



—CALIFORNIA CROP—

RECORD CROP DESPITE GROWING GROUNDWATER CONCERNS

Water has undoubtedly been the most discussed topic in California’s agricultural community this past year.

The concern in a lot of minds is whether California can continue as the world’s leading agricultural center in the face of steady reservoir depletion.

While the drought has highlighted seemingly new problems, the California water table has actually been in a steady decline for the past few decades. Only the recent severity has prompted action from environmentalists. Governor Jerry Brown also recently signed a package of bills that will regulate groundwater pumping.

The unprecedented new regulations will take decades to achieve the goal

of sustainably replenishing the water basin, with some estimates coming in around the year 2040. Well before then, these new regulations will limit water allowances to farmers and impact both the San Joaquin and Salinas Valleys. Fortunately, tomato crops are one of the most efficient users of water (using only 4% of California’s crop acreage allocation), especially when compared to orchards and forage crops. The use of drip irrigation, rather than flood, has also helped tomato farmers increase their water use efficiency.

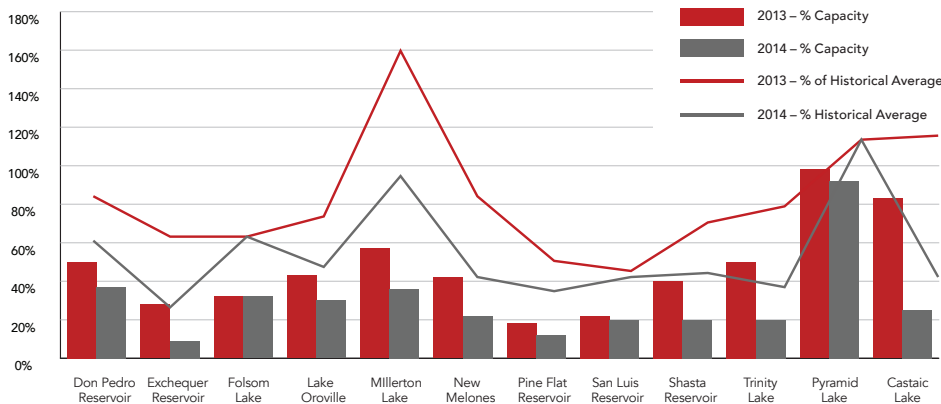
In October 2014 the state set a new record for tons harvested at over 14

million short tons compared to the previous 2009 record of 13,313,051. The crop surpassed issues of drought, warmer than normal temperatures, strong winds, along with well failures and curtailed pumping from the San Joaquin Delta. The record tomato crop demonstrates the long-term economic viability of growing tomatoes in California.

Weather played into crop performance in both positive and negative ways this season. The dry 2013/2014 winter helped to create an inhospitable environment to 2013 crop’s prominent virus, Curly Top. Mold was down to an average of 1.2% versus 1.5% in 2013. High temperatures during planting season caused a lengthy season (ending on October 27th), which resulted in processors paying late season premiums of up to \$15 per ton and facing lower incoming solids (5.16 versus 5.22 in 2013). To put the lower solids in perspective, the impact on the 2014 pack is the equivalent of 161,000 tons of tomatoes.

Looking forward, we can expect water to continue to be at the forefront of both growers and processors’ minds. The coming years will provide both groups with unique opportunities to work together and ensure California’s role as the global leader in tomato production. 🍅

RESERVOIR CONDITIONS



Percentage Change in Capacity from 2013 vs. 2014
Distributed to Southern California Population

—INTERNATIONAL CROP—

FORECASTS MEET EXPECTATIONS

Conversion Note: 1 metric ton = 1.102 short tons

At 39.9 million metric tons (MT), global production exceeded the June 2014 estimates of 39.1 million MT by 2%. The total volume processed in Italy was 4.9 million MT, exceeding the June estimate of 4.8 million MT. The Italian crop registered higher numbers than predicted, gaining a 20% increase in

production compared to the 2013 crop; however, brix levels were significantly below average.

Despite early October rains that forced factories in Extremadura to close prematurely, the Spanish crop surpassed estimated yields. The perfect weather, up until mid-September, led to record

production 2.7 million MT, up from last year's 1.65 million MT. Overall, the Spanish crop ranked as one of the most improved, with a 64% gain in production from 2013.

October 17th marked the end of the Chinese tomato harvest. The total quantity processed was estimated to be 6.3 million MT, which exceeded the initial estimates. China very closely rivaled the Spanish crop at a 64% production improvement for 2014. A successful late harvest in Xinjiang and perfect weather in Inner Mongolia gave the extra push that the Chinese season needed. Even though production numbers were positive, the tomato quality suffered overall with excessive green tomatoes.

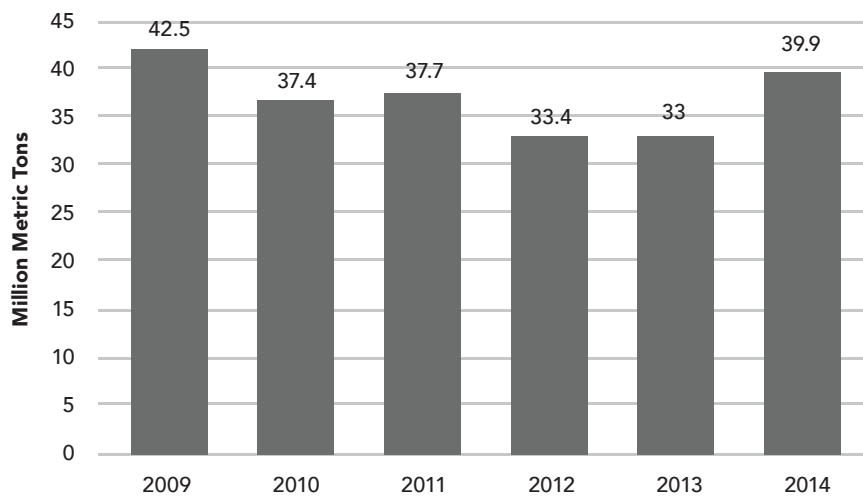
Portugal struggled with the 2014 season, leaving grower contracts short 200,000 MT. With heavy rainfalls from early August to mid-October the country received nearly 40% of its average annual rainfall. Final production came to a total of 1.2 million MT, a 14 % reduction from the forecast.

The Turkish crop had its worst season in over 10 years. The crop total came to 1.8 million MT compared to the estimated 2.3 million MT. Heavy rainfall stunted the harvesting season and caused low brix levels.

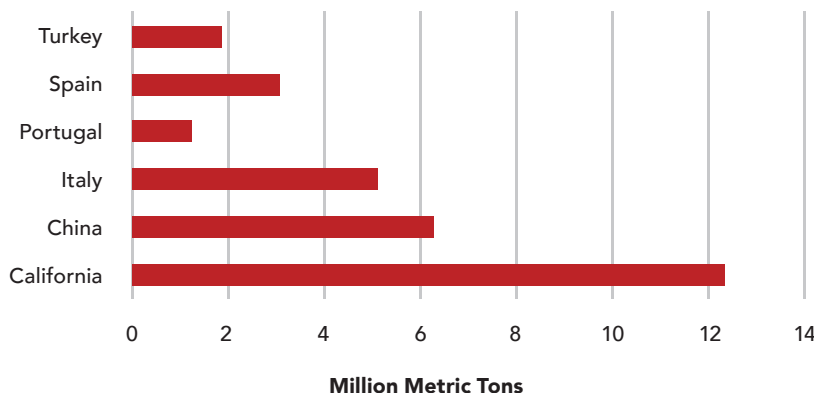
Looking to the Southern hemisphere, the country of Chile has an alternate harvesting period, from January to April. The planting season has started and remains in favorable weather conditions. In 2015, the Chilean crop is hoping to reach its harvesting goal of 850,000 MT by April.

All in all, rain and weather issues left Portugal and Turkey 10-20% short of forecasts, but combined with sizable crops in California, China, and Spain, world production still came in 20% higher than in 2013 at 39.9 million MT vs. 33 million MT. 🍅

HISTORICAL GLOBAL PRODUCTION



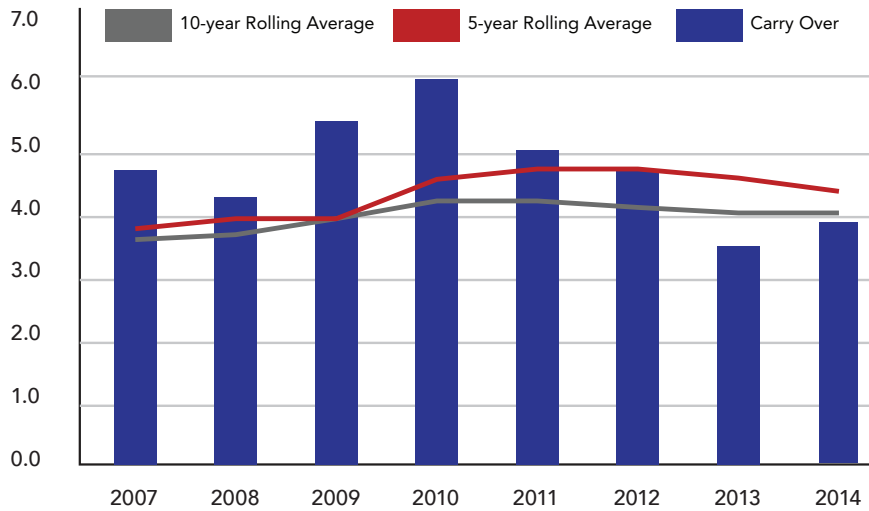
2014 PROCESSED TOMATO PRODUCTION



— MARKET ANALYSIS —

RECORD PRODUCTION YEAR BRINGS SUPPLY AND DEMAND INTO BETTER BALANCE

DOMESTIC CARRYOVER



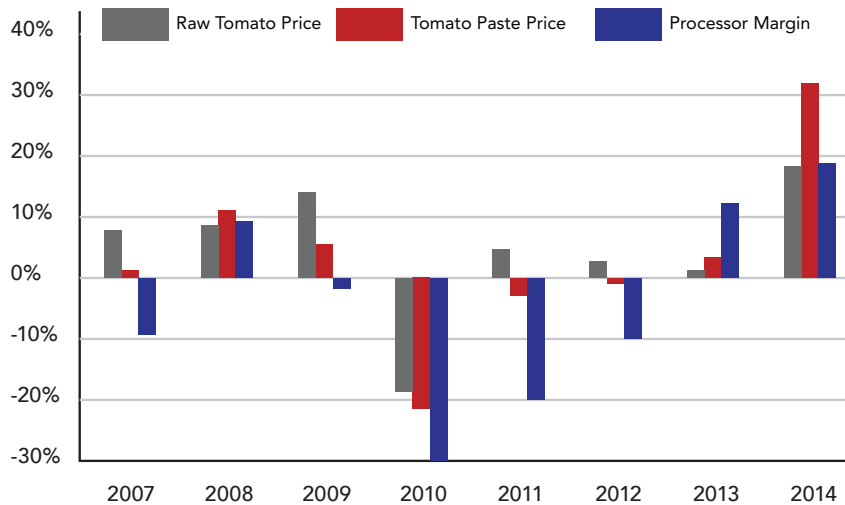
Following the problem-stricken 2013 crop, the California industry has improved tomato paste inventories with the 2014 pack coming in according to forecast. Despite some regions affected by wet weather, the world crop was also boosted compared to last year, primarily lifted by China, California and Spain.

In California, market pricing remains steady in the high \$0.40's per pound for 31% NTSS tomato paste in a bin. This is a relatively high price compared to recent years, and reflects the high price paid for tomatoes of \$83/ton, as well as lingering impacts of depressed marketing years from 2011-2013. Uncertainties about water supplies are contributing to the unstable pricing picture despite slightly improved inventories.

Our projections indicate that there will be slightly more than two months of tomato paste supply in inventory when the 2015 pack begins compared to last year's average of three months. This is approximately in balance with expected demand; assuming that worldwide growth for paste-based products continues at about 2% typical of recent years.

For 2015, clouds may be lurking on the horizon in the form of regulations on water use. Morning Star's growing production capabilities in Williams, located in the growing region north of the Sacramento Delta, will help mitigate water concerns and help to provide our customer-partners with the products they need to satisfy their requirements. 🍅

ANNUAL CHANGE IN PRICING FOR CALIFORNIA PASTE INDUSTRY



Input costs are a driver in the price of paste but not the only one. (As indicated in the above charts)



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 S. Ingomar Grade
Los Banos, CA 93635
209 826-7100

OUR PRODUCTS

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

SALES TEAM

Kelly Haywood	530 473-3626
Paul Maxon	209 827-5518
David Musson	559 360-6061
Karolina Splinter	209 829-5090
Brandon Taylor	209 827-7831
Becky Wahlberg	209 827-5508
Robert Young	209 827-7830
Greg Wuttke	209 827-5513
European Sales	
Juan Jose Amezaga	+34 609 543 160

CONTAINERS

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

FOR QUESTIONS

Email Karrie Rufer at
krufer@morningstarco.com

DID YOU KNOW?

Morning Star also operates the largest Sun Dried tomato facility in the United States with the ability to produce all forms of Sun Dried tomatoes for your industrial needs. We offer a wide array of sizes and granulations from both California and Turkish origin! Please contact your Morning Star Sales representative to find out how we can further meet your tomato needs. 🍅

Nick Kastle

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—WHAT'S NEW AT MORNING STAR?—

MORNING STAR LAUNCHES ORGANIC LINE, ADDS CAPACITY IN NORTHERN CALIFORNIA

Organic products have become increasingly popular in the retail marketplace. In a response to our customers' demand for these products, Morning Star has begun construction on a dedicated organic processing line within our Liberty Packing facility in Santa Nella, CA.

The organic line will begin production in 2015 with a total processing capacity of 150 tons per hour. This system will have a virtually unlimited paste production capacity and an organic bulk diced capacity of over 100 million pounds.

This new line will be capable of producing organic paste, diced, concentrates, formulated products, and our unique fire-roasted tomatoes in a variety of packaging that includes bulk bins, drums, cans (all sizes), and pouches.

By creating a dedicated specialty products line, we will have the ability to process organic tomatoes all season long, rather than only at the start of the season. This will result in higher quality and more reliable organic tomato products at competitive prices. With tomatoes in the south having higher levels of color and sugars, we will

produce more colorful, flavorful organic tomato products.

While our San Joaquin Valley facility will be undergoing changes, our Northern Sacramento Valley processing plant in Colusa County will be expanding as well, as it is an ideal location for processing tomatoes given the water issues brought on by this season's drought. Groundwater availability is higher in the Sacramento Valley. With greater access to water, our Williams plant will increase its processing throughput by 65% and add an additional capacity of 300 million pounds of paste per year. 🍅