effect of adopting this change totaled $1,138,000 ($.07 per common share) and has been reflected in the consolidated statements of income as the cumulative effect of a change in accounting for income taxes.

As of April 30, 1995 and May 1, 1994, the Company had $9,246,000 and $8,470,000, respectively, of net current deferred tax assets included in prepaid expenses and other current assets. The Company had no valuation allowance related to income tax assets as of April 30, 1995 or May 1, 1994, and there was no change in the valuation allowance during fiscal 1995 and 1994.

As of April 30, 1995, the Company had $1,836,000 and $873,000 of deferred tax assets relating to net operating losses and tax credits, respectively, which expire from fiscal 1999 to 2000. In addition, deferred tax assets include alternative minimum tax credits of $2,680,000 which do not expire.

NOTE 6-ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES Accrued expenses and other current liabilities consist of the following:

(IN THOUSANDS)	APRIL 30, 1995	MAY 1, 1994
Payroll and related benefits	$15,531	$11,599
Self-insurance reserves	12,357	11,690
Other	9,467	8,551
	$37,355	$31,840

NOTE 7-STOCKHOLDERS' EQUITY AND PREFERRED STOCK
ISSUANCE OF COMMON STOCK In fiscal 1993, the Company issued 1,000,000 shares of its common stock for $16,750,000 in a private transaction (see Note 10).

PREFERRED STOCK The Company has 1,000,000 shares of $1.00 par value preferred stock authorized, of which 999,000 shares are unissued. The Board of Directors is authorized to issue preferred stock in series and to fix by resolution the designation,dividend rate,redemption provisions, liquidation rights, sinking fund provisions, conversion rights and voting rights of each series of preferred stock.

In fiscal 1993, the Company authorized and issued 1,000 shares of Series B 6.75% cumulative convertible redeemable preferred stock in a private transaction for $10,000,000. These shares are convertible into 465,000 shares of the Company's common stock at $21.50 per share. The shares are mandatorily redeemable in fiscal 2003 at $10,000 per share plus accumulated and unpaid dividends and have an equivalent liquidation preference.

STOCK OPTIONS Under the Company's 1984 Stock Option Plan ("1984 Plan"), officers and certain key employees were granted incentive and nonstatutory stock options to purchase shares of the Company's common stock for periods not exceeding 10 years at prices that were not less than the fair market value of the common stock on the date of grant.Stock appreciation rights which are exercisable upon a change in control of the Company are attached to the options granted pursuant to the 1984 Plan. The Company granted options for 1,400,000 shares of common stock under the 1984 Plan, which expired in May 1994.

In fiscal 1993, the Company adopted the 1992 Stock Incentive Plan ("1992 Plan"). Under the plan, management and other key employees may be granted nonstatutory stock options to purchase shares of the Company's common stock exercisable five years after grant for periods not exceeding 10 years. The exercise price for options granted prior to August 31, 1994 is not less than 150% of the fair market value of the common stock on the date of grant.On August 31, 1994, the Company amended and restated the 1992 Plan, changing the exercise price of options granted on or after that date to not less than the fair market value of the common stock on the date of grant. The Company has reserved 1,250,000 shares of common stock under the 1992 Plan. As of April 30, 1995, there were 459,500 options available for grant under the 1992 Plan.

The following is a summary of transactions for the 1984 Plan and 1992 Plan during fiscal 1994 and 1995:

	NUMBER OF SHARES	PER SHARE RANGE
Outstanding options at May 2, 1993	910,000	$ 5.50-8.13
Granted	755,500	23.06
Exercised	(13,500)	8.13
Outstanding options at May 1, 1994	1,652,000	5.50-23.06
Granted	60,000	30.63
Exercised	(120,900)	5.50-8.13
Cancelled	(25,000)	23.06
Outstanding options at April 30, 1995	1,566,100	$5.50-30.63
Options exercisable at April 30, 1995	775,600	$ 5.50-8.13

PREFERRED SHARE PURCHASE RIGHTS In fiscal 1992, adopted a preferred share purchase rights plan (the Plan") and declared a dividend of one preferred share purchase right (a "Right") on each outstanding share of common stock. Under the terms of the Rights Plan, if the Company is acquired in a merger or other business combination transaction, each Right will entitle its holder to purchase, at the Right's then current exercise price,a number of the acquiring company's common shares having a market value of twice such price. In addition, if a person or group acquires 20% (or other applicable percentage, as summarized in the Rights Plan) or more of the outstanding common stock, each Right will entitle its holder (other than such person or members of such group) to purchase, at the Right's then current exercise price, a number of shares of common stock having a market value of twice such price.

Each Right will entitle its holder to buy five ten-thousandths of a share of Series A junior participating preferred stock, par value $1.00 per share, at an exercise price of $75 subject to adjustment. Each share of Series A junior participating preferred stock will entitle its holder to 1,000 votes and will have an aggregate dividend rate of 1,000 times the amount, if any, paid to holders of common stock. Currently, 25,000 shares of Series A junior participating preferred stock have been reserved. The Rights will expire in fiscal 2002 unless previously exercised or redeemed at the option of the Board of Directors for $.005 per Right. Generally, each share of common stock issued after May 31, 1991 will have one Right attached.

NOTE 8-RETIREMENT PLANS The Company and its subsidiaries sponsor several defined benefit pension plans covering substantially all employees. Pension expense for fiscal 1995, 1994 and 1993 was $2,306,000, $2,078,000 and $2,301,000, respectively. It is the Company's policy to fund the plans based on the minimum contribution required under ERISA. The plans' assets consist of listed corporate stocks, corporate and government bonds, insurance contracts and cash and cash equivalents. Effective January 1, 1994, the Company merged several of its defined benefit plans, primarily related to salaried employees, into one consolidated plan. Certain plan information as of May 1, 1994 has been restated as a result of the merger. The status of the Company's plans is as follows:

<TABLE>
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(In thousands)	APRIL 30,1995 OVERFUNDED PLANS	APRIL 30,1995 UNDERFUNDED PLANS	MAY 1,1994 OVERFUNDED PLANS	MAY 1,1994 UNDERFUNDED PLANS
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Accumulated benefit obligation	$ 23,705	$ 16,398	$ 21,394	$ 16,095
Vested benefit obligation	$ 21,274	$ 15,819	$ 19,364	$ 15,513
Plan assets at fair value	$ 30,625	$ 11,946	$ 27,466	$ 12,959
Projected benefit obligation	(29,782)	(16,397)	(28,029)	(16,096)
Plan assets in excess of (less than) projected benefit obligation	843	(4,451)	(563)	(3,137)
Items not recorded on balance sheet:				
Unrecognized net assets at transition	(271)	-	(362)	-
Unrecognized net loss (gain) due to past experience different from assumptions made	825	283	2,155	(1,030)
Prior service cost (benefit) not yet recognized in net periodic pension costs	(462)	946	(638)	1,105
Prepaid (accrued) pension costs	$ 935	$ (3,222)	$ 592	$ (3,062)

</TABLE>
<TABLE>
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	1995	1994	1993
<S>	<C>	<C>	<C>
Net pension expense included the following:			
Service costs-benefits earned during the year			
Interest cost on projected benefit obligation	$ 2,079	$ 1,690	$ 1,585
Actual return on plan assets	3,089	2,890	2,912
Amortization of net assets at transition	(2,558)	(3,185)	(3,303)
and deferred gains (losses)			
Net pension expense	(304)	683	1,107
	$ 2,306	$ 2,078	$ 2,301

</TABLE>

In determining the projected benefit obligation in fiscal 1995 and 1994, the weighted average assumed discount rate was 7.5% and 7%, respectively, while the assumed rate of increase in future compensation was 6% in both years. The weighted average expected long-term rate of return on plan assets was 8% and 7.5% in fiscal 1995 and 1994, respectively.

The Company provides health care and life insurance benefits for certain retired employees at Esskay and Patrick Cudahy. Certain vested benefits for retired employees at Esskay were recorded at the date of acquisition. The total cost to provide retiree benefits was $406,000, $994,000 and $746,000 in fiscal 1995, 1994 and 1993, respectively. The adoption of SFAS No. 106, "Employers' Accounting for Post-Retirement Benefits Other Than Pensions" in fiscal 1994 resulted in no additional expense and is not material to the Company on an overall basis.

NOTE 9-LEASE AND SERVICE OBLIGATIONS The Company leases transportation equipment under operating leases ranging from one to 10 years with options to cancel at earlier dates. In addition, the Company has a long-term maintenance agreement related to this equipment. Maintenance fees are based upon fixed monthly charges for each vehicle, as well as the maintenance facility itself and contingent fees based upon transportation equipment usage. The amounts shown below as minimum rental commitments do not include contingent maintenance fees.

The Company has agreements, expiring in fiscal 2004 and 2008, to use two cold storage warehouses owned by a partnership, 50% of which is owned by the Company. The Company has agreed to pay prevailing competitive rates for use of the facilities, subject to aggregate guaranteed minimum annual fees of $3,600,000. In fiscal 1995, 1994 and 1993, the Company paid $5,986,000, $5,284,000 and $3,959,000, respectively, in fees for use of the facilities. As of April 30, 1995 and May 1, 1994, the Company had investments of $744,000 and $645,000, respectively, in the partnership which are accounted for using the equity method. Under certain conditions, the Company is obligated to purchase the other 50% partnership interest for $750,000.

Minimum rental commitments under all noncancelable operating leases and maintenance agreements are as follows:

(IN THOUSANDS)

Fiscal year	
1996	$14,465
1997	12,563
1998	10,985
1999	9,279
2000	8,467
Thereafter	31,147
	$86,906

Rental expense was $15,025,000 in fiscal 1995, $12,159,000 in fiscal 1994 and $10,525,000 in fiscal 1993. Rental expense in fiscal 1995, 1994 and 1993 included $2,681,000, $2,137,000 and $1,955,000 of contingent maintenance fees, respectively.

In fiscal 1994, the Company entered into a 12-year sale and leaseback arrangement for certain hog production facilities at Brown's. These lease agreements provide for an early termination at predetermined amounts after 10 years.

Property, plant and equipment under capital leases as of April 30, 1995 consists of land of $1,911,000, buildings and improvements of $15,840,000 and machinery and equipment of $6,384,000, less accumulated amortization of $3,344,000.

Future minimum lease payments for assets under capital leases and the present value of the net minimum lease payments are as follows:

(IN THOUSANDS)

Fiscal year	
1996	$ 2,750
1997	2,822
1998	2,900
1999	3,016
2000	3,070
Thereafter	19,168
	33,726
Less amounts representing interest	(11,536)
Present value of net minimum obligations	22,190
Less current portion	(931)
Long-term capital lease obligations	$ 21,259

NOTE 10-RELATED PARTY TRANSACTIONS A director of the Company is the chairman and chief executive officer and a director of Murphy Farms,Inc.("MFI"). The Company has a long-term agreement to purchase hogs from MFI at prices, which in the opinion of management, are equivalent to market. Pursuant to this agreement with MFI, the Company purchased $168,105,000, $197,997,000 and $159,153,000 of hogs in fiscal 1995, 1994 and 1993, respectively.

The Company's chairman and chief executive officer is an officer and the majority owner of the capital stock of a company to which the Company made sales of fresh pork and processed meat products totaling $328,000, $321,000 and $349,000 in fiscal 1995, 1994 and 1993, respectively. In fiscal 1995, 1994 and 1993, the Company purchased raw materials totaling $7,535,000, $8,159,000 and $7,986,000, respectively, from a company which is 48% owned by the chairman's children.

A director of the Company is the chairman of the board of a company from which the Company made purchases of automotive parts and equipment, as well as maintenance and leasing services, totaling $489,000, $515,000 and $526,000 in fiscal 1995, 1994 and 1993, respectively. In addition, the Company leases substantially all of its automobiles under three-year leases arranged by this company. As of April 30, 1995, the Company was obligated to make a total of $914,000 in future lease payments under these leases.

The Company paid a director of the Company, who was formerly president and chief operating officer of a subsidiary, $221,000 for consulting services during fiscal 1995.

The Company is a 50% partner in a partnership which owns two cold storage warehouses (see Note 9). In fiscal 1995, the partnership purchased the capital stock of a company which previously owned one of the warehouses, 18% of the capital stock of which was owned by a group of the Company's officers and directors. The purchase price approximated the net book value of the company as of December 31, 1994, the effective purchase date.

In fiscal 1993, the Company sold 1,000,000 shares of its common stock in a private transaction to CFI (see Notes 3 and 7) for $16,750,000.

NOTE 11-COMMITMENTS AND CONTINGENCIES As of April 30,1995,the Company had outstanding commitments for construction of hog production facilities and plant expansion projects of approximately $40,508,000.

The Company and its subsidiaries are defendants in various lawsuits and claims arising in the ordinary course of business. In the opinion of management, any ultimate liability with respect to these matters will not have a material effect on the Company's consolidated financial position.

Like other participants in the meat processing industry, the Company is subject to various laws and regulations administered by federal, state and other government entities, including the Environmental Protection Agency and corresponding state agencies such as the Virginia State Water Control Board ("SWCB"), the North Carolina Division of Environmental Management, the United States Department of Agriculture and the Occupational Safety and Health Administration. Management believes that the Company complies with all such laws and regulations in all material respects, except as set forth immediately below, and that continued compliance with these standards will not have a material effect on the Company's consolidated financial position.

The wastewater discharge permit for the Company's major meat processing plants in Smithfield,Virginia,imposes more stringent phosphorus and ammonia effluent limitations than the plants can currently meet. To achieve compliance, the Company agreed to discontinue its wastewater discharges to the Pagan River and connect its wastewater treatment plants to the regional sewage collection and treatment system operated by the Hampton Roads Sanitation District ("HRSD"). This connection will likely be made in early 1996, following completion by the HRSD of the necessary pipeline facilities. The Company expects to incur approximately $2,000,000 in capital costs to upgrade its existing treatment systems and make this connection. The Company will incur sewer charges in addition to the existing costs of effluent treatment in fiscal 1996. These sewer charges will be accounted for as current period costs beginning in fiscal 1996.

Pending connection to the HRSD system, the plants are being operated under an administrative consent order entered into with the SWCB. During the period May 1994 through April 1995, the Company's plants had several violations of its permit and the consent order which led the SWCB to place the Company's plants on its "significant noncompliance" list. Placement on that list is required by the SWCB when any one of several circumstances occur, including a single violation of an administrative consent order provision. The Company has corrected the conditions which caused these violations, and the plants are presently in full compliance with the SWCB permit and the administrative order. No administrative or judicial proceedings have been instituted as a result of these violations, and the Company does not believe that such proceedings will likely be instituted.

The Company regularly conducts tests of wastewater discharges to assure compliance with the provisions of the wastewater discharge permits for its manufacturing plants. Federal and state laws require that records of such tests be maintained for three years. Failure to maintain such records may result in the imposition of civil penalties and, if records are destroyed, criminal sanctions. In the course of an SWCB inspection in May 1994, it was discovered that records of certain tests conducted by the Company from 1992 through early 1994 could not be located.The employee responsible for the supervision of the tests and maintenance of the test records has been replaced. No administrative or judicial proceedings have been instituted against the Company as a result of its inability to locate the records for the period noted. At this time the Company cannot express any view as to the likelihood that any such proceedings will be instituted against it.

NOTE 12-PLANT CLOSING COSTS In fiscal 1993, the Company recorded a nonrecurring charge of $3,598,000 related to the closing of Esskay's Baltimore, Maryland, plant.

NOTE 13-QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

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(IN THOUSANDS, EXCEPT PER SHARE DATA)	FIRST	SECOND	THIRD	FOURTH
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1995				
Sales	$331,761	$373,839	$439,353	$381,565
Gross profit	43,688	57,947	83,501	53,356
Income from continuing operations	2,547	8,080	18,048	3,240
Discontinued operations	(177)	(278)	(718)	(2,902)
Net income	2,370	7,802	17,330	338
Income (loss) per common share:				
Continuing operations	.14	.47	1.04	.18
Discontinued operations	(.01)	(.02)	(.04)	(.17)
Net income	.13	.45	1.00	.01
1994				
Sales	$291,711	$344,282	$413,620	$353,872
Gross profit	35,807	41,813	60,279	52,488
Income (loss) from continuing operations	(285)	861	11,171	7,572
Discontinued operations	(84)	62	578	(173)
Net income (loss)	(369)	923	11,749	7,399
Income (loss) per common share:				
Continuing operations	(.03)	.04	.66	.44
Discontinued operations	-	-	.03	(.01)
Net income (loss)	(.03)	.04	.69	.43

</TABLE>

REPORT OF MANAGEMENT

The management of Smithfield Foods, Inc. and its subsidiaries has the responsibility for preparing the accompanying financial statements and for their integrity and objectivity. The statements were prepared in accordance with generally accepted accounting principles applied on a consistent basis.The financial statements include amounts that are based on management's best estimates and judgments. Management also prepared the other information in the annual report and is responsible for its accuracy and consistency with the financial statements.

The Company's financial statements have been audited by Arthur Andersen LLP, independent public accountants, elected by the stockholders. Management has made available to Arthur Andersen LLP all of the Company's financial records and related data as well as the minutes of stockholders' and directors' meetings. Furthermore, management believes that all representations made to Arthur

Andersen LLP during its audits were valid and appropriate.

Management has established and maintains a system of internal control that provides reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition and the prevention and detection of fraudulent financial reporting. The system of internal control provides for appropriate division of responsibilities among employees and is based upon policies and procedures that are communicated to those with significant roles in the financial reporting process. Management continually monitors the system of internal control for compliance and updates this system as it deems necessary.

Management believes that, as of June 13, 1995, the Company's system of internal control is adequate to accomplish the objectives discussed herein.

(signature) JOSEPH W. LUTER, III CHAIRMAN AND CHIEF EXECUTIVE OFFICER	(signature) AARON D. TRUB VICE PRESIDENT, SECRETARY AND TREASURER
(signature) JOHN O. NIELSON PRESIDENT AND CHIEF OPERATING OFFICER	(signature) C. LARRY POPE CONTROLLER

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of Smithfield Foods, Inc.:

We have audited the accompanying consolidated balance sheets of Smithfield Foods, Inc. (a Delaware corporation) and subsidiaries as of April 30, 1995 and May 1, 1994, and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended April 30, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Smithfield Foods, Inc. and subsidiaries as of April 30, 1995 and May 1, 1994, and the results of their operations and their cash flows for each of the three years in the period ended April 30, 1995, in conformity with generally accepted accounting principles.

As discussed in note 5 to the consolidated financial statements, effective May 4, 1992, the Company changed its method of accounting for income taxes.

ARTHUR ANDERSEN LLP
Richmond, Virginia,
JUNE 13, 1995

EXHIBIT 21

SMITHFIELD FOODS, INC. AND SUBSIDIARIES

Set forth below is a list of Smithfield Foods, Inc.'s subsidiaries (other than subsidiaries whose names may be omitted in accordance with Regulation S-K Item 601(21)(ii)) and their respective jurisdictions of organization.

Brown's of Carolina, Inc	North Carolina
Esskay, Inc	Delaware
Gwaltney of Smithfield, Ltd	Delaware
Patrick Cudahy Incorporated	Delaware
Smithfield International, Inc	Delaware
The Smithfield Packing Company, Incorporated	Virginia

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