



## Anything Can Happen During Long Tomato Season

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#### OUR PRODUCTS

- Hot Break Tomato Paste**  
(28% and 31% NTSS)
- Organic Hot Break Paste**  
(31% NTSS)
- Cold Break Tomato Paste**  
(31% and 37% NTSS)
- Organic Cold Break Paste**  
(31% NTSS)
- Concentrated Crushed**  
(26% and 28% NTSS)
- Diced Tomatoes**  
(3/8", 1/2" and 3/4" cut)
- Fire Roasted Diced Tomatoes**  
(1/2" and 3/4" cut)
- Organic Diced Tomatoes**  
(1/2" and 3/4" cut)
- Ground Tomatoes in Puree**  
Tomato Puree (1.07)  
Chili Sauce  
Ketchup  
Custom Formulated Products

#### CONTAINERS

- 300-gallon aseptic bag-in-box
- 55-gallon aseptic drum
- StarPak  
(four 75-gallon bags-in-box)

### Domestic Crop

Harvesters have begun picking tomatoes in California's fields and the industry expects to be going full tilt by the middle of July. Packers and growers are anxious about this year's crop because of its size and the high price of tomatoes. Forecasts are for a record setting crop over 12.5 million tons, and packers are paying a record \$80 per ton for the tomatoes.

Although riddled with minor setbacks during the planting season, overall the crop outlook is excellent. Sources close to the field report, "There are a lot of tomatoes out there." If current conditions hold, the crop could produce above average yields of 40 per ton for the third straight year.

With that said, California has a very long season, and anything could happen between now and October. If damaged by a prolonged heat wave, rampant disease, or heavy rainfall, this bumper crop could easily turn into a dud.

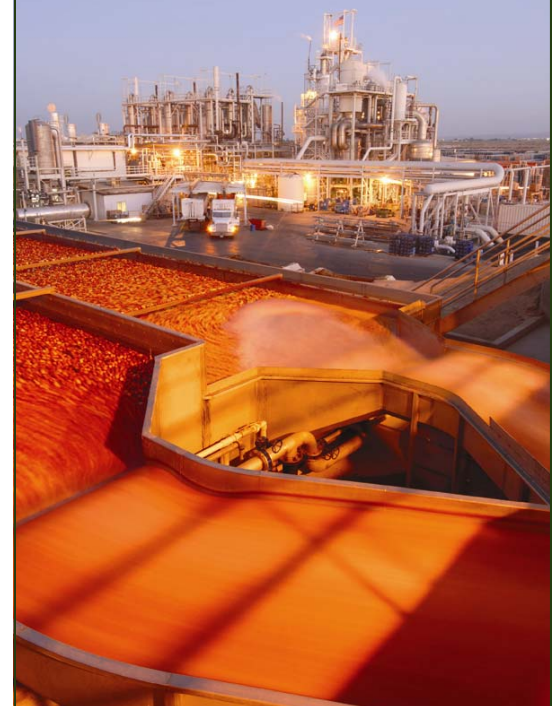
Even if Mother Nature continues to cooperate and produce a bounty, growers and packers face the logistics of actually processing such a massive crop. To meet forecasts, the industry needs to handle an average of one million tons over the 12 week season, or have the pack extend through the end of October.

A big concern for a crop this large is the potential of "getting behind the crop." This means that the tomatoes ripen before the growers or packers can harvest or process them. Quality drops if the tomatoes are over-ripe. The fruit becomes too soft for the rigors of processing.

Additionally, water is a big concern for drought plagued California. Although packers contracted for more acres in counties with better access to irrigation water, Fresno County is still the state's biggest tomato producer, typically supplying over 4 million tons.

Unfortunately, water allocations for the Westlands Water District, which encompasses most of Fresno county, have been strapped. Governor Arnold Schwarzenegger wants President Obama to declare the county an economic disaster area. According to USA Today, nearly 262,000 acres are going idle this summer leaving 40% of farm workers in the county unemployed.

This update is a shortened version of our newsletter. Look for a mid-season update with current crop conditions.



### International Crop

*Conversion Note: 1 metric ton = 1.102 short tons*

Fueled by several years of worldwide tomato paste shortages, global processed tomato production is rising to meet the demand.

The global crop is expected to set a record at just shy of 40 million metric tons (MT), according to the World Processing Tomato Council. The previous record of 36.6 million MT was set in 2004. Last year's production at 36.58 million MT was no slouch, but 2009 could prove to be 13% larger.

After California, China expects to produce the most processed tomatoes at 7.68 million MT. This is 1.27 million MT tons more than produced in 2008.

To reach this large production increase, Chinese processors have added 31 new processing lines with capacity of at least 28,000 MT of fresh tomatoes per day, reported FoodNews.

**MARKET ANALYSIS**

**Domestic Processors Moving Record Volumes**

Despite forecasts of record processing tomato volumes, pricing for California paste is not dropping. Prices are holding at about 46-48 cents per pound for 31% NTSS paste in bins. Processors are unwilling to lower prices for a collection of reasons ranging from steady demand, high input prices, and the uncertainty of a long season.

Growing demand is driving processors to pack more tomatoes. A record volume of product moved through domestic warehouses last marketing year. From June 2008 to 2009, US processors moved 12.3 million fresh equivalent

tons to customers according to the California League of Food Processors June 1 stock report. This record disappearance is 11% above the 5-year average and 4% over the prior record of 11.8 million fresh equivalent tons set in 2004/05.

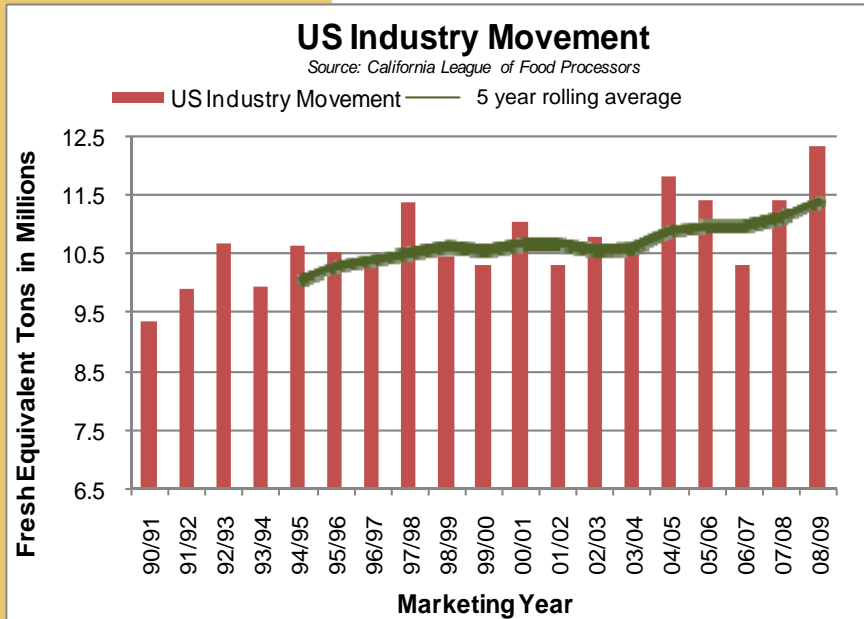
Demand for US processed tomatoes has been trending upward since 2004, and domestic processors feel they have sales contracts for the upcoming large pack, avoiding a surplus.

Paying a record high field price for tomatoes means packers are less likely to pack for open stock. No processor wants to risk having expensive tomato paste sitting unsold in its warehouse. According to Morning Star's calculations, tomatoes make up 56% of this year's tomato paste manufacturing costs, up from 46% in 2004.

Strong demand and expensive tomatoes are just part of the story. As California's industry has learned in recent years, costs can change abruptly during the season as well as the crop outlook.

Packers are concerned that in these unstable economic times, in-season costs could increase. Natural gas and gasoline prices could spike severely during the pack as happened in 2005.

Although the season has started well, packers know that crop conditions could deteriorate during California's long season. Many things could derail a record-breaking crop as outlined in the previous page.



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