

SMITHFIELD FOODS INC
Form 11-K
June 29, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

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, 2006

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

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

Smithfield Foods, Inc. Bargaining 401(k) Plan

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

200 Commerce Street

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Smithfield Foods, Inc. Bargaining 401(k) Plan

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Report of Independent Registered Public Accounting Firm

Plan Administrator

Smithfield Foods, Inc. Bargaining 401(k) Plan

We have audited the accompanying statements of net assets available for benefits of ***Smithfield Foods, Inc. Bargaining 401(k) Plan*** as of December 31, 2006 and 2005, and the related statement of changes in net assets available for benefits for the year ended December 31, 2006. 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, 2006 and 2005, and the changes in net assets available for benefits for the year ended December 31, 2006 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. These 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

June 18, 2007

Table of Contents*Smithfield Foods, Inc. Bargaining 401(k) Plan**Statements of Net Assets Available for Benefits*

| December 31, | 2006 | 2005 |
|--|---------------|---------------|
| Investments | \$ 57,716,392 | \$ 46,657,763 |
| Receivables | | |
| Participant Contributions | 68,090 | 70,812 |
| Employer Contributions | 335,911 | 353,246 |
| Total Receivables | 404,001 | 424,058 |
| Total Assets | \$ 58,120,393 | \$ 47,081,821 |
| Adjustment from fair value to contract for fully benefit-responsive investment contracts | \$ 199,061 | \$ 275,869 |
| Net assets available for benefits | \$ 58,319,454 | \$ 47,357,690 |

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

Table of Contents*Smithfield Foods, Inc. Bargaining 401(k) Plan**Statement of Changes in Net Assets Available for Benefits*

Year Ended December 31, 2006

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

| | |
|---|--------------|
| Net appreciation in fair value of investments | \$ 1,572,737 |
| Interest and dividends | 2,234,686 |

3,807,423

Contributions

| | |
|-------------|-----------|
| Participant | 5,884,289 |
| Employer | 2,696,471 |
| Rollover | 3,214,380 |

11,795,140

Total additions 15,602,563**Deductions from net assets attributed to**

| | |
|-------------------------------|-----------|
| Benefits paid to participants | 3,630,774 |
| Administrative fees | 29,575 |
| Transfer to other plans | 980,450 |

Total deductions 4,640,799**Net change** 10,961,764**Net assets available for benefits**

Beginning of year 47,357,690

End of year \$ 58,319,454

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

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Smithfield Foods, Inc. Bargaining 401(k) Plan

Notes to Financial Statements

December 31, 2006 and 2005

1. Description of Plan

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

General

The Plan is a defined contribution plan established by Smithfield Foods, Inc. (Smithfield). The Plan is for the benefit of eligible bargained employees of Smithfield and affiliated employers that have adopted the Plan (collectively Company). Eligibility requirements for 401(k) and matching contributions are 90 days of service and attainment of age 18. Eligibility for discretionary profit sharing contributions varies based on the related bargaining agreement of the adopting affiliated employer. The Plan is subject to the provisions of the Employee Retirement Income Security Act (ERISA).

Contributions

Each year, participants may contribute 1 to 50 percent of pretax annual compensation, as defined in the Plan. The Company matching contribution varies based on the related bargaining agreement of the adopting affiliated employers. The Company may make a profit sharing contribution at the discretion of Smithfield's board of directors. Participants direct the investment of all contributions into various investment 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 vested account.

Vesting

Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the Company contribution portion of their accounts is based on years of service, as defined, and may vary based on the collective bargaining agreement.

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 balance. Loan terms extend to five years for general purpose loans and to ten years for the purchase of a home. The loans are secured by the balance in the participant's account and bear interest at rates that range from 5.0 percent to 10.5 percent, which are commensurate with local prevailing rates as determined by the plan administrator. Principal and interest are paid ratably through payroll deductions.

Payment of Benefits

Generally, on termination of service a participant may elect to receive the value of the participant's vested interest in his or her account as a lump sum distribution.

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Forfeitures

As of December 31, 2006, forfeited nonvested accounts totaled \$156,228. These accounts will be used to reduce Company contributions and pay plan expenses.

2. Summary of Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits, and changes therein. Actual results could differ from those estimates.

As described in Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the FSP), investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. As required by the FSP, the statement of net assets available for benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

The FSP was adopted by the Plan in the current year. As required by the FSP, the prior year statement of net assets available for benefits has been restated to conform with the current year presentation. There was no change to beginning net assets available for benefits as a result of the restatement.

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. The fair value of the guaranteed investment contract is calculated by discounting the related cash flows based on current yields of similar instruments with comparable durations. 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, | |
|--|--------------|--------------|
| | 2006 | 2005 |
| Wells Fargo Advantage Small Cap Value Z Fund, 194,929 and 167,038 shares, respectively | \$ 6,068,135 | \$ 5,039,534 |
| Wells Fargo Collective S&P Index Fund, 88,586 and 90,376 units, respectively | 5,433,847 | 4,787,209 |
| Wells Fargo Advantage Government Securities Fund, 323,117 and 294,319 shares, respectively | 3,334,572 | 3,078,581 |
| Pimco Total Return Fund, 271,410 shares | * | 2,849,803 |
| Smithfield Stable Value Fund, 1,942,613 and 1,746,707 units, respectively | 20,477,318 | 17,581,416 |

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

During 2006, the Plan's investments (including gains and losses on investments purchased and sold, as well as held during the year) appreciated (depreciated) in value as follows:

| | |
|--------------------------|--------------|
| Mutual funds | \$ 280,747 |
| Common/collective trusts | 1,379,306 |
| Group variable annuity | 19,227 |
| Common stock | (106,543) |
| | \$ 1,572,737 |

4. Investment Contract with Insurance Company

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

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

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

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

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The guaranteed investment contract does not permit the insurance company to terminate the agreement prior to the scheduled maturity date.

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

| | Major Credit Ratings | Investments at Fair Value | Adjustment to Contract Value |
|--|----------------------|---------------------------|------------------------------|
| December 31, 2006 | | | |
| Principal guaranteed interest contract | Moody s/S&P | | |
| | Aa2/AA | \$ 4,027,145 | \$ 199,061 |
| Wells Fargo Stable Value Fund N | N/A | 16,450,173 | |
| | | \$ 20,477,318 | \$ 199,061 |

| | Major Credit Ratings | Investments at Fair Value | Adjustment to Contract Value |
|--|----------------------|---------------------------|------------------------------|
| December 31, 2005 | | | |
| Principal guaranteed interest contract | Moody s/S&P | | |
| | Aa2/AA | \$ 4,814,246 | \$ 275,869 |
| Wells Fargo Stable Value Fund N | N/A | 12,767,170 | |
| | | \$ 17,581,416 | \$ 275,869 |

| | 2006 | 2005 |
|--|-------|-------|
| Average yields for Principal guaranteed interest contract: | | |
| Based on actual earnings | 3.20% | 3.26% |
| Based on interest rate credited to participants | 3.20% | 3.26% |

5. Related Party Transactions

The Plan invests in certain managed by and participant-directed brokerage accounts held by Wells Fargo, N.A. Wells Fargo, N.A. is the trustee of the Plan. The Plan also invests in Smithfield Foods, Inc. common stock. At December 31, 2006 and 2005, the Plan held 29,935 shares and 18,707 shares, respectively, of Smithfield Foods, Inc. common stock.

6. Tax Status

The Plan was restated effective January 1, 2006, and has not yet received a determination letter for the amended and restated plan from the Internal Revenue Service. The Company believes that the Plan currently is designed and being operated in compliance with the applicable requirements of the Internal Revenue Code and that, therefore, the Plan continues to qualify under Section 401(a) and the related trust continues to be tax-exempt as of December 31, 2006.

7. Acquisitions and Spin-Offs

During 2006, Smithfield Foods, Inc. sold Quik-to-Fix, Inc. that resulted in the transfer of assets to another plan of \$980,450.

As a result of the acquisition of Cook's Ham, Inc. by Smithfield Foods, Inc. in April 2006, the new employees from that acquisition were given the opportunity to transfer their investments into the Plan as rollovers.

8. 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.

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9. 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

Smithfield Foods, Inc. Bargaining 401(k) Plan

Schedule of Delinquent Contributions

Schedule H, Line 4a

EIN 52-0845861 Plan 004

December 31, 2006

| Contributions for plan year | Participant contributions transferred late to the plan for plan year | Total that constitute non-exempt prohibited transactions | | | Total fully corrected under VFC program and PTE 2002-51 |
|-----------------------------------|---|---|--|---|---|
| | | Contributions not corrected | Contributions corrected outside VFC program | Contributions pending correction in VFC program | |
| 2005 | \$ 2,153 | \$ | \$ 2,153 | \$ | \$ |

Late 2005 contributions were remitted by the plan sponsor in 2005 and early 2006. Lost earnings have been remitted into the plan in 2005 and early 2006.

Table of Contents**Supplemental Schedule II****Smithfield Foods, Inc. Bargaining 401(k) Plan****Schedule of Assets (Held at End of Year)****Schedule H, Line 4i****EIN 52-0845861 Plan 004****December 31, 2006**

| Identity of issue, borrower, lessor or similar party | Description of investment including maturity date, rate of interest, collateral, par, or maturity value | | Current value |
|--|---|---|------------------|
| * Smithfield Foods, Inc. | 1,942,613 | units of Smithfield Stable Value Fund at contract value | \$ 20,676,379 |
| * Wells Fargo | 194,929 | shares of Advantage Small Cap Value Z Fund | 6,068,135 |
| * Wells Fargo | 88,586 | units of Collective S&P Index Fund | 5,433,847 |
| * Wells Fargo | 323,117 | shares of Advantage Government Securities Fund | 3,334,572 |
| Pimco | 271,694 | shares of Pimco Total Return Fund | 2,820,188 |
| * Wells Fargo | 190,419 | shares of Advantage DJ Target 2020 Fund | 2,705,857 |
| American Funds | 42,738 | shares of Europacific Growth Fund R4 | 1,965,115 |
| Calamos | 33,323 | shares of Calamos Growth Fund Class A | 1,796,107 |
| * Wells Fargo | 116,536 | shares of Advantage DJ Target 2030 Fund | 1,757,360 |
| * Wells Fargo | 127,771 | shares of Advantage DJ Target 2010 Fund | 1,613,749 |
| Lord Abbett | 68,076 | shares of Lord Abbett Mid-Cap Value Fund | 1,524,904 |
| MFS | 50,180 | shares of Value Fund | 1,343,321 |
| * Wells Fargo | 66,945 | shares of Advantage Capital Growth Fund | 1,181,577 |
| * Smithfield Foods, Inc | 29,935 | shares of Smithfield Foods, Inc. common stock | 768,128 |
| * Wells Fargo | 70,855 | shares of Advantage DJ Target Today | 719,175 |
| * Wells Fargo | 33,506 | shares of Advantage DJ Target 2040 Fund | 582,998 |
| Davis | 14,750 | shares of NY Venture (A) | 568,186 |
| Clearcourse | 24,324 | shares of Group Variable Annuity | 259,410 |
| * Participant loans | | Maturing through December 2015, interest rate ranging from 5% to 10.50%, secured by participant accounts | 2,796,446 |
| | | | \$ 57,915,453 |

MFS Massachusetts Financial Services

* 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.

SMITHFIELD FOODS, INC.
BARGAINING 401(k) PLAN

Smithfield Foods, Inc.
(as Plan Administrator)

Date: June 29, 2007

By: /s/ **ROBERT W. MANLY, IV**
Robert W. Manly, IV
Executive Vice President and interim

Chief Financial Officer

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EXHIBIT INDEX

Exhibit

| Number | Description |
|---------------|--|
| 23 | Consent of Independent Registered Public Accounting Firm |

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