



THE MORNING STAR PACKING COMPANY

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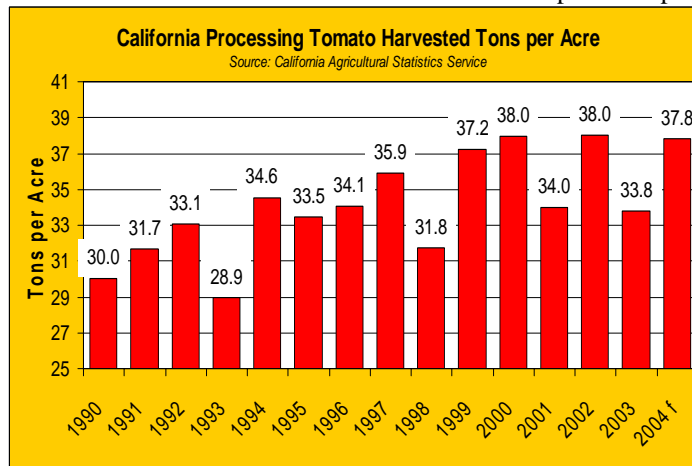
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Domestic Crop Forecast

California

California processors have contracted for 11 million tons planted on 291,000 acres, according to the California Agricultural Statistics Service (CASS) Processed Tomato Report issued on May 27th. This is a 20 percent tonnage increase and a 2 percent increase in planted acres. Last year's crop suffered poor yields because of inclement weather and was 12 percent below expectations.



In order to reach 11 million tons, crop yields are forecast to be the second largest ever, just shy of the 38-tons-per-acre record. Growers expect yields of 37.8 tons per acre, which is greater than the 5-year average of 36.2. In three of those five years, crop yields have beaten the average by a ton or more.

Weather will largely determine if California growers can reach projected yields. So far this year, the weather has cooperated. A warm April has given the crop a boost, causing vigorous growth and a start date 7-10 days earlier than normal. California's 2004 crop could be earliest on record.

Other U.S. States

States other than California make up 5 percent of the country's domestic production. This year, these states expect to produce 533,440 tons, 4.8 percent less than last year. The reduction comes from planting only 18,400 acres, 6.7 percent less than last year. The USDA estimate for all states will be available on July 9, 2004.

International Forecast

1 metric ton = 1.102 short tons

The 2004 world crop is forecasted at 31 million metric tons – a 10 percent increase from last year's results. At 33 percent of the world's production, California's increase makes up half of the expected growth.

AMITOM countries expect to produce 6 percent more than last year, with Italy leading the growth in output. Farmers are expected to plant for 5.8 million

metric tons, resulting in a 9 percent increase. Spain was anticipating a 46 percent increase to 2.5 million metric tons in 2004, until rainy weather in May sabotaged an estimated 200,000 metric tons.

AMITOM's biggest drop in output is expected from Turkey, which is forecasting a 25 percent decrease to 1.5 million metric tons. After last year's bumper season, Turkish farmers are planting fewer acres because they were not paid in full for last year's crop. The strength of the Turkish Lira on the global market hurt profitability of processors. As a result, Turkey is expected to be very short of product this year.

The Chinese industry continues to grow, despite rumors of consolidation among processors. They are expecting an increased crop of 7 percent to 3 million metric tons.

The Southern Hemisphere countries are experiencing an excellent 2004 crop. Chile harvested about 730,000 metric tons, only 3.3 percent below expectations. Australia harvested 320,000 metric tons. Although below preseason estimates, it's a 23 percent recovery over last year's drought-damaged crop.

Market Analysis

Despite the large domestic crop, higher manufacturing costs and low inventory levels are driving up industrial tomato prices industry-wide.

Higher costs

Several key inputs are driving up the manufacturing costs of paste. Natural gas prices are projected to be around 30 percent higher than last year and double the 2002 rate.

2004 Estimated Industry Average Tomato Paste Production Cost	
Expense	% of Cost
Fixed Expenses:	
Facility Capital Expenses	7%
Insurance and Taxes	1%
Operating Overhead (Admin and R&M)	8%
Variable Expenses:	
Tomatoes with fees	46%
Tomato Hauling	8%
Seasonal Labor	3%
Boiler Energy (Natural Gas)	8%
Electricity	2%
Supplies and Miscellaneous	1%
Packaging Containers	10%
Operating Interest	4%
Selling Costs	4%
Total Expenses	100%

Pressured by the rising price of steel and energy, packaging manufacturers are raising their prices 20 percent to compensate for their increasing manufacturing costs.

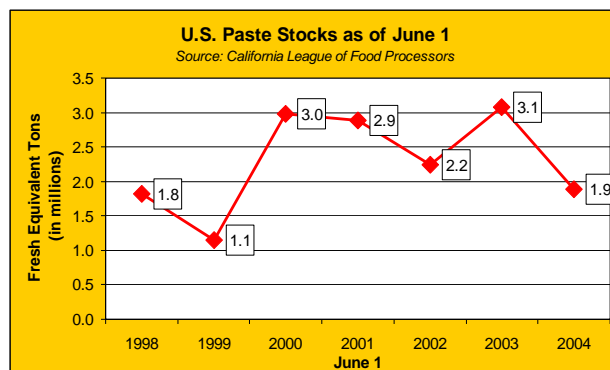
The cost of raw tomatoes is the biggest input into the price of tomato paste. Contract pricing this year is up \$1 to \$51 per ton. Expensive diesel fuel will increase the cost to haul tomato to the factories.

Low inventories

Bulk paste inventories are at their lowest level in five years, according to the June 22nd estimate by the California League of Food Processors (CLFP). At 1.9 million fresh equivalent tons, June 1, 2004 industrial paste stocks are 40 percent less than last year, leaving only 2.8 months of available supply.

Industrial tomato paste made up 72 percent of the domestic pack for the

2003/04 season, but accounts for only 53 percent of the June 1 inventory.



Last year's lackluster crop is not the only reason for low paste inventories. At 8.23 million fresh equivalent tons, demand for paste reached a 10-year high and was up 7.6 percent from last year. Total disappearance rose by more than 580,000 fresh equivalent tons from last year, which equates to an additional 193 million pounds of paste. Export opportunities, among other things, drove up demand for U.S. paste.

Up Close with Liberty Customer Service

As a customer, your most important resource is probably your customer service representative. At our Santa Nella plant, three capable women handle the responsibilities of this prominent position, handling orders for over 1.5 million pounds of tomato products each day.

Lisa Sardinha



For 4½ years, Lisa Sardinha served in the United States Air Force working in the "Ammo Dump" as a munitions systems specialist. During most of her tour, she served in the Philippines during the coup of President Ferdinand Marcos and his shoe-hoarding wife, Imelda.

Lisa began her career at Morning Star two years ago in the shipping department. After working with missiles, bombs and small arms, Lisa remarks that she feels safer working in a warehouse of product not designed to explode. Last fall, Lisa broadened her responsibilities to include customer service. She enjoys the change because now she follows an order from beginning to end, allowing her to answer questions more quickly.

Lisa has been married 20 years and has three daughters – a 16 year old and 12-year-old twins.

Mary Ann Avalos

Mary Ann and her family moved to Los Banos 15 years ago to enjoy the pleasant weather and smooth lakes for water skiing. Today the boat is retired, and their two boys have moved out of



the house. Now, Mary Ann enjoys spending time with her husband of 24 years and reading for hours by the pool.

Although Mary Ann has only worked at Morning Star since last November, she's worked related roles in the tomato processing and food industries for years. Her first shipping related job was driving a forklift, which she still does in emergencies. Mary Ann enjoys her job working at Morning Star because of relationships she's developed with customers and her short commute.

Monique Galan



Monique joined the Morning Star team last October as an assistant to the marketing group. Within a few months, she transitioned to customer service, where she enjoys being able to meet customers' needs.

Prior to Morning Star, Monique worked for 12 years in the high tech world of medical devices in quality assurance and regulatory affairs. She was responsible for testing products for reliability and durability and keeping up with government requirements. While heart catheters are a little more sophisticated than tomato products, Monique finds similarities in that both products eventually wind up in the human body.

Like many of today's central California residents, Monique and her family moved to Los Banos a few years ago to escape the hustle and bustle of San Jose. When she's not at Morning Star, Monique's life revolves around her family, which includes her husband and three kids, ages 14, 9 and 2. Leisure time activities are family-oriented, like movies, shopping and amusement parks.