

ESCROW AGREEMENT

(GENERAL FORM)

THIS ESCROW AGREEMENT (as the same may be amended or modified from time to time and including any and all written instructions given to "Escrow Agent" (hereinafter defined) pursuant hereto, this "Escrow Agreement") is made and entered into as of July 15, 2003 by and among FARMLAND FOODS, INC., a Kansas corporation, FARMLAND INDUSTRIES, INC., a Kansas cooperative corporation (collectively, "Party A"), KC ACQUISITION, INC., a Delaware corporation, and SMITHFIELD FOODS, INC., a Virginia corporation (collectively, and jointly and severally, "Party B", and together with Party A, sometimes referred to collectively as the "Other Parties"), and JPMORGAN CHASE BANK, a New York state bank (the "Bank").

WITNESSETH:

WHEREAS, the Other Parties entered into the Asset Sale and Purchase Agreement, dated as of July 14, 2003 (the "Agreement"), whereby Party A agreed to sell, assign, transfer and convey to Party B certain of its properties, assets and liabilities.

WHEREAS, in the Agreement, each of Party A and Party B agreed to establish with the Bank an interest-bearing earnest money account.

WHEREAS, Party A and Party B have requested Bank to act in the capacity of escrow agent under this Escrow Agreement, and Bank, subject to the terms and conditions hereof, has agreed so to do.

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements contained herein, the parties hereto hereby agree as follows:

1. *Appointment of Escrow Agent.* Each of Party A and Party B hereby appoints the Bank as the escrow agent under this Escrow Agreement (the Bank in such capacity, the "Escrow Agent"), and Escrow Agent hereby accepts such appointment.

2. *Deposits.* Upon execution of this Escrow Agreement, Party B will deliver to the Escrow Agent the sum of \$35,000,000 (as said amount may increase or decrease as a result of the investment and reinvestment thereof and as said amount may be reduced by charges thereto and payments and setoffs therefrom to compensate or reimburse Escrow Agent for amounts owing to it pursuant hereto, the "Deposit") to be held by Escrow Agent in accordance with the terms hereof. Subject to and in accordance with the terms and conditions hereof, Escrow Agent agrees that it shall receive, hold in escrow, invest and reinvest and release or distribute the Deposit. It is hereby expressly stipulated and agreed that all interest and other earnings on the Deposit shall become a part of the Deposit for all purposes, and that all losses resulting from the investment or reinvestment thereof from time to time and all amounts charged thereto to compensate or reimburse the Escrow Agent from time to time for amounts owing to it hereunder shall from the time of such loss or charge no longer constitute part of the Deposit.

3. *Investment of the Deposit.* Escrow Agent shall invest and reinvest the Deposit in the JPMorgan's Cash Escrow Product, as detailed on Schedule III hereto, unless otherwise instructed in writing by the Other Parties. Such written instructions, if any, referred to in the foregoing sentence

shall specify the type and identity of the investments to be purchased and/or sold and shall also include the name of the broker-dealer, if any, which the Other Parties direct the Escrow Agent to use in respect of such investment, any particular settlement procedures required, if any (which settlement procedures shall be consistent with industry standards and practices), and such other information as Escrow Agent may require. Escrow Agent shall not be liable for failure to invest or reinvest funds absent sufficient written direction. Unless Escrow Agent is otherwise directed in such written instructions, Escrow Agent may use a broker-dealer of its own selection, including a broker-dealer owned by or affiliated with Escrow Agent or any of its affiliates. The Escrow Agent or any of its affiliates may receive compensation with respect to any investment directed hereunder. It is expressly agreed and understood by the parties hereto that Escrow Agent shall not in any way whatsoever be liable for losses on any investments, including, but not limited to, losses from market risks due to premature liquidation or resulting from other actions taken pursuant to this Escrow Agreement.

Receipt, investment and reinvestment of the Deposit shall be confirmed by Escrow Agent as soon as practicable by account statement, and any discrepancies in any such account statement shall be noted by the either Party A or Party B to Escrow Agent within 30 calendar days after receipt thereof. Failure to inform Escrow Agent in writing of any discrepancies in any such account statement within said 30-day period shall conclusively be deemed confirmation of such account statement in its entirety, absent manifest error. For purposes of this paragraph, (a) each account statement shall be deemed to have been received by the party to whom directed on the earlier to occur of (i) actual receipt thereof and (ii) three "Business Days" (hereinafter defined) after the deposit thereof in the United States Mail, postage prepaid and (b) the term "Business Day" shall mean any day of the year, excluding Saturday, Sunday and any other day on which national banks are required or authorized to close in New York, New York.

4. *Disbursement of Deposit.* Escrow Agent is hereby authorized to make disbursements of the Deposit only as follows:

- (a) Upon receipt of written instructions signed by both Party A and Party B and otherwise in form and substance reasonably satisfactory to Escrow Agent, in accordance with such instructions;
- (b) As permitted by this Escrow Agreement, to Escrow Agent; and
- (c) Into the registry of the court in accordance with Sections 8 or 15 hereof.

Notwithstanding anything contained herein or elsewhere to the contrary, the Other Parties hereby expressly agree that the Escrow Agent shall be entitled to charge the Deposit for, and pay and setoff from the Deposit, any and all amounts, if any, then owing to the Escrow Agent pursuant to this Escrow Agreement prior to the disbursement of the Deposit in accordance with clauses (a) through (c) (both inclusive) of this Section 4.

5. *Tax Matters.* Party A shall provide Escrow Agent with its taxpayer identification number documented by an appropriate Form W8 or Form W9 upon execution of this Escrow Agreement. Failure so to provide such forms may prevent or delay disbursements from the Deposit and may also result in the assessment of a penalty and Escrow Agent's being required to withhold tax on any interest or other income earned on the Deposit. All income earned on the Deposit shall

be reported as taxable income of the party to which the Deposit is ultimately disbursed, and such party shall pay all taxes due on income accrued thereon. Any payments of income shall be subject to applicable withholding regulations then in force in the United States or any other jurisdiction, as applicable.

6. *Scope of Undertaking* Escrow Agent's duties and responsibilities in connection with this Escrow Agreement shall be purely ministerial and shall be limited to those expressly set forth in this Escrow Agreement. Escrow Agent is not a principal, participant or beneficiary in any transaction underlying this Escrow Agreement and shall have no duty to inquire beyond the terms and provisions hereof. Escrow Agent shall have no responsibility or obligation of any kind in connection with this Escrow Agreement or the Deposit and shall not be required to deliver the Deposit or any part thereof or take any action with respect to any matters that might arise in connection therewith, other than to receive, hold, invest, reinvest and deliver the Deposit as herein provided. Without limiting the generality of the foregoing, it is hereby expressly agreed and stipulated by the parties hereto that Escrow Agent shall not be required to exercise any discretion hereunder and shall have no investment or management responsibility and, accordingly, shall have no duty to, or liability for its failure to, provide investment recommendations or investment advice to the Other Parties or either of them. Escrow Agent shall not be liable for any error in judgment, any act or omission, any mistake of law or fact, or for anything it may do or refrain from doing in connection herewith, except for, subject to Section 7 hereinbelow, its own willful misconduct or negligence. It is the intention of the parties hereto that Escrow Agent shall never be required to use, advance or risk its own funds or otherwise incur financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

7. *Reliance; Liability.* Escrow Agent may rely on, and shall not be liable for acting or refraining from acting in accordance with, any written notice, instruction or request or other paper furnished to it hereunder or pursuant hereto and believed by it to have been signed or presented by the proper party or parties. Escrow Agent shall be responsible for holding, investing, reinvesting and disbursing the Deposit pursuant to this Escrow Agreement; *provided, however*, that in no event shall Escrow Agent be liable for any lost profits, lost savings or other special, exemplary, consequential or incidental damages in excess of Escrow Agent's fee hereunder and *provided, further*, that Escrow Agent shall have no liability for any loss arising from any cause beyond its control, including, but not limited to, the following: (a) acts of God, force majeure, including, without limitation, war (whether or not declared or existing), revolution, insurrection, riot, civil commotion, accident, fire, explosion, stoppage of labor and strikes; (b) the act, failure or neglect of any Other Party or any agent or correspondent; (c) any delay, error, omission or default of any mail, courier, telegraph, cable or wireless agency or operator; or (d) the acts or edicts of any government or governmental agency or other group or entity exercising governmental powers. Escrow Agent is not responsible or liable in any manner whatsoever for the sufficiency, correctness, genuineness or validity of the subject matter of this Escrow Agreement or any part hereof or for the transaction or transactions requiring or underlying the execution of this Escrow Agreement, the form or execution hereof or for the identity or authority of any person (other than any person acting on behalf of Escrow Agent) executing this Escrow Agreement or any part hereof or depositing the Deposit.

8. *Right of Interpleader.* Should any controversy arise involving the parties hereto or any of them or any other person, firm or entity with respect to this Escrow Agreement or the Deposit, or should a substitute escrow agent fail to be designated as provided in Section 15 hereof, or if Escrow Agent should be in doubt as to what action to take, Escrow Agent shall have the right, but

not the obligation, either to (a) withhold delivery of the Deposit until the controversy is resolved, the conflicting demands are withdrawn or its doubt is resolved or (b) institute a petition for interpleader in any court of competent jurisdiction to determine the rights of the parties hereto.

Should a petition for interpleader be instituted, or should Escrow Agent be threatened with litigation or become involved in litigation in any manner whatsoever in connection with this Escrow Agreement or the Deposit, the Other Parties hereby jointly and severally agree to reimburse Escrow Agent for its reasonable attorneys' fees and any and all other expenses, losses, costs and damages incurred by Escrow Agent in connection with or resulting from such threatened or actual litigation prior to any disbursement hereunder.

9. *Indemnification.* The Other Parties hereby jointly and severally agree to indemnify and defend the Escrow Agent, its officers, directors, partners, employees and agents (each herein called an "Indemnified Party") against, and hold each Indemnified Party harmless from, any and all losses, liabilities and expenses, including, but not limited to, reasonable fees and expenses of in house or outside counsel, court costs, costs, damages and claims, costs of investigation, litigation, tax liability (other than for income taxes on fees earned hereunder) and loss on investments suffered or incurred by any Indemnified Party in connection with or arising from or out of (i) the execution, delivery or performance of this Escrow Agreement or (ii) the compliance or attempted compliance by any Indemnified Party with any instruction or direction upon which the Escrow Agent is authorized to rely under this Escrow Agreement, except to the extent that any such loss, liability or expense may result from the willful misconduct or negligence of such Indemnified Party.

10. *Compensation and Reimbursement of Expenses.* Each of the Other Parties hereby agrees to pay one-half of the fees of Escrow Agent for its services hereunder in accordance with Escrow Agent's fee schedule as attached as Schedule I hereto as in effect from time to time and to pay one-half of all expenses incurred by Escrow Agent in connection with the performance of its duties and enforcement of its rights hereunder and otherwise in connection with the preparation, operation, administration and enforcement of this Escrow Agreement, including, without limitation, reasonable attorneys' fees, brokerage costs and related expenses incurred by Escrow Agent. The foregoing notwithstanding, the Other Parties shall be jointly and severally liable to Escrow Agent for the payment of all such fees and expenses. In the event the Other Parties for any reason fail to pay any such fees and expenses as and when the same are due, such unpaid fees and expenses shall be charged to and set-off and paid from the Deposit by Escrow Agent upon two (2) Business Days notice to the Other Parties.

11. *Funds Transfer.* In the event funds transfer instructions are given (other than in writing at the time of execution of the Escrow Agreement), whether in writing or by facsimile, the Escrow Agent is authorized to seek confirmation of such instructions by telephone call-back to the person or person designated on Schedule II hereto, and the Escrow Agent may rely upon the confirmations of anyone purporting to be the person or persons so designated. The persons and telephone numbers for call backs may be changed only in writing actually received and acknowledged by the Escrow Agent. The parties to this Escrow Agreement acknowledge that such security procedure is commercially reasonable.

It is understood that the Escrow Agent and the beneficiary's bank in any funds transfer may rely solely upon any account numbers or similar identifying number provided by either of the Other Parties hereto, to identify (i) the beneficiary, (ii) the beneficiary's bank, or (iii) an intermediary bank.

The Escrow Agent may apply any of the Deposit for any payment order it executes using any such identifying number, even where its use may result in a person other than the beneficiary being paid, or the transfer of funds to a bank other than the beneficiary's bank or an intermediary bank, designated.

12. *Notices.* Any notice or other communication required or permitted to be given under this Escrow Agreement by any party hereto to any other party hereto shall be considered as properly given if in writing and (a) delivered against receipt therefor, (b) mailed by registered or certified mail, return receipt requested and postage prepaid or (c) sent by facsimile, in each case to the address or fax number, as the case may be, set forth below:

If to Escrow Agent:

JPMorgan Chase Bank
Institutional Trust Services
4 New York Plaza, 15th Floor
New York, NY 10004
Attn: Linda Ramos-McCollum
Fax: (212) 638-6168

If to Party A:

Farmland Foods, Inc.
12200 North Ambassador Drive
Kansas City, Missouri 64153
Attention: Robert Schuller, General Counsel
Fax: (816) 713-6464

and

Farmland Industries, Inc.
12200 North Ambassador Drive
Kansas City, Missouri 74153
Attention: Robert Schuller, General Counsel
Fax: (816) 713-6464

with a copy (which shall not constitute notice) to:

Bryan Cave LLP
1200 Main Street
Suite 3500
Kansas City, Missouri 64105
Attention: Robert Thompson
Fax: (816) 374-3300

and with a copy (which shall not constitute notice) to:

Bryan Cave LLP
211 N. Broadway
Suite 3600
St. Louis, Missouri 63102
Attention: George E. Murray
and
Harold R. Burroughs
Fax: (314) 259-2020

If to Party B:

KC Acquisition, Inc.
c/o Smithfield Foods, Inc.
499 Park Avenue
5th Floor
New York, New York 10022
Attention: Richard J.M. Poulson, Executive Vice President, Senior Advisor to the
Chairman and General Counsel
Fax: (212) 758-8421

with a copy (which shall not constitute notice) to:

Hunton & Williams LLP
Riverfront Plaza, East Tower
951 E. Byrd Street
Richmond, Virginia 23219
Attention: Gary E. Thompson
Fax: (804) 788-8218

Except to the extent otherwise provided in the second paragraph of Section 3 hereinabove, delivery of any communication given in accordance herewith shall be effective only upon actual receipt thereof by the party or parties to whom such communication is directed. Any party to this Escrow Agreement may change the address to which communications hereunder are to be directed by giving written notice to the other party or parties hereto in the manner provided in this section. All signatures of the parties to this agreement may be transmitted by facsimile, and such facsimile will, for all purposes, be deemed to be the original signature of such party whose signature it reproduces, and will be binding upon such party.

13. *Consultation with Legal Counsel.* Escrow Agent may consult with its counsel or other counsel satisfactory to it concerning any question relating to its duties or responsibilities hereunder or otherwise in connection herewith and shall not be liable for any action taken, suffered or omitted by it in good faith upon the advice of such counsel.

14. *Choice of Laws; Cumulative Rights.* This Escrow Agreement shall be construed under, and governed by, the laws of the State of New York. All of Escrow Agent's rights hereunder are cumulative of any other rights it may have at law, in equity or otherwise. The parties hereto agree

that the forum for resolution of any dispute arising under this Escrow Agreement shall be New York, New York, and each of the Other Parties hereby consents, and submits itself, to the jurisdiction of any state or federal court sitting in New York, New York.

15. *Resignation.* Escrow Agent may resign hereunder upon ten (10) days' prior notice to the Other Parties. Upon the effective date of such resignation, Escrow Agent shall deliver the Deposit to any substitute escrow agent designated by the Other Parties in writing. If the Other Parties fail to designate a substitute escrow agent within ten (10) days after the giving of such notice, Escrow Agent may institute a petition for interpleader. Escrow Agent's sole responsibility after such 10-day notice period expires shall be to hold the Deposit (without any obligation to reinvest the same) and to deliver the same to a designated substitute escrow agent, if any, or in accordance with the directions of a final order or judgment of a court of competent jurisdiction, at which time of delivery Escrow Agent's obligations hereunder shall cease and terminate.

16. *Assignment.* This Escrow Agreement shall not be assigned by any of the Other Parties without the prior written consent of Escrow Agent and the other party (such assigns being hereinafter referred to collectively as "Permitted Assigns").

17. *Severability.* If one or more of the provisions hereof shall for any reason be held to be invalid, illegal or unenforceable in any respect under applicable law, such invalidity, illegality or unenforceability shall not affect any other provisions hereof, and this Escrow Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein, and the remaining provisions hereof shall be given full force and effect.

18. *Termination.* This Escrow Agreement shall terminate upon the disbursement, in accordance with Sections 4 or 15 hereof, of the Deposit in full; *provided, however*, that in the event all fee, expenses, costs and other amounts required to be paid to Escrow Agent hereunder are not fully and finally paid prior to termination, the provisions of Section 10 hereof shall survive the termination hereof and, *provided further*, that the last two sentences of Section 8 hereof and the provisions of Sections 9, 12, 14, 16, 17 and 19 hereof shall, in any event, survive the termination hereof.

19. *General.* The section headings contained in this Escrow Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Escrow Agreement. This Escrow Agreement and any affidavit, certificate, instrument, agreement or other document required to be provided hereunder may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute but one and the same instrument. Unless the context shall otherwise require, the singular shall include the plural and vice-versa, and each pronoun in any gender shall include all other genders. The terms and provisions of this Escrow Agreement constitute the entire agreement among the parties hereto in respect of the subject matter hereof (except for the Agreement between the Other Parties), and neither the Other Parties nor Escrow Agent has relied on any representations or agreements of the other with respect to this Escrow Agreement, except as specifically set forth herein. This Escrow Agreement or any provision hereof may be amended, modified, waived or terminated only by written instrument duly signed by the parties hereto. This Escrow Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors, trustees, receivers and Permitted Assigns. This Escrow Agreement is for the sole and exclusive benefit of the Other Parties and the Escrow Agent, and nothing, except as set forth in Section 9 hereof, in this Escrow

Agreement, express or implied, is intended to confer or shall be construed as conferring upon any other person any rights, remedies or any other type or types of benefits.

20. *Successor.* Any corporation into which the Escrow Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Escrow Agent in its individual capacity shall be a party, or any corporation to which substantially all the corporate trust business of the Escrow Agent in its individual capacity may be transferred, shall be the Escrow Agent under this Escrow Agreement without further act.

IN WITNESS WHEREOF, the parties hereto have executed this Escrow Agreement to be effective as of the date first above written.

“PARTY A”

FARMLAND FOODS, INC.

By. Robert B. Terry *mr*
Name: Robert B. Terry
Title: Chairman of Board
Tax Identification #: 42-0862509

FARMLAND INDUSTRIES, INC.

By. Robert B. Terry *mr*
Name: Robert B. Terry
Title: Chief Executive Officer
Tax Identification #: 44-0209330

“PARTY B”

KC ACQUISITION, INC.

By. _____
Name: _____
Title: _____
Tax Identification #: _____

SMITHFIELD FOODS, INC.

By. _____
Name: _____
Title: _____
Tax Identification #: _____

“ESCROW AGENT”

JPMORGAN CHASE BANK

By. _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the parties hereto have executed this Escrow Agreement to be effective as of the date first above written.

“PARTY A”

FARMLAND FOODS, INC. ..

By. _____
Name: _____
Title: _____
Tax Identification #: _____

FARMLAND INDUSTRIES, INC.

By. _____
Name: _____
Title: _____
Tax Identification #: _____

“PARTY B”

KC ACQUISITION, INC.

By. Michael Be
Name: _____
Title: _____
Tax Identification #: _____

SMITHFIELD FOODS, INC.

By. Michael Be
Name: _____
Title: _____
Tax Identification #: _____

“ESCROW AGENT”

JPMORGAN CHASE BANK

By. _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the parties hereto have executed this Escrow Agreement to be effective as of the date first above written.

“PARTY A”

FARMLAND FOODS, INC.

By. _____
Name: _____
Title: _____
Tax Identification #: _____

FARMLAND INDUSTRIES, INC.

By. _____
Name: _____
Title: _____
Tax Identification #: _____

“PARTY B”

KC ACQUISITION, INC.

By. _____
Name: _____
Title: _____
Tax Identification #: _____

SMITHFIELD FOODS, INC.

By. _____
Name: _____
Title: _____
Tax Identification #: _____

“ESCROW AGENT”

JPMORGAN CHASE BANK

By. _____
Name: **ROLA TSENG**
Title: **ASSISTANT VICE PRESIDENT**

Schedule I

\$3,500 per annum without pro-ratio for partial years. Fees are payable upon execution of the agreement.

Schedule II

Telephone Number(s) for Call backs and Person(s) Designated to Confirm Funds Transfer Instructions.

If to Party A:

<u>Name</u>	<u>Telephone Number</u>
1. J. Randall Vance	816-713-6543
2. Brian Walz	816-713-6274
3. Steven R. Rhodes	816-713-5007

If to Party B:

<u>Name</u>	<u>Telephone Number</u>
1. Dan Stevens	757-365-3016
2. Orville Lunking	757-365-3034

Telephone call backs shall be made to either Party A or Party B if joint instructions are required pursuant to the Escrow Agreement.

Schedule III

JPMORGAN'S CASH ESCROW PRODUCT

Financial transaction structures often require that a trustee or escrow agent hold cash for various purposes, *e.g.* reserve or collection accounts. Usually these funds are invested in AAA-rated money market funds or other investments having the necessary liquidity, which are specified as *permitted* or *eligible* investments in the governing documents, and which are specifically selected by the party for whose benefit they are held.

JPMorgan Chase Bank offers a variation on these investments: its own Cash Escrow Product. JPMorgan establishes a cash escrow trust account for each required purpose and agrees to pay a specified compensation on the funds in the account. This permits instant, seamless investment and liquidity without fees or expenses.

Liquidity

There is no third-party investment to liquidate. The trust account can be closed at any time and all the funds therein paid out at any time.

Safety

The funds are recorded in a segregated trust account on the corporate trust ledger. They would share in the highest priority (after liquidation expenses) in the assets of JPMorgan (which exceed \$700 billion) in the unlikely event of the Bank's liquidation. Also, there is no operational risk of failed trades as there is in making and liquidating third party investments.

Maximum Return

Balances maintained in a cash escrow trust account are compensated at an attractive rate of return based upon the average monthly balance. They are not assessed maintenance fees or investment fees. While JPMorgan reserves the right to change the rate of return at any time, parties to financial transactions normally retain the right to redirect their funds to other investments if the return on JPMorgan's Cash Escrow Product is deemed noncompetitive.

Control

Trust accounts are under the direct supervision of an administration officer assigned to the relationship. Any additional funds deposited and any funds removed must be effected through the administrative officer. Any requirements of the transaction documents concerning such additions and dispositions can also be enforced through the administrative officer. In addition, the party benefiting from the account has the option to review the accounts electronically.