

<SEQUENCE>1
 <DESCRIPTION>SMITHFIELD FOODS 10-K
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SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

 FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
 SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]
 For the fiscal year ended May 3, 1998

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
 SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
 For the transition period from to

Commission file number: 0-2258

SMITHFIELD FOODS, INC.

(Exact name of registrant as specified in its charter)

Virginia

(State or other jurisdiction of
 incorporation or organization)

200 Commerce Street
 Smithfield, Virginia

(Address of principal executive offices)

52-0845861

(I.R.S. Employer
 Identification No.)

23430

(Zip Code)

(757) 365-3000

(Registrant's telephone number, including area code)

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

(Title of Class)

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$.50 par value per share
 (Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports
 required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
 1934 during the preceding 12 months (or for such shorter period that the
 Registrant was required to file such reports), and (2) has been subject to such
 filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

The aggregate market value of the shares of Registrant's Common Stock held by non-affiliates as of July 10, 1998 was approximately \$844,100,548. This figure was calculated by multiplying (i) the \$29-5/16 last sales price of Registrant's Common Stock as reported on The Nasdaq National Market on July 10, 1998 by (ii) the number of shares of Registrant's Common Stock not held by any officer or director of the Registrant or any person known to the Registrant to own more than five percent of the outstanding Common Stock of the Registrant. Such calculation does not constitute an admission or determination that any such officer, director or holder of more than five percent of the outstanding shares of Common Stock of the Registrant is in fact an affiliate of the Registrant.

At July 10, 1998, 37,537,362 shares of the Registrant's Common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the Registrant's definitive proxy statement to be filed with respect to its Annual Meeting of Shareholders to be held on August 27, 1998.

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PART I

ITEM 1. BUSINESS

General

Smithfield Foods, Inc. ("Smithfield Foods" or the "Company"), as a holding company, conducts its pork processing operations through five principal subsidiaries: Gwaltney of Smithfield, Ltd. ("Gwaltney") and The Smithfield Packing Company, Incorporated ("Smithfield Packing"), both based in Smithfield, Virginia; John Morrell & Co. ("John Morrell"), based in Cincinnati, Ohio; Patrick Cudahy Incorporated ("Patrick Cudahy"), based in Cudahy, Wisconsin; and Lykes Meat Group, Inc. ("Lykes"), based in Plant City, Florida. The Company also conducts hog production operations through its 86% owned subsidiary, Brown's of Carolina, Inc. ("Brown's") and through a 50% interest in Smithfield-Carroll's ("Smithfield-Carroll's"), a joint hog production arrangement between the Company and Carroll's Foods of Virginia, Inc., an affiliate of Carroll's Foods, Inc., one of the largest hog producers in the United States. Both Brown's and Smithfield-Carroll's produce hogs for the Company's pork processing plants in Bladen County, North Carolina and Smithfield, Virginia. The Company is also a participant in the Circle Four joint hog production arrangement ("Circle Four") with certain of the principal hog suppliers for the Company's Eastern operations, which conducts hog production operations in Milford, Utah. The hogs produced by Circle Four are sold to an unrelated party. In this report, references to "Smithfield Foods" or the "Company" are to Smithfield Foods, Inc. together with all of its subsidiaries, unless the context otherwise indicates.

The Company believes it is the largest combined pork slaughterer and further processor of pork in the United States. Smithfield Foods produces a wide variety of fresh pork and processed meat products which it markets domestically and internationally to over 25 foreign markets, including Japan, Russia and Mexico. Since 1975, when current management assumed control of the Company, Smithfield Foods has expanded its production capacity and markets through a combination of strong internal growth and selective acquisitions of regional and multi-regional companies with well-recognized brand identities. The Company's brands include Smithfield Premium, Smithfield Lean Generation Pork, Gwaltney, John Morrell, Patrick Cudahy and Lykes.

To complement its hog slaughtering and further processing operations, the Company has vertically integrated into hog production through Brown's and Smithfield-Carroll's. These hog production operations collectively accounted for 10.8% of the hogs the Company slaughtered in fiscal 1998. In addition, the Company obtains a substantial part of its hogs under market-indexed, multi-year agreements with several of the nation's largest suppliers of high quality hogs, strategically located in proximity to the Company's hog slaughtering and further processing operations in North Carolina and Virginia. These suppliers accounted for 42.9% of the hogs the Company slaughtered in fiscal 1998.

The Company's fresh pork and processed meats are available nationwide. In a number of markets, the Company's brands are among the leaders in selected product categories. In recent years, as consumers have become more health conscious, the Company has broadened its product line to include leaner fresh pork products as well as fat-free, lower fat and lower salt processed meats. Management believes that leaner pork products combined with the pork industry's efforts to heighten public awareness of pork as an attractive protein source have led to increased consumer demand for pork products. In order to capture the growing market for lower fat products, the Company has developed, and is marketing on a national basis, a line of extremely lean, premium fresh pork products under the Smithfield Lean Generation Pork brand to selected retail chains and institutional foodservice customers.

Business Strategy

Since 1975, when current management assumed control, Smithfield Foods has expanded both its production capacity and its markets through a combination of strong internal growth and the acquisition of regional and multi-regional

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companies with well-recognized brand identities. In fiscal 1982, the Company acquired Gwaltney, then Smithfield Packing's principal Mid-Atlantic competitor. This acquisition doubled the Company's sales and slaughter capacity and added several popular lines of branded products along with a highly efficient hot dog and lunch meats production facility. The proximity of Gwaltney to Smithfield Packing allowed for synergies and cost savings in manufacturing, purchasing, engineering and transportation.

This combination set the stage for a series of acquisitions of smaller regional processors with widely-recognized brands. In fiscal 1985, the Company acquired Patrick Cudahy, which added a prominent line of dry sausage products to the Company's existing line of processed meats. In fiscal 1986, the Company acquired Esskay, Inc., a firm with a broad line of deli products having substantial brand loyalty in the Baltimore-Washington, D.C. metropolitan area. In fiscal 1991, the Company acquired the Mash's brand name and a ham processing

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ITEM 4A. EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth the name and age, position with the Company and business experience during the past five years of each of the executive officers of the Company. The Board of Directors elects executive officers to hold office until the next annual meeting of the Board or Directors or until their successors are elected, or until their resignation or removal.

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NAME AND AGE	POSITION WITH THE COMPANY	BUSINESS DURING PAST
<S> <C> Joseph W. Luter, III (59)	Chairman of the Board and Chief Executive Officer of the Company	Mr. Luter has served of the Board and Chief Officer since 1975 1995, he also served of the Company.
Lewis R. Little (54)	President and Chief Operating Officer of the Company, Lykes and Smithfield Packing	Mr. Little was elected and Chief Operating Company and Smithfield in November 1996 and and Chief Operating Lykes in June 1998 1993 until November President and Chief Officer of Gwaltney 1993, Mr. Little served Executive Vice President Gwaltney.
Timothy A. Seely (48)	President and Chief Operating Officer of Gwaltney	Mr. Seely was elected and Chief Operating Gwaltney in November Prior to that time President, Sales and Fresh Meats, of Gwaltney.
Roger R. Kapella (56)	President and Chief Operating Officer of Patrick Cudahy	Mr. Kapella has served President and Chief Officer of Patrick Cudahy 1986.
Joseph B. Sebring (51)	President and Chief Operating Officer of John Morrell	Mr. Sebring has served President and Chief Officer of John Morrell 1994. Between 1991 1994, he served as Chief Executive Officer Packers Company. Mr. Sebring was Executive President of Fresh

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NAME AND AGE	POSITION WITH THE COMPANY	BUSINESS DURING PAS
C. Larry Pope (43)	Vice President, Finance of the Company	Mr. Pope was elected President, Finance in July 1998. He joined as Controller in 1995 and as Vice President in 1996. He has been with the Company from August 1995 to the present.
Aaron D. Trub (63)	Vice President, Chief Financial Officer and Secretary of the Company	Mr. Trub has served as Vice President and Secretary of the Company since 1978. In July 1998, he also served as Treasurer. In January 1999, he was elected Chief Financial Officer of the Company.
Richard J. M. Poulson (59)	Vice President and Senior Advisor to the Chairman	Mr. Poulson joined the Company as Vice President and Senior Advisor to the Chairman in July 1998. Between 1994 and 1998, he was a senior manager at the Appian Group, a merchant bank with headquarters in Washington, D.C. Prior to 1994, Mr. Poulson was a senior corporate partner in a law firm of Hogan & Hartson, L.P., a law firm of Hogan & Hartson, L.P. in Washington, D.C. a

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PART II

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

Market Information

The Common Stock of the Company is traded in the national over-the-counter market and is authorized for quotation on The Nasdaq National Market under the symbol "SFDS."

The following table sets forth, for the fiscal periods indicated, the highest and lowest sales prices of the Common Stock on The Nasdaq National Market.

Range of Sales Prices

	High	Low
Fiscal year ended April 27, 1997		
First quarter	\$15.00	\$11.31
Second quarter	16.25	11.62
Third quarter	19.31	14.25
Fourth quarter	24.75	16.19
Fiscal year ended May 3, 1998		
First quarter.....	31.12	22.00
Second quarter.....	33.87	22.75
Third quarter.....	35.62	24.37
Fourth quarter.....	36.37	28.62

Holders

As of July 10, 1998, there were 1,143 record holders of the Common Stock.

Dividends

The Company has never paid a cash dividend on its Common Stock and does not anticipate paying cash dividends on its Common Stock in the foreseeable future. In addition, the terms of certain of the Company's debt agreements prohibit the payment of cash dividends on the Common Stock. The payment of cash dividends, if any, will be made only from assets legally available for that purpose, and will depend on the Company's financial condition, results of operations, current and anticipated capital requirements, restrictions under then existing debt instruments and other factors deemed relevant by the board of directors.

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ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data set forth below for the fiscal years indicated were derived from the Company's audited consolidated financial statements. The information should be read in conjunction with the Company's consolidated financial statements (including the notes thereto) and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in, or incorporated by reference into, this report.

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FISCAL YEAR ENDED

May 3, April 27, April 28, Ap
1998 1997 1996

(In thousands, except per share

<S> <C>

INCOME STATEMENT DATA:

Sales.....	\$ 3,867,442	\$ 3,870,611	\$ 2,383,893	\$
Cost of sales	3,479,828	3,549,673	2,203,626	

Gross profit	387,614	320,938	180,267	
Selling, general and administrative expenses	219,861	191,225	103,095	
Depreciation expense.....	42,300	35,825	25,979	
Interest expense.....	31,891	26,211	20,942	
Nonrecurring charge.....	12,600	-	-	

Income from continuing operations before income taxes and change in accounting for income taxes.....	80,962	67,677	30,251	
Income taxes.....	27,562	22,740	10,465	

Income from continuing operations before change in accounting for income taxes.....	53,400	44,937	19,786	
Income (loss) from discontinued operations...	-	-	(3,900)	

Net income.....	\$ 53,400	\$ 44,937	\$ 15,886	\$
=====				

DILUTED INCOME (LOSS) PER SHARE:

Continuing operations before cumulative effect of change in accounting for income taxes.....	\$ 1.34	\$ 1.17	\$.53	\$
Discontinued operations.....	-	-	(.11)	
Cumulative effect of change in accounting for income taxes.....	-	-	-	

Net income.....	\$ 1.34	\$ 1.17	\$.42	\$
=====				
Average diluted shares outstanding.....	39,732	38,558	35,000	

BALANCE SHEET DATA:

Working capital.....	\$ 259,188	\$ 164,312	\$ 88,026	\$
Total assets.....	1,083,645	995,254	857,619	
Long term debt and capital lease obligations.....	407,272	288,486	188,618	
Shareholders' equity.....	361,010	307,486	242,516	

OPERATING DATA:

Fresh pork sales (pounds).....	2,539,221	2,320,477	1,635,300
Processed meats sales (pounds).....	1,370,232	1,218,835	839,341
Total hogs purchased.....	17,952	16,869	12,211

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

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Management's discussion and analysis set forth below should be read in conjunction with the Company's consolidated financial statements (including the notes thereto) appearing elsewhere in this Form 10-K.

Introduction

The Company is comprised of a Meat Processing Group ("MPG") and a Hog Production Group ("HPG"). The MPG consists of five pork processing subsidiaries, Gwaltney, John Morrell, Lykes, Patrick Cudahy, and Smithfield Packing. The HPG consists of Brown's and the Company's interests in Smithfield-Carroll's and Circle Four.

Acquisitions

The Company has expanded through selective acquisitions of regional and multi-regional meat processing companies with well-recognized brand identities. The Company acquired John Morrell in December 1995 and Lykes in November 1996. The Company's fiscal 1998 operating results include those of John Morrell and Lykes for the full fiscal year. The Company's fiscal 1997 operating results include those of John Morrell for the full year and those of Lykes for 25 weeks. The Company's fiscal 1996 operating results include those of John Morrell for 18 weeks.

In December 1997, the Company reached an irrevocable agreement with members of the Schneider family, the controlling shareholders, to purchase all of their shares in Schneider Corporation ("Schneider") as part of an offer by the Company to acquire all of the shares of Schneider. Schneider produces and markets fresh pork and a full line of processed meats in Canada and had revenues in its fiscal year ended October 1997 of US\$512.7 million. A lawsuit contesting the acquisition was filed by a Canadian competitor and other Schneider shareholders. The court dismissed these claims, which have since been appealed. If the Company is successful in the appeals process, management anticipates that the acquisition will be completed in the second quarter of fiscal 1999.

Price-Risk Management

Substantially all of the Company's products are manufactured from commodity-based raw materials, primarily live hogs. The cost of live hogs is subject to wide fluctuations due to unpredictable factors such as the price of corn and soybean meal (the principal feed ingredients for a hog), weather conditions, economic conditions, government regulation and other unforeseen circumstances. The pricing of the Company's fresh pork and processed meats are monitored and adjusted upward and downward in reaction to changes in the cost of the underlying raw materials. The unpredictability of the raw material costs limit the Company's ability to forward price fresh pork and processed meat products without the use of commodity contracts through a program of price-risk management. The Company uses price-risk management to enhance its ability to engage in forward sales contracts, where prices for future deliveries are fixed, by purchasing (or selling) commodity contracts for future periods to reduce or

Other	26,35

TOTAL OTHER ASSETS	91,64

	\$ 820,89
	=====
LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Note payable	\$ -
Current portion of long-term debt	6,24
Accounts payable	2,79
Accrued expenses	45,23
Income taxes payable	-

TOTAL CURRENT LIABILITIES	54,27

Long-term debt	387,73

Deferred income taxes and other noncurrent liabilities	17,87

Shareholders' equity	361,01

	\$ 820,89
	=====

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

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SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT

SMITHFIELD FOODS, INC.

PARENT COMPANY STATEMENTS OF INCOME

<TABLE>

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	53 WEEKS ENDED MAY 3, 1998	52 WEEKS ENDED APRIL 27, 1997
	-----	-----
		(IN THOUSANDS)
<S>	<C>	<C>
Sales	\$ --	\$ --
Cost of Sales	9,589	1,820
	-----	-----
Gross Profit	(9,589)	(1,820)
General and administrative expenses, net of allocation to subsidiaries	4,686	10,911
Depreciation expense	843	903
Interest expense	24,578	16,434
Nonrecurring charge	12,600	--
	-----	-----
Loss before income tax benefit and equity in earnings of subsidiaries	(52,296)	(30,068)

Income tax benefit	(19,130)	(12,562)
Loss before equity in earnings of subsidiaries	(33,166)	(17,506)
Equity in earnings of subsidiaries	86,566	62,443
Net income	\$ 53,400	\$ 44,937
	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

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SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT

SMITHFIELD FOODS, INC.

PARENT COMPANY STATEMENTS OF CASH FLOWS

<TABLE>
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	53 WEEKS ENDED MAY 3, 1998	52 WEEKS EN APRIL 27, 1
	-----	-----
		(IN THOUSAND)
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 53,400	\$ 44,937
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,461	1,040
Gain on sale of property and equipment	--	(2,328)
Changes in operating assets and liabilities:		
Deferred income taxes and other noncurrent liabilities	13,966	(37,308)
Accounts receivables	3,351	(1,329)
Receivables from related parties	1,414	45
Other current assets	(10,784)	(3,367)
Accounts payable and accrued expenses	14,243	15,696
Refundable income taxes	(2,300)	--
Income taxes payable	(1,789)	1,560
Other assets	(10,495)	(1,541)
Net cash provided by operating activities	62,467	17,405
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(9,332)	(3,226)
Proceeds from sale of property, plant and equipment	--	3,424
Increase in investments in and advances to subsidiaries, net of common stock issued to acquire John Morrell & Co.	(235,117)	(80,800)
Investment in partnerships	(5,213)	(5,660)
Net cash used in investing activities	(249,662)	(86,262)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance (repayments) of short-term debt	--	(500)

Proceeds from issuance of long-term debt	447,150	140,000
Principal payments on long-term debt	(252,317)	(71,200)
Exercise of options	124	1,270
Issuance of preferred stock	--	--
Preferred dividends	--	(1,238)
	-----	-----
Net cash provided by financing activities	194,957	68,332
	-----	-----
NET INCREASE (DECREASE) in cash and cash equivalents	7,762	(525)
CASH AND CASH EQUIVALENTS at beginning of year	38	563
	-----	-----
CASH AND CASH EQUIVALENTS at end of year	\$ 7,800	\$ 38
	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

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SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

SMITHFIELD FOODS, INC.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

May 3, 1998 and April 27, 1997

1. The Notes to Parent Company Financial Statements should be read in conjunction with the Registrant's Notes to Consolidated Financial Statements included herein.

2. Restricted assets of Registrant:

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

3. Accrued expenses as of May 3, 1998 and April 27, 1997 are as follows:

(In thousands)	1998	1997
-----	-----	-----
Self-insurance reserves	\$21,834	\$14,151
Other	23,398	14,466
	-----	-----
	\$45,232	\$28,617
	=====	=====

4. Long-Term Debt:

In fiscal 1998, the Registrant entered into loan agreements with a bank group providing for \$350,000,000 in revolving credit facilities, consisting of a five-year \$300,000,000 revolving credit facility and a 364-day \$50,000,000 revolving credit facility. In connection with this refinancing, the Registrant repaid all borrowings under its previous \$300,000,000 credit facilities, which were terminated. The 364-day \$50,000,000 revolving credit facility was later terminated.

In fiscal 1998, the Registrant issued \$200,000,000 in aggregate principal amount of 10-year 7.625% senior subordinated notes. The net proceeds from the sales of the notes were used to repay indebtedness under the Registrant's \$300,000,000 revolving credit facility with the balance invested in short-term marketable debt securities.

In fiscal 1997, the Registrant privately placed \$140,000,000 of senior secured notes. The proceeds of the financing were used to repay \$65,200,000 of long-term bank debt and for investments in and advances to subsidiaries. In conjunction with the placement of these notes, the Registrant refinanced \$59,707,000 of existing long-term debt previously recorded by its subsidiaries. The result of the refinancing was to transfer debt to the parent and revise maturity dates and repayment schedules for the refinanced debt. No additional proceeds resulted from this refinancing.

As of May 3, 1998, the Registrant is guaranteeing \$18,942,000 of capital lease obligations of its subsidiaries and a \$300,000,000 credit facility that had no outstanding balance.

Scheduled maturities of the Registrant's long-term debt consists of the following (in thousands):

Fiscal Year	
1999	\$6,248
2000	2,362
2001	3,134
2002	3,083
2003	10,473
Thereafter	368,680

	\$393,980
	=====

5. The amount of dividends received from subsidiaries in fiscal 1998 and 1997 was \$43,423,000 and \$65,316,000, respectively.
6. In fiscal 1997, all of the Series C 6.75% cumulative convertible redeemable preferred stock, totaling \$20,000,000, was converted into the Registrant's common stock.

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7. In fiscal 1998, the Registrant's shareholders approved the reincorporation of the Registrant in Virginia from Delaware. The purpose of the reincorporation was to reduce annual franchise taxes and does not affect the Registrant's capitalization or the manner in which it operates.
8. Supplemental disclosures of cash flow information (in thousands):

Fiscal Year	1998	1997	1996
-------------	------	------	------

-----	----	----	----
Interest paid, net of amount capitalized	\$20,901	\$11,106	\$ 1,807
	=====	=====	=====
Income taxes paid	\$10,179	\$15,043	\$ 1,685
	=====	=====	=====
Noncash investing and financing activities:			
Refinancing of long-term debt	\$ -	\$59,707	\$ -
	=====	=====	=====
Conversion of preferred stock to common stock	\$ -	\$20,000	\$10,000
	=====	=====	=====
Common stock issued for acquisition	\$ -	\$ -	\$33,000
	=====	=====	=====
Conversion of receivables from related parties to investments in partnership	\$ -	\$ 7,691	\$ -
	=====	=====	=====

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AS EXECUTED

SMITHFIELD FOODS, INC.,
A VIRGINIA CORPORATION

AND

HARRIS TRUST AND SAVINGS BANK
RIGHTS AGENT

RIGHTS AGREEMENT
AS AMENDED

DATED AS OF MAY 1, 1998