



THE MORNING STAR PACKING COMPANY

June 2003

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Operations Update

Once again, Morning Star operations expect to pick, haul and process over 20 percent of California's tomato crop. Some cool weather has delayed the start of harvest 10 days to two weeks from initial forecasts. Harvest is expected to begin in the second half of July and should run until early October, producing basically the same volume as last year. Overall, nearly 760 million pounds of paste and 180 million pounds of diced will fill the warehouses at season's end.

To prepare for the upcoming season, the plants focused capital improvements on perfecting processes for our customers, rather than expansion. For example, we have made a significant improvement the seals on our aseptic bags. Through the years, we have tracked spoilage complaints that stem from bad seals on the aseptic bag. Through extensive research and an investment in burst testers, we learned that the manufacturer's standard on the seal temperature was inconsistent, and it could vary by 50 degrees throughout the day. At the extremes of the temperature range, the seals would be weaker, and

we'd hear from customers. This year we plan to regulate the temperature more carefully so it's always at the optimal level, ensuring a better seal every time. Many other minor refinements have been put into place, as well, with the goal of continually improving product quality and service.

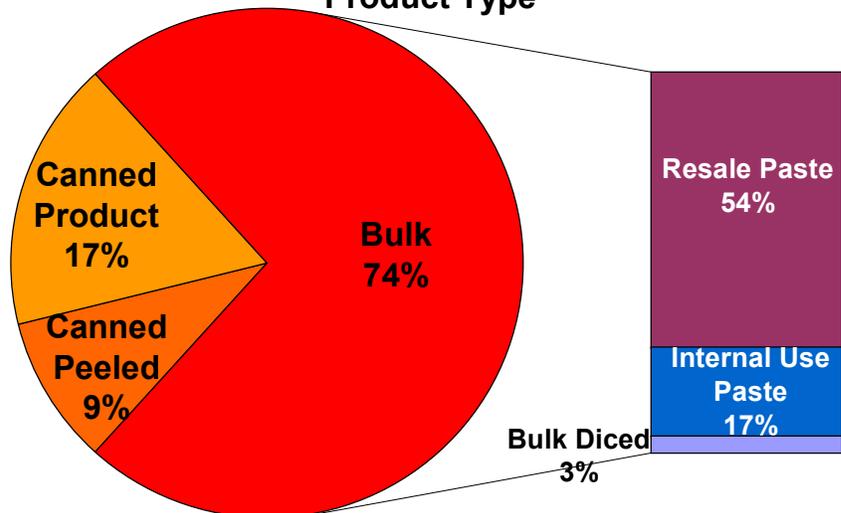
Harvesting and Trucking

As busy as Morning Star factories are, our harvesting and trucking operations can't miss a beat in order to keep up with the 24/7 demand. On top of providing the 2.4 million tons to the Morning Star bulk operations, another 300,000 tons will go to three other plants in the state.

Overall, Morning Star trucking colleagues expect to haul almost 100,000 loads and to drive 11 million miles this season. Our harvesting operation will utilize 41 machines running around the clock for both northern and southern obligations.

Each machine runs at about 40 tons per hour, including travel time, and will harvest almost 65,000 tons this summer. Since Morning Star started self-harvesting, throughput per machine has about doubled over the industry average.

Estimated 2003 Domestic Production by Product Type



Source: California League of Food Processors, Morning Star Estimates

Domestic Crop Update

At slightly over 11 million tons, the U.S. domestic crop is forecast to be 5 percent below last year.

The California Agricultural Statistics Service now forecasts 10.5 million tons for the state, down 5 percent from last year, but 3 percent over the five-year average. California expects a 37 ton-per-acre yield on 279,000 contracted acres.

At 585,680 tons, the rest of the United States will be 5 percent of the domestic crop.

During the season, harvest updates can be found at www.ptab.org. The Processing Tomato Advisory Board (PTAB) website posts audited results of harvest tonnage each Wednesday. Of course, you are always welcome to call our knowledgeable sales team for crop updates during the season.

International Update

After last year's disaster in Italy and Greece, many European processors were anxious to get an early start to the 2003 crop. Weather problems, however, continue to plague Italy and

Greece, and an earlier than normal start is now unlikely. With the southern hemisphere finishing their season and the northern hemisphere anxious to begin, global forecasts for the 2003 crop are at 28.8 metric tons.

This 7 percent increase over the 2002 season is expected to come mainly from

Country	2003 Forecast Metric Tons (1000's)	Percent Increase	Share of World Production
Italy	5,300	23 %	18 %
China	2,600	13 %	9 %
U.S.	9,500	- 5 %	33 %
World Total	28,812	7 %	

Italy and China. While China originally announced a three-million-metric-ton crop, the SARS epidemic and weather conditions have caused a drop in the estimate to 2.6 million MT. The SARS epidemic has impacted the installation of new processing equipment required to run the additional tomatoes, while rain and cool spring weather have been reported in the main growing regions.

Market Analysis

The California League of Food Processors released its final inventory report for the 2002 pack season.

Reported June 1st inventory levels are 25 percent above last year's at 4.4 million

fresh equivalent tons. Because the 2002 pack was 26 percent above 2001, it appears the industry simply carried over the addition tonnage. Overall, 10.8 million tons disappeared, indicating that consumption increased by 4.6 percent. Although final export numbers from the USDA will not be available for a few more months, the additional disappearance likely came from increased export opportunities resulting from Italy's short crop last year. Although 10.5 million tons for California's 2003 crop is below earlier estimates, it still does not indicate relief from growing inventory levels. Unless consumption increases or export opportunities last, inventory levels may actually increase again next year.

What's New on the Web

www.morningstarco.com

- Updated look
- A Day in the Life of a Tomato
- Downloadable specifications for standard products

If your plans take you to California this summer, please make arrangements to stop by and see us in operation. We look forward to showing you around.

Continuous Improvement

In January 2003 Morning Star warmly welcomed back veteran Rich Rostomily, who began his distinguished career with Morning Star over 20 years ago, hauling tomatoes as a summer job. With degrees in Economics and Engineering, Rich has worked with Chris Rufer from the Ingomar days and through the construction and opening of the Los Banos and Williams plants. Rich left Morning Star for about a year to run a fresh produce packing company with his brother.

Rich has seen the rapid growth of Morning Star and has been intimately involved with the company's success. He has returned to assist with future improvements and innovations by refining processes and communication channels.

One of Rich's initial objectives has been to address opportunities for improvement in our diced tomato production. Many of the mechanical and programming issues were identified during the course of production last season,

but couldn't be repaired until the plant shut down. We focused work at the front end toward making sure the best whole tomatoes arrive at the peelers. Soft, small, and green fruit sorting enhancements were made. We also made some design changes to the distribution flume to provide a more consistent flow of tomatoes to the peelers, where we've streamlined the flow so that waste material is more efficiently removed from the tomatoes. We've also worked on some automation issues allowing us to control fill weights more consistently from container to container.

In the customer service area, less experienced colleagues are learning strong service skills from more experienced Morning Star colleagues at other facilities. All Morning Star

operations pride themselves on excellent customer service and satisfaction. It's the part of our operation that we do all year long.

"My goal is to continually strengthen our team of tomato professionals, working under the organizational philosophy of Morning Star, who take responsibility, not only for their work, but for the company itself. This group of professionals will be accountable to Morning Star and to our customers for their results."

-- Rich Rostomily