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DOMESTIC AND INTERNATIONAL CROP

Weather Uncooperative for Ambitious Forecast

California Update

Although most processors have contracted for additional tonnage after last year's lackluster crop, experts close to the fields feel that current estimates are inflated. At the end of January, the California Agricultural Statistics Service (CASS) released its first 2006 crop estimate at 11.6 million tons. Based on an ambitious 39.6 tons per acre, the CASS forecast is a 21% jump from the 9.6 million produced in 2005 and 15% above the 5-year crop average of 10 million tons.

By substituting the 5-year average yield of 36.7 tons per acre, the 293,000 acres contracted would yield a more reasonable estimate of 10.8 million tons. At this level, the crop would be only 7% above the 5-year average. The next forecast from CASS will be released May 31.

Out in the fields, growers are doing everything to hit the ambitious yield projections. Growers began direct seeding a little late because of rain. But by mid February, the weather cooperated for an excellent start of the planting season. A cold snap came through California's

central valley in late February, but most tomatoes were underground or warm in a greenhouse and unaffected by the chill.

However, in early March, an unseasonable frost destroyed hundreds of acres and was followed by a week of heavy rain. Growers are still hoping for a favorable spring. April will need to be much drier for growers to transplant from the greenhouses to the fields.

Balance of the US Crop

In contrast to California last season, Indiana, Ohio and other states growing processed tomatoes increased production 1% to 600,120 tons in 2005. The states averaged yields of 33 tons per acre, a 10% increase from 2004. The USDA will release its 2006 crop estimate for the whole United States on April 3.

International Forecast

Conversion Note: 1 metric ton = 1.102 tons

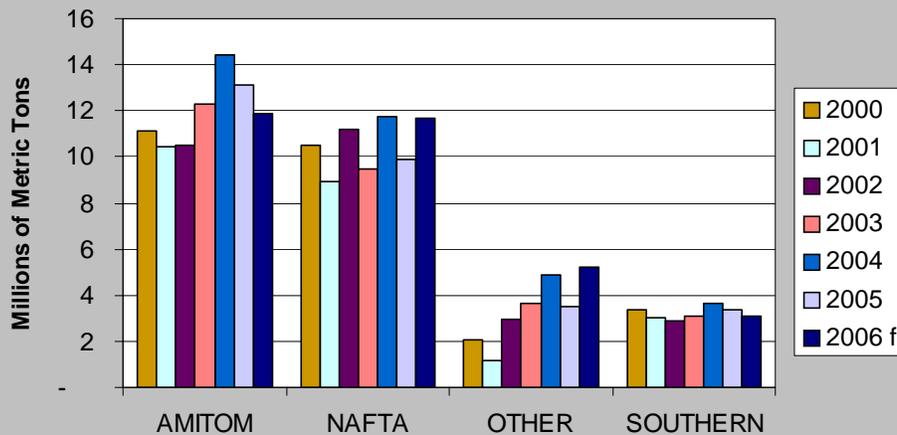
World production for processed tomatoes is expected to jump 6.5% in 2006 to 31.8 million metric tons. Most of the bump comes from California's aggressive forecast, but China is hoping to make up for a disappointing 2005 season.

Forecasts from China put production at 4.4 million metric tons, a 57% jump last year. Reports from China indicate depleted supplies as the industry hopes that an excellent to normal season in 2006 will replenish the warehouses.

In Europe and the Mediterranean, the 11 countries of AMITOM forecast reducing production by 9% to 11.89 million metric tons. Italy anticipates production levels of 5.1 million metric tons, a 4% drop, while Spain plans to decrease 30% to 2 million metric tons after its bumper crop last year. Of all the countries in AMITOM, only Turkey plans to boost its production from 2005. Turkey expects a 5% increase and to produce 1.7 million metric tons.

REGIONAL PROCESSED TOMATO PRODUCTION

Source: Tomato News



Historical Tomato Paste Prices	
1986	36.8
1987	38.1
1988	48.3
1989	54.9
1990	39.8
1991	30.3
1992	32.0
1993	37.2
1994	36.6
1995	34.3
1996	29.3
1997	30.6
1998	42.9
1999	33.0
2000	28.3
2001	29.1
2002	27.5
2003	28.1
2004	28.0
2005	28.3

MARKET ANALYSIS

Increased Costs and Low Inventories Propel Prices

As a commodity, tomato paste prices are driven by market dynamics. Oversupply has depressed paste prices for the last few years, but growing consumption, low inventory levels, and increased production costs are driving the price upward. For the 2006 season, tomato paste prices will hover within 3 cents of 36¢ per pound which is a vast change from the 27-30¢ per pound in recent years.

Growing Consumption

Now that the Atkins/Low Carb diet craze is over and Americans are once again enjoying all food groups, tomato consumption is booming. According to the U.S. Processed Tomato Stocks report published by the California League of Food Processors on March 20, movement for the first 9 months of the marketing year is only running 6% behind last year's record setting movement. Through March 1, 2006, processed tomato disappearance is 4% over the 5-year average.

Bulk tomato paste movement is even stronger. At 6.3 million tons, the 9 month movement is 5.6% above the 5-year average and only 4.5% lower than last year.

Low Inventories

Domestic processed tomato stocks are abysmally low following the short 2005 crop and

level since the 1998 crop was destroyed by El Nino.

Stocks of bulk paste are down nearly 23% from last year and 20.5% below the 5-year average level. Over the last 5 years, the bulk paste

With inventory levels this dismal, customers can expect prices to stay higher for a few years until stocks recover.

segment has averaged 4 months of supply to carry it into the pack season. On June 1, 2006, the industry is likely to have less than 2.5 months of supply available.

With inventory levels this dismal, customers can expect prices to stay higher for a

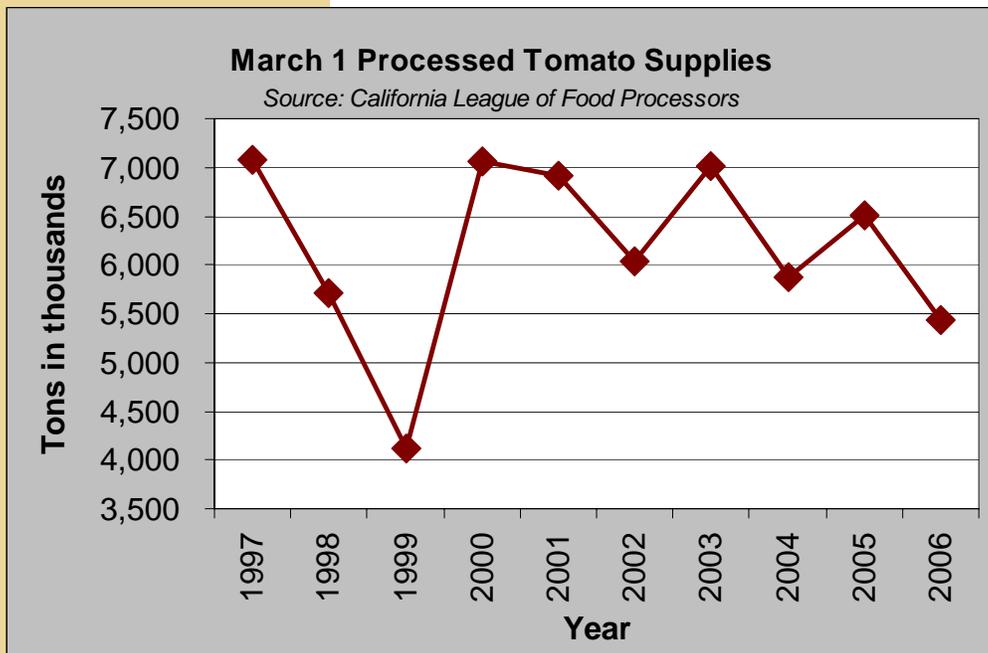
few years until stocks recover. Although a California crop of 11.6 million tons would likely bring inventories to June 2005 levels, a crop of 10.7 million tons only covers average movement and would not replenish stocks at all.

Increasing Production Costs

Production costs have risen in the last two years, but the market price of tomato paste has not risen to capture them. Although packaging, natural gas, diesel fuel and labor benefits have all increased, the 16% jump in raw tomato cost this year is having the biggest impact. Over 45% of the cost to make tomato paste comes from the raw tomatoes.

After struggling and suffering in 2005, growers worked together regionally to drive a tougher bargain in 2006. In an unusual move, northern and southern growers negotiated separate pricing for their raw tomatoes. Growers in northern California negotiated contracts at \$59 per ton, reasoning that their growing costs are higher. In the south, growers agreed to \$57 per ton.

The California Tomato Growers Association (CTGA) negotiates for California's processed tomato growers. After several years of declining membership, the CTGA has jumped from 32% to 45% of California's tomato growers.



revived consumption. Supplies of tomatoes are down 16% from last year and at their lowest

SPOTLIGHT ON VALUE-ADDED SERVICES

You Have Questions. We Have Answers.

Looking for ways to improve tomato ingredient yields through your process? Need guidance about what paste characteristics are the best for your process and product? Have questions about the quality attributes of some paste or diced product you received? As your supplier-partner, Morning Star colleagues listen carefully to answer, solve and work with you about just these kinds of things.

We are here to support your business. Our broad and deep bench of technical assistance colleagues work with customers to develop new products, implement technology advancements and assist with process upgrades to improve yields and decrease costs.

Jeff Wong—Technical Support

In September 2005, Jeff Wong joined us. With 20 years experience in food processing, this industry pro has worked through all aspects of the process from product development, quality control, operations, and customer service. A Food Science graduate of UC Davis, Jeff has worked for tomato processors in both California and China.

Now Jeff's on a mission to improve and support the business goals of Morning Star's customers. Jeff's distinctive pool of expertise enables him to help customers with cost reduction and product improvement projects. By touring a customer's facility, Jeff learns its nuances and can provide a detailed report recommending cost-savings through yield enhancements without sacrificing

final product quality. Or, he can examine and taste a customer's finished product and offer suggestions for improving its flavor, color, and texture with different kinds of ingredients or processing technologies.

Rick Sousa — Quality Assurance and Production Coordination

After completing his Master of Business Administration at the University of the Pacific in Stockton last May, Rick Sousa began coordinating the quality assurance and production activities at Morning Star's Los Banos plant. Although the processing season began just months after his arrival, Rick's ten years of experience in aseptic manufacturing prepared him well for the task.

Rick enjoys the complex assignment of planning production and making in-season adjustments to best meet customer expectations. Rick is excited by his new position and enjoys contributing as part of the Morning Star team.



Jeff Wong (left) and Rick Sousa (right) examine product in the lab at Los Banos.

Our broad and deep bench of technical assistance colleagues work with our customers to develop new products, implement technology advancements and assist with process upgrades.

SPOTLIGHT ON INNOVATION

Opportunities in On-line Markets

When you think of online markets, Ebay and Amazon come to mind. Now you can add TomatoTrade to that list.

In January, The Morning Star Packing Company registered with a new tomato paste trading service, TomatoTrade. Developed specifically for the bulk tomato paste industry, the TomatoTrade on-line system differentiates itself from other web-based systems, both past and present,

by allowing negotiation of all contract terms, not just price.

Morning Star's founder, Chris Rufer, believes that on-line markets, such as TomatoTrade, will save time and money for both sellers and buyers of bulk tomato paste. Chris encourages all buyers to evaluate the TomatoTrade system. Please visit www.tomatotrade.com for an interactive demonstration.

OPERATIONAL HIGHLIGHTS**Pre-harvest Sampling Promotes Tomato Freshness**

Vine-ripened tomatoes go from the field to the factory in a logical and timely manner.



Delivering the most perfectly ripe tomatoes to our factories is a paramount goal of our harvesting and trucking operations. Harvesting tomatoes at the right time decreases losses during transportation and improves factory yield and quality scores. With an intensive field sampling program, our goal is to harvest in a logical and timely manner.

For the last few years, Morning Star has

been developing ways to better predict when a field will hit its peak for harvesting. We've been taking random field samples and analyzing them in a pilot plant. After that same field is harvested and taken to the factory, we compare the sample results to those of the factory.

With this analysis,



we've learned that losses, due to limited-use, can increase from 10% in the field to 30% in the factory if a field is over-ripe. The over-ripe fruit can't handle the rigors of harvesting and trucking like perfectly ripe fruit can.

By doing field sampling quickly and communicating with the harvesting and trucking departments in a timely manner, we'll be distributing hundreds of loads of perfect tomatoes throughout the season.

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