

SMITHFIELD FOODS INC  
Form 11-K  
June 28, 2006  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 11-K**

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**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**

**x ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2005

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-15321

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

**John Morrell & Co. Salaried Employees Incentive Savings Plan**

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

**Smithfield Foods, Inc.**

**200 Commerce Street**



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*John Morrell & Co. Salaried*

*Employees Incentive Savings Plan*

*Contents*

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***Report of Independent Registered Public Accounting Firm***

Plan Administrator

***John Morrell & Co. Salaried Employees Incentive Savings Plan***

We have audited the accompanying statements of net assets available for benefits of ***John Morrell & Co. Salaried Employees Incentive Savings Plan*** as of December 31, 2005 and 2004, and the related statement of changes in net assets available for benefits for the year ended December 31, 2005. These financial statements and supplemental schedules are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2005 and 2004, and the changes in net assets available for benefits for the year ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

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

/s/ Goodman & Company, L.L.P.

Norfolk, Virginia

May 3, 2006

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*John Morrell & Co. Salaried Employees Incentive Savings Plan*

*Statements of Net Assets Available for Benefits*

| December 31,                             | 2005          | 2004          |
|--|---------------|---------------|
| <b>Investments</b>                       | \$ 62,328,628 | \$ 60,034,411 |
| <b>Receivables</b>                       |               |               |
| Participant Contributions                | 3,633         | 5,328         |
| Employer Contributions                   | 2,693         | 2,033         |
| Interest and dividends                   |               | 18,587        |
| <b>Total Receivables</b>                 | 6,326         | 25,948        |
| <b>Cash</b>                              |               | 1,044         |
| <b>Net assets available for benefits</b> | \$ 62,334,954 | \$ 60,061,403 |

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

**Table of Contents****John Morrell & Co. Salaried Employees Incentive Savings Plan****Statement of Changes in Net Assets Available for Benefits**

Year Ended December 31, 2005

**Additions to net assets attributed to****Investment Income**

|   |              |
|---|--------------|
| Net appreciation in fair value of investments | \$ 1,044,778 |
| Interest and dividends                        | 1,981,739    |
|   | 3,026,517    |

**Contributions**

|             |           |
|-------------|-----------|
| Participant | 4,582,656 |
| Employer    | 1,296,806 |
| Rollover    | 230,658   |

|                        |           |
|------------------------|-----------|
| <b>Total additions</b> | 6,110,120 |
|                        | 9,136,637 |

**Deductions from net assets attributed to**

|                               |           |
|-------------------------------|-----------|
| Benefits paid to participants | 7,038,501 |
| Administrative fees           | 13,245    |

|                         |           |
|-------------------------|-----------|
| <b>Total deductions</b> | 7,051,746 |
|-------------------------|-----------|

|  |         |
|--|---------|
| <b>Transfers between retirement plans, net</b> | 188,660 |
|--|---------|

|                   |           |
|-------------------|-----------|
| <b>Net change</b> | 2,273,551 |
|-------------------|-----------|

**Net assets available for benefits**

|                   |               |
|-------------------|---------------|
| Beginning of year | 60,061,403    |
| End of year       | \$ 62,334,954 |

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

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***John Morrell & Co. Salaried Employees Incentive Savings Plan***

***Notes to Financial Statements***

**December 31, 2005 and 2004**

**1. Description of Plan**

The following description of the *John Morrell & Co. Salaried Employees Incentive Savings Plan* (Plan) provides general information only. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

**General**

The Plan is a defined contribution plan established by John Morrell & Co. (Company), a wholly owned subsidiary of Smithfield Foods, Inc. The Plan is for the benefit of eligible employees of the Company who have completed one year of service and have attained the age of eighteen. The Plan excludes employees of IBFO Springdale governed by the terms of a collective bargaining agreement. The Plan is subject to the provisions of the Employee Retirement Income Security Act (ERISA).

**Contributions**

Each year, participants may contribute up to 50 percent of pretax annual compensation, as defined in the Plan. The Company makes a matching contribution of 50 percent of the first 4 percent of compensation contributed by each participant. The Company may make additional matching contributions and/or profit sharing contributions at the option of the board of directors. Participants direct the investment of all contributions into various options offered by the Plan. Contributions are subject to certain limitations.

**Participant Accounts**

Each participant's account is credited with the participant's contribution and allocations of (a) the Company's contribution and (b) plan earnings, and charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

**Vesting**

Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the Company contribution portion of their accounts is based on a 5 year vesting schedule.

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### **Participant Loans**

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50 percent of their vested account balances. Loan terms extend to five years for general purpose loans and to ten years for the purchase of a home. Participants are limited to one outstanding loan at any point in time. The loans are secured by the balance in the participant's account and bear interest at one percent above the prime rate at the end of the quarter in which the loan was taken. As of December 31, 2005, interest rates ranged from 5.0 to 10.50 percent.

### **Payment of Benefits**

On termination of service a participant may elect to receive the value of his or her account as a lump sum distribution.

### **Forfeitures**

As of December 31, 2005 forfeited nonvested accounts totaled \$23,296. These accounts will be used to reduce employer contributions.

## **2. Summary of Accounting Policies**

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

### **Investment Valuation and Income Recognition**

The Plan's investments are primarily stated at fair value as determined by quoted market prices. Participant loans are valued at cost, which approximates fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

### **Payment of Benefits**

Benefits are recorded when paid.



**Table of Contents****3. Investments**

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

|   | December 31, |               |
|---|--------------|---------------|
|   | 2005         | 2004          |
| Firstar Institutional Investors Stable Asset Fund, 488,446 units              | \$ *         | \$ 13,442,049 |
| Fidelity Contrafund, 109,937 shares   | *            | 6,237,809     |
| Janus Worldwide Fund, 68,406 shares   | *            | 2,832,700     |
| Strong Government Securities Fund, 455,785 shares                             | *            | 4,895,136     |
| Vanguard 500 Index Fund, 84,697   | *            | 9,455,529     |
| Wasatch Core Growth Fund, 124,215 shares                                      | *            | 5,369,811     |
| Smithfield Foods, Inc. common stock, 111,477 and 111,954 shares, respectively | 3,411,208    | 3,312,719     |
| Smithfield Stable Value Fund, 1,346,460 units                                 | 13,755,173   | *             |
| Wells Fargo Coll/BGI S&P 500 Index High Balance Fund, 174,199 units           | 9,227,330    | *             |
| Wells Fargo Advantage Small Cap Value Fund, 263,058 shares                    | 7,936,473    | *             |
| Wells Fargo Advantage Government Securities Fund, 430,751 shares              | 4,505,653    | *             |
| Wells Fargo Advantage Large Company Core Fund, 464,266 shares                 | 4,257,319    | *             |
| Wells Fargo Advantage Capital Growth Fund, 284,435 shares                     | 4,203,516    | *             |
| Franklin Templeton Foreign Fund, 259,302                                      | 3,287,955    | *             |

\* Investment does not represent 5 percent of net assets available for benefits.

During 2005, the Plan's investments (including gains and losses on investments purchased and sold, as well as held during the year) appreciated in value by \$1,044,778 as follows:

|                          |              |
|--------------------------|--------------|
| Mutual funds             | \$ 417,328   |
| Common collective trusts | 566,483      |
| Common stock             | 60,965       |
|                          | \$ 1,044,778 |

**4. Related Party Transactions**

The Plan invests in certain funds managed by the Trustee or its affiliate, Smithfield Foods, Inc. common stock, and in participant directed brokerage accounts through the Trustee. As of December 31, 2005 and 2004, the Plan held 111,477 and 111,954 shares, respectively, of Smithfield Foods, Inc. common stock.

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**5. Tax Status**

The Internal Revenue Service has determined and informed the Company by letter dated June 18, 2004, that the plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter. However, the plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

**6. Transfer of Assets**

Transfer of assets between plans generally result from an employee, who participates in a Smithfield-sponsored retirement plan, changing employment status requiring a change in which Smithfield-sponsored plan the employee may participate. Transfer activity for the year ended December 31, 2005 is as follows:

|   |             |
|---|-------------|
| Assets transferred to the Plan from Smithfield Foods, Inc. Bargaining 401(k) Plan | \$ 237,2455 |
| Assets transferred to the Plan from Smithfield Foods, Inc. 401(k) Plan            | 37,171      |
| Assets transferred to Smithfield Foods, Inc. 401(k) Plan from the Plan            | (85,756)    |
|   | \$ 188,660  |

**7. Plan Termination**

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants would become 100 percent vested in their employer contributions.

**8. Risks and Uncertainties**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

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Supplemental Schedule I

*John Morrell & Co. Salaried Employees Incentive Savings Plan*

*Schedule of Delinquent Contributions*

*Schedule H, Line 4a*

*EIN 36-2332471 Plan 003*

**December 31, 2005**

|                             | Total that constitute non-exempt prohibited transactions                            |                                   |  |   | Total fully                             |
|-----------------------------|---|-----------------------------------|--|---|---|
|                             |   |                                   |  |   | corrected under                         |
|                             | Participant<br>contributions<br>transferred late<br>to the plan<br>for<br>plan year | Contributions<br>not<br>corrected | Contributions<br>corrected<br>outside<br>VFC program | Contributions<br>pending<br>correction<br>in<br>VFC program | VFC<br>program<br>and<br>PTE<br>2002-51 |
| Contributions for plan year |   |                                   |  |   |   |
| 2005                        | \$ 13,918   | \$                                | \$ 13,918  | \$  | \$                                      |

*Late contributions for 2005 were remitted by the plan sponsor in 2005. Lost earnings will be submitted into the plan in 2006.*

*See report of independent registered accounting firm*

**Table of Contents**SupplementalSchedule II**John Morrell & Co. Salaried Employees Incentive Savings Plan****Schedule of Assets (Held at End of Year)****Schedule H, Line 4i****EIN 36-2332471 Plan 003****December 31, 2005**

| Identity of issue,<br>borrower, lessor<br>or similar party | Description of investment<br>including maturity date, rate of interest,<br>collateral, par, or maturity value | Current<br>value     |
|--|---|----------------------|
| * Wells Fargo  | 1,345,460 units of Stable Value Fund  | \$ 13,755,173        |
| * Wells Fargo  | 174,199 units of BGI S&P 500 Index High Balance Fund  | 9,227,330            |
| * Wells Fargo  | 263,058 shares of Advantage Small Cap Value Fund  | 7,936,473            |
| * Wells Fargo  | 430,751 shares of Advantage Government Securities Fund  | 4,505,653            |
| * Wells Fargo  | 464,266 shares of Advantage Large Company Core Fund   | 4,257,319            |
| Wells Fargo  | 248,435 shares of Advantage Capital Growth Fund   | 4,203,516            |
| * Smithfield Foods, Inc.                                   | 111,477 shares of common stock  | 3,411,208            |
| Franklin Templeton   | 259,302 shares of Templeton Foreign Fund  | 3,287,955            |
| Calamos  | 32,556 shares of Growth Fund  | 1,792,510            |
| * Wells Fargo  | 108,861 shares of Advantage Outlook Today 2020 I Fund   | 1,530,580            |
| * Wells Fargo  | 101,335 shares of Advantage Outlook Today 2010 I Fund   | 1,295,064            |
| Lord Abbett  | 42,902 shares of Mid-Cap Value Fund   | 961,441              |
| Pimco  | 57,368 shares Total Return Fund   | 602,365              |
| MFS  | 20,001 shares of Value A Fund   | 463,027              |
| American Funds   | 22,011 shares of AMCAP Fund   | 419,300              |
| American Century   | 30,886 shares of Government Bond  | 323,994              |
| * Wells Fargo  | 22,052 shares of Advantage Outlook Today I Fund   | 227,581              |
| Dreyfus  | 4,069 shares of Appreciation Fund   | 161,758              |
| * Wells Fargo  | 7,769 shares of Advantage Outlook Today 2030 I Fund   | 114,515              |
| * Wells Fargo  | 2,630 shares of Advantage Outlook Today 2040 I Fund   | 42,928               |
| * Wells Fargo  | Personal Choice Retirement Account (self-direct<br>brokerage accounts)  | 2,245,677            |
| * Participant loans  | Maturing through 2015, interest rates ranging from<br>5% to 10.50%, collateralized by participant accounts    | 1,563,261            |
|  |   | <b>\$ 62,328,628</b> |

\* - Identified as a party-in-interest

*See report of independent registered public accounting firm.*



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**SIGNATURES**

*The Plan.* Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefits plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

JOHN MORRELL & CO.  
SALARIED EMPLOYEES INCENTIVE  
SAVINGS PLAN

Smithfield Foods, Inc.  
(as Plan Administrator)

Date: June 28, 2006

By: /s/ Daniel G. Stevens  
Daniel G. Stevens  
Vice President and Chief Financial Officer

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**EXHIBIT INDEX**

| <b>Exhibit<br/>Number</b> | <b>Description</b>                                       |
|---------------------------|--|
| 23                        | Consent of Independent Registered Public Accounting Firm |

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