SMITHFIELD FOODS INC
Form 424B5
June 19, 2007

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and accompanying base prospectus are not an offer to sell these securities, and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-143727

SUBJECT TO COMPLETION, DATED JUNE 19, 2007

PRELIMINARY PROSPECTUS SUPPLEMENT

(To Prospectus dated June 14, 2007)

$500,000,000

Smithfield Foods, Inc.

% Senior Notes due 2017

The notes will bear interest at % per year. Interest on the notes is payable on and of each year, beginning , 2007. The notes will mature on , 2017.

We may redeem up to 35% of the notes before , 2010, using the proceeds of certain equity offerings. If we sell all or substantially all of our assets or experience specific kinds of changes in control, we must offer to repurchase the notes.

The notes will be our senior unsecured obligations, will rank equally with all our existing and future unsecured senior debt and will rank senior to all our existing and future subordinated debt. The notes will be effectively subordinated to all our existing and future secured debt to the extent of the value of the assets securing such debt. The notes will not be guaranteed by any of our subsidiaries and, therefore, will be structurally subordinated to all liabilities (including trade payables) of our subsidiaries.

We do not plan to make application to list the notes on any securities exchange or to include them in any automated quotation system.

Investing in the notes involves risks. See Risk Factors beginning on page S-15.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying base prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Note	Total
Initial price to public	%	$
Underwriting discount	%	$
Proceeds, before expenses, to us	%	$

Interest on the notes will accrue from , 2007 to the date of delivery.

The underwriters expect to deliver the notes to purchasers in book-entry form through The Depository Trust Company on or about , 2007.

Joint Book-Running Managers

Citi **JPMorgan**

Goldman, Sachs & Co.

Banc of America Securities LLC

BMO Capital Markets

MORGAN STANLEY

Rabo Securities USA, Inc.

SOCIETE GENERALE

ING Wholesale Banking **SunTrust Robinson Humphrey**

, 2007

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This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the notes we are offering and certain other matters relating to us and our financial condition. The second part, the accompanying base prospectus, gives more general information about securities we may offer from time to time, some of which does not apply to the notes we are offering. Generally, when we refer to the prospectus, we are referring to both parts of this document combined. To the extent the description of the notes in this prospectus supplement differs from the description of debt securities in the accompanying base prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus. We and the underwriters have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer of these notes in any state where the offer is not permitted. The information which appears in this document and which is incorporated by reference in this document may only be accurate as of the date of this document or the date of the document in which incorporated information appears. Our business, financial condition, results of operations and prospects may have changed since the date of such information.

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Smithfield Foods, Inc. is a Virginia corporation. Our principal executive offices are located at 200 Commerce Street, Smithfield, Virginia 23430, and our telephone number is (757) 365-3000. Our website address is *http://www.smithfieldfoods.com*. The information on our website is not part of this prospectus.

Unless otherwise indicated or the context otherwise requires, as used in this prospectus, the terms Smithfield, Company, we, our and us refer to Smithfield Foods, Inc. and our subsidiaries; and underwriters refer to the firms listed on the cover of this prospectus supplement.

FORWARD-LOOKING STATEMENTS

This prospectus supplement and accompanying base prospectus, including the documents incorporated by reference into this prospectus supplement and accompanying base prospectus, contain forward-looking information within the meaning of the federal securities laws. The forward-looking information includes statements concerning our outlook for the future, as well as other statements of beliefs, future plans and other strategies or anticipated events, and similar expressions concerning matters that are not historical facts. The forward-looking information and statements are subject to many risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, the statements.

These risks and uncertainties include the availability and prices of live hogs and cattle, raw materials, fuel and supplies, food safety, livestock disease, live hog production costs, product pricing, the competitive environment and related market conditions, our ability to balance capacity versus market demand, the effect of investments in additional beef processing, the timing and extent to which beef export markets are reopened, hedging risk, operating efficiencies, changes in interest rate and foreign currency exchange rates, access to capital, the investment performance of our pension plan assets and the availability of legislative funding relief, the cost of compliance with environmental and health standards, adverse results from ongoing litigation, actions of domestic and foreign governments, the ability to make effective acquisitions and successfully integrate newly acquired businesses into existing operations and other risks and uncertainties described in this prospectus supplement. Readers are cautioned not to place undue reliance on forward-looking statements because actual results may differ materially from those expressed in, or implied by, the statements. Any forward-looking statement that we make speaks only as of the date of such statement, and we undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

INDUSTRY AND MARKET DATA

In this prospectus supplement, accompanying base prospectus and the documents incorporated by reference in it, we rely on and refer to information regarding our industry and our market share in the sectors in which we compete. We obtained this information from various third-party sources, discussions with our customers and our own internal estimates. We believe that these sources and estimates are reliable, but have not independently verified them and cannot guarantee their accuracy or completeness. While we are not aware of any misstatements regarding our industry data presented or incorporated by reference in this prospectus, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed above and under the heading Risk Factors in this prospectus supplement. Unless otherwise indicated, all industry and market data is provided as of the end of our fiscal year 2006.

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SUMMARY

Unless otherwise indicated or the context otherwise requires, in this prospectus supplement, the words Smithfield, Company, we, our and us refer to Smithfield Foods, Inc., a Virginia corporation and its subsidiaries and predecessors. Our fiscal year ends on the Sunday closest to April 30 of each year (e.g., fiscal year 2006 is the fiscal year ending on April 30, 2006). In this prospectus supplement when we refer to financial information on a pro forma basis, we mean pro forma for the acquisition of Premium Standard Farms, Inc. (PSF). When we refer to financial information on a pro forma as adjusted basis, we mean pro forma for the acquisition of PSF, the repayment of the PSF Loan Agreement from the U.S. Revolver prior to the completion of this offering, this offering and application of the net proceeds of this offering.

The following summary contains basic information about this offering. It may not contain all the information that is important to you. The Description of Debt Securities section of the accompanying base prospectus contains additional information regarding the notes. The following summary is qualified in its entirety by reference to the more detailed information appearing elsewhere in, and incorporated by reference into, this prospectus supplement and in the accompanying base prospectus.

You should carefully consider the information set forth under Risk Factors on page S-15 and the documents incorporated by reference into the accompanying base prospectus.

The Company

We are the largest hog producer and pork processor in the world and the fifth largest beef processor in the United States. We conduct our business through six reporting segments, Pork, Beef, International, Hog Production (HP), Other and Corporate, each of which is comprised of a number of subsidiaries. Each of the segments has certain joint ventures and other investments in addition to their main operations.

The Pork segment consists mainly of United States (U.S.) fresh pork, packaged meats and processed meat operations. The Pork segment produces a wide variety of fresh pork and processed meat products in the U.S. and markets them nationwide and to numerous foreign markets, including Japan, Mexico, Canada and Australia. The Pork segment currently operates over 40 processing plants.

The Beef segment is composed mainly of U.S. beef processing operations and our cattle feeding operations and interests in cattle feeding operations. The Beef segment primarily produces boxed beef and ground beef (both chub and case ready) and markets these products in large portions of the U.S. We process cattle at four plants (two in the Midwest, one in the Northeast and one in the Southwest), with a current aggregate processing capacity of 7,600 cattle per day.

The International segment is comprised of international meat processing operations, mainly in Poland, Romania and the United Kingdom, and our interests in international meat processing operations, mainly in Western Europe, Mexico, Romania and China.

As a complement to the Pork and International segments, we have vertically integrated into hog production. The HP segment consists mainly of hog production operations located in the U.S., Poland and Romania and our interests in hog production operations, mainly in Mexico and Brazil. The HP segment operates numerous hog production facilities producing about 17 million market hogs annually. Additional hogs are produced through joint ventures. The HP segment produces approximately 59% of the Pork segment s live hog requirements and approximately 66% of the International segment s live hog requirements. With the acquisition of PSF, we expect these percentages to increase.

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The Other segment is mainly comprised of our turkey processing and production operations and 49% interest in Butterball LLC.

Recent Developments

Premium Standard Farms

In May 2007, we acquired PSF, one of the largest vertically integrated providers of pork products in the U.S., producing pork products for the retail, wholesale, foodservice, further processor and export markets. PSF has become a recognized leader in the pork industry through its vertically integrated business model that combines modern, efficient production and processing facilities, sophisticated genetics, and strict control over the variables of health, diet and environment. PSF is one of the largest pork processors in the U.S. with processing facilities in Missouri and North Carolina. PSF is also one of the largest owners of sows in the U.S. with operations located in Missouri, North Carolina and Texas.

Pursuant to the Agreement and Plan of Merger (the Merger Agreement), PSF became our wholly-owned subsidiary and each outstanding share of PSF common stock was converted into the right to receive 0.6780 of a share of our common stock and $1.25 in cash. We used available funds under our $1.2 billion revolving credit facility (the U.S. Revolver) to pay for the cash portion of the consideration under the Merger Agreement.

The unaudited pro forma information in this prospectus supplement gives effect to the PSF merger as if the merger had occurred at January 28, 2007 (for pro forma balance sheet information) and at the beginning of the fiscal year ending April 30, 2006 (for pro forma income statement data).

Armour-Eckrich Meats

In October 2006, we completed our acquisition of substantially all of the non-turkey product assets of the branded meats business of ConAgra Foods, Inc. (Armour-Eckrich) in the Pork segment for $226.3 million. The business includes the packaged meats products sold under the Armour, Eckrich, Margherita and LunchMakers brands. The brands are marketed to retail grocers, delis, restaurants and other foodservice establishments. As a result of the acquisition, we estimate that we have added approximately 530 million pounds annually of packaged meats, almost all of which are branded, with large market shares in hot dogs, dinner sausages and luncheon meats. For the twelve months immediately prior to the acquisition, Armour-Eckrich had net sales of approximately $1,038.2 million. This acquisition advances our strategy of growing the packaged meats business, utilizing raw materials internally, as well as migrating to higher margin, convenience products.

Butterball

In October 2006, concurrent with our acquisition of Armour-Eckrich, Carolina Turkeys, LLC, an existing partnership of which we own 49%, financed and purchased the Butterball and Longmont turkey products business of the ConAgra branded meats business for $325.0 million minus an $8.3 million working capital adjustment and changed its name to Butterball, LLC.

Groupe Smithfield

In August 2006, we completed our investment in Groupe Smithfield, a 50/50 joint venture with Oaktree Capital Management, LLC (Oaktree), which purchased the European meats business of Sara Lee Corporation. We contributed our French operations, reported in the International segment, and cash of 50.0 million (approximately $63.1 million) to the joint venture. As of the date of the formation of the joint venture, we no longer consolidate our French operations. We account for our investment in Groupe Smithfield as an equity investment and record 50% of the earnings of Groupe Smithfield as Equity in (income) loss of affiliates in our consolidated statements of income in the International segment. Prior to the August 2006 contribution to Groupe Smithfield, sales from the contributed French operations were $98.9 million for the 39 weeks ended January 28, 2007. They were $95.0 million and $286.1 million for the 13 and 39 weeks ended January 29, 2006, respectively. Prior to the contribution to Groupe Smithfield, operating losses from the contributed French operations were $6.5 million for the 39 weeks ended January 28, 2007, and $2.0 million and $7.3 million for the 13 and 39 weeks ended January 29, 2006, respectively.

Cook s

In April 2006, we completed the acquisition of substantially all of the assets of Cook s Hams, Inc. (Cook s) in the Pork segment for approximately $264.2 million plus a $41.0 million working capital adjustment. Cook s, based in Lincoln, Nebraska, is a producer of traditional and spiral sliced smoked bone-in hams, corned beef and other smoked meats items sold to supermarket chains and grocers throughout the U.S. and Canada. As a result of the acquisition, we estimate that we have added approximately 275 million pounds annually of products, almost all of which are traditional and spiral sliced smoked bone-in hams. For the twelve months immediately prior to the acquisition, Cook s had net sales of approximately $332.3 million.

Animal Management

In January 2007, we announced that we are beginning the process of phasing out individual gestation stalls at our sow farms and replacing the gestation stalls with group pens over the next ten years. This decision was made as a result of our desire to be more animal-friendly, as well as to address certain concerns and needs of our customers. We anticipate the aggregate cost of the transition from gestation stalls to group pens to be approximately $100 million over 10 years.

Fiscal 2007 Results

Income from continuing operations for the fourth quarter was $39.9 million, or $.35 per diluted share, versus income from continuing operations for the prior year period of $6.3 million, or $.06 per diluted share. Sales were $3.1 billion for the fourth quarter versus $2.7 billion for the prior year period.

In the fourth quarter, Smithfield incurred a pretax charge of $8.2 million, or $.04 per diluted share, to impair the value of certain assets within the Beef segment. Also in the fourth quarter, certain foreign tax benefits resulted in a decrease in our annual tax rate, which reduced income taxes for the quarter by $5.7 million, or $.05 per diluted share. The prior year s fourth quarter included pretax charges of $10.0 million, or $.05 per diluted share, related to the ongoing restructuring of our east coast pork processing operations.

Net income for the fourth quarter, including Quik-to-Fix, Inc. (Quik-to-Fix) and Smithfield Bioenergy, which are classified as discontinued operations, was $37.0 million, or $.33 per diluted share, versus $1.1 million, or $.01 per diluted share, in the previous year. During the fourth quarter, we decided to sell our bioenergy operations and assets. In addition, we recognized a loss of $1.8 million, net of tax, on the post-closing settlement of the sale of Quik-to-Fix.

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Following are the Company s sales and operating profit for continuing operations by segment:

	13 Weeks Ended April 29, 2007	13 Weeks Ended April 30, 2006	52 Weeks Ended April 29, 2007	52 Weeks Ended April 30, 2006
Sales				
Pork	$ 2,059.2	$ 1,727.5	$ 7,933.9	$ 7,300.6
Beef	679.9	591.4	2,574.7	2,599.0
International	217.2	257.7	954.6	1,127.4
Hog Production	436.4	412.2	1,787.0	1,801.3
Other	28.2	33.3	132.3	149.2
	3,420.9	3,022.1	13,382.5	12,977.5
Intersegment	(359.7)	(346.7)	(1,471.4)	(1,573.9)
Total Sales	$ 3,061.2	$ 2,675.4	$ 11,911.1	$ 11,403.6
Operating Profit				
Pork	$ 81.1	$ 22.2	$ 228.0	$ 153.0
Beef	(6.5)	(7.8)	5.7	(2.8)
International	6.2	(10.7)	38.3	(15.7)
Hog Production	40.6	47.3	211.4	330.0
Other	6.9	7.0	40.9	37.8
Corporate	(33.5)	(9.8)	(96.2)	(74.6)
Total Operating Profit	94.8	48.2	428.1	427.7
Interest Expense	(47.7)	(38.7)	(175.4)	(148.6)
Income from Continuing Operations before Income Taxes	$ 47.1	$ 9.5	$ 252.7	$ 279.1

Fourth Quarter Results

Improved margins in both packaged meats and fresh pork produced gains in the Pork segment. Packaged meats volume grew 31 percent, primarily the result of the contributions of Armour-Eckrich, acquired in October 2006.

Beef processing margins improved versus a loss in the prior year period, in spite of limited exports and a shortage of cattle. However, beef processing earnings were more than offset by losses in our cattle feeding operations which were depressed by severe winter weather, higher grain prices and higher-priced feeder cattle purchased earlier in the year.

International segment operations improved over the prior year period. Packaged meats volume increased 26 percent when the results of Jean Caby, which was contributed to Groupe Smithfield in August 2006, are excluded. Groupe Smithfield continued its strong earnings performance and our operations in Poland were profitable versus a loss last year. Our operations in Romania experienced only a modest loss due to lower volume levels.

Hog production results were below the prior year period due to higher raising costs and the impact of circovirus. Raising costs in the U.S. averaged $46 per hundredweight versus $40 per hundredweight last year. We marketed nine percent fewer head domestically in the fourth quarter versus the same quarter last year. Live hog market prices in the U.S. averaged $47 per hundredweight compared with $42 per hundredweight in the prior year period.

Results in our Other segment were below those of the prior year period because of higher raising costs in our turkey growout operations versus favorable market conditions for live turkeys in the prior year period. The lower results in growout operations were partly offset by higher volume and cost reductions in processing operations at Butterball, LLC, our 49 percent-owned joint venture.

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Full Year Results

For fiscal 2007, we reported income from continuing operations of $188.4 million, or $1.68 per diluted share, versus $185.2 million, or $1.65 per diluted share, for the prior year period. Net income was $166.8 million, or $1.49 per diluted share, versus net income for the prior year period of $172.7 million, or $1.54 per diluted share. Sales were $11.9 billion compared to $11.4 billion in the prior year. Fiscal 2007 results include pretax charges of $12.4 million, or $.07 per diluted share, for impairments in the Beef segment ($8.2 million related to reflect the write down of leased equipment at Showcase Foods) and our investment in hog production operations in Brazil. Prior fiscal year results include pretax charges totaling $26.3 million, or $.14 per diluted share, in connection with the restructuring of east coast pork processing operations.

In August 2006 (fiscal 2007), we completed the sale of substantially all of the assets and business of Quik-to-Fix for net proceeds of $28.2 million. As a result, Quik-to-Fix is reported as a discontinued operation. During fiscal 2007, we recorded an after-tax write down on the assets of Quik-to-Fix totaling $12.3 million, net of $6.9 million of taxes, in anticipation of the sale. Sales of Quik-to-Fix were $21.5 million and $103.2 million for the fiscal years ended April 29, 2007 and April 28, 2006, respectively. Quik-to-Fix had an after-tax loss of $3.9 million and $7.6 for the fiscal years ended April 29, 2007 and April 28, 2006, respectively. The tax benefit totaled $2.2 million and $4.1 million for the respective years.

In April 2007 (fiscal 2007), we decided to exit the alternative fuels business and dispose of substantially all the assets of Smithfield Bioenergy, LLC (SBE). As a result, SBE is being reported as a discontinued operation. Sales of SBE totaled $14.0 million for the fiscal year ended April 29, 2007 and had no sales for the fiscal year ended April 28, 2006. SBE had an after-tax loss of $5.5 million and $5.0 million for the fiscal years ended April 29, 2007 and April 28, 2006 respectively. The tax benefit totaled $3.2 million and $2.7 million for the respective years.

Pork segment earnings were above those of last year, reflecting the prior year s restructuring charges, the successful integration of Armour-Eckrich and higher margins in fresh pork and packaged meats. The contribution of Armour-Eckrich increased packaged meats volume by 20 percent.

Beef processing achieved earnings above the prior year period in spite of unfavorable industry conditions and the $8.2 million impairment charge described above. These results were partially offset by cattle feeding losses. Also contributing to the increase is the prior year effect of a $13.8 million charge during fiscal 2006 to write down cattle inventory at our Five Rivers facility to live cattle market prices.

International profitability, compared to a loss last year, reflected improvement in all aspects of our European operations. Groupe Smithfield, the 50/50 joint venture with Oaktree Capital Management established with the acquisition of the Sara Lee European Meats business last August, has been showing consistently strong margin performance. Our operations in Poland continued their earnings turnaround and remained solidly profitable while Romania, which successfully reopened an idle pork processing plant in November, was also profitable in spite of startup costs.

Hog production results were well below last year as raising costs increased, partially offset by commodity gains in the current year period that are greater than the commodity gains in the prior year period by $23.6 million. As a result of the impact of circovirus, the number of head marketed domestically fell six percent. Live hog market prices domestically averaged almost $48 per hundredweight versus $46 in the prior year period. Raising costs in the U.S. were $43 per hundredweight versus $39 per hundredweight in the prior year period.

Butterball, LLC turkey processing results were well above a year ago. However, turkey production results were depressed by higher grain prices and earnings were sharply lower than in the prior year period. Combined turkey operating results were improved over last year.

We continue to analyze our operations to for consolidation opportunities to reduce our cost base and help position us for long-term financial success.

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Derivative Financial Instruments

We account for derivative financial instruments in accordance with Statement of Financial Accounting Standards No. 133 (SFAS 133), Accounting for Derivative Instruments and Hedging Activities, as amended. SFAS 133 requires that all derivatives be recorded in the balance sheet as either assets or liabilities at fair value. Accounting for changes in the fair value of a derivative depends on whether it qualifies and has been designated as part of a hedging relationship. For derivatives that qualify and have been designated as hedges for accounting purposes, changes in fair value have no net impact on earnings until the hedged item is recognized in earnings but only to the extent the derivative is considered perfectly effective in achieving offsetting changes in fair value or cash flows attributable to the risk being hedged, (commonly referred to as the hedge accounting method). For derivatives that do not qualify or are not designated as hedging instruments for accounting purposes, changes in fair value are recorded in current period earnings (commonly referred to as the mark-to-market method).

Application of the hedge accounting method under SFAS 133 requires significant resources, extensive record keeping and systems. As a result of rising compliance costs and the complexity associated with the application of hedge accounting, we elected to discontinue the use of hedge accounting for our commodity derivatives during the third quarter of fiscal 2007. All existing commodity hedging relationships were de-designated as of January 1, 2007. We have also elected not to apply hedge designations for any exchange traded commodity derivative contracts entered into since January 1, 2007.

Under SFAS 133, we may elect either method of accounting for our derivative portfolio, assuming all the necessary requirements are met. We have in the past, and may in the future, avail ourself of either acceptable method.

The size and mix of our derivative portfolio varies from time to time based upon our analysis of current and future market conditions. The following table provides the fair value gain or (loss) on our open derivative instruments as of April 29, 2007, and April 30, 2006.

(In millions)	**2007**	**2006**
	(in millions)	
Livestock	$ (9.3)	$ 2.7
Grains	(4.2)	2.7
Interest rates	(0.5)	(7.5)
Foreign currency	(2.7)	(3.3)

The following table presents the sensitivity of the fair value of our open commodity contracts and interest rate and foreign currency contracts to a hypothetical 10% change in market prices or in interest rates and foreign exchange rates, as of April 29, 2007 and April 30, 2006.

	2007	**2006**
	(in millions)	
Livestock	$ 154.4	$ 32.5
Grains	(11.5)	18.4
Interest rates		0.5
Foreign currency	0.3	0.5

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Following are the Company s consolidated statements of income for the 13 and 52 weeks ended April 30, 2006 and April 29, 2007, respectively.

SMITHFIELD FOODS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share data)	13 Weeks Ended		52 Weeks Ended	
	April 29, 2007	April 30, 2006	April 29, 2007	April 30, 2006
Sales	$ 3,061.2	$ 2,675.4	$ 11,911.1	$ 11,403.6
Cost of sales	2,759.0	2,468.9	10,776.3	10,311.3
Gross profit	302.2	206.5	1,134.8	1,092.3
Selling, general and administrative expenses	206.1	152.2	745.6	673.8
Interest expense	47.7	38.7	175.4	148.6
Equity in income of affiliates	1.3	6.1	(38.9)(1)	(9.2)
Income from continuing operations before income taxes	47.1	9.5	252.7	279.1
Income taxes	7.2	3.2	64.3	93.9
Income from continuing operations	39.9	6.3	188.4	185.2
Loss from discontinued operations, net of tax	(1.1)	(5.2)	(9.5)	(12.5)
Loss on sale of discontinued operations, net of tax	(1.8)		(12.1)	
Net income	$ 37.0	$ 1.1	$ 166.8	$ 172.7
Income per share:				
Basic:				
Continuing operations	$ .36	$ .06	$ 1.68	$ 1.66
Discontinued operations	(.03)	(.05)	(.19)	(.11)
Net income	$ .33	$ .01	$ 1.49	$ 1.55
Diluted:				
Continuing operations	$			