



—CALIFORNIA CROP—

GROWERS OPTIMISTIC FOR 2018 TOMATO CROP

Mild spring temperatures accompanied by light disease and pest pressure created good conditions for the current processing season

The 2018 processing season is upon us. Growers and processors alike expect the 2018 season to be stronger than 2017 in terms of growing conditions. The mild temperatures enjoyed this spring by California plants allowed better growth than last year. In addition to better climate conditions, disease and pest pressures have declined.

While the outlook remains positive, there are factors in play that still raise cause for concern. Water, an ever-present concern for California farmers, still plays a significant role in growing conditions. California received adequate rainfall in November, but fell behind in the period December through February. Fortunately, the March rainfall helped replenish reservoirs.

Reservoir conditions in the state rebounded to strong levels. Lake Oroville remains at a lower level; however, this is attributed to structural issues regarding the dam and having to lower the water level in 2017 to prevent the chance of a failure of the dam. Despite adequate rainfall and good reservoir levels, the federal allocation for land south of the Delta is only at 50%. The US Bureau of Reclamation was cautious with its initial allocation south of the Delta at only 20%, only increasing it on April 20, a date too late for many farmers to adjust their crop plans. The State Water Project followed a similar pattern and is currently at a 35% allocation level. On the other hand, supplies in Northern California were at 100%.

Water was not the only factor in early crop concerns. Temperatures in February were very cold with frost causing damage to some crops. The cold weather delayed a portion of early South plantings while growers waited for warmer conditions to begin planting. Once planting season started, there were only minor interruptions in the South.

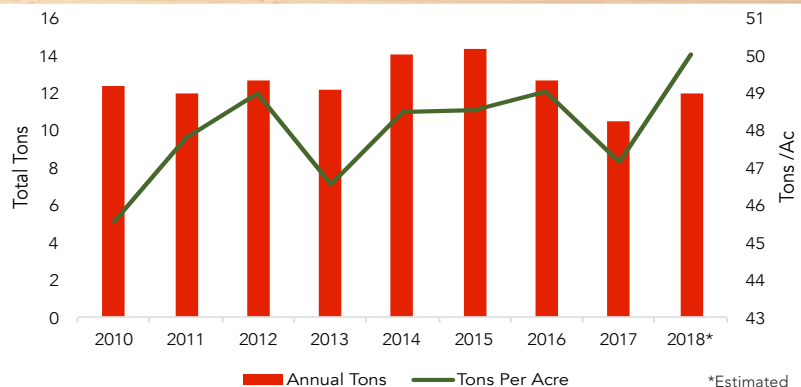
Conditions in Northern California were a different story. Northern storms drifted across the region delaying plantings and causing additional interruptions during the planting season.

Growers anxious in both the North and South risked entering fields early to prepare the beds and plant under damp soil conditions, causing some soil compaction. Many growers who had soil compaction issues have mitigated the compaction problem with targeted use of drip systems for both water and nutrients.

In terms of disease, the spread of the Fusarium Race 3 wilt continues; however, new Fusarium Race 3-resistant varieties show promise. While growers hoped for a cool summer to boost yields, the weather after July has turned quite hot, with cities like Fresno breaking heat records.

California predicts approximately 11.9 million tons of production based on 238,000 acres planted. This total tonnage is based on a record yield of 50 tons per acre. Early season expected yields of both the South and the North look promising. Early southern yields have been very good. While we wait on the results in the North, the question remains if the resilient tomato plant can overcome a record-breaking duration of hot days and warm nighttime temperatures to produce a 2018 crop with record-breaking yields. 🍅

TOTAL TONS VS TONS PER ACRE



—INTERNATIONAL CROP—

CROP ESTIMATES CONTINUE TO DECLINE

Global Forecast down 1.5% from June estimate, 4.6% from intentions at the beginning of the year, and 7% from the 2017 crop

AMITOM (Association Méditerranéenne internationale de la Tomate) represents 42.5% of global processing volumes and is expected to produce roughly 9% less tomato product than their 2017 crop, contributing the most to the overall global processing forecast's decline.

Current global processing estimates are at 35.3 million metric tonnes (mT). Climate challenges seem to be the root cause of this reduction from the beginning of the year's estimate of 37.1 million mT. Many countries are now having to face the prospect of processing in the higher risk months of September and October.

Portugal experienced a late start to their summer, with cooler temperatures causing the tomato plants to experience a slowed development. With a target harvest date of August 10, Portugal will likely only process 30% of their harvest by the end of August, a significant reduction from their typical 50-55%.

Spain similarly was impacted by their cool weather, expecting to begin harvesting on August 1 in Andalucia and August 10 in Extremadura.

Typically, Spain begins harvesting on July 10 and July 25 for those respective regions; however, excessive dew and humidity forced growers to treat their crops. Spain is now expected to process the bulk of their harvest in September.

Northern Italy is enjoying very standard conditions but reduced its crop by 10% and is currently forecasted to process 2.45 million mT. Central and Southern Italy faced the challenge of potential drought conditions, reducing yields.

Greece has been blasted by rain storms and flooding, increasing the disease risk significantly. Harvesting has already begun in the growing regions, but forecasts have been reduced 15% to 360,000 million mT.

With strong competition from the fresh and sun dried markets in Turkey, spot prices for tomatoes are high. Turkey has maintained the same estimates from their February forecast, expecting volumes to gain momentum now that harvesting has begun.

Canadian tomato crops are strong this year in terms of quality, with volumes expected to hold.

China expects to process 3.7 million

mT and with weather conditions on par, they should be able to achieve their estimate.

While the global growing conditions have caused a reduction in total production expectations, the economics of the industry are favorable for EU products. In 2017, EU sales increased by 6%, no doubt a result of the US Dollar's exchange rate. Exports from California dropped by 27% (128,000 mT) as a result of the decrease in the Euro's strength. What makes this drop even more significant is that it occurred during a time when global paste volumes were stable.

Spain accounted for the most significant portion of the EU's paste export growth, increasing 27% between 2016 and 2017. The majority of Spain's exports were sold to Germany, Italy, the UK, Portugal, Japan, and Oman.

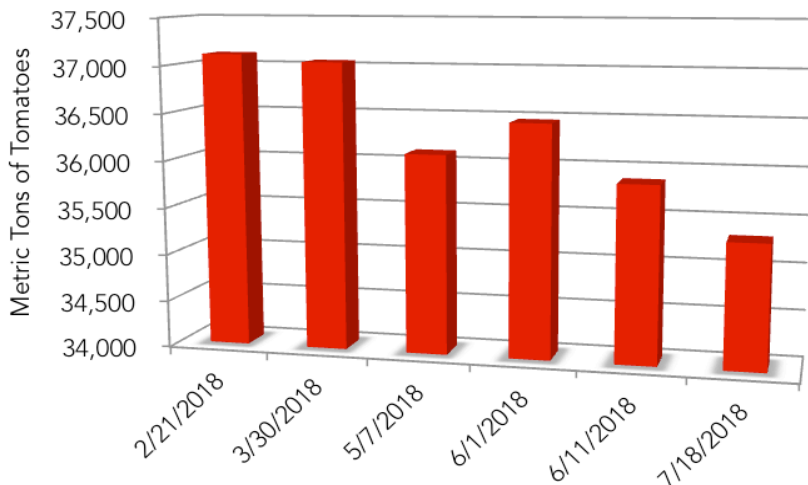
Portugal's export sales increased 12% and their destinations included the UK, Japan, Australia, and the Netherlands. Conversely, Portugal did not sell paste to Kuwait, Saudi Arabia, and Russia as they have in previous years.

While 2017 was a productive year for Italy, its exports were less than would be expected. Italy returned to 2014 levels of exports, with the biggest drops in exports coming from reduced shipments to Germany, Libya, Austria, and Sudan.

Despite export volumes increasing, low global prices for paste have limited the financial impact of this growth. Total exports between 2014-2016 and 2017 fell 0.8% (including the U.S.), while the revenue generated from those exports fell 13% in the same period of time.

Economic factors, particularly global inventories (in particular, U.S. inventories have decreased by 23%) and crop reductions, have positive implications for the future. 🍅

2018 GLOBAL PROCESSING FORECAST



—COLLEAGUE HIGHLIGHT—

JULIAN J. PATINO

Julian Patino (better known as JJ) began his career as an intern with Anheuser-Busch before they were purchased by Inbev. This internship led JJ to become an independent engineering services consultant. Having been drawn to the food and beverage industry from the start, he consulted for Nestle, Sugar Foods Corporation, Sara Lee Bakery, Blue Diamond Almonds, and others.

JJ's mission at Morning Star is to provide engineering and technical services to different business units, continuous improvement, and aid in Morning Star's sun dried tomato operations.

How did you first learn about Morning Star?

In 2009, I consulted with Liberty Packing and began working with highly seasoned colleagues to expand evaporation capacity and installed our Lycored project.

Before working at Morning Star, what was the most unusual or interesting job you've ever had?

Working with a contract agency at an Aerospace facility, working around 250,000 pounds of rocket fuel.

What are 3 words to describe Morning Star?

Efficient; strong; persistent.

What drew you to Morning Star originally?

The willingness to innovate and create new processes spontaneously. Our ability as colleagues to direct and complete projects quickly, which would normally take longer in a top-down organization, is impressive.

What do you find most challenging at Morning Star?

One of the most challenging parts of working at Morning Star is navigating our unique style of management. Self-management allows colleagues to truly pursue new ideas and projects but occasionally can create tension when people disagree. It usually takes a bit more creativity and interpersonal skills to work with colleagues who maybe don't share your viewpoint.

What is on your wish list for the next 10 years?

I would like to help the sun dried tomato operation reach its full potential and see the pouch program that Morning Star has developed excel in the U.S. and grow into a global operation.

Tell me about your family.

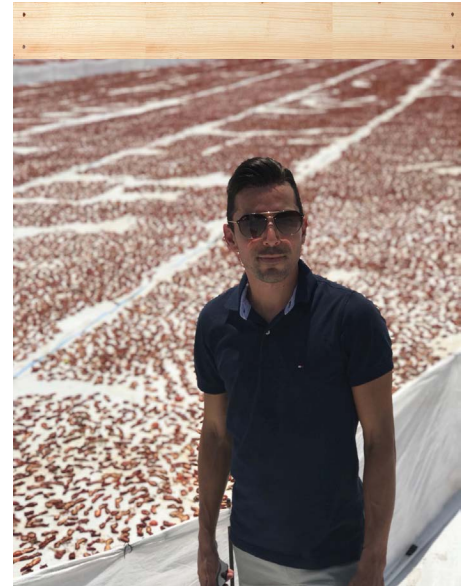
I grew up with my family in a very frugal household in Bakersfield, California. My mom is a third grade teacher at a public school and my father is now retired from his job working with the State of California. My older brother is a 4th grade teacher at a Catholic school.

My mom and I are very similar people so we tend to get in some spirited debates! Interestingly, my mother and my grandmother used to work in tomato fields.

People would be surprised if they knew _____ about you.

I am a superstar tennis player, or at least I was! When I was 16, my doubles partner and I were ranked #2 in the US from USTA.

I also created the first Lime-a-Rita production line for Anheuser-Busch, which produced 1000 cans per minute. So if you've ever enjoyed one, you're welcome!

**What do you like to do in your spare time?**

I appreciate my alone time - early morning fishing or camping are some of my favorite activities. I also enjoy snowboarding in the winter and love spending time on the water in the summer. I also spend quite a bit of time with my family, particularly my grandmother. Putting a smile on her face when I'm with her makes me so happy.

What is your favorite movie and book?

Favorite movie: The Big Lebowski

Favorite book: Red Notice, by Bill Browder

What's on your bucket list?

I'm proud to say that I don't have a bucket list. I prefer to live life in the moment and enjoy my family, friends, and colleagues. You only live once! 🍅



LOS BANOS

13448 Volta Road
Los Banos, CA 93635
209 826-8000

WILLIAMS

2211 Old Highway 99
Williams, CA 95987
530 473-3600

SANTA NELLA

12045 S. Ingomar Grade
Los Banos, CA 93635
209 826-7100

OUR PRODUCTS

Hot Break Tomato Paste (28% and 31% NTSS)	Concentrated Crushed (26% and 28% NTSS)	Ground Tomatoes in Puree
Organic Hot Break Paste (31% NTSS)	Diced Tomatoes (3/8", 1/2" and 3/4" cut)	Tomato Puree (1.07)
Cold Break Tomato Paste (31% and 37% NTSS)	Organic Diced Tomatoes (1/2" and 3/4" cut)	Chili Sauce
Organic Cold Break Paste (31% NTSS)	Fire Roasted Diced Tomatoes (1/2" and 3/4" cut)	Ketchup
		Sun Dried Tomatoes
		Green Tomato Products
		Heavy Fire Roasted Crushed Tomatoes

SALES TEAM

Rich Castaneda	949-306-8163
Kelly Haywood	530 473-3626
Jennifer Ingram	209 827-7816
Paul Maxon	209 827-5518
Karolina Splinter	209 829-5090
Brandon Taylor	209 827-7831
Becky Wahlberg	209 827-5508
Greg Wuttke	209 827-5513
Robert Young	209 827-7830

CONTAINERS

300-gallon Aseptic Bag-in-box
55-gallon Aseptic Drum
Food Service Pouches and Cans

FOR QUESTIONS

Email Karrie Rufer at krufer@morningstarco.com

—INDUSTRY NEWS—

SUPPORT THE TOMATO FOUNDATION'S HEALTH CLAIM PROJECT

Morning Star will match dollar for dollar up to \$25k!

**Project Funding
97,940 Euro Raised
160,000 Euro Target**

The Tomato Foundation is looking to obtain an EFSA Health Claim for Tomato Paste and other traditional tomato products, due to the high concentration of tomato phenols within them. If an EFSA Health Claim is obtained, an FDA Structure/Function claim will automatically be authorized in the USA, as well as expand other health claim opportunities within other territories.

This project is supported by consortium members made up of food processors, food industry representatives, academia, and researchers.

If you would like to become a member or donate, you can find detailed information on the project phases and how you can support and fund this project at:

www.tomatofoundation.org/index.php/en/healthclaim

The project is currently heading into Phase 2 this fall with product testing. Don't miss out on an opportunity to submit your samples! All consumer paste products that are tested in the study, and pass for sufficient bioactive content, will be awarded a license of use for the health claim.

For detailed information or to discuss your support, please contact:

David Southerland, CEO: david@tomatofoundation.org or Gwen Young, President: gwen.young7@gmail.com