



NEWSLETTER

—NOVEMBER 2015—

—CALIFORNIA CROP—

CALIFORNIA CONTINUES TO PRODUCE RECORD CROPS DESPITE DROUGHT

California tomato growers continue to break records during fourth year of drought conditions.

The Processing Tomato Advisory Board (PTAB) reported 14,361,187 short tons of processing tomatoes delivered as of October 31, 2015. This number breaks the previous record high of 14,009,982 short tons.

Fresno County remains the leading producer with approximately 32% of the total tomatoes grown, with Yolo County at 13% and Kings County at 9.3%.

Solids were very good this year, with year-to-date readings as of October 10th averaging 5.6, 0.09 higher than the 2014 season. The variety Heinz 8504 commands the top spot on the variety

leader board followed by Nunhems 6366 and Seminis DRI 319.

Looking to the 2016 season, growers remain hopeful that the El Niño predicted for California will bring the growing areas some much needed rain. Climate models predict that California should receive wetter than average conditions in the early months of 2016.

While precipitation may increase, El Niño may not provide the necessary snow pack for long-term drought relief due to its tendency to increase temperatures as well as moisture.

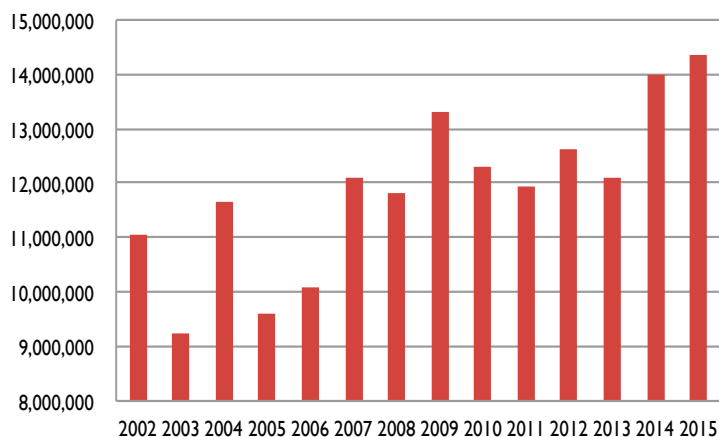
While there may be some relief to some taxed ground water aquifers, California

tomato growers may still be faced with some challenges. Wet weather may delay plantings in the spring.

Due to the fact that California's tonnage is now produced mainly from transplants, having to hold plants in greenhouses because of wet fields can lead to delayed sowing. Working wet land can also cause yields to decrease.

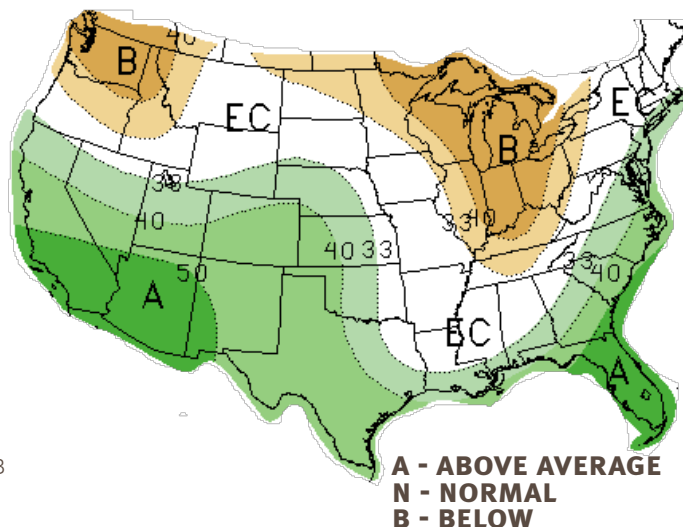
Weather forecasts are providing some much-needed optimism for drought relief; however, it will be up to the resilient California tomato growers to meet the challenge that a wet season may bring. 🍅

CALIFORNIA PROCESSED TOMATOES (SHORT TONS)



Source: PTAB

3 MONTH PRECIPITATION OUTLOOK



Source: National Weather Service

—INTERNATIONAL CROP—

GLOBAL PRODUCTION INCREASES FROM 2013/2014 SEASON

Conversion Note: 1 metric ton = 1.102 short tons

The World Processing Tomato Council's preliminary total of 41.25 million metric tons (MT) for the 2015 crop is an increase from the 39.9 million MT produced in 2014.

Italy increased their production this year to 5.3 million MT, up from 4.9 million MT in 2014. Italy benefitted from a quick start after a July heatwave; unfortunately, Brix suffered as a result. Average yield in Italy was 75 MT/

hectare (ha) with average Brix of 4.86.

Spain enjoyed a healthy crop this year, producing their new record production of 3.05 million MT, an increase from 2014's 2.7 million MT. The heatwave that affected Italy did not have the same impact on yields in Spain, averaging 90 MT/hectare.

China's 2015 production comes in at 5.6 million MT, an 11% reduction from the

2014 production of 6.3 million MT. Rain and heat both caused China's crop to suffer in both yield and Brix. Average yield was down 20% from 2014, ranging from 70-90 MT/ha and average Brix was 4.87. The majority of farmers in Xinjiang lost a portion of their 2015 crop, indicating a potential decrease in production for 2016.

Portugal made a healthy comeback in 2015 after two bad crop years. Production finished at 1.659 million MT. Average yields were 100 MT/ha and Brix averaged 5.2.

The Turkish crop production made a comeback after last season's 1.8 million MT to finish at 2.7 million MT. Yields increased to 140 MT/ha. Speculators believe that if September and October rain had not affected the crop, final production could have been even higher.

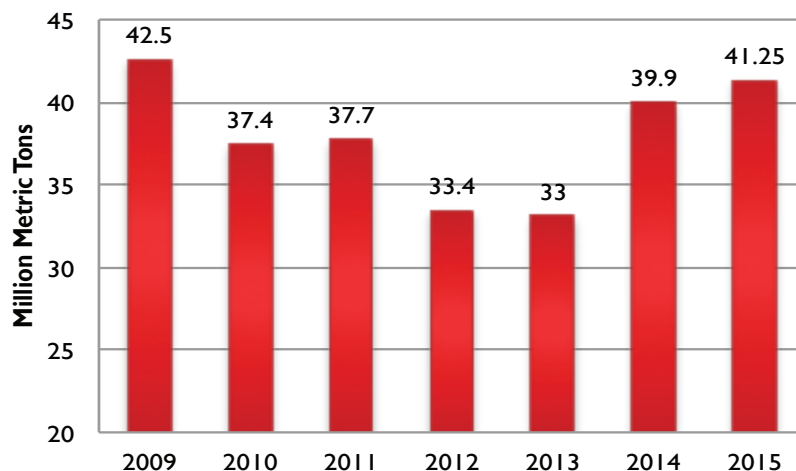
Tunisia's crop enjoyed higher yields of 62 MT/ha, an increase from 2014's 53 MT/ha for a total production of 1.25 million MT. Brix averaged 4.8.

Canada experienced a rough start to their 2015 season with rain and disease issues; however, crop production estimates finished up on target at 400,000 MT.

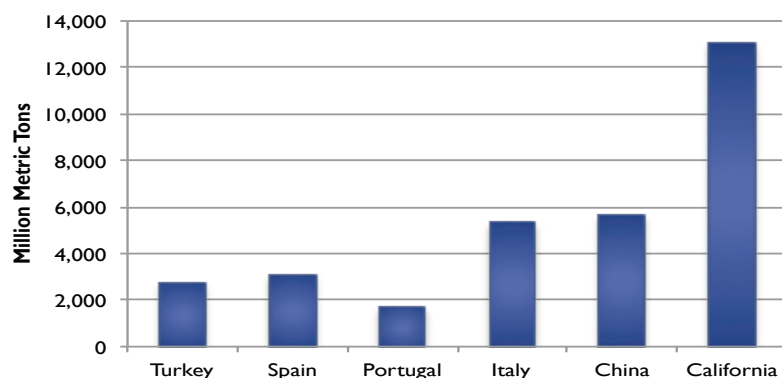
Iran had a reduction in production by 40% and produced 1.35 million MT in 2015. Heatwaves and reduced planting, in addition to fresh exports to Iraq, were the cause of this reduction in processed tomato totals.

All in all, global production continues the trend of increased totals, climbing from 33 million MT in 2013 to 39.9 million MT in 2014, to 41.25 million MT in 2015. 🍅

HISTORICAL GLOBAL PRODUCTION



2015 PROCESSED TOMATO PRODUCTION



Source: TomatoNews

—MARKET ANALYSIS—

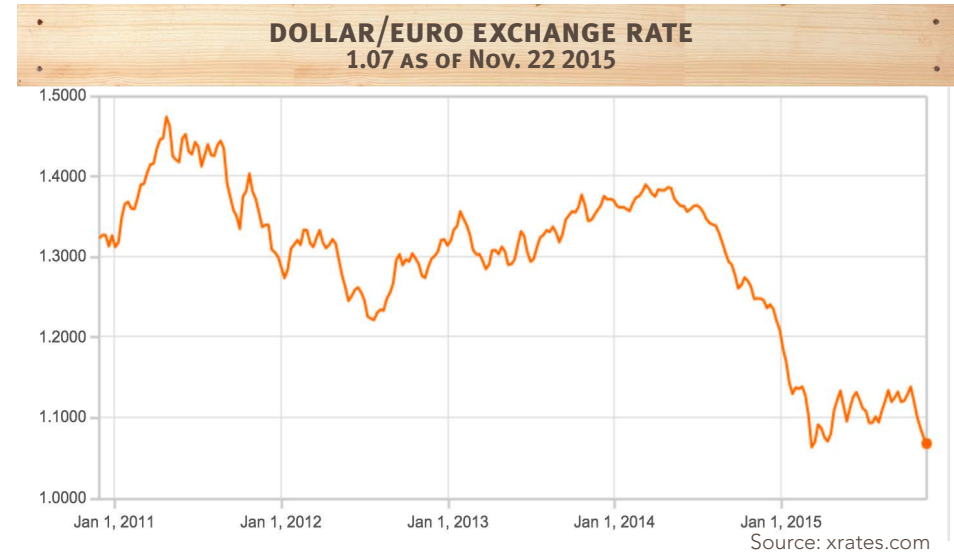
STRONG DOLLAR, WEAK EURO CHANGE GLOBAL LANDSCAPE

The international production of tomato paste has increased steadily in the last two years. While processors constantly have to deal with ever-changing field prices, inventory levels, oil prices, and market pricing, 2015 marks a particularly unique hurdle faced by California producers: the exchange rate.

Historically, the U.S. Dollar to Euro ratio has fluctuated between 1.47 (in April 2011) and 1.22 (July 2012); however, in January 2015, the exchange rate was at 1.20 and has fallen steadily since that date, currently 1.07 as of November 22.

The market implications that accompany a strong U.S. Dollar are not favorable for the exports of California tomato products. As the dollar's strength increases, the relative cost of California products does as well. Importers of California products, such as Italy and Spain, are now incentivized to shop locally when faced with increased costs.

California has increased its total production capacity by approximately 1,000,000 short tons in the last two years. Exports, in the same period of



time, experienced a 7% decrease. As a result, we may expect to see a decline in total production for California in 2016.

EU markets, in particular, offer several specific challenges to U.S. producers, such as a 14.4% protective duty and expensive ocean freight rates. Chile and the Ukraine, on the other hand, enjoy duty exemptions with EU countries (limited to 10,000 MT/year). Large crops in Spain, Portugal, and

Italy have spurred aggressive pricing in an effort to regain volumes lost to California in past seasons.

While the exchange rate does pose new challenges for California processors, other factors may indicate this reduction in exports could be short-term.

Italy alone imports the largest amount of California paste, peaking at over 200 million MT per year. Most of this is reprocessed and re-exported (with no duty paid) to African markets where product is sold in USD. In markets where products are sold in USD, the strong dollar is not necessarily a detriment when converting back against local repacking expenses.

Overall, the challenges of a strong dollar will have processors around the world re-evaluating pack plans for next year based on expectations for imports and exports in their region. 🍅



Source: TomatoNews



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)
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

SALES TEAM

Kelly Haywood 530 473-3626
Shawn Ketcher 209 827-7863
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
Greg Wuttke 209 827-5513
Robert Young 209 827-7830

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

—MORNING STAR UPDATE—

LIBERTY PACKING COMPLETES FIRST YEAR OF ORGANIC PRODUCTION

Liberty completed its 2015 organic season, processing in excess of 100,000 tons of organic tomatoes throughout the season. While it is already the largest dedicated organic line in the California industry, we expect to double our production in 2016.

The ability to run the organic line all season allows us to increase the quality and reliability of the finished organic product. With the majority of tomatoes coming from the San Joaquin Valley, we can provide our customers with better quality tomatoes for their organic consumers. 🍅



—DID YOU KNOW?—

MORNING STAR OFFERS NEW SERVICE

Morning Star now offers Just-In-Time delivery and inventory solutions! Ask your Morning Star Sales representative to see if these programs are a fit for you. 🍅

