



# The Morning Star Packing Company

March 2005

## In this issue:

- *Domestic Crop*
- *International Crop*
- *Market Analysis*
- *Field Update*
- *Sales Team Addition*
- *Value Added Services*
- *Contact List*

## Domestic Crop— California's Wet, Wild Winter

Two days after a vicious rain storm brought small tornados to Sacramento, California, temperatures hit 72 degrees Fahrenheit on February 24. California is suffering through the wettest and wildest winter in two years.

Although planting is just beginning, California's wacky winter could lower the crop expectations reported by the California Agricultural Statistics Service "Processing Tomato Report" on January 31. According to the report, processors contracted for 10.3 million tons, nearly 12% less than last year's production, but closer to the state's average.

In order to hit 10.3 million tons, field yields are forecasted to hit an optimistic 38.9 tons per acre. It's nearly 4 tons above California's 10 year average and almost 2 tons per acre better than the 5 year average. Last year the state's weather cooperated, and growers harvested a record 41.5 tons per acre.

When temperatures are above 70 degrees in February, it's hard to believe growers fear frost until the end of March. About 50-70% of the tomatoes are grown in greenhouses to be transplanted when risk of frost damage is lower.

Still, the first three weeks of the processing season rely on fields that were direct seeded. The wet winter has made planting difficult. Growers planted during a two week window in early February before being delayed by rains again. Growers need dry fields for planting so the equipment doesn't pack down the wet soil making it difficult for the roots to spread out.

Yields could also fall if the weather prevented growers from performing optimal horticultural practices to prepare the beds during the fall .

### Midwest Recap

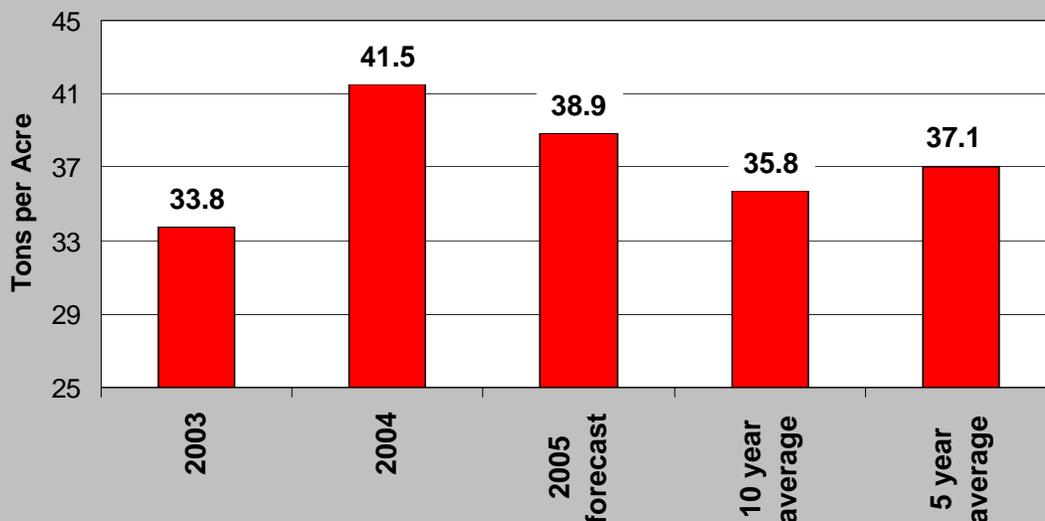
According to the USDA, the rest of the United States produced 594,410 tons in 2004, up 6.1% from 2003. The six states averaged yields of 30.3 tons per acre, 27% lower than California's.

Indiana grew 46% of the production. Ohio and Michigan produced 30% and 18% respectively. Pennsylvania, New Jersey, and Maryland collectively contributed 6%, dropping from 12% the previous year.

The USDA will release 2005 estimates for all states on April 1, 2005.

**California Processing Tomato Harvested Tons per Acre**

Source: California Agricultural Statistics Service



## International Crop—Record Breaking in 2004

*Conversion Note:*  
1 metric ton = 1.102 tons

The World Processing Tomato Council announced record production of 34.6 million metric tons in 2004. The bumper crop was 21.5% above the 2003 season and 27% better than the 5-year average.

Initial WPTC forecasts for 2005 put world production at 31.4 million metric tons, a 9% drop from last year. Despite the decrease, the forecast is still 14% above the average 27.6 million metric tons produced from 1999-2003.

**Processed Tomato World Production**  
*in 1,000's of Metric Tons*

	2004 Preliminary	2005 Forecast	% Change	% Share	1999-2003 Average
California	10,586	9,270	-12.4%	30%	9,338
Italy	6,400	5,300	-17.2%	17%	4,846
China	4,200	4,200	0.0%	13%	1,740
Other Northern Hemisphere	9,781	9,127	-6.7%	29%	7,959
Southern Hemisphere	3,670	3,508	-4.4%	11%	3,368
World Total	34,637	31,405	-9.3%	100%	27,252

Source: World Processing Tomato Council

After last year's large crop most of the major producing regions plan to decrease production. With flat estimates, China is the only exception. While California is the only area planning to produce less than its 1999-2003 average production.

China expects to produce 4.2 million metric tons in 2005, the same as 2004 production. This is 2.4 times its 5-year average of 1.7 million metric tons. At 4.2 million metric tons, China accounts for 13% of the 2005 estimate.

Italy forecasts a drop of 17% to 5.3 million metric tons in 2005 from 6.4 million in 2004. Italy has average only 4.8 million metric tons from 1999-2003, so the 2005 forecast is 9% above that average. Italy is 17% of the 2005 market share.

## Market Analysis—Stable Pricing

Large domestic and global crops have put the world in an oversupply position despite coming off a short 2003 season. Brisk demand, favorable exchange rates, and increased input costs have stabilized domestic prices.

Domestic and export movement looks strong. The latest supply numbers published by the California League of Food Processors show movement from June to December jumped 8.3% over the same period last year. Assuming average movement for the rest of the marketing year, we estimate over 11.2 million tons of tomatoes will be consumed, an increase of 5.5% above 2003 actual movement. Net exports of tomato products broke the 1 million ton mark for the first time over the 2003/04 marketing year.

The U.S. dollar has fallen against most other currencies in the last year. The weak dollar makes U.S. exports cheap and imports expen-

sive, giving the U.S. a favorable trade advantage. An unusual position in recent memory.

Tomato processing is no exception to the rising input prices affecting all manufacturing industries. It seems every input is suffering price

***Brisk demand, favorable exchange rates, and increased input costs have stabilized domestic prices.***

pressure. Labor rates are up from rising health care and workers' compensation benefits. Packaging prices have ticked upwards over the last few years from high global demand for steel and wood. Fuel costs are very high. Natural gas prices hit a record for the year in early March.

Price forecasts for the 2005 season expect little or no increase. The crop forecast did not decrease enough to predict a balanced season next year. The 10.3

million tons will most likely maintain the same surplus position. A balanced domestic supply position might be reached if the weather in California causes growers to miss the forecasted yield estimates.

## Blending Tomato Loads for Consistency

Did you know that more than 300 varieties of tomatoes can be used to make your product? And new varieties are introduced each year?

Why so many? Tomatoes' popularity as a food has led them to be heavily bred for certain growing and consumer characteristics. Although tomato selection in gardens has happened ever since the Spanish conquistadors brought the first tomatoes from Central America to Europe in the 16th century, heavy breeding began in the 1950's at the University of California at Davis in anticipation of the fruit being mechanically harvested. By 1959, GC Hanna had developed varieties hardy enough for the rigors of mechanization.

Since then, tomatoes have been bred with specific attributes in mind: *growing characteristics* like high field yield, mold and heat resistance; *processing characteristics* like high natural tomato soluble solids, even ripening, and easier peeling; and *consumer characteristics* like brighter color, better flavor and high lycopene content.

**Growing the right variety mix** is key for a successful season. The end product relies heavily on the tomatoes, not the processing, for its final characteristics.

We work in close partnership with our growers. Not only are they our suppliers, but also our customers. We offer transplanting and harvesting services, ensuring our involvement in the fields from beginning to end.

Our field department begins the complex task of organizing hundreds of tomato varieties to develop a balanced growing plan. The plan's goal is to keep the factories at their planned capacity with a constant flow of tomatoes having characteristics to meet the finished product specifications as defined by our customers.

**Despite excellent planning**, unpredictable things happen. During the season, factories break down, fields don't develop as planned, or the weather doesn't cooperate. Maybe the field that was sup-

posed go to diced has been burned by the sun. Maybe some tomatoes are thicker than expected and need to be blended with other loads to meet Bostwick specifications.

At Morning Star, we have unparalleled raw tomato choice during the season. Because we process about 25% of the tomatoes grown in California, we select from the largest pool of tomatoes and can divert loads to the appropriate factory as necessary.

Before the tomatoes are harvested, we sample the field to analyze its potential yield and quality characteristics. We can even run these samples through a small pilot peeler to gauge the field's viability for our diced operation.

***At Morning Star, we have unparalleled raw tomato choice during the season.***

**By knowing a field's quality characteristics before it is harvested**, we can adjust our plan to meet our goals. Loads are blended at the factory ensuring finished product consistency and quality. We minimize the effect of less-favorable loads by dispersing them among the factories to be blended with higher quality loads.

Everything we do ensures a finished product that will perform the best for our customers. We work hard to create consistency through planning and flexibility



*Red, ripe tomatoes ready for harvesting*



*The double row harvester; a Morning Star invention to increase efficiencies*

*We maintain our never-ending commitment to partnering with each and every customer.*

### Sales Team

- Kelly Haywood  
530-473-3626
- Greg Wuttke  
209-827-7830
- Karolina Splinter  
209-827-7831
- Becky Wahlberg  
209-827-7803
- Joan Rocha  
209-827-7801

## Becky Wahlberg—The Newest Face in Sales

On Valentine's Day, Becky Wahlberg became the newest face in Morning Star's sales department. With 8 years of industrial sales experience in both conventional and organic tomatoes, Becky adds knowledge to our team.

From humble beginnings, Becky's pulled her tomato career up by its boot straps. She began in 1988 working at the Atwater factory as its office manager. Her excellent organizational and follow-through skills earned her a role heading up the customer service department when Sun Garden consolidated its operations. Becky launched into sales when Sun Garden merged

with Gangi Brothers in 1996.

In the predawn hours, you can find Becky lifting weights and doing cardio at the gym with her husband of over two years, Mark. This mother of two grown daughters loves to vacation in warm, exotic places. Her favorite locale to soak up the sun is the Caribbean.



## Take Advantage of Our Value-Added Services

We've added new faces to our sales team in the last few months. Yet, we maintain our never-ending commitment to partnering with each and every customer. We strive to provide outstanding value, not only in our wide range of tomato ingredient products, but through our value added services.

We offer all our human resources to help our customers be the most competitive in their markets. These services include consultations on technical matters such as packaging, ingredient formulation, and process engineering. We also study the marketplace and offer educational market segment analysis.

## 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

### Santa Nella

12045 South Ingomar Grade  
Los Banos, CA 93635  
209 826-7100



**EXCELLENCE THROUGH  
COMMITMENT**