



THE MORNING STAR PACKING COMPANY

July 2002

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For more information on paste processing plants and historical factors, please see our "Exhibits" handout included with our brochure or the industry data section of our website at www.morningstarco.com

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

"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

Review of Operations

The Morning Star Company is gearing up for another big year. In 2002, we expect to handle 2.5 million tons of tomatoes or roughly 25% of California's crop. Operations began July 8th and should be complete by September 26th, shaving 15 days off last year's season. Our three state-of-the-art processing plants have the capacity to produce 800 million pounds of tomato paste and 200 million pounds of aseptic diced tomatoes in bins and drums.

Processing Highlights

Liberty Packing – the new addition

Located just down the road from our current Los Banos operation in Santa Nella, Liberty Packing replaces our Yuba City facility, by producing bulk paste and diced products, but at twice the former's capacity. In the 2002 season, Santa Nella's capacity will be 400 TPH with an additional 300 TPH of expansion plans.

The Liberty Packing facility is technologically unrecognizable as the plant purchased from the bankrupt Tri Valley Growers last season. Our engineers have reshaped the plant to follow our unique methods of gentler handling and heat reduction to create a better quality product.

Williams

To enhance the yields our customers achieve from paste, our most northern operation installed a new 200 TPH Eldorado hot break.

Los Banos

Our Los Banos facility underwent routine repair and maintenance this off-season to ensure the fine quality expected from our veteran operation.

Harvesting, Trucking Operations

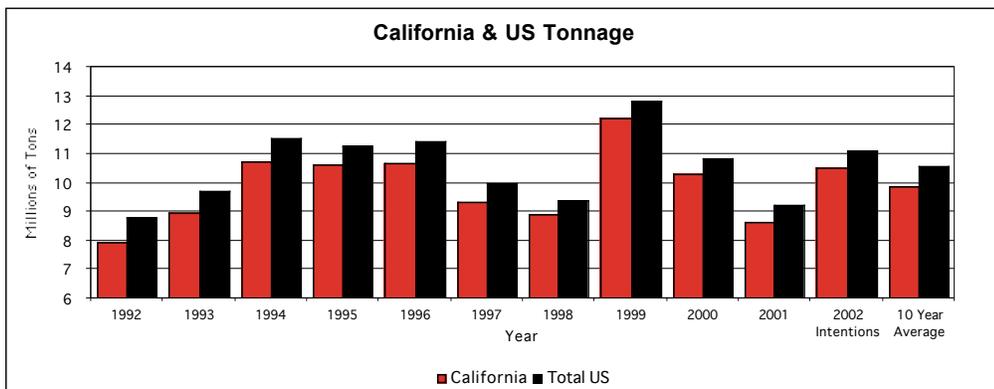
We do what no other tomato processing company does; we harvest and haul our tomatoes. Why? To ensure our tomatoes are in the best condition for making quality product and processing efficiently.

By harvesting 95% of our tomatoes and hauling all of them, we coordinate the delivery of the fruit better. The speed and efficiency of our field to factory logistics is proven in our better trailer usage. Our trailers haul nearly three loads per day on average. Industry average is barely over one.

2002 Crop Update

California Crop Intentions

As the 2002 tomato pack season approaches, California expects a crop of 10.5 million tons, making it the sixth crop over 10 million tons in the state's



long tomato growing history. Processors have contracted for 282,000 acres, averaging \$49.50 per ton with an expected yield of just over 37 tons per acre.

The 2002 crop intentions are 23% larger in tonnage, but only 11% greater in acreage than last year. Yield expectations are nearly 3 tons per acre greater in 2002 than 2001 mainly because of better weather.

The Rest of the U.S.

The other U.S. tomato producing states are increasing production by 1% for the coming season and expect to process 614,740 tons.

In Season Crop Watch

As always you are welcome to call our knowledgeable sales team for crop updates during the season, but if you prefer other sources, try the following websites:

Processing Tomato Advisory Board (PTAB): www.ptab.org

Audited results of harvest tonnage reported each Wednesday

Tomato Net:

www.tomatonet.org/weathernet.htm
Great links to historical and current weather in California

Market Expectations

We, at Morning Star, do not expect the increased tonnage to overwhelm the balance of supply and demand. The below average size of last year's

crop balanced inventories after big years in 1999 and 2000. For 2002, the production is simply returning inventories to "normal" levels.

"Carry over expectations equate to an average of the past several years; the new crop is only slightly in excess with plenty of weather unknowns ahead – **unusually, everything is reasonably normal,**" said our founder, Chris Rufer, in a May 17 Tomatoland interview.

Domestic Consumption

Although supply seems adequate for normal consumption patterns, inventory information published by the California League of Food Processors (CLFP) shows a significant slow down in the disappearance of tomato inventories. Data published in June 2002 shows domestic consumption down 5% for the last 12 months from 10.2 million tons to 9.6 million tons respectively.

We, at The Morning Star Packing Company, feel that tomato consumption is not really dropping off, despite the published numbers of the CLFP.

Although retail sales of tomato products in cans is still dropping, tomato based products such as pasta sauce, ketchup, frozen pizza and entrees continue to expand in the retail segment. In the foodservice segment, where approximately half of all tomatoes in the US are consumed, restaurant sales are up 5.2% from June 2001 to May 2002, according to Food Institute Reports.

The Morning Star Advantage

Having The Morning Star Packing Company as your bulk tomato supplier brings many unique benefits. In this issue, we would like to emphasize our commitment to your business by offering our technical support services.

As important as production innovation is to us, we place an equal emphasis on solutions for our customers. No matter how big or small our customers' needs are, each is equally important. Not only can we provide guaranteed supply and competitive pricing, but we endeavor to add value by satisfying your technical needs.

We have specialists who can help you with technical issues at your plant relating to bulk paste and diced tomatoes. For example, our team can evaluate your finished product formulation and suggest a higher performing paste for your product. Or our experienced people can review your process and suggest cost saving improvements with equipment and process flow.

Contact your Morning Star Company representative for specific information.

Open Invitation

Come to California and allow our proud colleagues to show off our facilities. We encourage prospective customers to personally visit our facilities and critically review our operations. You can expect to see highly innovative and capable processing operations.

If your plans bring you to our area in mid-September, call us for more information on the **Tomatofest** in Carmel, California – September 15, 2002

