

SMITHFIELD FOODS, INC.  
SMITHFIELD, VIRGINIA 23430

Notice of Annual Meeting of Stockholders

To Be Held September 2, 1992

As a stockholder of SMITHFIELD FOODS, INC. (the "Company"), you are cordially invited to be present, either in person or by proxy, at the Annual Meeting of Stockholders of the Company to be held at the Smithfield Station Hotel, 415 South Church Street, Smithfield, Virginia at 2:00 p.m., local time, on September 2, 1992, for the following purposes:

1. To elect a Board of eleven Directors of the Company to serve until the next Annual Meeting or until their successors are duly elected and qualified;
2. To approve the Company's 1992 Stock Incentive Plan;
3. To ratify the selection of Arthur Andersen & Co. as independent public accountants of the Company for the fiscal year ending May 2, 1993; and
4. To transact such other business as may properly come before the meeting.

By resolution of the Board of Directors, July 10, 1992 is the record date for the determination of stockholders entitled to vote at the meeting, and only stockholders of record at the close of business on that date will be entitled to vote at the meeting, and any adjournments thereof.

We hope you can attend the meeting in person. However, even if you plan to do so, we urge that you MARK, SIGN, DATE, and RETURN the enclosed proxy promptly in the enclosed self-addressed envelope, so that we may be assured of a quorum to transact business. The proxy is revocable and will not affect your right to vote in person in the event you are able to attend the meeting.

Your attention is directed to the attached Proxy Statement.

By Order of the Board of Directors,

Aaron D. Trub  
Secretary

Smithfield, Virginia  
July 29, 1992

EXECUTIVE OFFICES  
501 NORTH CHURCH STREET  
SMITHFIELD, VIRGINIA 23430

Proxy Statement for ANNUAL MEETING OF STOCKHOLDERS

To Be Held September 2, 1992

This proxy statement is furnished in connection with the solicitation of proxies by the issuer, Smithfield Foods, Inc. (hereinafter called the "Company"), and its Board of Directors for use at the Annual Meeting of Stockholders to be held at 2:00 p.m., local time, on September 2, 1992, and at any adjournments thereof (the "Meeting").

The expense of this solicitation will be borne by the Company. In addition to the use of the mails, proxies may be solicited, personally or by telephone, by regular employees of the Company. The Company will reimburse brokers and other persons holding stock in their names as nominees for their expenses in obtaining authorization to execute proxies for their principals. Corporate Communications, Inc. has been retained to aid in such solicitation of proxies at an anticipated cost to the Company of \$3,500 plus expenses.

Any proxy given pursuant to this solicitation may be revoked by the filing with and receipt by the Secretary of the Company of a written revocation or duly executed proxy bearing a later date, and does not preclude the stockholder from voting in person at the Meeting if he or she so desires.

The approximate date on which the proxy statement and the accompanying proxy were first sent or given to the stockholders was July 29, 1992.

VOTING SECURITIES

The only class of outstanding voting securities of the Company is its Common Stock, par value \$.50 per share (the "Common Stock").

Stockholders of record at the close of business on July 10, 1992 will be entitled to vote at the Meeting. On that date, the Company had outstanding 15,112,126 shares of Common Stock. Each share of Common Stock is entitled to one vote at the Meeting. The presence in person or by proxy of the holders of a majority of the issued and outstanding shares of Common Stock will constitute a quorum for the transaction of such business as shall come before the Meeting. Approval of the matters to be considered at the Meeting will require the affirmative vote of the holders of at least a majority of the shares of outstanding Common Stock represented at the Meeting unless otherwise indicated. Voting rights of the Common Stock are noncumulative, so that holders of a majority of the outstanding shares represented at the Meeting can elect all of the directors.

PRINCIPAL STOCKHOLDERS

The only persons known by the Company to own beneficially more than 5% of the Company's Common Stock, the only class of outstanding voting securities of the Company, as of July 10, 1992, are:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (Number of Shares) (1)		
	Direct	Other	Total
Joseph W. Luter, III %Smithfield Foods, Inc. 501 North Church Street Smithfield, Virginia 23430	2,261,236	825,032 (2)	3,086,268 (2)
The Clark Estates, Inc. 30 Wall Street New York, New York 10005	2,020,000	--	2,020,000 (3)

(TABLE CONTINUED)

Name and Address of Beneficial Owner	Percent of Class
Joseph W. Luter, III %Smithfield Foods, Inc. 501 North Church Street Smithfield, Virginia 23430	19.8
The Clark Estates, Inc. 30 Wall Street New York, New York 10005	13.4

(1) Pursuant to current regulations of the Securities and Exchange Commission, securities must be listed as "beneficially owned" by a

person who directly or indirectly has or shares the power to vote ("voting power") or the power to dispose of ("dispositive power") the securities, whether or not the person has any economic interest in the securities. In addition, a person is deemed a beneficial owner if he has the right to acquire beneficial ownership within 60 days, whether upon the exercise of a stock option or warrant, conversion of a convertible security or otherwise. Shares of Common Stock listed under the "Direct" column are those which are owned and held as outstanding shares. Shares shown under the "Other" column are those subject to other forms of deemed "beneficial ownership" pursuant to the aforesaid regulations, as described in the indicated footnotes.

(2) Includes 325,032 shares owned by a corporation of which Mr. Luter is an officer, director and the owner of 81% of its capital stock, and 500,000 shares which Mr. Luter has the right to acquire pursuant to the exercise of presently exercisable stock options. Mr. Luter has sole voting power and sole dispositive power with respect to the 325,032 shares owned by the corporation. Mr. Luter may be deemed a control person of the Company.

(3) The Clark Estates, Inc. provides administrative assistance to numerous trust and fiduciary accounts which beneficially own an aggregate 2,020,000 shares of the Company's common stock. The Clark Estates, Inc. has or, in certain instances, shares, voting power and/or dispositive power with respect to such shares. The Clark Estates, Inc. has no remainder or other economic interest in such trust or fiduciary accounts.

## PROPOSAL 1

### ELECTION OF DIRECTORS

It is intended that the shares represented by the enclosed proxy will be voted FOR the election of the eleven nominees named below to hold office as Directors of the Company until the next Annual Meeting of Stockholders and until their successors are elected and qualified. All of the nominees but Roger R. Kapella are currently Directors and were elected at the last Annual Meeting of Stockholders.

The following table sets forth the names, ages, principal occupations of

the nominees and other information with respect to them as of July 10, 1992:

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Name--Age--Principal Occupation--Other Information	Director Since
Joseph W. Luter, III (53) Chairman of the Board, President and Chief Executive Officer of the Company since February 1989 and from January 1976 to July 1986; Chairman of the Board and Chief Executive Officer of the Company from July 1986 to February 1989	1975
F. J. Faison, Jr. (58) President, Carroll's Foods, Inc., Warsaw, North Carolina, a hog and turkey producer, since 1983	1991
Joel W. Greenberg (54) Commodity Analyst, Rosenthal Collins Group, Chicago, Illinois, commodities brokerage firm, since May 1989; Vice President, Commodities, Shearson Lehman Hutton Inc., Chicago, Illinois, from May 1986 to May 1989; Director, Incomnet, Inc.	1987
Cecil W. Gwaltney (81) Chairman of the Board, Gwaltney Motor Company, Smithfield, Virginia, since 1941	1971
George E. Hamilton, Jr. (76) President and Chief Operating Officer of The Smithfield Packing Company, Inc., a wholly-owned subsidiary of the Company, since April 1977	1970
Richard J. Holland (66) Chairman of the Board and Chief Executive Officer, The Farmers Bank, Windsor, Virginia, since June 1983; Director, Dibrell Brothers, Inc.	1978
Roger R. Kapella (50) President and Chief Operating Officer of Patrick Cudahy Incorporated, an 80%-owned subsidiary of the Company, since July 1986	--
Robert W. Manly (39) Executive Vice President of the Company since April 1986	1991
Wendell H. Murphy (53) Chairman of the Board and President, Murphy Farms, Inc., Rose Hill, North Carolina, a hog producer, since 1962	1991
P. Edward Schenk, Jr. (54) President and Chief Operating Officer of Gwaltney of Smithfield, Ltd., a wholly-owned subsidiary of the Company, since February 1989; President and Chief Operating Officer of Esskay, Inc., a wholly-owned subsidiary of the Company, from July 1986 to February 1989	1989

Aaron D. Trub (57) 1986  
 Vice President, Secretary and Treasurer of the Company  
 since November 1974

No family relationship exists between any of the nominees for election as Directors of the Company.

John L. Gibson, II has decided not to stand for reelection to the Board of Directors. The Company expresses its great appreciation to Mr. Gibson for his outstanding service to the Company.

Based solely on its review of the forms required by Section 16(a) of the Securities Exchange Act of 1934 that have been received by the Company or written representations from certain reporting persons that no annual statements on Form 5 were required, the Company believes that all filing requirements applicable to its officers, directors and beneficial owners of greater than 10% of its

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Common Stock have been complied with, except that (i) each of Messrs. Faison and Gibson filed late a required monthly report of a transaction, (ii) Mr. Schenk filed late a report listing certain of his outstanding derivative securities, and (iii) Mr. Gwaltney did not file required monthly reports of two transactions and did not disclose his holding of 800 of his shares of Common Stock, all of which were subsequently reported on a timely filed annual statement on Form 5.

#### COMMON STOCK OWNERSHIP OF DIRECTORS AND OFFICERS

The following information with respect to beneficial ownership, as of July 10, 1992, of shares of Common Stock is furnished with respect to each nominee for election to the Board of Directors and with respect to all Directors and officers as a group:

Name	Direct	Other	Total	Percent of Class
F. J. Faison, Jr.	--	683,000 (2)	683,000 (2)	4.5
Joel W. Greenberg	2,000	--	2,000	(*)
Cecil W. Gwaltney	20,200	--	20,200	(*)
George E. Hamilton, Jr.	92,000	100,000 (3)	192,000 (3)	1.3
Richard J. Holland	32,000	--	32,000	(*)
Roger R. Kapella	2,400	56,000 (4)	58,400 (4)	(*)
Joseph W. Luter, III	2,261,236	825,032 (5)	3,086,268 (5)	19.8
Robert W. Manly	15,000	60,000 (6)	75,000 (6)	(*)
Wendell H. Murphy	--	319,000 (7)	319,000 (7)	2.1
P. Edward Schenk, Jr.	10,700	100,497 (8)	111,197 (8)	(*)
Aaron D. Trub	46,682	103,000 (9)	149,682 (9)	(*)
All Directors and Officers as a Group (15 persons including those				

named above) 2,520,568 2,309,143 (10) 4,829,711 (10) 30.1

(\* ) Less than 1% of class

(1) Pursuant to current regulations of the Securities and Exchange Commission, securities must be listed as "beneficially owned" by a person who directly or indirectly has or shares the power to vote ("voting power") or the power to dispose of ("dispositive power") the securities, whether or not the person has any economic interest in the securities. In addition, a person is deemed a beneficial owner if he has the right to acquire beneficial ownership within 60 days, whether upon the exercise of a stock option or warrant, conversion of a convertible security or otherwise. Shares of Common Stock listed under the "Direct" column are those which are owned and held by each director and over which each such director, except as noted below, holds sole voting power and sole dispositive power. Shares shown under the "Other" column include other forms of "beneficial ownership" pursuant to the aforesaid regulations, as described in the indicated footnotes.

(2) Includes 683,000 shares owned by Carroll's Foods, Inc., of which Mr. Faison is an officer and director, but not a stockholder. Carroll's Foods, Inc. has sole voting power and sole dispositive power with respect to such shares. Mr. Faison disclaims beneficial ownership of such shares.

(3) Includes 100,000 shares subject to presently exercisable stock options.

(4) Includes 56,000 shares subject to presently exercisable stock options.

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(5) Includes 325,032 shares owned by a corporation of which Mr. Luter is an officer, director and the owner of 81% of its capital stock, and 500,000 shares which Mr. Luter has the right to acquire pursuant to the exercise of presently exercisable stock options. Mr. Luter has sole voting power and sole dispositive power with respect to the 325,032 shares owned by the corporation. Mr. Luter may be deemed a control person of the Company.

(6) Includes 60,000 shares subject to presently exercisable stock options.

(7) Includes 319,000 shares owned by Murphy Farms, Inc., of which Mr. Murphy is an officer, director and the principal stockholder. Murphy Farms, Inc. has sole voting power and sole dispositive power with respect to such shares.

(8) Includes 100,000 shares subject to presently exercisable stock options, and 497 shares owned by Mr. Schenk's individual retirement account over which he has sole voting power and sole dispositive power.

(9) Includes 50,000 shares subject to presently exercisable stock options. Includes 45,000 shares owned by Mr. Trub's spouse with respect to which she has sole voting power and sole dispositive power, and 8,000 shares held by Mr. Trub as custodian for his minor son, with respect to which Mr. Trub disclaims beneficial ownership.

(10) Includes 926,000 shares subject to presently exercisable stock options.

#### BOARD OF DIRECTORS AND COMMITTEES

The Company has an Executive Committee, an Audit Committee and a Compensation Committee of the Board of Directors. The Company does not have a Nominating Committee.

The Executive Committee is comprised of Messrs. Hamilton, Holland and Luter; and, with certain limitations, exercises the power of the Board of Directors between board meetings. The Executive Committee did not hold any meetings in fiscal 1992.

The Audit Committee is comprised of Messrs. Faison and Murphy. The principal functions of the Committee are the recommendation to the Board of Directors of a firm to be engaged by the Company as its independent public accountants; conferring with the independent public accountants selected regarding the scope of the audit and services to be performed, and reviewing the results of the independent public accountants' examination and recommendations with respect to accounting practices and procedures and internal control. The Committee held one meeting in fiscal 1992.

The Compensation Committee is comprised of Messrs. Greenberg, Gwaltney and Holland. The principal functions of the Committee are to review recommendations submitted to it by the Company's management with respect to the compensation of the officers of the Company and its subsidiaries and directors of the Company, and to make such recommendations to the Board of Directors of the Company as its review indicates. The Committee also administers the Company's stock option plans. The Committee held one meeting in fiscal 1992.

The Board of Directors held nine meetings during fiscal 1992. Directors who are not employees of the Company or any of its subsidiaries received in fiscal 1992 an annual retainer of \$3,000, \$500 for each board meeting attended, \$500 for each committee meeting attended if the committee meeting was not held in connection with, or on the same day as, a board meeting, plus reimbursement of travel expenses incurred in connection with such attendance. The Board of Directors holds three regular meetings each year.

#### EXECUTIVE COMPENSATION

The following table sets forth the cash compensation paid by the Company and its subsidiaries for fiscal 1992 (i.e., the fiscal year ended May 3,

1992) to each of its five most highly compensated executive officers and to all executive officers as a group:

Name of Individual or Identity of Group	Cash Capacities in Which Served	Compensation (1)(2)
Joseph W. Luter, III	Chairman of the Board, President and Chief Executive Officer of the Company; Chairman of the Board and Chief Executive Officer of Esskay, Inc. ("Esskay"); Gwaltney of Smithfield, Ltd. ("Gwaltney"); and The Smithfield Packing Company, Incorporated ("Smithfield"), wholly-owned subsidiaries of the Company, and Patrick Cudahy Incorporated ("Patrick Cudahy"), an 80%-owned subsidiary of the Company; Director of the Company	\$1,174,037
George E. Hamilton, Jr.	President and Chief Operating Officer of Smithfield; Director of the Company	1,046,634
P. Edward Schenk, Jr.	President and Chief Operating Officer of Gwaltney; Director of the Company	368,707
Roger R. Kapella	President and Chief Operating Officer of Patrick Cudahy	333,395
Aaron D. Trub	Vice President, Secretary	281,827

and Treasurer of the  
Company; Secretary and  
Treasurer of Esskay,  
Gwaltney and Smithfield;  
Secretary of Patrick  
Cudahy; Director of the  
Company

All Executive Officers as a Group (7 persons including those named above)	3,676,523
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(1) Includes bonus payments made in fiscal 1992 for services rendered in the twelve-month period ended December 31, 1991, under compensation arrangements which were approved by the Company's Board of Directors for that period.

(2) With respect to each of the listed executive officers, compensation other than cash compensation did not exceed the lesser of \$25,000 or 10% of the cash compensation for each such officer; and with respect to all executive officers as a group did not exceed the lesser of \$25,000 times the number of executive officers or 10% of the cash compensation of all such executive officers as a group.

(3) The following compensation arrangements have been approved by the Company's Board of Directors for the twelve-month period ending December 31, 1992. Mr. Luter will receive a base salary of \$420,000 plus a bonus equal to 1% of the first \$15,000,000 of consolidated income before income taxes of the Company, as defined, plus 2% of the consolidated income before income taxes of the Company, as defined, in excess of \$15,000,000. Mr. Hamilton will receive a base salary of \$295,000 plus a bonus equal to 1% of the first \$15,000,000 of consolidated income before income taxes of the Company, as defined, plus 2% of the consolidated income before income taxes of the Company, as defined, in excess

of \$15,000,000. Mr. Schenk will receive a base salary of \$270,000, plus a bonus to be approved by the Company's Board of Directors. Mr. Kapella will receive a base salary of \$157,500 plus a bonus to be approved by the Company's Board of Directors. Mr. Trub will receive a base salary of \$185,000 plus a bonus to be approved by the Company's Board of Directors.

#### PENSION PLANS

The Company, Gwaltney of Smithfield, Ltd. ("Gwaltney"), Patrick Cudahy Incorporated ("Patrick Cudahy") and The Smithfield Packing Company, Incorporated ("Smithfield Packing") maintain qualified noncontributory pension plans covering their salaried employees. Esskay, Inc. ("Esskay") maintains a qualified pension plan for its salaried employees that allows, but does not require, employee contributions. These plans are the only contingent forms of remuneration provided by the Company, Esskay, Gwaltney, Patrick Cudahy or Smithfield Packing to officers and directors.

The qualified pension plan maintained by the Company provides for retirement benefits which are a function of each participant's average earnings during his final five plan years of employment and his aggregate years of service with any company in the Company's controlled group. All compensation paid to a participant within a plan year is included in determining average earnings used to calculate pension benefits. These benefits are calculated by applying a certain percentage to the average earnings up to a given level (based on the participant's year of birth) and a higher percentage to the average earnings above this level and then multiplying the sum by the years of service. This method of calculation has the effect of coordinating the benefits provided by the Company's qualified pension plan with those provided by Social Security.

The qualified pension plans maintained by Gwaltney, Patrick Cudahy and Smithfield Packing each provide for retirement benefits which are a function of each participant's average earnings during his final five calendar years of employment and his aggregate years of service with any company in the Company's controlled group. All compensation paid to a participant within a calendar year is included in determining average earnings used to calculate pension benefits under the respective plans of these companies. These benefits are calculated by applying a certain percentage of the average earnings up to a given level (based on the participant's year of birth) and a higher percentage to the average earnings above this level and then multiplying the sum by the years of service. This method of calculation has the effect of coordinating the benefits provided by each company's qualified pension plan with those provided by Social Security.

The qualified pension plan maintained by Esskay provides for retirement

benefits which are a function of each participant's earnings and his aggregate years of service with any company in the Company's controlled group. All compensation accrued for the plan year is included in the earnings used to calculate pension benefits under the plan. These benefits are calculated by applying a certain percentage to each year's earnings up to a given level (varying by calendar year) and a higher percentage to that year's earnings above this level, then adding up the results for each year of service. This method of calculating has the effect of coordinating the benefits provided by the Esskay qualified pension plan into those provided by Social Security.

The following table indicates the estimated annual benefits payable upon retirement at age 65 in 1992 to participants in the Company's qualified pension plan, based on the specific remuneration and years of service classifications set forth below and on the plan in effect on December 31, 1988. These benefits are not subject to any reduction for benefits paid from other sources, unless a benefit is payable for the same service under another qualified plan of a company in the Company's controlled group.

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Average Earnings During Participants Final Five Plan Years (1)-(5)	Years of Selected Service with Companies in the Company's Controlled Group		
	15	20	25
\$120,000	\$28,715	\$ 38,287	\$ 47,858
160,000	38,915	51,887	64,858
200,000	49,115	65,487	81,858
240,000	59,315	79,087	98,858
280,000	69,515	92,687	115,858 (2)
320,000	79,715	106,287	132,858 (2)
360,000	89,915	119,887 (2)	149,858 (2)

(TABLE CONTINUED)

Average Earnings During      Years of Selected Service with Companies

Participants Final Five Plan Years (1)-(5)	in the Company's Controlled Group	
	30	35
\$120,000	\$ 57,430	\$ 67,001
160,000	77,830	90,801
200,000	98,230	114,601 (2)
240,000	118,630 (2)	138,401 (2)
280,000	139,030 (2)	162,201 (2)
320,000	159,430 (2)	186,001 (2)
360,000	179,830 (2)	209,801 (2)

(1) A plan year is the one-year period from January 1 to the following December 31.

(2) The maximum annual retirement benefit will be \$112,221 for benefits commencing in 1992 at the participant's social security retirement age, unless a participant had a higher "current accrued benefit" (as defined in the Tax Reform Act of 1986) in which case the higher benefit will be permitted. The maximum amount is subject to annual cost of living adjustments.

(3) The remuneration covered by the plan is the remuneration paid during the plan year, whereas the remuneration reported in the remuneration table is the remuneration paid for the fiscal year ended May 3, 1992.

(4) As of May 3, 1992, Messrs. Luter, Hamilton, Schenk, Kapella and Trub are credited with 24, 22, 11, 7 and 21 years of service under the Company's plan, respectively.

(5) Commencing January 1, 1992, the maximum compensation considered for pension purposes is limited to \$228,860.

#### STOCK OPTIONS

The Company's Stock Option Plan (1973), as amended, which expired in April 1983, provided for the granting to key officers and employees of the Company and its subsidiaries of both incentive stock options and nonqualified stock options to purchase shares of the Company's Common Stock. The options which were granted pursuant to the plan are not

exercisable until one year after the date of grant, at which time they become exercisable in successive installments of 20% of the number of option shares on the first through the fifth anniversary date of the grant. The option price per share is the fair market value of a share of the Common Stock on the date of grant of the option. Upon exercise of an option, the full price must be paid in cash. No option may be exercised more than 10 years after date of grant.

The Company's Stock Option Plan (1984), as amended, provides for the granting to officers and key employees of the Company and its subsidiaries of both incentive stock options and nonqualified stock options to purchase 1,400,000 shares of Common Stock. The option price per share is the fair market value of a share of Common Stock on the date of grant of the option. Upon exercise of an option, the full price must be paid in cash. The term of an option may not exceed 10 years from the date of grant. The plan permits options granted pursuant to the plan to be exercisable six months after grant in accordance with terms and conditions fixed by the Compensation Committee in the option agreement, provides that options, regardless of their terms, will become fully exercisable in the event a change in the ownership or control of the Company occurs, and permits the Compensation Committee to attach

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stock appreciation rights to options at time of grant or to options previously granted and to fix the terms and conditions for the exercise of stock appreciation rights.

The plan defines a change of control to mean the acquisition of 20% of the Common Stock or other voting securities of the Company by a person or group, pursuant to a tender offer or otherwise, or a change in a majority of the Board of Directors from the Board on the date of adoption (other than a change approved by the existing Board), or a merger, liquidation, dissolution or sale of all or substantially all of the assets of the Company. Exceptions are provided for purchases by the Company and from the Company, purchases by the Company's employee benefit plans and transactions in which all or substantially all of the Company's historic stockholders in the aggregate retain more than 50% of the corporation surviving the transaction. The events causing the triggering of the change of control provisions apply equally to a hostile and friendly change of control.

No options were granted in fiscal 1992 to any executive officer of the Company. In fiscal 1992, all executive officers of the Company as a group exercised options for 60,000 shares of Common Stock and realized the net value (market value less exercise price) of \$845,000 upon such exercise.

#### OTHER TRANSACTIONS

Joseph W. Luter, III, chairman, president and chief executive officer of the Company, is an officer, director and the owner of 81% of the capital stock of Luter Packing Company, a wholesale distributor of meat and other food products. The Company sold \$487,000 of its fresh pork and processed meat products to Luter Packing Company in fiscal 1992. The

sales to Luter Packing Company were made by the Company in the ordinary course of its business, and in the opinion of the Company's management, the terms of those transactions were as favorable to the Company as those made to unaffiliated parties. Gwaltney purchased \$5,132,000 of comminuted chicken meat for use in its frank and bologna products from a company 48% of the capital stock of which is owned by Mr. Luter's three adult children. The Company believes that the terms under which Gwaltney made such purchases were as advantageous to Gwaltney as those Gwaltney would have received from any other comminuted chicken meat producer.

Cecil W. Gwaltney, a director of the Company, is chairman of the board of Gwaltney Motor Company ("GMC"), which was paid \$256,000 by the Company in fiscal 1992 for automotive equipment and parts, and maintenance and leasing services. In addition, the Company leases substantially all of its automobiles under three-year leases arranged by GMC. As of May 3, 1992, the Company was obligated to make a total of \$777,000 in future lease payments under such leases in effect on that date. The Company's management believes that the terms of all of its purchase transactions with GMC and the terms of the leases arranged by GMC are comparable to those available from other suppliers.

George E. Hamilton, Jr., Roger R. Kapella, Aaron D. Trub and other officers of the Company, Gwaltney, and Smithfield Packing are members of a group which owns 22% of the capital stock of RCS-Smithfield, Inc. ("RCSS"). In September 1987, the Company entered into an agreement with RCSS to use for a term of 10 years a cold storage warehouse facility owned and operated by RCSS near Smithfield, Virginia, as its primary outside cold storage warehouse for its plants in Smithfield, Virginia. The Company agreed to pay RCSS for the use of the facility at prevailing competitive rates for such services and further guaranteed a minimum annual usage, the fees for which would total \$1,200,000 annually and which are presently renegotiable. The Company paid RCSS \$2,237,000 in fees for use of the facility in fiscal 1992. The Company has the right under certain circumstances to purchase the facility from RCSS for the following amounts: (i) \$750,000 in excess of the book value of the facility through April 1994, and (ii) \$300,000 in excess of the book value of the facility thereafter until the

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agreement expires in April 1998. The Company believes that the terms and conditions and rates under which it has agreed to use the RCSS facility are as advantageous to the Company as are such terms, conditions and rates of any other outside cold storage warehouse facility.

As of July 10, 1992, P. Edward Schenk, Jr., an executive officer and a director of the Company, was indebted to the Company for a demand loan in the amount of \$140,670, which was the largest aggregate amount of indebtedness outstanding at any time since April 29, 1991, the beginning of the Company's 1992 fiscal year. The loan, which bears interest at one point above the prime rate, was made to Mr. Schenk in connection with his purchase of a home. The Company's short-term borrowing rates are at or below the prime rate.

F. J. Faison, Jr., a director of the Company, is the president and a

director of Carroll's Foods, Inc. ("CFI") and its affiliates. Carroll's Farms of Virginia, Inc. ("CFAV") and Carroll's Foods of Virginia, Inc. ("CFOV"). The Company has arrangements with CFI and its affiliates for production of hogs for The Company's pork processing plants. The arrangements involve, inter alia (1) Smithfield-Carroll's Farms, a partnership consisting of Smithfield Hog Farms, Inc. (a wholly-owned subsidiary of the Company) and CFAV, which partnership owns hog raising facilities and leases them to CFOV, and (2) contracts between the Company and CFOV and CFI which obligates the Company to purchase hogs produced by CFOV and CFI. Substantially all revenues of the Smithfield-Carroll's Farms partnership consist of CFOV's lease payments, which cover debt service, depreciation charges and other operating expenses. For fiscal 1992, such revenues were \$6,545,000, and such revenues are expected to equal or exceed this level in fiscal 1993. Pursuant to the purchase agreements, the Company purchased \$42,002,000 and \$62,993,000 of live hogs from CFOV and CFI, respectively, in fiscal 1992 and anticipates a greater volume of business under these agreements in fiscal 1993. The Company believes that the prices paid under the purchase agreement with CFI are equivalent to market. During periods when hog production is profitable, the purchase agreement with CFOV results in decreased raw material costs to the Company, and, conversely, an increase in costs when such production is unprofitable. In fiscal 1992, the benefit of those decreased costs to the Company was \$2,585,000.

On November 27, 1991, the Company purchased 200,000 shares of its Common Stock from Carroll's Foods, Inc. ("CFI") for \$18.000 per share, or a total of \$3,600,000 in cash. On that date, the highest and lowest sales prices of the Company's Common Stock on the NASDAQ National Market System was 18 1/2 and 17 1/4, respectively. F. J. Faison, Jr., a director of the Company, is an officer and director, but not a stockholder, of CFI and did not have any economic interest in this transaction.

Wendell H. Murphy, a director of the Company, is the chairman of the board, president and the principal stockholder of Murphy Farms, Inc. ("MFI"). The Company has a contract with MFI which obligates the Company to purchase hogs finished by MFI in the Southeast. Pursuant to the purchase agreement, the Company purchased \$100,274,000 of live hogs from MFI in fiscal 1992 and anticipates a greater volume of business under this agreement in fiscal 1993. The Company believes that the prices paid under the purchase agreement with MFI are equivalent to market.

## PROPOSAL 2

### APPROVAL OF 1992 STOCK INCENTIVE PLAN

#### Introduction

On May 20, 1992, the Board of Directors of the Company approved and adopted the 1992 Stock Incentive Plan (the "1992 Plan") and directed that it be submitted to stockholders for approval.

The 1992 Plan became effective May 20, 1992. Unless sooner terminated by the Board of Directors, the 1992 Plan will terminate on May 19, 2002. No options may be granted under the 1992 Plan after termination.

The 1992 Plan is intended to provide a means for selected key management employees of the Company to increase their personal financial interest in the Company, thereby stimulating the efforts of these employees and strengthening their desire to remain with the Company (references to the "Company" in this section will include any parent and subsidiary corporations).

The principal features of the 1992 Plan are summarized below. The summary is qualified by reference to the complete text of the plan, which is attached as Exhibit A.

#### General

The 1992 Plan authorizes the reservation of 1,250,000 shares of Common Stock for issuance pursuant to nonstatutory stock options (as described below).

If an option is cancelled, terminates or lapses unexercised, any unissued shares allocable to such option may be subjected again to a nonstatutory option.

Adjustments will be made in the number of shares which may be issued under the 1992 Plan in the event of a future stock dividend, stock split or similar prorata change in the number of outstanding shares of Common Stock or the future creation or issuance to stockholders generally of rights, options or warrants for the purchase of Common Stock or preferred stock.

The Common Stock is traded over-the-counter, and on July 10, 1992, the average of the highest and lowest sales prices reported by NASDAQ was \$14.25

#### Eligibility

All present and future employees of the Company and subsidiaries of the Company who hold positions with management responsibilities are eligible to receive incentive awards under the 1992 Plan. The Company estimates that it has approximately 75 such employees (38 of whom are officers).

#### Administration

The 1992 Plan will be administered by a committee comprised of directors of the Company who are not eligible to participate in the Plan or any similar plan of the Company. It is anticipated that the committee will be the Compensation Committee (the "Committee"). The Committee has the power and complete discretion to determine when to grant options, which eligible employees will receive options, and the number of shares to be allocated to each option. The Committee may impose conditions on the exercise of options in addition to those required by the Plan, and may impose such other restrictions and requirements as it may deem appropriate.

#### Stock Options

Options to purchase shares of Common Stock granted under the 1992 Plan shall be nonstatutory stock options. Nonstatutory options do not qualify for favorable income tax treatment under Section 422 of the Internal Revenue Code. The purchase price of Common Stock covered by an option may not be less than 150% of the fair market value of the Common Stock on the date of the option grant.

Options may only be exercised five years after the date of grant or at such later times as may be specified by the Committee; provided, however, that options may not be exercised after the first to

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occur of (i) 10 years from the date on which the option was granted, (ii) three months from the optionee's termination of employment with the Company for reasons other than death or disability, or (iii) one year from the optionee's termination of employment on account of death or disability. An option not otherwise exercisable because the five-year period from the date of grant has not expired will become exercisable automatically upon a "change of control" (a term defined in the 1992 Plan) or on the day immediately preceding the distribution date under the Rights Agreement between the Company and Sovran Bank, N.A., dated as of May 8, 1991, as amended from time to time.

An optionee exercising an option will generally pay the purchase price in cash. If the option so provides, the optionee may also pay the purchase price by delivering shares of Common Stock or causing to be withheld from the option shares, shares of Common Stock or by delivering an exercise notice together with irrevocable instruction to a broker to promptly deliver to the Company the amount of sale or loan proceeds from the option shares to pay the exercise price.

#### Transferability of Incentive Awards

An option awarded under the Plan may not be sold, transferred, pledged, or otherwise disposed of, other than by will or by the laws of descent and distribution. All options granted to a participant under the Plan shall be exercisable during his lifetime only by such participant, or his guardians or legal representatives. Upon the death of a participant, his personal representative or beneficiary may exercise his options under the Plan.

#### Amendment of the 1992 Plan and Awards

The Board of Directors may amend the 1992 Plan in such respects as it deems advisable; provided that the stockholders of the Company must approve any amendment that would (i) materially increase the benefits accruing to participants under the 1992 Plan, (ii) materially increase the number of shares of Common Stock that may be issued under the 1992 Plan, or (iii) materially modify the requirements of eligibility for participation in the 1992 Plan. Options granted under the 1992 Plan. Options granted under the 1992 Plan may be amended with the consent of the recipient so long as the amended option is consistent with the terms of the 1992 Plan.

#### Federal Income Tax Consequences

An optionee will not incur Federal income tax when he is granted a nonstatutory stock option.

Upon exercise of a nonstatutory stock option, an optionee generally will recognize compensation income, which is subject to income tax withholding by the Company, equal to the difference between the fair market value of the Common Stock on the date of the exercise and the option price. Special rules apply to an insider optionee who exercises an option within six months of the date of grant.

If his option so provides, an optionee may deliver shares of Common Stock instead of cash to acquire shares under a nonstatutory stock option, without having to recognize taxable gain (except in some cases with respect to "statutory option stock") on any appreciation in value of the shares delivered. However, if an optionee delivers share of "statutory option stock" in satisfaction of all, or any part, of the exercise price under a nonstatutory stock option, and if the applicable holding periods of the "statutory option stock" have not been met, he will be considered to have made a taxable disposition of the "statutory option stock." "Statutory option stock" is stock acquired upon the exercise of an incentive stock option.

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The Company usually will be entitled to a business expense deduction at the time and in the amount that the optionee recognizes ordinary compensation income. As stated above, this usually occurs upon exercise of nonstatutory options. Upon the exercise of a nonstatutory option, the Company's deduction is contingent upon the Company's meeting withholding tax requirements.

This summary of Federal income tax consequences of nonstatutory stock options does not purport to be complete. There may also be state and local income taxes applicable to these transactions. Holders of nonstatutory stock options should consult their own advisors with respect to the application of the laws to them and to understand other tax consequences of the awards including possible income deferral for insiders, taxes on parachute payments and the tax consequences of the sale of shares acquired under the 1992 Plan

Vote Required

Approval of the 1992 Stock Incentive Plan requires the affirmative vote of the holders of a majority of the shares of Common Stock voting at the Meeting.

The Board of Directors believes that approval of the 1992 Stock Incentive Plan is in the best interest of all stockholders and, accordingly, recommends that you vote "FOR" the proposed 1992 Stock Incentive Plan proposal.

PROPOSAL 3

RATIFICATION OF SELECTION OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors, upon the recommendation of its Audit Committee, has selected Arthur Andersen & Co. as independent public accountants to examine and report upon the financial statements of the Company and its

consolidated subsidiaries for the year ending May 2, 1993, and is submitting this matter to the stockholders for their ratification. Arthur Andersen & Co. has served as the Company's independent public accountants since 1981. One or more representatives of Arthur Andersen & Co. will be present at the Annual Meeting of Stockholders to make a statement if they desire to do so and to be available to respond to appropriate questions that may be asked by stockholders.

The Board of Directors of the Company recommends that you vote FOR the ratification of the selection of Arthur Andersen & Co. as independent public accountants to examine and report upon the financial statements of the Company and its consolidated subsidiaries for the year ending May 2, 1993. The affirmative vote of the holders of a majority of the shares of Common Stock voting at the Meeting is required for ratification.

#### OTHER MATTERS

The Board of Directors does not know of any matter to be brought before the meeting, other than the matters described in the Notice of Meeting. The persons named in the form of proxy solicited by the Board of Directors will vote all proxies which have been properly executed. IF A STOCKHOLDER SPECIFIES ON SUCH PROXY A CHOICE WITH RESPECT TO THE PROPOSAL TO BE ACTED UPON, THE PROXY WILL BE VOTED IN ACCORDANCE WITH SUCH SPECIFICATION. WHERE NO CHOICE IS SPECIFIED, THE PROXY WILL BE VOTED "FOR" EACH OF THE NOMINEES NAMED IN PROPOSAL 1 AND "FOR" PROPOSALS 2 AND 3.

If any matters not set forth in the Notice of Meeting accompanying this proxy statement are properly brought before the Meeting, such persons will vote thereon in accordance with their best judgment.

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#### STOCKHOLDER PROPOSALS

Proposals of stockholders intended to be presented at the Company's 1993 Annual Meeting of Stockholders must be received by the Secretary of the Company for inclusion in the Company's proxy statement and form of proxy relating to that meeting by May 5, 1993.

COPIES OF THE COMPANY'S ANNUAL REPORT ON FORM 10K FOR THE FISCAL YEAR ENDED MAY 3, 1992, AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, CAN BE OBTAINED WITHOUT CHARGE UPON WRITTEN REQUEST TO THE COMPANY, 816 CONNECTICUT AVENUE, N.W., SUITE 900, WASHINGTON, D.C 20006, ATTENTION: AARON D. TRUB, SECRETARY.

By Order of the Board of Directors,

Aaron D. Trub  
Secretary

July 29, 1992.