



### CALIFORNIA CROP

## Strong Finish Pulls Up Crop

California's tomato growers and processors might be too good for their own good. Once again the world's largest production area packed an above average crop, creating an excess supply.

Although final numbers have not yet been released, the crop is expected to top 12.3 million tons—potentially edging out California's 1999 crop as the second largest on record. The 2010 crop is about 7% below last year's record setting 13.3 million ton crop.

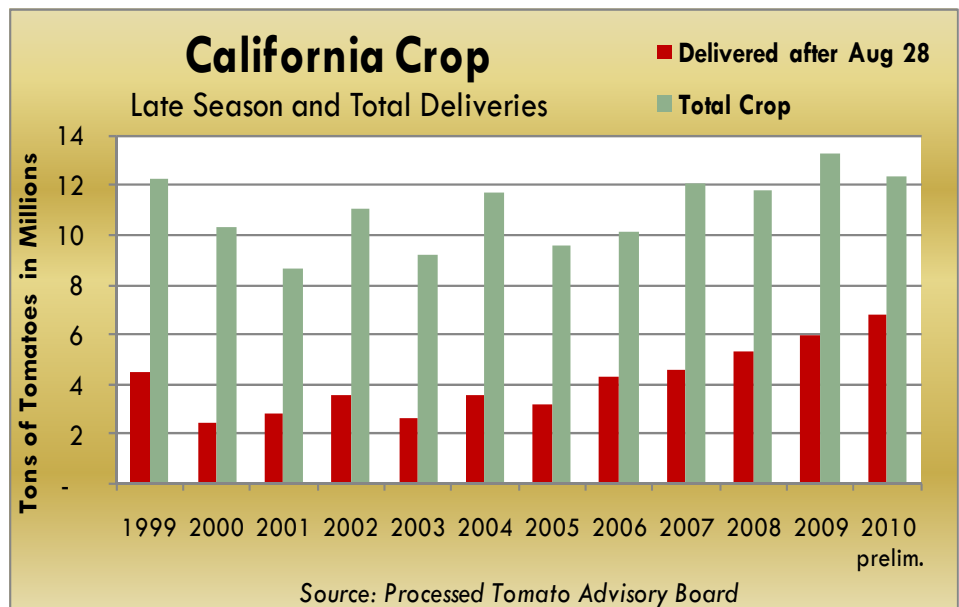
What makes the 2010 crop amazing is the yield, especially since most of the crop was processed late. It appears growers averaged record-breaking yields of over 45 tons per acre on the 269,000 acres contracted. When all the dust settles and the final numbers are in, the 2010 yield could be at least 2 tons per acre more than last year's high of 43.2 tons per acre.

The record high yields are stunning given the difficult early season faced by growers and the volume of tomatoes harvested later in the season. Early in the season, the weather was not co-

operating. The spring suffered under winter-like temperatures and late rainfall which delayed transplanting and pushed the start of the season back two weeks. The first few weeks of tomatoes, which arrived at the factories in late July, were damaged by disease and speck.

**California growers delivered a record setting 55% of the crop in September and October.**

summer, the weather stayed very mild and none of the tomatoes were ready on time which pushed back the entire crop.



Usually when a tomato crop gets off to a late start, processors face issues with "bunching". Bunching happens when some fields ripen behind schedule and need processing at the same time as tomatoes already scheduled for that time period. Luckily, this

As a result, the crop was very behind expectations in August, and appeared it would fall short by at least a million tons. But a cool summer allowed the vines to set fruit unharmed by high temperatures, and the late crop developed above average yields.

### SALES TEAM

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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)

## INTERNATIONAL CROP

# Harsh Weather Creates Global Shortfall

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

Preliminary results from the World Processing Tomato Council put the global crop at 36.9 million metric tons, down 13% from last year's record and 7% short of preseason expectations.

Globally production was down off the 2009 record crop, but most European countries, like Spain and Italy, managed to exceed or get close to their preseason goals despite delays and issues with weather.

growers required a higher price for raw tomatoes, due to favorable margins from competing crops.

A delayed start and cold weather during the season caused tomato yields to fall, and a raw tomato shortage forced packers to pay even more for tomatoes during the season.

Turkey also failed to reach its preseason expectations. The

2010 World Production			
Early Forecast vs. Preliminary Results			
<i>Source: World Processing Tomato Council</i>			
In Metric Tons	March 2010 Forecast	Oct 2010 Preliminary	Percent Change
Italy	5,000	4,900	-2%
Spain	2,200	2,300	5%
Portugal	1,100	1,280	16%
Turkey	1,600	1,280	-20%
Greece	710	640	-10%
<b>Total AMITOM</b>	<b>14,882</b>	<b>14,169</b>	<b>-5%</b>
China	7,800	6,210	-20%
<b>International Total (less CA)</b>	<b>27,728</b>	<b>25,778</b>	<b>-7%</b>
California	11,428	11,158	-2%
<b>World Total</b>	<b>39,156</b>	<b>36,936</b>	<b>-6%</b>

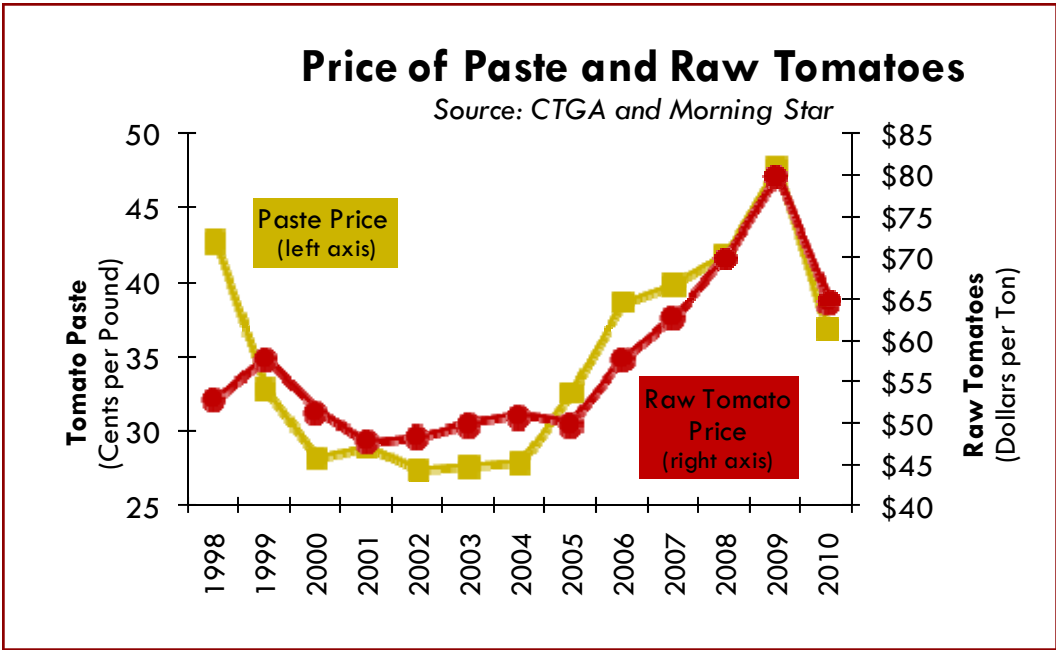
The big loser for the 2010 pack was China. The country produced 6.2 million MT, a 28% drop from last year and 20% below preseason forecasts.

Costs for China are also up. Before the season began, Chinese

country was only able to pack 1.28 million MT or 80% of its preseason forecasts. Turkey's 2010 crop was 29% below the county's 3-year average productions.

MARKET ANALYSIS

# Paste Prices Follow Price of Tomatoes



Since a large proportion of the pack is sold under contract, it's difficult to discover the spot market price is for US paste. Without a price exploration tool, there is no indication of where the spot market price will go.

Last year, the United States' processors moved tomatoes out of their warehouses at record levels. According to supply numbers from the California League of Food Processors, 12.6 million

When buyers signed paste contracts in the spring, they experienced sharp relief from the rising prices of the last few years. The contract price reflected the lower price of tomatoes and adjustments for natural gas, as well as expectations of a surplus market. Contract prices fell by more than 10 cents per pound this year.

fresh equivalent tons disappeared. Rising net exports is the biggest driver of this high demand.

Market conditions for exports of US tomato products continue to be favorable. The lower spot market price, beneficial exchange rates, and production shortfalls in China and Turkey should keep US exports at high levels.

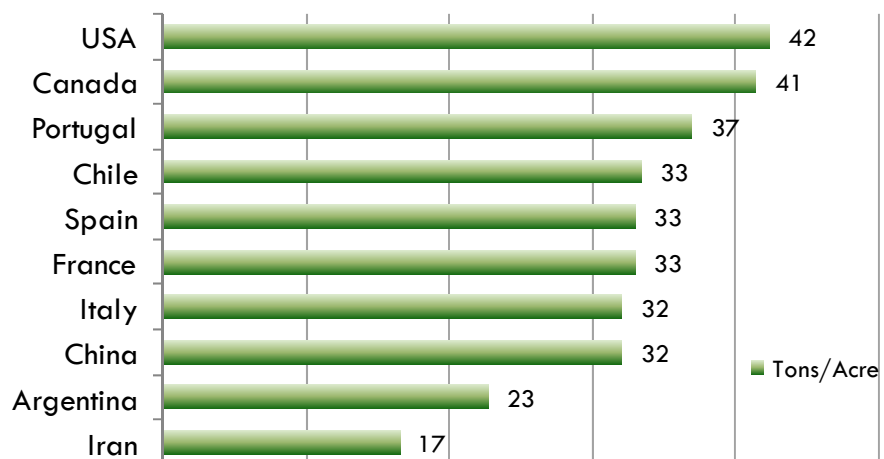
**GROWER HIGHLIGHTS**

## US Tomato Yields Ranked Best in World

CALIFORNIA GROWERS HAVE POSTED THREE CONSECUTIVE YEARS OF RECORD BREAKING FIELD YIELDS. IN THE LAST DECADE GROWERS HAVE IMPROVED THE QUALITY, PROFITABILITY AND RELIABILITY OF THEIR TOMATO CROPS THROUGH THE USE OF TRANSPLANTS AND INVESTMENT IN SUBSURFACE DRIP IRRIGATION SYSTEMS.

### 2010 Processed Tomato Farm Yields

Source: Tomato News



## COLLEAGUE PROFILE

# Marketing Focused on Relationships

After receiving his MBA from St. Mary's College in 2007, Nick Kastle joined the Morning Star team. Hired to do marketing, Nick has found that it does not mean blanketing the market place with impersonal, high-impact graphics but rather on strengthening the individual relationships Morning Star has with its customers.



Morning Star by streamlining and improving processes inside the company. Additionally, Nick is working to introduce specialty items, like product extenders and sun dried tomatoes, to Morning Star's product list.

Since moving from Colorado in 2000, Nick has worked in the food distribution industry. He began as a temporary receptionist for VISTAR Foods in Livermore and moved through various positions including inventory, operations, and procurement departments, eventually becoming a specialty buyer.

For Morning Star, relationships are our focus because we interact with such a small community of customers and pack product specifically for them. Morning Star only works with about 180-200 customers, which we estimate is no more than one-third of the market.

Morning Star strives to maintain a high success rate with its customers. Nick helps our sales and customer service teams enhance the customers' experience with

In 2003, he moved to grocery retail distributor C&S Wholesale as a branded and private label buyer for the West Coast and Hawaii, then became a category/brand manager. Nick lives in Sacramento with his wife, Joanna, and their dog, Shadow.

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