



THE MORNING STAR PACKING COMPANY

October 2003

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Final crop numbers including acres harvested and yields per acre will be published by the California Agricultural Statistics Service (CASS) in January 2004.

The Morning Star Packing Company
Los Banos
 13448 Volta Road
 Los Banos, CA 93635
 209 826-8000

The Morning Star Packing Company
Williams
 2211 Old Highway 99
 Williams, CA 95987
 530 473-3600

Liberty Packing Company
Santa Nella
 12045 South Ingomar Grade
 Los Banos, CA 93635
 209 826-7100

Supply Balanced Despite Reduced Crop

2003 Domestic Crop

Total 2003 processed tomato production for the United States is about 9.7 million tons, 17 percent less than 2002 but 5 percent greater than 2001.

The California harvest began abnormally late as cool spring temperatures delayed planting. July brought three weeks of record heat, causing sunburn and blossom drop. In August, heavy rain in the north stopped harvesting altogether until fields could dry out. The rain was followed by more heat, creating perfect conditions for mold. Overall, the California crop totaled 9.2 million tons, 12 percent less than preseason estimates.

The Midwest states suffered through a very wet summer. Harvesting did not begin until very late in August, then Indiana halted production for several days in September after very heavy rains. In early October, the region experienced freezing temperatures, ending the season a week earlier than planned.

While actual losses for the Midwest crop have not yet been announced, estimates are about 15 percent below the preseason forecast of 585,680 tons.

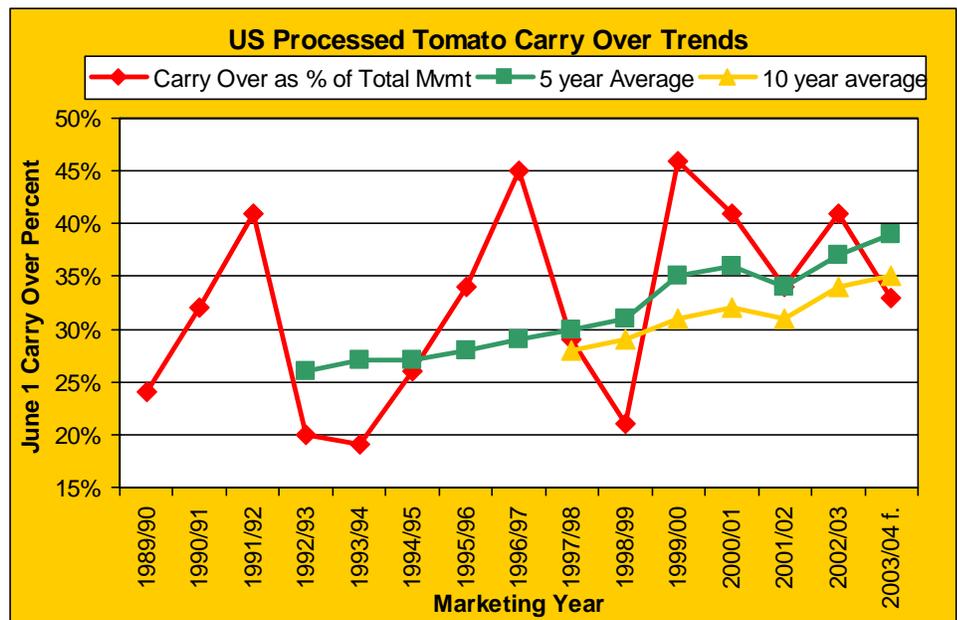
Market Analysis

Normally, inadequate supply would be a concern after a crop falls 12 percent short of national expectations. This season is quite different because of high domestic carry-over inventory. As our previous newsletters have pointed out, attaining preseason tonnage estimates would have created yet another surplus. The reduced crop simply balances inventory levels to 10-year historical averages.

At Morning Star, we look at the supply with a long-term point of view. Our experience has shown us that a single short crop is meaningless unless viewed in context of overall supply and forecasted consumption patterns. To evaluate the industry's supply position, we regularly gather and review industry inventory reports before making decisions about tomato contracts and paste pricing.

With this comprehensive view, the 2003 supply looks balanced. The U.S. industry carried in 4.4 million tons prior to the 2003 season, which is over 1 million tons above average. U.S. processors added 9.7 million tons of 2003 production for a supply totaling 14.1 million tons.

Consumption is expected to be consistent with historical numbers. We constantly



review and model industry and demographic trends, and we forecast normal demand in the coming year.

metric tons (29.8 million short tons). Overall the world crop is expected to be within a half percent of the 2002 pack results.

sources, China's field yields are better than expected, but low solids created unsatisfactory yields for paste. Current expectations are for a crop around 2.4 million metric tons.

Domestic Supply Situation compared to 10-year averages	2003/04 Estimates	10 year Averages
Beginning Supply ¹	14,064,512	14,109,833
Industry Movement ²	10,569,934	10,560,729
Carry Over ³	3,494,578	3,544,984
Carry Over as % of Movement	33%	34%

Source: California League of Food Processors, Morning Star Estimates

1. Prior year carry over + current year production.
2. Averaged for the Marketing Year, includes imports and exports.
3. Marketing year-end carry over as of June 1.

As the numbers in the above table indicate, tomato products have adequate supply this year. Isolated items may be more difficult to come by than others, but in general, supply should be sufficient for market needs.

Although supply is not expected to be an issue, bulk products are experiencing price pressure due to the difficult season. Production costs increased from lower yields in the fields, variable fruit quality, and higher energy prices. Any price increases should be taken early and not change as the year progresses.

International Update

While the domestic crop suffered from a cool spring and a very wet summer, the rest of the world experienced intense heat.

World production estimates have dropped 9 percent from preseason forecasts. Currently, the World Processing Tomato Council expects a worldwide harvest of 27 million

45 percent of the total globally. The total EU loss is 1 million metric tons or 40 percent of the total. Italy alone expects to be 600 million metric tons short of forecasts and makes up 24 percent of the shortfall.

Italy's poor production resulted from severe heat. The harvest began late, and the fruit entered factories sunburned. By producing 4.7 million metric tons, the country expects to have an ample supply of bulk paste products, but a shortage on canned items.

Turkey experienced an excellent year despite a two-week delay to the start of harvesting. Adequate heat and the absence of rain lead to higher than expected yields in the fields. Currently the country expects to produce over 1.5 million metric tons, an improvement of 15 percent over last year.

China's woes in meeting forecasts continue. This year's crop suffered from unfavorably low temperatures leading to slow fruit development and a late start to the season. According to industry

The drop in world production forecasts comes from the largest tomato producing regions. California's loss of 1.1 million metric tons makes up

Operations Summary

It wasn't the longest season on record, but possibly one of the most difficult. Harvesting slowed for a few days after the August rain, while gaps in tomato deliveries, created by the unfavorable weather, temporarily closed one plant in mid-season. Harvesting, trucking and production fought these elements all season to deliver the best possible tomatoes.

As a result of the hard work from field to factory, the overall quality of tomato paste and diced products is quite good. Our paste inventory is balanced, but we expect some limited inventories in specific paste products.

The diced tomato plant ran smoothly thanks to significant improvements made by Liberty Packing for their second year of operation. The versatile plant produced ample supplies of diced products for its contracted customers.

Upcoming Events

Worldwide Food Expo

Chicago – Oct. 29 to Nov. 1, 2003

California League of Food Processors Annual Expo

Sacramento – Feb. 2 to 4, 2004

Western Frozen Food Conference

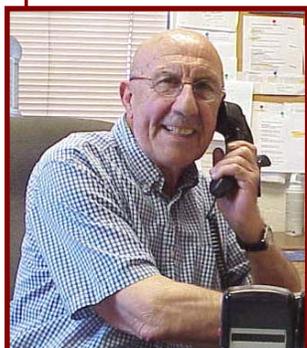
San Francisco – March 6 to 10, 2004

Pizza Expo

Las Vegas – March 16 to 18, 2004

Up Close with Angelo Casella

He's turning 78 this month, but you'd never know it from looking at him. While most people his age are enjoying retirement, Angelo Casella looks forward to helping customers every day at Morning Star.



Angelo has been working in the shipping and receiving area at the Los Banos plant since 1995. He and his colleagues confirm orders, set appointments and stage product for on time shipments by rail, piggy back, truck or sea container. During an average day, they prepare 20 loads and over one million pounds of paste for shipment.

Even customers who haven't met Angelo will know him by his rich,

smooth voice and the respect with which he treats people. He's found that people respond best to being approached kindly, and it often makes their days better.

Proudly married for the last 49 years, Angelo hopes to beat his wife at tennis at least once before reaching their half century together. The couple has four children and six grandchildren.

Angelo served in the U.S. Marine Corps during World War II. During his tour of the Pacific, he helped liberate China from the Japanese. From 1948 – 1950, Angelo served the city of San Francisco as a motorcycle traffic cop. Eventually, he returned to his hometown of Los Banos and worked for 33 years at an abattoir in the shipping department. This experience landed him a job in 1983 with Chris Rufer at his first tomato factory. We are proud to have Angelo as our colleague, and we hope you enjoyed getting to know him a little better.