



CALIFORNIA CROP

Curly Top Virus Assault

California growers have contracted for a near record crop of 13.1 million tons of processing tomatoes in 2013, according to the California Processing Tomato Report. Contracts are 4.5% more than last year's crop and just shy of the record 13.3 million ton crop set in 2009.

While fields in the northern regions of California are thriving, the ones in the south are struggling with hot weather and disease. Since two-thirds of California's tomatoes are grown in the south, sources close to the field predict the crop will fall below contracted volume.

When growers transplant in the spring, they typically worry that winter might reappear and damage the crop with frost and rain.

But this year, there was not enough winter. Coming fresh from the controlled, temperate greenhouses, seedlings were shocked by summer-like temperatures and fierce winds which stunted plant growth.

Drought stretches over the state. After a wet early-winter, rain all but disappeared in January and February. To conserve the limited resource, state and federal water projects granted only 35% and 20% of normal allocations for farms south of the delta.

Generally tomatoes do well in drought years because growers provide just the right amount of water at the right time with irrigation. But the wind and heat diminished benefits normally realized by precision watering.

To compound the issues in the south, crops were struck hard by the Curly Top Virus. In areas where the disease was acute, acreage was either abandoned or replanted. It's estimated that 10% of the southern acreage was af-

SUMMARY

Market conditions for the California tomato industry remain strong with high demand and worldwide opportunities. Unfortunately, heat and disease may sharply lower crop yields.

ected, but it is anyone's guess as to how that will shape final the outcome of the 2013 crop.

The Curly Top Virus is spread by a small insect known as the Sugar Beet Leaf Hopper. It's well known that when the rains stop and the foothills dry out, the Leaf Hopper migrates down to irrigated fields in search of food. In order to protect California's crops, each year a state-administered program sprays hill regions, road sides and fallow fields to control the pests.

This year's outbreak was unusually voracious for several reasons. High winds kept the state from implementing its spraying program in a timely fashion. And the Leaf Hopper itself prospered in the abnormally warm, dry conditions. Not only was the population larger than normal, but Leaf Hoppers migrated multiple times, instead of just once, and a higher than normal percentage were carriers of the virus.



The Sugar Beet Leaf Hopper is a tiny insect only 0.125 inches long and spreads the Curly Top Virus which has caused a remarkable amount of damage to California's tomatoes this year.

INTERNATIONAL CROP

Rainfall Delays, Reduces European Crop

Conversion Note: 1 metric ton = 1.102 short tons

The world crop forecast is at 34.7 million metric tons, according to the World Processing Tomato Council. If achieved, the crop would be 3.7% larger than in 2012.

At 7.4 million metric tons, forecasts for the five European Union tomato producers (Italy, Spain, Portugal, France and Greece) are at 15 year lows.

year. Expectations in France are 175,000 MT, down 8.9%. Greece, on the other hand, is up 5.1% to 410,000 MT.

Struggling to find economic viability, these countries already planned for less volume, but a wild planting season has further depressed forecasts.

Heavy rains and cold temperatures hampered planting across

yields. As a result of delayed and difficult planting, harvest will begin 3 weeks behind schedule.

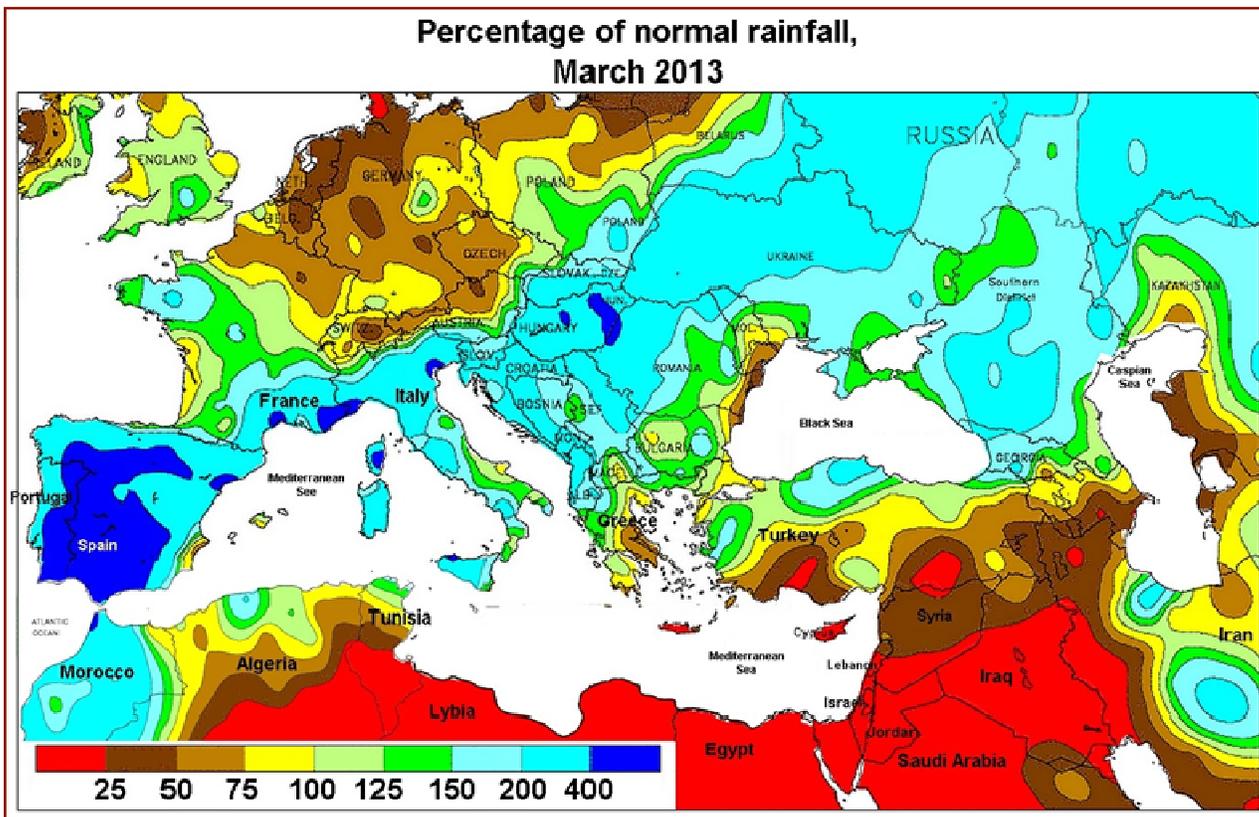
At 4.24 million MT, China is forecasting 31% more production than last year, but it's substantially below average. Chinese packers, who have faced years of losses, are attempting to find a production volume that is remunerative.

Their recovery will likely be hampered by higher than expected prices for tomatoes. Growers contracted for price increase of 9.6%.

In Turkey, growers are planning to deliver 1.8 million MT of processing tomatoes, up

5.2% from last

year. The improvement is a result of better weather. Temperatures have been warm with little rain to disturb planting. Harvesting should begin as normal in mid-July.



Source: Tomato News

Italy expects to process 4.1 million MT, an 8.9% decrease from last year. At 1.65 million MT, Spain's forecasts are 14.7% less, while Portugal expects 1.1 million MT, down 7.6% from last

Europe, but particularly in Northern Italy. Northern Italian growers struggled to get into the fields for proper soil preparation and the soil is likely compacted which will negatively impact

MARKET ANALYSIS

Ending Supplies Balancing

For the second year running, demand for tomato products from the United States hit record highs, according to the June 2013 stock report from the California League of Food Processors.

For the 2012/13 marketing year ending June 1, demand was 13.510 million fresh equivalent tons beating last year's record disappearance by 3.4%.

Driven by export sales, the increased movement has outstripped domestic production for the last two years and eaten into a surplus which has sat on the shelves since the record-setting 2009 season.

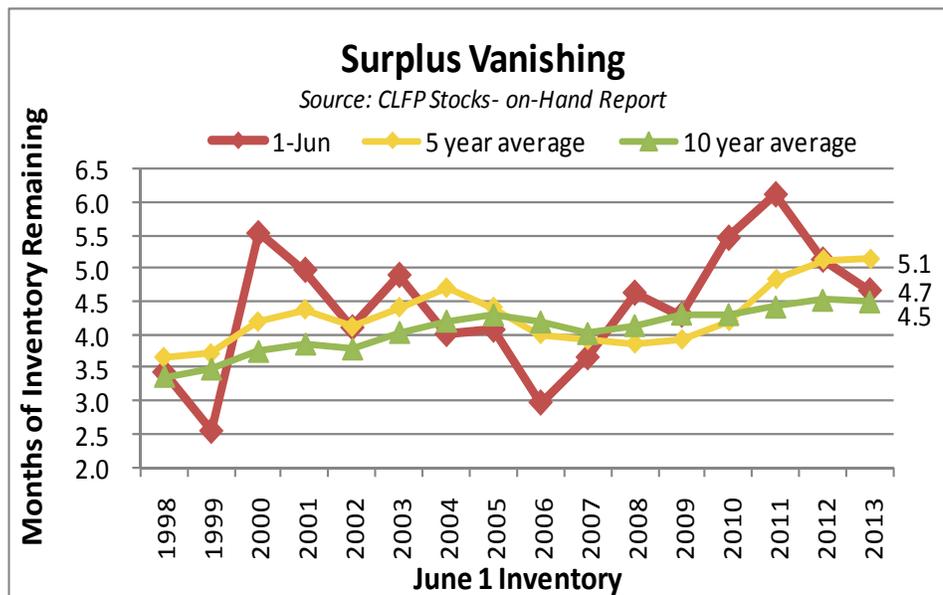
The graph below shows the months of carryover inventory available at the end of the marketing year (June 1), plus the 5 and 10 year averages. The green 10 year average line shows that packers aim for about four

months of inventory going into the new season, since customers still need shipments before everything is packed.

After reaching an excessive high of 6.1 months of supply going into the 2011 season, carryover has fallen to more reasonable levels. In 2012, California packed its second largest crop ever, but carryover inventories are at normal levels going into the 2013 season due to record demand.

This vanishing surplus and normalizing of inventories, even in high production years, reflects the strength of the U.S. industry.

After months of negotiation, the growers' association and packers agreed in April to a 1.6% increase in the price of tomatoes for 2013. Growers will receive \$70.50 per ton, the second highest price recorded. The record price was set in 2009 at \$80 per ton.



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OUR PRODUCTS

Hot Break Tomato Paste
(28% and 31% NTSS)

Organic Hot Break Paste
(31% NTSS)

Cold Break Tomato Paste
(31% and 37% NTSS)

Organic Cold Break Paste
(31% NTSS)

Concentrated Crushed
(26% and 28% NTSS)

Diced Tomatoes
(3/8", 1/2" and 3/4" cut)

Organic Diced Tomatoes
(1/2" and 3/4" cut)

Fire Roasted Diced Tomatoes
(1/2" and 3/4" cut)

Ground Tomatoes in Puree
Tomato Puree (1.07)

Chili Sauce

Ketchup

Sun Dried Tomatoes

CONTAINERS

300-gallon aseptic bag-in-box

55-gallon aseptic drum

StarPak (four 75-gallon bags-in-box)

PRODUCT SPOTLIGHT

Endless Opportunities to use Traditionally Sun-Dried Tomatoes

If you are looking to make your classic or contemporary cuisine come alive, then add the rich flavor and vibrant color of Morning Star's sun-dried tomato products. We offer a full line of flavor goodness to add to soups, pizza, potatoes, sauces, chutney, or pasta salads. But don't be limited by our list, the possibilities are endless.

To make our sun-dried products, we pick bright red tomatoes bursting with flavor at their peak of ripeness. Then, using the traditional method, we dry them in the warm rays of the sun, developing the rich flavor profile characteristic of naturally sun-dried tomatoes. The impact of these robust tomato notes can make your recipe unforgettable.



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