SMITHFIELD FOODS INC
Form S-4
September 17, 2004
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As Filed with the Securities and Exchange Commission on September 17, 2004

File No. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

SMITHFIELD FOODS, INC.

(Exact name of registrant as specified in its charter)

Virginia	2011	52-0845861
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

200 Commerce Street

Smithfield, Virginia 23430

(757) 365-3000

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Michael H. Cole, Esq.

Vice President, Secretary and Deputy General Counsel

200 Commerce Street

Smithfield, Virginia 23430

(757) 365-3030

(Name, address, including zip code, and telephone number,

including area code, of agent for service)

Copies to:

Jane Whitt Sellers, Esq.

McGuireWoods LLP

Bank of America Corporate Center

100 North Tryon Street, Suite 2900

Charlotte, North Carolina 28202-4011

(704) 373-8999

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G check the following box: ¨

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ¨ ____________

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ¨ ____________

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box: ¨

CALCULATION OF REGISTRATION FEE (1)

Title of each class of Securities to be registered	Amount to be Registered	Proposed maximum offering, price per share to be registered (1)	Proposed maximum aggregate offering price	Amount of Registration fee
7% Senior Notes, Series B, due 2011	$ 400,000,000	100%	$ 400,000,000	$ 50,860

(1) Estimated in accordance with Rule 457(f) solely for the purpose of calculating the registration fee.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SEC, ACTING PURSUANT TO SAID SECTION 8(a) MAY DETERMINE.

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The information in this prospectus is not complete and may be changed. We may not complete this exchange offer and issue securities until the registration statement filed with the Securities and Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to by these securities in any state where the offer or sale is not permitted.

Subject to Completion. Dated September 17, 2004

Prospectus

Smithfield Foods, Inc.

200 Commerce Street

Smithfield, Virginia 23430

(757) 365-3000

We are offering to exchange up to $400,000,000 of our 7% Senior Notes, Series B, Due 2011 for any and all of our outstanding 7% Senior Notes, Series A, Due 2011.

The Exchange Offer

We will exchange all senior notes that are validly tendered and not validly withdrawn for an equal principal amount of exchange notes that are freely tradable.

You may withdraw tenders of senior notes at any time prior to the expiration of the exchange offer.

The exchange offer expires at 5:00 p.m., New York City time, on October , 2004.

The Exchange Notes

The terms of the exchange notes to be issued in the exchange offer are substantially identical to those of the senior notes, except that the exchange notes will be freely tradable.

The exchange notes will mature on August 1, 2011.

Interest on the exchange notes will be payable semi-annually on February 1 and August 1 of each year, commencing on February 1, 2005.

We may redeem up to 35% of the exchange notes before August 1, 2007, using the proceeds of certain equity offerings. If we sell all or substantially all of our assets or experience specific kinds of changes in control, we must offer to repurchase the exchange notes.

You should consider carefully the Risk-Factors beginning on page 10 of this prospectus before participating in the exchange offer.

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

The date of this Prospectus is September , 2004

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Note on forward-looking statements

This prospectus contains forward-looking information within the meaning of the federal securities laws. The forward-looking information includes statements concerning our outlook for the future, as well as other statements of beliefs, future plans and strategies or anticipated events, and similar expressions concerning matters that are not historical facts. Forward-looking information and statements are subject to many risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, the statements. These risks and uncertainties include the availability and prices of live hogs and cattle, raw materials, fuel and other supplies, food safety, livestock disease, live hog production costs, product pricing, the competitive environment and related market conditions, operating efficiencies, changes in interest rate and foreign currency exchange rates, access to capital, the investment performance of our pension plan assets and the availability of legislative funding relief, the cost of compliance with environmental and health standards, adverse results from ongoing litigation, actions of domestic and foreign governments, our ability to make effective acquisitions and successfully integrate newly acquired businesses into existing operations and other risks and uncertainties described under Risk factors or in other documents we file with the Securities and Exchange Commission and incorporate by reference into this prospectus. You are cautioned not to place undue reliance on forward-looking statements because actual results may differ materially from those expressed in, or implied by, the statements. Any forward-looking statement that we make in this prospectus speaks only as of the date of such statement, and we undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

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Industry and market data

In this prospectus and the documents incorporated by reference in it, we rely on and refer to information regarding our industry and our market share in the sectors in which we compete. We obtained this information from various third-party sources, discussions with our customers and our own internal estimates. We believe that these sources and estimates are reliable, but have not independently verified them and cannot guarantee their accuracy or completeness. While we are not aware of any misstatements regarding our industry data presented or incorporated by reference in this prospectus, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed above and under the heading Risk factors in this prospectus. Unless otherwise indicated, all industry and market data is provided as of May 2, 2004.

Where you can find more information; incorporation of certain documents by reference

We are subject to the informational reporting requirements of the Securities Exchange Act of 1934, which requires us to file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any document that we file at the Public Reference Room of the Securities and Exchange Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the Securities and Exchange Commission at 1-800-SEC-0330. You may also inspect our filings at the regional offices of the Securities and Exchange Commission or over the Internet at the Securities and Exchange Commission s website at *http://www.sec.gov.* Our common shares are listed on the New York Stock Exchange under the symbol SFD. Our reports, proxy statements and other information may also be read and copied at the New York Stock Exchange at 20 Broad Street, New York, NY 10005.

The Securities and Exchange Commission allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the Securities and Exchange Commission will automatically update and supercede this information. We incorporate by reference the documents listed below and any future filings made with the Securities and Exchange Commission under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 until we complete the exchange offer:

Annual Report on Form 10-K for the year ended May 2, 2004;

Quarterly Report on Form 10-Q for the 13 weeks ended August 1, 2004; and

Current Reports on Form 8-K filed on July 30, 2004 and September 13, 2004.

You may request a copy of these filings at no cost, by writing or telephoning us at the following address:

Corporate Secretary

Smithfield Foods, Inc.

200 Commerce Street

Smithfield, Virginia 23430

(757) 365-3000

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Summary

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in, or incorporated by reference into, this prospectus. All references to fiscal year in this prospectus refer to the fiscal year ending on the Sunday closest to April 30 of each year (e.g., fiscal year 2004 is the fiscal year ending on May 2, 2004).

The Company

We are the largest hog producer and pork processor in the world and the fifth largest beef processor in the United States. We conduct our business through four reporting segments, Pork, Beef, Hog Production Group and Other, each of which is comprised of a number of subsidiaries. Prior to fiscal 2004, we had an International segment which, following the sale of Schneider Corporation, was replaced by the Other segment.

The Pork segment produces a wide variety of fresh pork and processed meat products in the U.S. and markets them nationwide and to numerous foreign markets, including Canada, Japan and Mexico. The Pork segment currently operates over 40 processing plants.

The Beef segment primarily produces boxed beef and ground beef (both chub and case-ready) and markets these products in large portions of the U.S. We process cattle at five plants (three in the Midwest, one in the Northeast and one in the Southwest), with a current aggregate processing capacity of 8,050 cattle per day.

As a complement to our Pork segment, we have vertically integrated into hog production. The Hog Production Group operates numerous hog production facilities producing about 14.5 million market hogs annually. Additional hogs are produced through our joint ventures. The Hog Production Group sells the Pork segment approximately 45% of the Pork segment s U.S. live hog requirements.

The Other segment is comprised of our international meat processing operations remaining after the sale of Schneider Corporation, together with our turkey production operations and interests in turkey processing operations.

Recent developments

Results of operations and financial condition

Our net income for the first quarter of fiscal 2005 was $54.9 million, or $.49 per diluted share, versus income from continuing operations of $17.6 million, or $.16 per diluted share, a year ago. Sales were $2.7 billion, compared to $2.0 billion a year ago. We had no income from discontinued operations for the first quarter of fiscal 2005 versus $4.5 million, or $.04 per diluted share, a year ago.

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Following are our sales and operating profit by segment:

(in millions)	13 Weeks Ended August 1, 2004	13 Weeks Ended July 27, 2003
Sales		
Pork	$ 1,763.4	$ 1,133.0
Beef	594.7	605.4
Hog Production	527.2	335.7
Other	218.7	173.5
	3,104.0	2,247.6
Intersegment	(452.3)	(266.0)
Total Sales	$ 2,651.7	$ 1,981.6
Operating Profit		
Pork	$ 21.8	$ (17.6)
Beef	1.8	31.9
Hog Production	99.6	58.1
Other	7.9	(3.7)
Corporate	(20.3)	(14.8)
Total Operating Profit	$ 110.8	$ 53.9

Earnings in the quarter reflected improved profitability in the hog production segment combined with strong results in pork. The strong performance in live production and pork was moderated by lower earnings in the beef segment.

Earnings in our hog production segment rose more than 70%, reflecting the impact of a 29% increase in live hog prices compared with the first quarter of last year.

Commodity futures contracts for live hogs reduced hog production earnings by $47 million for the quarter. These contracts were the result of our management s decision, earlier in the calendar year, to lock in profits in hog production before the unexpected increase in live hog market prices experienced during the first quarter. During the same period, hog production results benefited by $28 million from favorable grain purchasing arrangements, also entered into earlier in the year. These arrangements resulted in raising costs of $43 per hundredweight, up four percent from the prior year, but eight percent lower than raising costs would have been, absent these advance grain purchasing agreements.

Our pork segment reported substantial operating profits in the current year versus a loss last year. The improved results reflected the benefit of continued strong earnings from Farmland Foods, a more favorable fresh pork environment and strong export demand. The fiscal first quarter is generally the weakest quarter of the year for pork, as demand is usually soft in the summer months. This was not the case this year, as consumer demand remained strong for all proteins, including pork.

Although processed meats margins weakened from last year s levels due to higher raw material costs, our overall processed meats business continued strong. Processed meats volume grew 30%, including Farmland Foods, with meaningful growth in several categories, including hams, luncheon meats, smoked sausage and pre-cooked entrees. We are continuing to advance our

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bacon strategy and installed three new bacon lines during the quarter to meet sales and production needs as they develop.

Beef results were sharply lower as export markets remained closed to U.S. beef due to the discovery of a single case of Bovine Spongiform Encephalopathy (BSE) in the State of Washington in December 2003. Additionally, lower cattle supplies kept live cattle prices high, pressured margins and created plant operating inefficiencies due to lack of cattle to process. Our beef segment includes almost $3 million of operating losses related to Showcase Foods, Inc. We previously announced that we intended to cease operations at this Philadelphia-based case ready meats facility and that we expected to record additional charges of $6 to $8 million in the first half of fiscal 2005 in connection with closing the facility. In addition to recurring operating losses, the closing of the facility and the related charges are expected to occur in the second quarter of fiscal 2005.

Led by improved results in turkey and international operations, the other segment reported a profit for the current quarter versus a loss in the same quarter last year. We continue to be optimistic about the opportunities outside the U.S. The recent acquisition of Jean Caby in France and our recently increased ownership in Campofrío in Spain, combined with existing operations in France and Poland, provide us with a significant platform to grow in both Western and Eastern Europe. We will continue to pursue opportunities in Europe and expect to further expand our operations there in the near future.

Campofrío

In the second quarter of fiscal 2005, in two separate transactions, we purchased a total of 3,787,265 additional shares of Campofrío for approximately $48.8 million. We currently hold 11,795,559 shares, or 22% of the outstanding shares of Campofrío. In accordance with Accounting Principles Board (APB) Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock (APB 18), we determined that we had the ability to exercise significant influence over the operations of Campofrío and determined that the additional investment triggered a change in accounting for the investment from available for sale securities to the equity method, which we adopted in the first quarter of fiscal 2005. As required by APB 18, we evaluated whether the investment and results of operations for the prior periods presented were material so as to warrant retroactive adjustment. We determined that the change was immaterial to the consolidated results of operations and have not restated our fiscal 2004 consolidated statement of income to reflect the application of the equity method. Although we did not amend and restate our annual report on Form 10-K for the fiscal year ended May 2, 2004, in accordance with APB 18, we have restated our May 2, 2004 consolidated balance sheet presented in our quarterly report on Form 10-Q for the first quarter of fiscal 2005. We reclassified $116.1 million of marketable equity securities from other long-term assets to investments and $18.3 million of gains on marketable securities (net of $9.8 million of deferred tax liabilities) from accumulated other comprehensive loss to investments in partnerships, to reflect the application of the equity method.

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The exchange offer

On August 4, 2004, we completed the private offering of the senior notes. References to notes in this prospectus are references to both the senior notes and the exchange notes.

We entered into a registration rights agreement with the initial purchasers in the private offering in which we agreed to deliver to you this prospectus and we agreed to complete the exchange offer by February 1, 2005 or to pay an increased rate of interest on the senior notes from that date until they become freely tradeable. In the exchange offer, you are entitled to exchange your senior notes for exchange notes which are identical in all material respects to the senior notes except that:

- the exchange notes have been registered under the Securities Act of 1993, as amended;
- the exchange notes are not entitled to registration rights under the registration rights agreement; and
- certain contingent interest rate provisions are no longer applicable.

The exchange offer	We are offering to exchange up to $400,000,000 aggregate principal amount of our 7% Senior Notes, Series B, due 2011 (which we refer to as the exchange notes) for a like aggregate principal amount of our outstanding 7% Senior Notes, Series A, due 2011 (which we refer to as the senior notes). Senior notes may only be exchanged in integral multiples of $1,000.
Resales	Based on an interpretation by the staff of the Securities and Exchange Commission set forth in no-action letters issued to third parties, we believe that the exchange notes issued pursuant to the exchange offer in exchange for senior notes may be offered for resale, resold and otherwise transferred by you (unless you are an affiliate of ours within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that you are acquiring the exchange notes in the ordinary course of your business and that you have not engaged in, do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of the exchange notes. Each participating broker-dealer that receives exchange notes for its own account pursuant to the exchange offer in exchange for senior notes that were acquired as a result of market-making or other trading activity must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. See Plan of distribution.

Any holder of senior notes who:

- is an affiliate of ours;

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does not acquire exchange notes in the ordinary course of its business; or

tenders in the exchange offer with the intention to participate, or for the purpose of participating, in a distribution of exchange notes

cannot rely on the position of the staff of the Securities and Exchange Commission enunciated in the no-action letters and, in the absence of an exemption, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with the resale of the exchange notes.

Expiration date; withdrawal of tenders	The exchange offer will expire at 5:00 p.m., New York City time, on October , 2004, or such later date and time to which we extend the expiration date. A tender of senior notes pursuant to the exchange offer may be withdrawn at any time prior to the expiration date. Any senior notes not accepted for exchange for any reason will be returned without expense to the tendering holder promptly after the expiration or termination of the exchange offer.
Procedures for tendering senior notes	If you wish to accept the exchange offer, you must complete, sign and date the accompanying letter of transmittal, or a facsimile of the letter of transmittal, according to the instructions contained in this prospectus and the letter of transmittal. You must also mail or otherwise deliver the letter of transmittal, or a facsimile of the letter of transmittal, together with the senior notes and any other required documents, to the exchange agent at the address set forth on the cover page of the letter of transmittal. If you hold senior notes through The Depository Trust Company, DTC, and wish to participate in the exchange offer, you must comply with the Automated Tender Offer Program procedures of DTC, by the letter of transmittal. By signing, or agreeing to be bound by, the letter of transmittal, you will represent to us that, among other things:

any exchange notes that you receive will be acquired in the ordinary course of your business;

you have no arrangement or understanding with any person or entity to participate in a distribution of the exchange notes;

if you are a broker-dealer that will receive exchange notes for your own account in exchange for senior notes that were acquired as a result of market-making activities, that you will deliver a prospectus, as required by law, in

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	connection with exchange notes; and you are not an affiliate as defined in Rule 405 of the Securities Act, of ours or, if you are an affiliate, you will comply with any applicable registration and prospectus delivery requirements of the Securities Act.
Special procedures for beneficial owners	If you are a beneficial owner of senior notes that are not registered in your name, and you wish to tender your senior notes in the exchange offer, you should contact the registered holder promptly and instruct such registered holder to tender on your behalf. If you wish to tender on you own behalf, you must, prior to completing and executing the letter of transmittal and delivering your senior notes, either make appropriate arrangements to register ownership of the senior notes in your name or obtain a properly completed bond power from the registered holder.
Guaranteed delivery procedures	If you wish to tender your senior notes and they are not immediately available or you cannot deliver your senior notes, the letter of transmittal or any other documents required by the letter of transmittal or comply with the applicable procedures under DTC s Automated Tender Offer Program prior to the expiration date, you must tender your senior notes according to the guaranteed delivery procedures set forth in this prospectus under The exchange offer Guaranteed delivery procedures.
Conditions of exchange offer	The exchange offer is subject to customary conditions, which we may waive. Please read the section captioned The exchange offer Conditions to the exchange offer of this prospectus for more information regarding the conditions to the exchange offer.
Effect on holders of senior notes	As a result of the making and completion of the exchange offer, we will have fulfilled covenant contained in the registration rights agreement, and accordingly, there will be no increase in the interest rate on the senior notes under the circumstances described in the registration rights agreement. If you are a holder of senior notes and you do not tender your senior notes in the exchange offer, you will continue to be entitled to all the rights and subject to all the limitations applicable to the senior notes under the indenture, except as noted above.
	To the extent that the senior notes are tendered and accepted in the exchange offer, the trading market for any senior notes that remain outstanding could be adversely affected.

Consequences of failure to exchange	All untendered senior notes will continue to be subject to the restrictions on transfer provided for in the senior notes and in the indenture. In general, the senior notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with the exchange offer, we do not currently anticipate that we will register the senior notes under the Securities Act.
Exchange agent	Suntrust Bank is the exchange agent for the exchange offer. The address and telephone number of the exchange agent are set forth in the section captioned The exchange offer Exchange agent of this prospectus.
Use of proceeds	We will not receive any cash proceeds from the exchange offer.

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Terms of the exchange notes

The exchange offer applies to $400,000,000 aggregate principal amount of the exchange notes. The form and terms of the exchange notes are the same as the form and terms of the senior notes except that the exchange notes have been registered under the Securities Act and, therefore, will not bear legends restricting their transfer. The exchange notes will evidence the same debt as the senior notes and will be entitled to the benefits of the indenture. See Description of exchange notes.

Issuer	Smithfield Foods, Inc.
Notes offered	$400,000,000 aggregate principal of 7% Senior Notes, Series B, due 2011.
Maturity	August 1, 2011.
Interest	Annual rate: 7%.
Interest payment dates	February 1 and August 1 of each year, commencing on February 1, 2005.
Optional redemption	At any time prior to August 1, 2007, we may redeem up to 35% of the original principal amount of the exchange notes with the proceeds of one or more equity offerings of our common shares at a redemption price of 107.00% of the principal amount of the exchange notes, together with accrued and unpaid interest, if any, to the date of redemption.
Mandatory offers to purchase	The occurrence of a change of control (as defined herein), will be a triggering event requiring us to purchase all or a portion of your exchange notes at a price equal to 101% of the principal amount together with accrued and unpaid interest, if any, to the date of purchase.
	Certain asset dispositions will be triggering events which may require us to use the proceeds from those asset dispositions to make an offer to purchase the exchange notes at 100% of their principal amount, together with accrued and unpaid interest, if any, to the date of purchase if such proceeds are not otherwise used within 365 days to repay indebtedness (with a corresponding reduction in commitment) or to invest in assets related to our business.
Ranking	The exchange notes will be senior unsecured obligation and will rank equally in right of payment to all of our existing and future unsecured and unsubordinated indebtedness, including our existing $350.0 million aggregate principal amount of 7 $^{3}/4$% Senior Notes due 2013 (the 2003 Senior Notes), and $300.0 million aggregate principal amount of 8% Senior Notes due 2009 (the 2001 Senior Notes) and senior to our existing and future subordinated indebtedness, including our existing $182.1 million

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aggregate principal amount of 7 5/8% Senior Subordinated Notes due 2008 (the Senior Subordinated Notes). The notes will be effectively subordinated to all of our existing and future senior secured indebtedness to the extent of the value of the assets securing that indebtedness.

As of August 1, 2004, on a pro forma basis after giving effect to the issuance of the notes and the application of the proceeds from the notes, our aggregate principal amount of indebtedness, including capital lease obligations, was approximately $1,969.2 million, of which $741.3 million was senior secured indebtedness.

The exchange notes will not be guaranteed by any of our subsidiaries and will be subordinated to all of the obligations and liabilities of our subsidiaries.

As of August 1, 2004, the aggregate principal amount of indebtedness of our subsidiaries was approximately $279.4 million, excluding capital lease obligations and guarantees of our senior secured notes and our $900 million revolving credit facility (which we refer to as the U.S. Revolver).

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Risk factors

In evaluating an investment in the exchange notes, prospective investors should carefully consider the following risk factors, as well as the other information set forth in or incorporated by reference into this prospectus:

Risk factors relating to the exchange notes

Our indebtedness exposes us to some risks and could impair our ability to operate.

We currently have a significant amount of outstanding indebtedness and, subsequent to this offering, we will remain significantly leveraged. As of August 1, 2004, on a pro forma basis after giving effect to the issuance of the notes and the application of the proceeds from the notes, our indebtedness was $1,969.2 million and our availability under the U.S. Revolver was $679.3 million after giving effect to $111.0 million of outstanding letters of credit. In addition, our international credit facilities for our Polish subsidiaries (which we collectively refer to as the International Facilities and, together with the U.S. Revolver, the Credit Facilities), while substantially drawn, provided us approximately an additional $1.9 million of availability, after giving effect to outstanding letters of credit, as of August 1, 2004. The indenture relating to the notes permits us to incur additional indebtedness, including indebtedness ranking equally with the notes, subject to some limitations. See Capitalization and Description of exchange notes. The degree to which we are leveraged could have important consequences to us, including:

- increased vulnerability to adverse general economic, industry and competitive conditions,
- impaired ability to obtain additional financing for future working capital, capital expenditures, acquisitions, general corporate purposes or other purposes,
- dedication of a significant portion of our cash flow from operations to the payment of principal and interest on indebtedness, thereby reducing the funds available for operations and future business opportunities; and
- exposure to interest rate risk because certain of our borrowings, primarily borrowings under the Credit Facilities, are and are expected to continue to be at variable rates of interest.

In addition, the terms of the Credit Facilities, the Senior Secured Notes, the 2003 Senior Notes, the 2001 Senior Notes, the Senior Subordinated Notes, the notes and other debt agreements include some covenants which could limit our operating and financial flexibility. See the risk factor below Covenants in our various debt agreements restrict our business in many ways and failure to comply may result in adverse action by our lenders. Our ability to make scheduled payments of principal or interest on, or refinance, our indebtedness depends on our future business performance, which is subject to economic, financial, competitive and other factors beyond our control.

Because we are a holding company, the notes will be effectively subordinated to the obligations of our subsidiaries.

Because we are a holding company that conducts our operations through our subsidiaries, our ability to meet our obligations under our indebtedness, including payment of principal and interest on the notes, depends on the earnings and cash flows of those subsidiaries and the ability of those subsidiaries to pay dividends or advance or repay funds to us. In addition, any of our rights (including the rights of the holders of the notes) to participate in the assets of any of our subsidiaries upon any liquidation or reorganization of any subsidiary will be subject to the prior claims of that subsidiary s creditors (except to the extent we may ourselves be a creditor of that subsidiary), including that subsidiary s trade creditors and our creditors who have obtained guarantees from the subsidiaries. As a result, the notes will be structurally subordinated to the obligations and liabilities of all of our subsidiaries.

In addition, the indenture governing the notes will, subject to some limitations, permit our subsidiaries to incur additional indebtedness and will not contain any limitation on the amount of other liabilities, such as trade payables, that may be incurred by our subsidiaries.

The notes will be effectively subordinated to our secured debt.

Because the notes will be unsecured, they will effectively be subordinated to our secured debt to the extent of the value of the assets securing our secured debt. In the event of a bankruptcy or similar proceeding involving us, our assets which serve as collateral will be available to satisfy the obligations under any secured debt before any payments are made on the exchange notes. As of August 1, 2004, on a pro forma basis after giving effect to the issuance of the notes and the application of the proceeds from the notes, we would have had outstanding approximately $741.3 million of secured debt.

If we receive an investment grade rating you will no longer have the benefit of many of the covenants.

If at any time the notes receive an investment grade rating from Standard & Poor s Ratings Service, a division of The McGraw-Hill Companies, Inc., and Moody s Investors Service, Inc., then, subject to additional conditions, we will no longer be subject to most of the covenants set forth in the indenture, the indenture relating to the 2003 Senior Notes and the indenture relating to the 2001 Senior Notes. If most of the covenants have ceased to apply to us as a result of achieving those ratings, those covenants will not be restored, even if the notes are later rated below investment grade by either or both of the rating agencies.

Covenants in our various debt agreements restrict our business in many ways and failure to comply with them may result in adverse action by our lenders.

Our various debt agreements, including the indenture, the Credit Facilities, the Senior Secured Notes, the 2003 Senior Notes, the 2001 Senior Notes and the Senior Subordinated Notes, contain certain covenants, including financial covenants, that require the maintenance of certain levels and ratios for working capital, net worth, current ratio, fixed charges, capital expenditures and, among other restrictions, limit additional borrowings, the acquisition, disposition and leasing of assets and payment of dividends to shareholders.

In late 2002 and April 2003, we obtained amendments to our U.S. Revolver and our Senior Secured Notes to suspend certain financial covenants and to make certain financial covenants less restrictive due to unfavorable market conditions. The suspension period under the U.S. Revolver was terminated, as permitted, on July 31, 2004 at our request and the original covenants were reinstated. The suspension period under our Senior Secured Notes continued until the end of the first quarter of fiscal 2005 (August 1, 2004). As part of the amendment to the Senior Secured Notes, the consolidated funded debt to capitalization covenant and senior

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consolidated funded debt to capitalization covenant were made maintenance covenants. In addition, the calculation of our leverage ratio in connection with an acquisition by us was conformed to the U.S. Revolver, and additional pro forma covenant compliance requirements must be met in order to make an acquisition. After the suspension period, we became subject to the suspended covenants at their original levels (except that the consolidated working capital covenant will remain at the amended higher level and consolidated funded debt to capitalization and senior consolidated funded debt to capitalization will remain maintenance covenants and the acquisition covenant will remain in effect).

As of the date of this prospectus, we are in compliance with the covenants and restrictions contained in our debt agreements. Should market conditions or our operating results become depressed in the future, we may have to request amendments to our covenants and restrictions and there can be no assurance that we will be able to obtain such relief. See Description of other indebtedness U.S. Revolver and Senior Secured Notes. The breach of any of these covenants or restrictions could result in a default that would permit our senior lenders, including lenders under the Credit Facilities, or the holders of the notes, the 2003 Senior Notes, the 2001 Senior Notes, the Senior Subordinated Notes or the Senior Secured Notes, as the case may be, to declare all amounts borrowed under the Credit Facilities, the notes, the 2003 Senior Notes, the 2001 Senior Notes, the Senior Subordinated Notes or the Senior Secured Notes to be due and payable, together with accrued and unpaid interest, and the commitments of the relevant senior lenders to make further extensions of credit under the Credit Facilities could be terminated. If there is an acceleration of our senior debt obligations, then the holders of our Senior Subordinated Notes may also declare those debt obligations to be due and payable. If we were unable to repay our indebtedness to our senior secured lenders, these lenders could proceed against the collateral securing that indebtedness.

We may not be able to satisfy our obligations to repurchase the notes upon a change of control.

Upon a change of control, we will be required to offer to purchase all of the outstanding notes, as well as the outstanding 2003 Senior Notes, 2001 Senior Notes, Senior Subordinated Notes and Senior Secured Notes, at a price equal to 101% (100% in the case of the Senior Secured Notes) of the principal amount outstanding on the date of repurchase plus accrued and unpaid interest, if any, to the date of repurchase. The change of control purchase feature of the notes, 2003 Senior Notes, the 2001 Senior Notes, the Senior Subordinated Notes and the Senior Secured Notes may in some circumstances discourage or make more difficult a sale or takeover of us. In particular, a change of control may also cause an acceleration of, or require an offer to repurchase under the notes, the Credit Facilities, the Senior Secured Notes, 2003 Senior Notes, the 2001 Senior Notes, the Senior Subordinated Notes and some of our other indebtedness, as well as debt of our subsidiaries. See Description of exchange notes Change of control. The inability to repay that indebtedness, if accelerated, and to purchase all of the tendered notes, the 2003 Senior Notes, 2001 Senior Notes, Senior Subordinated Notes and the Senior Secured Notes would constitute an event of default under the indenture. We cannot assure you that we will have funds available to repurchase the tendered notes, the 2003 Senior Notes, the 2001 Senior Notes, the Senior Subordinated Notes and the Senior Secured Notes upon the occurrence of a change of control, or to repay the Credit Facilities, if accelerated. In addition, future debt we incur may limit our ability to repurchase the notes upon a change of control or require us to offer to redeem that debt upon a change of control. Moreover, the exercise by the holders of the notes of their repurchase right could cause a default under that debt, even if the change of control does not cause a default due to the financial effect on us of that purchase.

In addition to our current indebtedness, we may be able to incur substantially more debt, which could further increase the risks described above.

We may be able to incur substantial additional indebtedness in the future. The terms of the indenture do not fully prohibit us from doing so. If we incur any additional indebtedness that ranks equally with the notes, the holders of that debt will be entitled to share ratably with you in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of us. This may have the effect of reducing the amount of proceeds paid to you. Additionally, as of August 1, 2004, the Credit Facilities would have permitted up to approximately $295.4 million of additional borrowings, subject to compliance with the covenants and conditions to borrowing under the Credit Facilities. All of those borrowings would be secured indebtedness. If new debt is added to our current debt levels, the related risks that we now face could intensify. See Description of exchange notes and Description of other indebtedness.

If you do not exchange your senior notes in the exchange offer, your senior notes will continue to be subject to restrictions on transfer.

If you do not exchange your senior notes for exchange notes in the exchange offer, you will continue to be subject to the restrictions on transfer of your senior notes described in the legend on the certificates of those notes. The restrictions on transfer of your senior notes arise because we issued the senior notes under exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, you may only offer or sell the senior notes if they are registered under the Securities Act and applicable state securities laws, or offered and sold under an exemption from these requirements. We do not plan to register the senior notes under the Securities Act.

If you do not exchange your senior notes in the exchange offer, then you may not be able to sell them in the secondary market.

The trading market for any senior notes that are not tendered in the exchange offer is likely to be significantly more limited than it is at present. Therefore, if you do not tender your senior notes in the exchange offer, then it may become more difficult for you to sell or transfer your unexchanged senior notes. This reduction in liquidity may in turn increase the volatility of the market price for the senior notes.

An active public market for the exchange notes may not develop.

The exchange notes will generally be freely transferable but will be new securities for which there will not initially be a market. Accordingly, there can be no assurance as to the development or liquidity of any market for the exchange notes. We do not intend to apply for a listing of the exchange notes on any securities exchange or on any automated dealer quotation system. The exchange offer will not be conditioned upon any minimum or maximum aggregate principal amount of senior notes being tendered for exchange. No assurance can be given as to the liquidity of the trading market for the exchange notes, or, in the case of non-exchanging holders of senior notes, the trading market for the senior notes following the exchange offer.

The liquidity of, and trading market for, the exchange notes also may be adversely affected by general declines in the market for similar securities. Such a decline may adversely affect such liquidity and trading markets independent of our financial performance and prospects.

Risk factors relating to our business.

Our results of operations are cyclical and could be adversely affected by fluctuations in hog and cattle commodity prices.

We are largely dependent on the cost and supply of hogs, cattle and feed ingredients and the selling price of our products and competing protein products, all of which are determined by constantly changing market forces of supply and demand as well as other factors over which we have little or no control. These other factors include fluctuations in the size of herds maintained by North American hog and cattle suppliers, environmental and conservation regulations, import and export restrictions, economic conditions, weather, crop and livestock diseases and currency fluctuations. Additionally, commodity pork prices demonstrate a cyclical nature over periods of years, reflecting changes in the supply of fresh pork and competing proteins on the market, especially beef and chicken. For example, the Russian import ban on poultry products during fiscal year 2003 resulted in an increased supply of poultry in the U.S. protein market, resulting in a decline in fresh pork prices. This decline in fresh pork prices occurred in the same environment as falling hog prices, affecting our results of operations in both meat processing and hog production. We attempt to manage certain of these risks through the use of financial instruments, however this may also limit our ability to participate in gains from favorable commodity fluctuations. We cannot assure you that all or part of any increased costs that we experience from time to time can be passed along to consumers of our products directly or in a timely manner.

Any perceived or real health risks related to the food industry or increased government regulation could adversely affect our ability to sell our products.

We are subject to risks affecting the food industry generally, including risks posed by food spoilage or food contamination, evolving consumer preferences and nutritional and health-related concerns, consumer product liability claims, product tampering, the possible unavailability and expense of liability insurance and the potential cost and disruption of a product recall.

Our manufacturing facilities and products are subject to constant federal, state, local and foreign governmental inspection and extensive regulation in the food safety area, including governmental food processing controls. We have systems in place to monitor food safety risks throughout all stages of the manufacturing process (including the production of raw materials in the Hog Production Group). We cannot assure you that compliance with regulations and our procedures will necessarily mitigate the risks related to food safety or that the impact of a product contamination will not have a material adverse impact on our financial statements. In addition, we may not be able to comply with future material changes in these laws and regulations and future compliance could increase our operating costs.

Environmental regulation and related litigation could have a material adverse effect on us.

Our operations and properties are subject to extensive and increasingly stringent laws and regulations pertaining to, among other things, the discharge of materials into the environment

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and the handling and disposition of wastes (including solid and hazardous wastes) or otherwise relating to protection of the environment. In addition, pursuant to a voluntary agreement with the State of North Carolina, we have committed to implement environmentally superior technologies that are economically feasible, for the management of swine waste as determined by a series of determinations from professors and researchers at North Carolina State University, the first of which was reported in July 2004. Failure to comply with any laws and regulations and future changes to them may result in significant consequences to us including civil and criminal penalties, liability for damages and negative publicity. Some requirements applicable to us may also be enforced by citizen groups.

We have incurred, and will continue to incur, significant capital and operating expenditures to comply with these laws and regulations. We cannot assure you that additional environmental issues will not require currently unanticipated investigations, assessments or expenditures, or that requirements applicable to us will not be altered in ways that will require us to incur significant additional costs.

Health risk to livestock could adversely affect production, the supply of raw materials and our business.

We are subject to risks relating to our ability to mainta