



CALIFORNIA CROP

Record Yields Estimated

With the most recent tomato harvest completed, it appears California's fields produced record setting yields resulting in the state's second largest crop.

Preliminary numbers show volume at just over 12.6 million tons, 5.8% above last year and 5.1% shy of the 13.3 million ton record set in 2009.

was uneventful. As has been the pattern in recent years, the season started two weeks later than planned due to a wet, cool spring which delayed planting and fruit development.

Harvesting began in earnest in mid-July and processing reached full tilt in early August. As the summer pushed on, deliveries to

SUMMARY

California tomato paste is increasingly desirable around the world. The efficient California industry is growing its volume while China reevaluates and struggles to become economically sustainable.

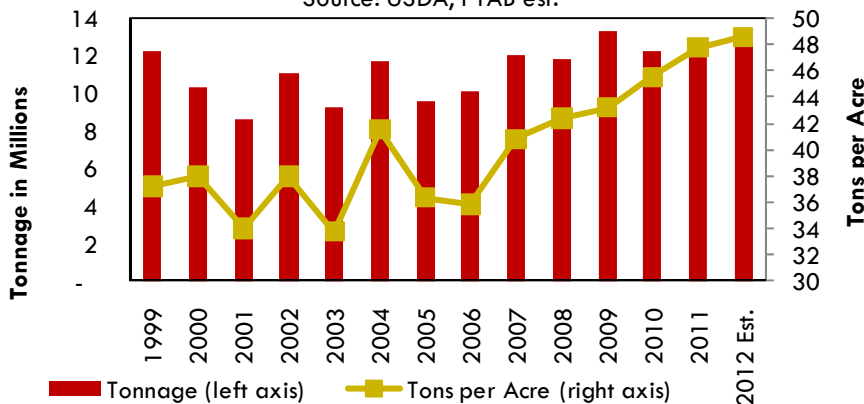
wrapped up in the middle of October, just as rains hit.

Overall, the tomato quality was reportedly good, but Natural Tomato Soluble Solids (NTSS) was a bit low. High NTSS is important for paste factory efficiency as lower solids mean more water needs to be evaporated to reach the solids target of paste. At 5.16 average for the season, 2012 NTSS was 2.6% lower than the 5 year average of 5.3 NTSS, based on reports from the Processing Tomato Advisory Board. PTAB operates the tomato grading program statewide.

Although California has seen a lot of sunshine this fall, the October rains have helped buffer against drought. According to the California Department of Water Resources, precipitation is 85% of average for July through October and reservoir storage is 95% of average.

California Tonnage and Yields

Source: USDA, PTAB est.



For the 5th straight year, California's field yields set a record. Unofficially, 2012 yields are over 48 tons per acre on 260,000 acres. Although many things factor into field yields, drip irrigation is often credited for the stable and ever improving yields. For the most part the harvest

the factories exceeded 1 million tons for 7 weeks. Despite the high field yields, the factories processed tomatoes as they ripened and didn't fall behind the crop.

Harvesting slowed down by the end of September and the season

INTERNATIONAL CROP

World Production at Lowest since 2006

Conversion Note: 1 metric ton = 1.102 short tons

While California reached toward record tonnage, production slumped globally. Global tomato volume dropped 10.9% from a year ago. At 33.5 million metric tons, worldwide volume dipped to its lowest level since 2006. The crop missed preseason forecasts by 5% which translates to a 2 million metric ton short fall, according to the World Processing Tomato Council's (WPTC) preliminary results.

This year's biggest loser was China. Only 3.23 million MT of tomatoes were processed in China, down 52% from last year.

Weather hurt an industry already struggling economically. According to the WPTC, heavy rains and flooding shortened the season in Inner Mongolia and Ningxia regions, while drought and blight decreased yields by

20-30% in the Xinjiang region where 90% of processing tomatoes were harvested.

An October 24 FoodNews article details Chinese tomato processors bleak economic picture. Production costs for tomato paste are about \$820-\$850/MT while paste has been selling below \$800/MT.

The processors can no longer afford to lose money, and the industry is being forced to re-make itself. Production is expected to be lower for the next few years and prices for paste are supposed to rise to \$880-900/MT.

Currently, China is the largest exporter of tomato paste in the world. In the calendar year 2011, China exported 1.12 million MT of paste.

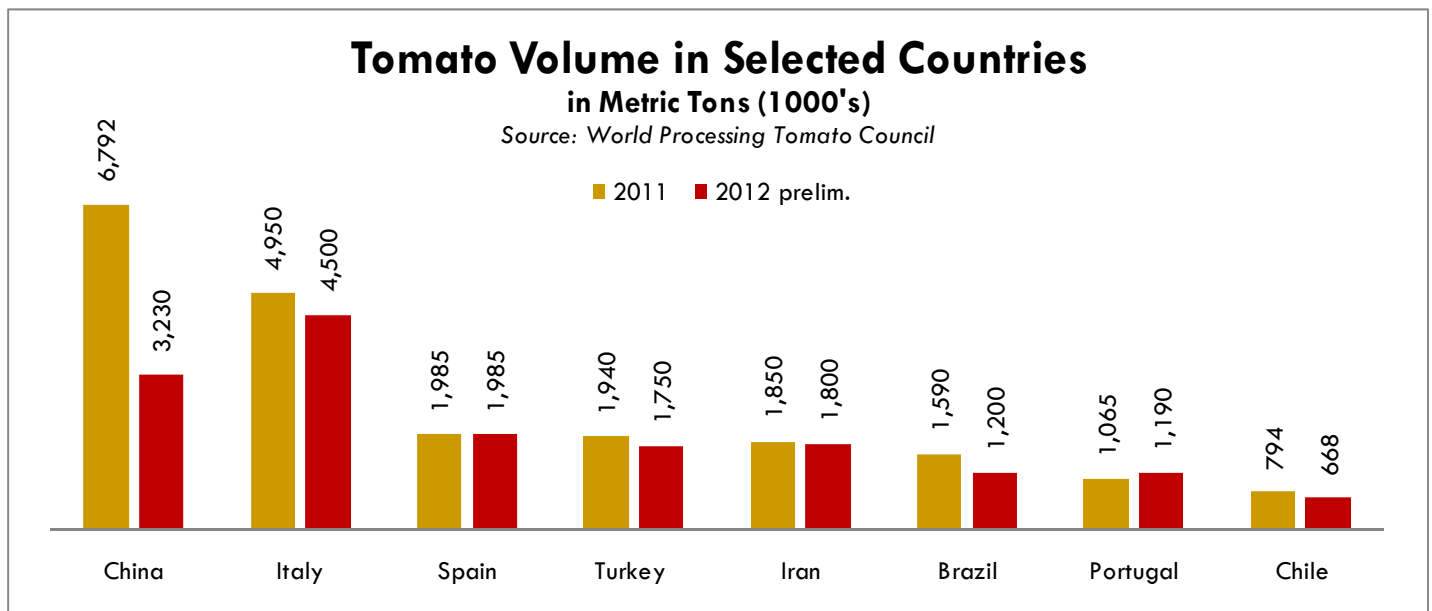
The major producers in Europe beat their preseason forecasts.

Italy packed 4.5 million MT, down 9.1% from last year but still 3.4% above its preseason forecast. Since Italy produced more tomatoes than China, it regained the title of the world's second largest producer, a title lost to China in 2006.

The Italian industry struggled throughout the summer with heat waves and fruit ripening bunching, but ended strong in September surpassing forecasts.

Spain packed 1.95 million MT, the same as 2011 but 16.8% above preseason expectations.

Excellent weather resulted in high field yields in Portugal. The country produced 1.19 million MT, beating last year by 11.7% despite planting less area.



MARKET ANALYSIS

Export Market Reshuffle

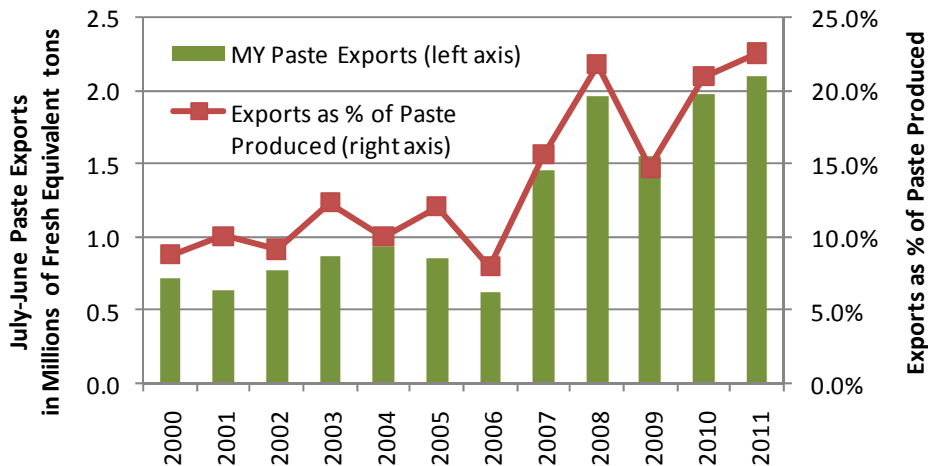
Exports have become increasingly important in driving the demand for California tomato paste. An growing percentage of the domestic pack is delivered outside the United States' boundaries. Last marketing year, export volume hit record levels, and a record 23% of the paste produced in 2011 was exported.

2011. To put it in perspective, China traded 38% more paste than Italy last year.

Global paste trade should be interesting to watch next year. For all intents and purposes, China has checked out.

Chalkis, China's second largest tomato processor, is being forced

U.S. TOMATO PASTE EXPORTS



Source: USDA-FAS, CLFP

Since 2008, the U.S. has been the 3rd largest exporter in the world, supplanting Spain for that spot. But the U.S. is still just a little guy on the world market when compared to the two leaders, China and Italy.

Even after its biggest export year ever, the U.S. traded one-third the volume of China and half as much as Italy in 2011. (Source: Tomato News, October 2012)

China is a giant in the tomato paste export market making up 37% of the 3 million MT traded in

by a local court to restructure debt or file for bankruptcy. Top management has left in disgrace as bad financial news continues to surface, says a November 3rd Food News story.

With their focus now on long term profitability, Chinese packers have said they won't drop prices to make sales, and since the crop was far below already depressed forecasts, China simply can't offer as much product.

U.S. packers are poised to satisfy some of the gap left by China.

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)

Organic Diced Tomatoes
(1/2" and 3/4" cut)

Fire Roasted Diced Tomatoes
(1/2" and 3/4" cut)

Ground Tomatoes in Puree
Tomato Puree (1.07)

Chili Sauce

Ketchup

Sun Dried Tomatoes

CONTAINERS

300-gallon aseptic bag-in-box

55-gallon aseptic drum

StarPak (four 75-gallon bags-in-box)

COLLEAGUE PROFILES

New Business Development Team



With 10 years of customer service experience in multiple industries, **Brandon Taylor** brought his skills to Morning Star in March 2009. Beginning in Customer Service, he transitioned to Los Banos for sales and business development in the 2011 pack season.

Brandon has lived his whole life in California. After high school, Brandon joined the Marine Corps, thinking he would see the world, but ended up spending four years stationed in the California desert base near Twentynine Palms. Brandon is married with an 11 year old son, 6 year old daughter and 5 month old daughter. To keep calm, Brandon is a drummer in a metal band.



Based in the Williams factory, **Emily Jackson** works with Brandon Taylor and Robert Young in new business development and prospecting. She joined Morning Star in July 2011 after earning a BS in Agricultural Business and a Minor in Animal Science from California State University, Chico. Emily grew up in Bakersfield but currently lives in Woodland.

Emily volunteers for the Yolo County Young Farmers and Ranchers organization which promotes agriculture through education and raising scholarships funds. She enjoys football and baseball season, and anything outdoors. Emily recently learned how to fly fish. She says, "I hope to fly fish more. I find it calming and one of the most relaxing things I have ever done."

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