SMITHFIELD FOODS INC
Form 11-K
June 29, 2011

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

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS AND SIMILAR PLANS
PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

þ ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURTIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2010
OR

o TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______to _______

Commission file number 1-15321

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Smithfield Foods, Inc. 401(k) Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Smithfield Foods, Inc.
200 Commerce Street
Smithfield, VA 23430

SMITHFIELD FOODS, INC. 401(k) PLAN

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Report of Independent Registered Public Accounting Firm

Participants and Plan Administrator
Smithfield Foods, Inc. 401(k) Plan

We have audited the accompanying statements of net assets available for benefits of Smithfield Foods, Inc. 401(k) Plan (Plan) as of December 31, 2010 and 2009, and the related statement of changes in net assets available for benefits for the year ended December 31, 2010. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and 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 net assets available for benefits of Smithfield Foods, Inc. 401(k) Plan as of December 31, 2010 and 2009, and the changes in net assets available for benefits for the year ended December 31, 2010 in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of delinquent participant contributions and assets (held at end of year) as of or for the year ended December 31, 2010 are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Dixon Hughes Goodman LLP

Newport News, Virginia
June 29, 2011

Smithfield Foods, Inc. 401(k) Plan

Statements of Net Assets Available for Benefits

December 31,	2010	2009
Assets		
Investments - at fair value	$251,521,900	$223,830,368
Receivables		
Notes receivable from participants	9,603,826	9,612,597
Participant contributions	512,619	1,168,521
Employer contributions	180,310	419,776
Total receivables	10,296,755	11,200,894
Total assets	261,818,655	235,031,262
Liabilities		
Excess contributions payable	264,012	—
Total liabiliites	264,012	—
Net assets available for benefits - at fair value	261,554,643	235,031,262
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(749,570)	(51,600)
Net assets available for benefits	$260,805,073	$234,979,662

The accompanying notes are an integral part of these financial statements.

Smithfield Foods, Inc. 401(k) Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2010

Additions to net assets attributed to	
Investment income	
Net appreciation in fair value of investments	$28,438,125
Interest and dividends	3,415,302
	31,853,427
Interest income on notes receivable from participants	589,219
Contributions	
Participant	18,930,326
Employer	6,349,622
Rollover	414,417
	25,694,365
Total additions	58,137,011
Deductions from net assets attributed to	
Benefits paid to participants	24,229,319
Administrative fees	175,949
Total deductions	24,405,268
Transfers between retirement plans, net	(7,906,332)
Net change	25,825,411
Net assets available for benefits	
Beginning of year	234,979,662
End of year	$260,805,073

The accompanying notes are an integral part of these financial statements.

Smithfield Foods, Inc. 401(k) Plan
Notes to Financial Statements
December 31, 2010 and 2009

1. Description of Plan

The following description of the Smithfield Foods, Inc. 401(k) Plan (Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan established by Smithfield Foods, Inc. The Plan is for the benefit of eligible employees of Smithfield Foods, Inc. and affiliated employers that have adopted the Plan (collectively Company). Eligibility requirements for 401(k) and matching contributions are 90 days of service and attainment of age 18. To be eligible for discretionary profit sharing contributions a participant must have completed a year of service, as defined in the Plan, and attained age 18. The Plan excludes union employees and nonresident aliens. The Plan is subject to the provisions of the Employee Retirement Income Security Act (ERISA).

Contributions

Each year, participants may contribute up to 50 percent of pre-tax annual compensation, as defined in the Plan. Participants may also contribute amounts representing distributions from other qualified plans and certain individual retirement accounts. The Company may make a matching and/or profit sharing contribution at the discretion of the board of directors. Participants direct the investment of all contributions into various investment options offered by the Plan. Contributions are subject to certain limitations.

Investment Options

Participants direct the investment of their accounts into various investment options offered by the Plan. The Plan currently offers mutual funds, common collective trust funds, employer stock, and a group variable annuity as investment options for participants. In addition, participants may utilize an individual self-directed brokerage option, through which participants are able to invest in a variety of securities including stocks, bonds, mutual funds and government securities in accordance with the Plan document.

Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of the Company's contributions, and plan earnings (losses), and charged with benefit payments, transaction fees related to notes receivable from participants, and allocations of administrative expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting

Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the Company contribution portion of their accounts is based on years of service, as defined in the Plan. A participant is 100 percent vested after five years of credited service.

Notes Receivable from Participants

Participants may borrow from their fund accounts a minimum of $1,000 up to a maximum equal to the lesser of $50,000 or 50% of their vested account balance. Loan terms extend to five years for general purpose loans and to ten years for the purchase of a primary residence. The loans are secured by the balance in the participant's account and bear an interest rate that is fixed at the time the loan is granted at prime rate plus 2%. As of December 31, 2010, interest rates ranged from 4.25% to 11.50%. Principal and interest are paid ratably through payroll deductions.

Payment of Benefits

On termination of service due to death, disability or retirement, a participant may elect to receive an amount equal to the value of the participant's vested interest in his or her account in either a lump-sum amount or various installment and annuity options as provided by the Plan. For termination of service due to other reasons, a participant may receive the value of the vested interest in his or her account as a lump-sum distribution. Amounts contributed on a before-tax basis may only be withdrawn upon demonstration of financial hardship, disability, or after the participants reach the age of 59.5 years.

Forfeitures

As of December 31, 2010 and 2009, forfeited nonvested accounts totaled $841,541 and $790,827, respectively. These accounts will be used to reduce Company contributions and pay Plan expenses. During 2010, forfeitures of $383,947 were used to reduce Company contributions.

2. Summary of Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities and changes therein, and disclosure of contingent assets and liabilities. Accordingly, actual results may differ from those estimates and assumptions.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for discussion of fair value measurements.

The Wells Fargo Stable Return Fund (G) and the Smithfield Stable Value Fund are reported at fair value. However, contract value is the relevant measurement of net assets available for benefits because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The statements of net assets available for benefits present the fair value of the Wells Fargo Stable Return Fund (G) and the Smithfield Stable Value Fund as well as the adjustment from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded when earned. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent participant loans are reclassified as distributions based upon the terms of the Plan document.

Payment of Benefits

Benefits are recorded when paid.

Administrative Expenses

The Plan's administrative expenses are paid by either the Plan or the Company, as provided by the Plan document. Certain administrative functions are performed by employees of the Company. No such employee receives compensation from the Plan. Expenses relating to specific participant transactions (participant loans) are charged directly to the participant's account.

Reclassifications

Effective January 1, 2010, the Plan adopted the Financial Accounting Standards Board (FASB) authoritative guidance on reporting loans to participants by defined contribution pension plans. In accordance with the provisions, participant loans are required to be classified as notes receivable from participants, which are segregated from plan investments and measured at their unpaid principal balance, plus any accrued but unpaid interest. The adoption of this accounting standard requires reclassification of participant loans from investments to notes receivable from participants on the statements of net assets available for benefits as of December 31, 2010 and 2009. Accordingly, the 2009 financial statements have been reclassified to conform to the 2010 presentation. There was no impact on net assets available for benefits or changes in net assets available for benefits.

3. Investments

The following presents investments that represent 5 percent or more of the Plan’s net assets.

	December 31,	
	2010	2009
Wells Fargo Stable Return Fund (G) - at contract value	$34,139,522	*
Smithfield Stable Value Fund - at contract value	*	$33,703,755
Smithfield Foods, Inc. common stock	29,288,019	22,502,739
Wells Fargo Advantage Dow Jones Target 2020 (I) Fund	19,867,806	18,184,421
American Funds Europacific Growth Fund (R4)	18,686,723	18,514,181
Columbia Acorn Select-Z Fund	17,277,828	14,199,454
Wells Fargo BGI S&P 500 Index High Balance Fund	15,672,891	14,476,590
Wells Fargo Advantage Dow Jones Target 2030 (I) Fund	15,197,760	12,250,027
PIMCO Total Return Fund	15,159,676	14,116,725
Mainstay Large Cap Growth (R1)	14,433,436	*
Wells Fargo Advantage Small Cap Value Fund	13,089,733	*
Wells Fargo Advantage Capital Growth (Admin)	*	12,919,523

* Investment does not represent 5 percent of net assets available for benefits at end of the year.

During 2010, the Plan’s investments (including gains and losses on investments purchased and sold, as well as held during the year) appreciated in value as follows:

Mutual funds	$17,486,315
Common stock	8,719,452
Common collective trusts	2,100,808
Group variable annuity	131,550
	$28,438,125

4. Investment Contract with Insurance Company

In 2005, the Plan entered into a benefit-responsive investment contract with Principal Life Insurance Company (Principal). The contract matured on December 31, 2009. Principal maintained the contributions in a general account. The account was credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The guaranteed investment contract issuer was contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan. The contract was included as part of the Smithfield Stable Value Fund.

As described in Note 2, because the guaranteed investment contract was fully benefit-responsive, contract value was the relevant measurement of net assets available for benefits. Contract value, as reported to the Plan by Principal, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The crediting interest rate was 3.14%.

Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (1) amendments to the Plan documents (including complete or partial Plan termination or merger with another plan), (2) changes to Plan's prohibition on competing investment options or deletion of equity wash provisions, or (3) bankruptcy of the Plan sponsor or other Plan sponsor event (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the Plan. The Plan administrator does not believe that the occurrence of any such value event, which would limit the Plan's ability to transact at contract value with participants, is probable.

The following summarizes the relevant information regarding the Smithfield Stable Value Fund:

December 31, 2009	Major Credit Ratings	Investments at Fair Value	Adjustment to Contract Value
Principal guaranteed interest contract	Moody's/S & P Aa3/A+	$1,264,067	$—
Wells Fargo Stable Return Fund (G)	N/A	32,491,288	(51,600)
		$33,755,355	$(51,600)

	2009
Average yields:	
Based on actual earnings	3.39%
Based on interest rate credited to participants	3.31%

5. Fair Value Measurements

Fair value as defined under GAAP is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1: Observable inputs such as quoted prices in active markets.
- Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Plan's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

When quoted prices are available in active markets for identical instruments, investment securities are classified within Level 1 of the fair value hierarchy. Level 1 investments include mutual funds and common stock.

Level 2 investment securities include common collective trust funds and a group variable annuity for which quoted prices are not available in active markets for identical instruments. The Plan utilizes a third party pricing service to determine the fair value of each of these investment securities. Because quoted prices in active markets for identical assets are not available, these prices are determined using observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics.

Level 3 investments include guaranteed investment contracts valued by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer. See further discussion of guaranteed investment contracts at Note 4.

The following sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2010 and 2009:

	Assets at Fair Value as of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Target date	$58,635,505	$—	$—	$58,635,505
Large cap	30,294,517	—	—	30,294,517
Mid cap	23,402,857	—	—	23,402,857
Bond	22,736,684	—	—	22,736,684
International	18,686,724	—	—	18,686,724
Small cap	13,089,733	—	—	13,089,733
Smithfield Foods, Inc. common stock	29,288,019	—	—	29,288,019
Self-directed brokerage	1,631,146	496,166	—	2,127,312
Common collective trusts:				
Stable value (a)	—	34,889,092	—	34,889,092
Growth (b)	—	15,672,891	—	15,672,891
Money market (c)	—	1,202,796	—	1,202,796
Group variable annuity (d)	—	1,495,770	—	1,495,770
Total assets at fair value	$197,765,185	$53,756,715	$—	$251,521,900

	Assets at Fair Value as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Target date	$50,982,001	$—	$—	$50,982,001
Large cap	27,729,271	—	—	27,729,271
Bond	21,778,385	—	—	21,778,385
Mid cap	18,888,444	—	—	18,888,444
International	18,514,181	—	—	18,514,181
Small cap	10,653,721	—	—	10,653,721
Smithfield Foods, Inc. common stock	22,502,739	—	—	22,502,739
Self-directed brokerage	1,335,345	534,230	—	1,869,575
Common collective trusts:				
Stable value (a)	—	32,491,288	—	32,491,288
Growth (b)	—	14,476,590	—	14,476,590
Money market (c)	—	1,069,879	—	1,069,879
Group variable annuity (d)	—	1,610,227	—	1,610,227
Guaranteed investment contracts	—	—	1,264,067	1,264,067
Total assets at fair value	$172,384,087			