



**CALIFORNIA CROP**

# Second Largest Crop Forecasted for 2012

California growers plan to deliver 12.7 million tons of processing tomatoes this summer. Growers contracted for 266,000 acres and expect yields of 47.7 tons per acre, according to the USDA's California Processing Tomato Report.

The crop, if reached, would be 6.4% larger than last summer's 11.941 million tons and the second largest on record.

California growers have had a challenging season. The winter rains all but stopped after October and drought conditions loomed with rainfall at the lowest levels seen in 80 years. But

March and April brought above average precipitation, taking away concerns over drought. Snow pack has neared normal and reservoirs are flush for the summer needs of the arid, agricultural state.

Although thankful for the water, growers did not like its timing. Typically tomato growers are heavy into transplanting by April when concern of frost has dissipated.

The late rains delayed transplanting. Growers who did get plants in the fields are burdened with some extra costs as they need to spray their tender plants

**SUMMARY**

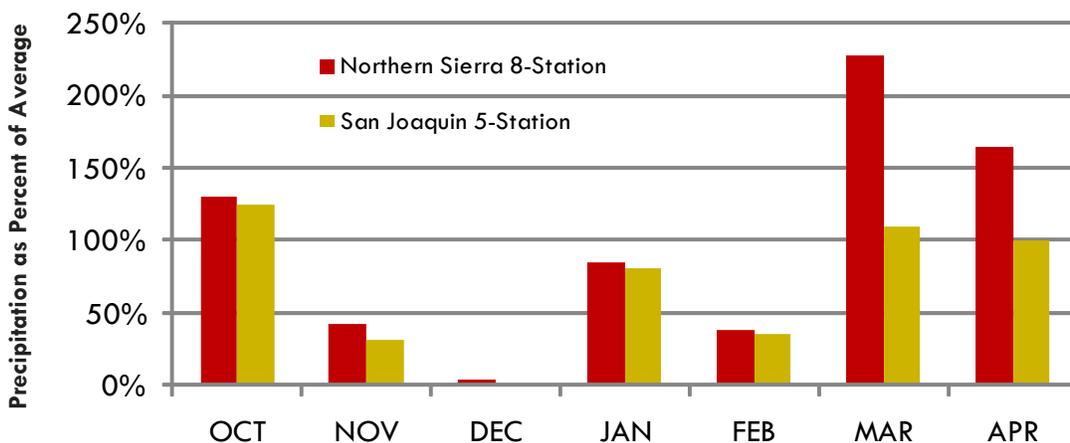
While the rest of the world decreases processing tomato production, California packers plan for another large crop to meet increasing demand for their tomato paste globally.

to protect them against fungal disease that finds moisture and warmth attractive.

On May 3, the California Tomato Growers Association (CTGA) reached a contract agreement with about half the processors and expects the rest to follow. The contract price is \$69.40 per ton, up \$1.40 (or 2%) above last year's price.

Late Season Premiums were adjusted downward. The premium for tomatoes delivered from September 15-21 dropped 40%, to \$3 per ton. The remaining late season premiums fell, less sharply, or stayed the same.

**The Season's Rainfall as Percent of Average for Northern & Central California**



Source: California Department of Water Resources

INTERNATIONAL CROP

Conversion Note: 1 metric ton = 1.102 short tons

# Worldwide Production Declining

Global tomato production is forecast to shrink nearly 2.2 million metric tons (MT) below last year's actual output, according to the April report released by the World Processing Tomato Council. The forecast of 35.43 million MT represents a 5.8% decline from 2011.

Removing California's crop from the numbers leaves international forecasts with an even sharper drop, 10% below last year's production.

**China** expects to pack only 5.1 million MT of tomatoes, off a stunning 25% from last year's 6.792 million MT. After years of rushing to grow, China's industry is suffering and contracting.

Chalkis, China's second-largest tomato processor, is under government investigation over massive losses in 2011. It appears

too much product was packed at too high of raw product cost.

In an interview with Food News in April, Yi Kang, chairman and chief executive of Haohan Group, sighted excess stocks, factories in need of year-end cash flow, and variable quality causing Chinese paste price to be unstable.

Yi Kang also expects China's tomato production to fall by more than the 25% officially reported. Yi Kang stated that growers made no money on tomatoes last year and have no incentive to grow them this year as the price of cotton is up. Additionally, he says the government investigation of Chalkis will severely hamper production in the Xinjiang region.

**Italy** expects production to be down 12% to 4.35 million MT. A bitter battle over raw product pricing in the North caused two

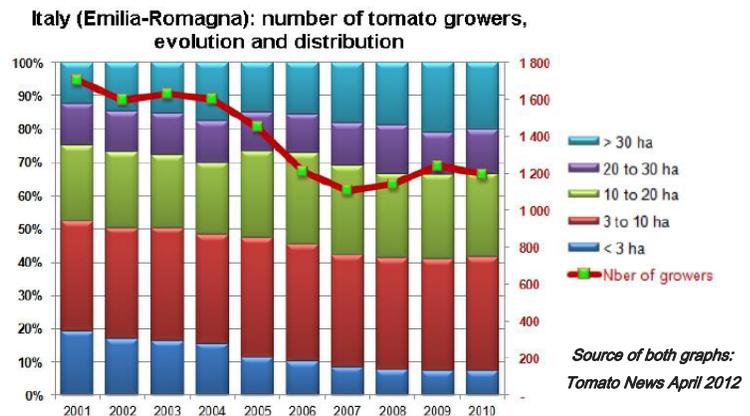
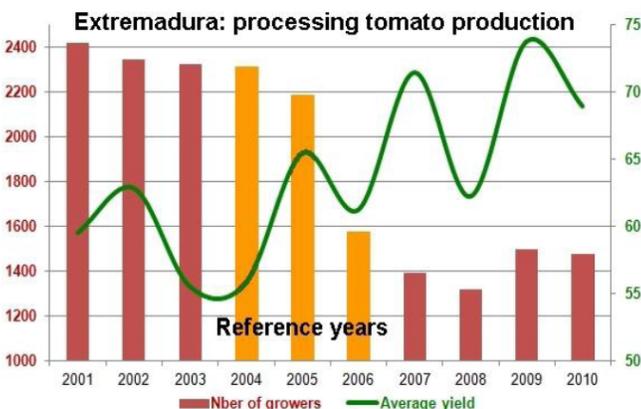
processors to break ranks and negotiate separately. Eventually, the Emilia-Romagna regional government intervened to get the processors and growers talking again. The price was finalized at 84 Euro per MT, down 6%. Growers wanted a 5-10% increase.

Elsewhere in Europe, forecasts are a mixed bag. **Spain** expects 1.7 million MT, 14% under 2011. **Greece's** forecast of 400,000 MT is up 23% from last year, but **Portugal** forecasts 950,000 MT down 11% from 2011. **France** expects 4% more at 200,000 MT.

**Turkey** plans 2.05 million MT, up 6%, while **Brazil** plans for 1.55 million MT, down 2.5%. Currently harvesting their tomatoes, **Chile** (668,000 MT) and **Argentina** (350,000 MT) expect 16% and 1% less output respectively.

## INCREASING PROFESSIONALISM: The Effect of Common Agriculture Policy Reform in the EU

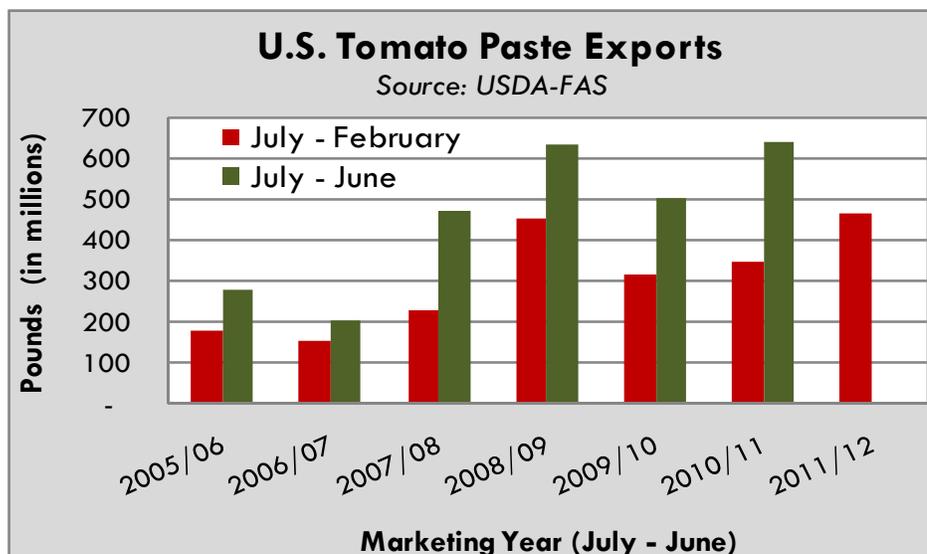
The April Issue of Tomato News recapped information showing subsidy reform's effect on tomato growers in the European Union. Without tomato specific subsidies, only economically efficient farmers grow them. The first graph below shows how average yield in Spain's Extremadura region are trending up sharply as the number of growers trends down. The second graph shows that the number of growers in Italy's Emilia-Romagna region is shrinking, with a swelling percentage of growers farming over 30 hectares and a sliding percentage of small growers under 3 hectares.



Source of both graphs: Tomato News April 2012

MARKET ANALYSIS

# U.S. Stocks Shrinking



At the end of last season, all indications were that California packers would need fewer tomatoes in 2012. It appeared that although demand was strong, stocks were very high so processors would want to balance supply by packing fewer tomatoes.

But things changed over the winter, and California expects to pack its second largest crop ever. Demand is moving at record levels and a forecasted decrease in the international crop opens doors for the United States.

Disappearance out of United States' warehouses from June 1 - March 1 is up 7.9% over the same period last year. At 10.027 million fresh equivalent tons, movement of processing tomatoes is at record levels, according to the California League of Food Processors. This current 9 month movement is 2.4% greater than the prior record set in 08/09 marketing year, when

exports grew rapidly with a favorable exchange rate.

This record setting disappearance has shrunk stocks of U.S. processing tomato products by 6.5% from last year.

Exports continue to drive the demand for U.S. tomato paste. Exports from July-February are 36% ahead of the same period last year and 3.4% ahead of the previous record set during the 2008/09.

As mentioned on the prior page, production outside California is forecast to fall 10% in 2012. As the major paste exporting countries of China and Italy decrease their production by 25% and 12% respectively, opportunities for U.S. paste should continue to arise.

Given the growing demand, California processors expect strong movement of their high-quality product to continue.

## SALES TEAM

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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)

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

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

**Ground Tomatoes in Puree**  
**Tomato Puree (1.07)**

**Chili Sauce**

**Ketchup**

**Custom Formulated Products**

## CONTAINERS

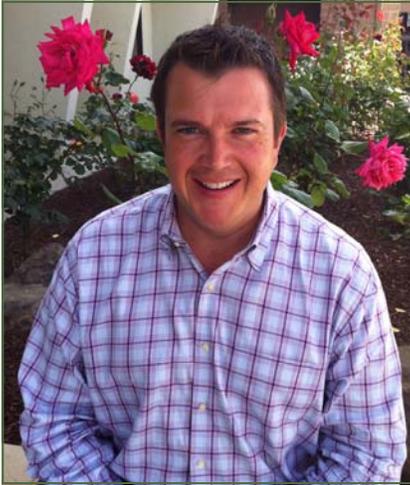
**300-gallon aseptic bag-in-box**

**55-gallon aseptic drum**

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

**NEW SALES COLLEAGUE PROFILE**

# David Musson Brings More Experience



In March, **David Musson** made it his mission to indelibly mark Morning Star tomato products on the tongues and brains of end users. Although new to our team, David brings years of food industry experience.

and chemistry from employment with a local food laboratory startup in Merced. Over the years, David has worked for such valley companies as Turlock Fruit Company, De Francesco & Sons in Firebaugh and, most recently, Olam Tomato Processors.

Locally grown and raised, David has lived within 80 miles of Los Banos his entire life. Born in Patterson, David got his BS in Business Management from the University of Phoenix and earned his MBA from Fresno State. He now lives in Fresno with his wife and their three children.

While based in our Liberty Packing facility, David is more often found out visiting customers, watching a San Francisco Giants game, or satisfying his golf addiction, when time allows.

His background is in ingredient sales of dehydrated vegetables and industrial tomato products. He is also knowledgeable in food microbiology

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