



# THE MORNING STAR PACKING COMPANY

**March 2003**

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### Tonnage Reports On The Web:

*California Ag Statistical Service:*

[www.nass.usda.gov/ca](http://www.nass.usda.gov/ca)

*USDA/National Ag Statistical Service:*

[www.usda.gov/nass](http://www.usda.gov/nass)

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

## 2002 In Review

At 11,656,820 tons, the 2002 U.S. crop was up 26 percent from 2001. California produced 95 percent of this total, while Midwest and Eastern states packed 600,820 tons. High yields of 38 tons per acre in California caused the U.S. crop to beat preseason estimates by 5 percent.

Despite dismal reports last summer, 2002 world production managed to meet preseason estimates of 27 million metric tons, exceeding the 2001 crop by 7 percent (1 metric ton = 2,204.6 pounds). The weather problems in Southern Europe weren't as severe as predicted, and final numbers reveal that Italy and Greece were under 2001 production by 10 and 8 percent respectively. The short fall has been covered by excess production in Spain, California, and particularly China.

**How does 10.9 million tons affect you?**  
 Find out Morning Star's perspective on page 2

## 2003 Forecasts

### California

Early worldwide reports for the 2003 crop indicate another big year. California contract intentions are 10.9 million tons on 291,000 acres, as published by the

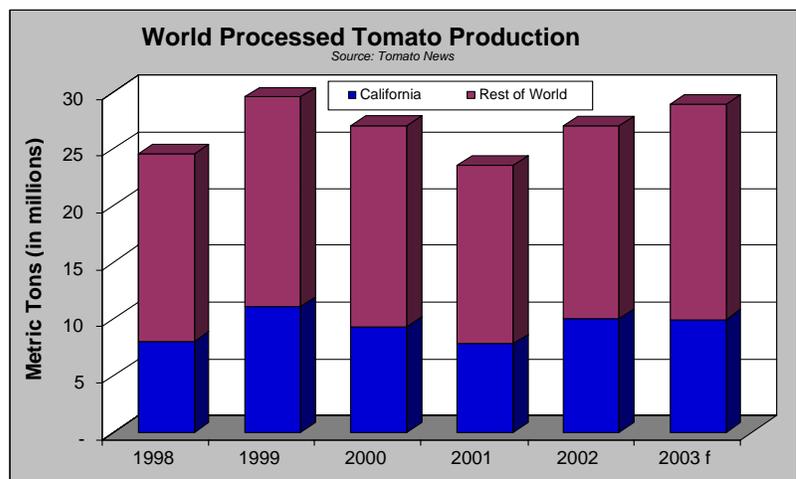
California Agricultural Statistical Services on January 31. The tonnage is 1.4 percent below last year's harvested tonnage. Growers anticipate yields to be 37.5 tons per acre. Estimates for the rest of the United States will be available from the USDA on April 4.

### International

The World Processing Tomato Council is estimating another 7 percent increase in total world production in 2003. Current expectations are for 28.9 million metric tons.

Production increases by the Mediterranean countries (AMITOM) and China make up most of the expected additional two million metric tons. While the 11 countries of AMITOM anticipate an 11 percent jump in tonnage, China expects to increase its production 43 percent to 3.3 million metric tons. If China meets their forecasted levels, production will be four times larger than in 1999.

In the southern hemisphere, the harvest is under way in Chile and Australia. Both countries are behind original crop forecasts: Chile due to a late start of the harvest and high temperatures, Australia due to continuing drought.



## Morning Star Operations Field Report

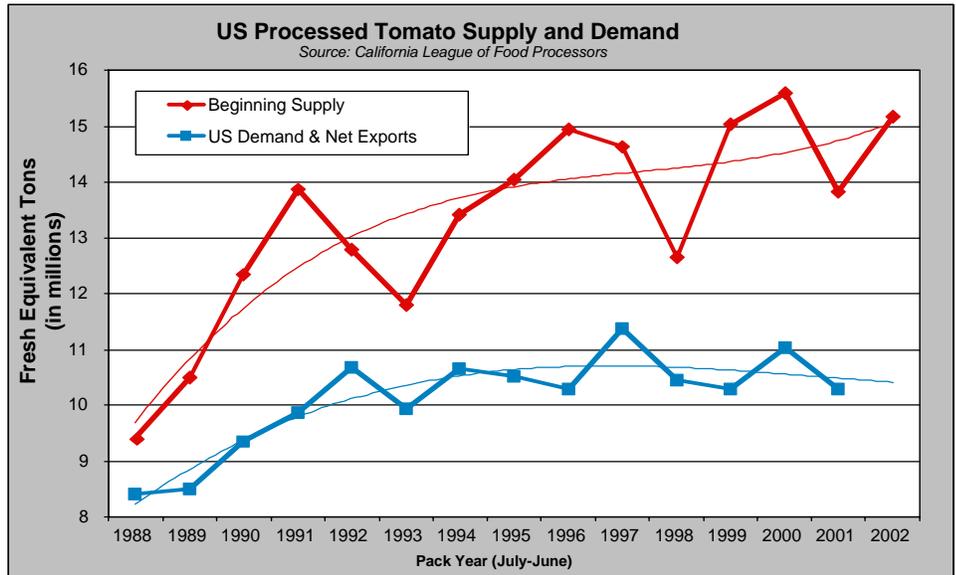
Although planting for the 2003 California crop is in its early stages, preparation began as soon as harvesting ended last season. By October, our field, sales, and production colleagues were already working toward the sophisticated balance between customer, grower, and factory requirements.

Based on customers' specifications, Morning Star sales colleagues develop a pack plan that drives our tomato variety program. By communicating the needs of the marketplace to our field colleagues, Morning Star buys tomatoes from its growers that best meet our customers' quality requirements.

Tomatoes are either direct seeded in the field or grown in a nursery for later transplant. Direct seeding begins in the southern areas in early February, and the first transplants will be moved to the fields in late March. According to our field colleagues, just over half of our crop comes from transplants, reducing the risks from spring frost. The first direct seeded tomatoes have already emerged and are growing well, thanks to favorable weather conditions. Early indications point to good conditions in the field throughout the spring growing season.

### Packaging Innovations

In our October newsletter, we mentioned conducting packaging tests during the 2002 season. In addition to determining how alternatives perform during our filling and warehousing operations, various customers are helping us determine how well the containers perform in transit and within customer operations. We'd like to express our thanks for their help. This feedback is crucial to the success of our tests. Look for more testing during the 2003 season.



## Market Expectations

Each February, domestic and international processors congregate at the California League of Food Processors (CLFP) trade show in Sacramento. Conversations revolve around expectations for next year and inventories reported by the CLFP. All indications point to another year of low prices for processed tomato products. Inventories are increasing because demand for processed tomatoes is not keeping pace with production.

In January, the CLFP released its "Stocks On Hand" report for December 1, 2002. Inventory levels in the United States increased 14.6 percent from last year, while apparent disappearance, or demand,

increased less than 1 percent over the six months from June to December.

Using the CLFP numbers, the graph above demonstrates the increase in supply and weakening of demand. Notice that the 2002 beginning supply number is the second largest in over a decade. Only the 2000 marketing year began with a larger supply, when processors carried in substantial excess inventory from the mammoth 1999 crop.

## At the Forefront

Combine the domestic over-supply with global production increases, and it's fairly easy to see that prices will remain low for some time to come. The current depressed cycle doesn't change our approach to our customers. Morning Star **always** offers competitive pricing with excellent service, uninterrupted supply and quality product. Because we are a low cost producer, you can rely on us year after year through all the industry's cycles. We want your business and stand ready to earn it.

**Places to Go**

**Pizza Expo**  
March 25-27 - Las Vegas, NV  
[www.pizzaexpo.com](http://www.pizzaexpo.com)

**Tomato Processing School**  
April 15-16 - Sacramento, CA  
Put on by UC Davis and the CLFP  
Contact Dr. Diane Barrett at UC Davis  
530-732-4800 or [dmbarrrett@ucdavis.edu](mailto:dmbarrrett@ucdavis.edu)

**Food News Tomato Forum**  
April 28-29 - Lisbon, Portugal  
[www.agra-net.com](http://www.agra-net.com)

**IFT Annual Meeting and Expo**  
July 12-16 - Chicago, IL  
[www.ift.org](http://www.ift.org)