



## NEWSLETTER

—NOVEMBER 2016—

### —CALIFORNIA CROP—

## 2016 OVERALL PRODUCTION DECREASES

### Organic production on the rise, increasing by 57%

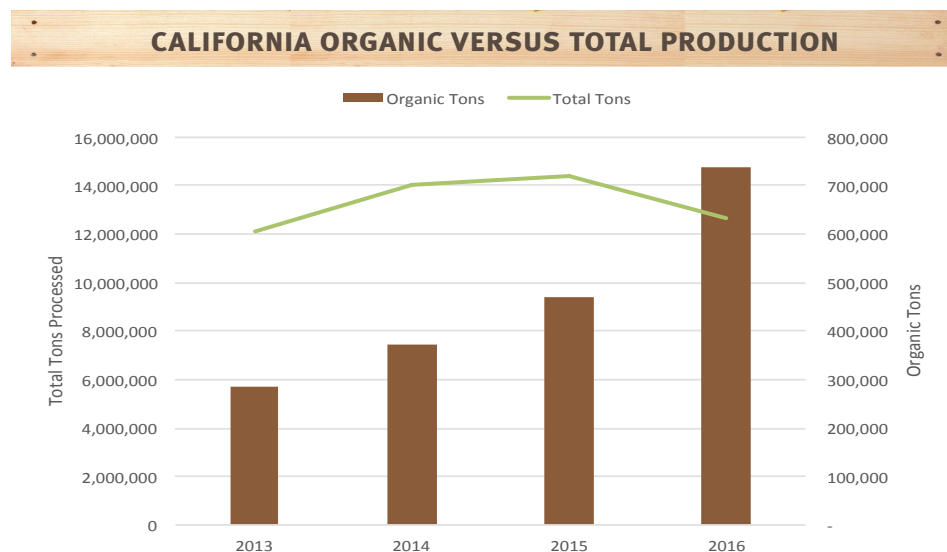
The California processed tomato market in 2016 saw a significant decrease in total production by over 1.7 million tons from 2015. Final production numbers came in at 12,646,979 tons being processed compared to 2015's final number of 14,361,188.

While overall production decreased, organic production increased at an impressive rate of 57%, up from 469,864 tons in 2015 to 736,816 tons in 2016. The question is: will the trend in consumer demand for organics keep up with this level of increased production?

The 2016 growing season had some extremes in terms of weather, particularly in the southern growing regions where weather caused yields to be slightly lower than 2015. Northern California growing regions enjoyed moderate weather and fewer extreme weather events resulting in consistently good production. The increased use of drip irrigation has also allowed the California tomato growers to mitigate extreme heat conditions much better than in the past with furrow/flood irrigation.

Focus for the California agricultural community for 2017 will still be on water availability. Early precipitation in October has suggested a positive outlook with the major basins receiving ranges from 7% to 302% of typical rainfall to date.

Precipitation in the 8-Station Northern Sierra has been above normal and San Joaquin precipitation is close to normal. Due to regulations, rainfall



would have to continue to increase in order for farmers south of the Delta area (in Federal Districts) to receive more than the 5% allocation that was distributed in 2016. Fresno, which supplies over 30% of the total California raw tonnage, is an area that received their 5% allocation.

Plenty of water has flowed through the Delta area this year, but unfortunately not much has been able to reach the farms. In the period from October 1, 2015 to October 24, 2016, 70.9% of the inflow to the Delta totaling 16,395,100 acre feet has gone out to the ocean rather than pumped into the California Aqueduct and Delta Mendota Canal to service cities and farms.

Pumping restrictions due to environmental concerns continue to affect growers in California. New attention is now being paid to groundwater as well. In compliance

with the Sustainable Groundwater Management Act of 2014 (SGMA), legislation that provides groundwater sustainability throughout California, local stakeholders will have until 2017 to organize themselves in Groundwater Sustainability Agencies. Groundwater Sustainability Plans will have to be in place and implementation initiated between 2020 and 2022 with groundwater sustainability achieved by 2040. This plan to lay out groundwater sustainability in California could greatly impact the number of acres currently farmed in California using groundwater supply.

Intentions for 2017 are not yet known, but with the global processed tomato market in a surplus inventory year, we may continue to see production levels decrease in order to balance the market. 🍅

## —INTERNATIONAL CROP—

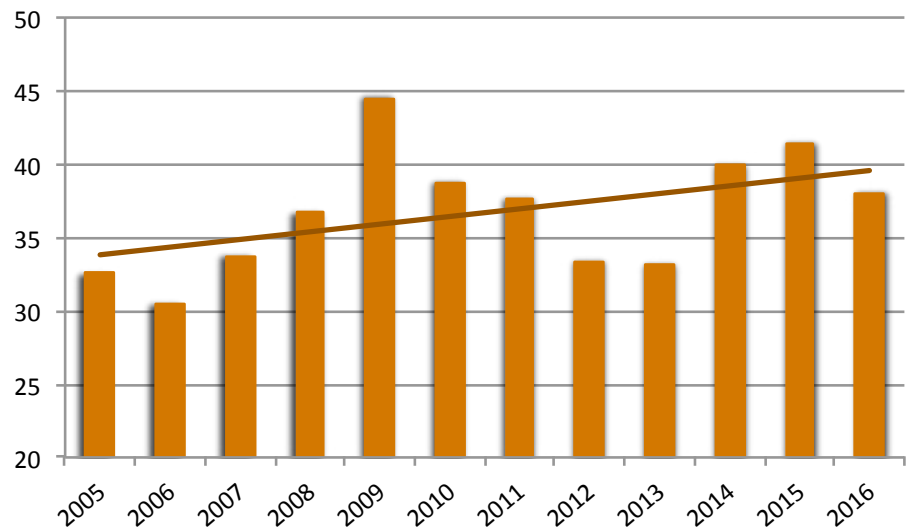
**GLOBAL PRODUCTION UPDATE****Conversion Note: 1 metric ton = 1.102 short tons**

As expected, global processed tomato production in 2016 decreased in volume from 2015 figures. According to the World Processing Tomato Congress, final quantities processed hit 38.047 million metric tonnes (mT), down from 2015 production of 41.374 mT.

The 8% decrease in production reflects the global industry's recognition that inventories are still elevated.

The AMITOM region (Association Méditerranéenne Internationale de la Tomate) led production at 16.03 million mT in 2016. The region's most notable countries, Spain, Italy, and Portugal, had lower production levels than 2015 but finished with 2.95, 5.18, and 1.5 million mT respectively. Both Spain and Portugal suffered from difficult starts to the season because of heavy rains.

Italy produced enough in 2015 to overtake China in volume, becoming the world's second largest country for processing tomatoes. Even though production levels decreased overall, the dynamics within the country shifted, with the northern region increasing production by 6% and the south-central region reducing production by 13%.

**HISTORICAL GLOBAL PROCESSING (IN MILLION METRIC TONS)**

Source: Tomato News

NAFTA (North American Free Trade Agreement) countries produced 12.44 million mT, 92% of which was produced by California. California experienced average yields of 48.3 tons/acre (an equivalent of 108.3 tons per hectare). Organic production saw an increase in California, indicating consumers increased demand for organic product. Canada saw a small increase in

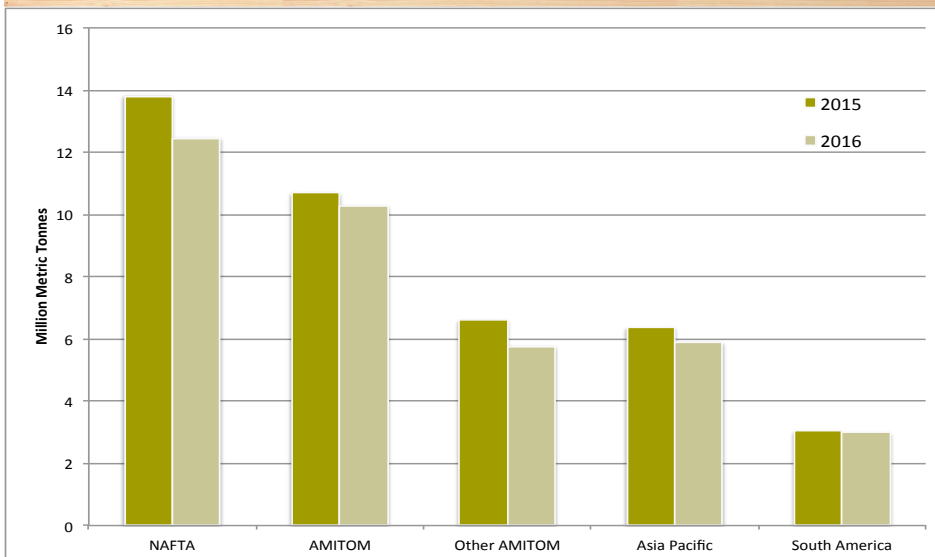
production from 400 to 456 million mT in 2016.

Other AMITOM countries (the largest being Turkey at 2.1 and Iran at 1.15 million mT) saw an overall reduction this season. Turkey's yields suffered due to rain, falling short of their 2.5 million mT initial forecast.

In the Asia Pacific, China's final tonnage fell 8% to 5.15 million mT with an average field yield of 76.4 tons per hectare. Tomato prices in China fell 5% and 12% in Inner Mongolia. According to Tomato News, the losses farmers experienced in the last two years may lead to a decrease in incentive to grow tomatoes in 2017.

In South America, Brazil experienced an increase in production from 1.3 to 1.45 million mT. Weather was consistently good for their planting and processing season; however, similar to California, drought in certain growing regions created a reduction in yields.

South Africa represents a small percentage of total global production, with final volumes coming in at 145,000 mT. Dry weather conditions caused trouble with water quality and availability.

**2015 AND 2016 PRODUCTION BY REGION**

Source: Tomato News

Developments in South Africa indicate some notable changes for the country's production capabilities. Famous Brands (owner of over 2600 fast food outlets in South Africa) has purchased the Cape Concentrates factory and plans to reopen in 2017.

South Africa imports a significant portion of its own country's demand for tomato products, making local

production highly attractive. The country currently imports 25,000 mT of paste, 11,000 mT of canned tomatoes, and 2,300 mT of sauces and ketchup. In an interview with Tomato News, Famous Brand's strategic advisor Kevin Hedderwick explained that "The market is significant." He also indicated that the new factory would supply all of Famous Brand's tomato product needs,

reducing the need for imports.

Looking forward, global production in 2017 will likely see another decrease in volumes in an effort to reduce inventories. Early estimated global production for 2017 is just over 38 million mT. Processors are currently finalizing their pack plans and growing intentions, keeping an eye on the current economic conditions. 🍅

## —COLLEAGUE HIGHLIGHT—

### HANS YOUNCE

Hans Younce has been a part of Morning Star since its inception 26 years ago. Even longer than that, he has known owner and founder Chris Rufer since his days at Ingomar Packing prior to Morning Star - Los Banos being built. He first learned about Morning Star while working at Ingomar but explains, "Chris was branching off to start something new and exciting, and I thought that sounded fun."

As a colleague charged with the mission of running the evaporators, Hans can typically be found in the control room at our Los Banos facility. Initially drawn to Morning Star by its environment that supports the opportunity to improve and grow personally and professionally, Hans has been a long-time colleague because of Morning Star's ability to be "innovative, evolving, and cutting-edge."

Before entering the tomato industry, Hans worked at the Little Poso Goat Dairy in Dos Palos, digging ditches, milking goats, hauling hay, and doing all kinds of work around the dairy. The perks? "The owners let me fill my '62 VW Bug with gas for free!"

Hans then joined the U.S. Navy after graduating from Dos Palos High School, much to the chagrin of his father. While in the Navy, he learned a great deal about steam plants while working in engineering. As Hans recalls, "I also had a hell of a lot of fun traveling around the world."

He met his wife Sue and promptly left the Navy to join the tomato game. Hans and Sue have two daughters, Katie (25) and Kelly (21). Katie is a nurse



in San Luis Obispo and is engaged to be married and Kelly is a senior at Cal Poly with plans to become a teacher. Hans proudly says, "We have two smart, beautiful daughters who know a lot about tomato processing and self-management. They grew up 'Morning Star.'"

In his spare time, Hans enjoys duck hunting, fishing, and baseball. He's a big Clint Eastwood fan, his favorites being "The Good, The Bad, and The Ugly," "The Outlaw Josey Wales," and "Dirty Harry." He also loves chess strategy books and can beat his own computer at chess!

Always armed with a sharp wit, he also has his own, personal set of business cards that read "Hans the Magic Clown. And Taxidermist." After 26 years at Morning Star, having a sense of humor is as essential as Hans's favorite book,

"Machinery Shaft Alignment."

Speaking candidly about his years at Morning Star, Hans explains, "It is challenging to always be the best. Good is not enough. Striving for perfection is a difficult road to travel." Hans has witnessed remarkable growth in our Los Banos factory as well as expansions, new construction, and acquisitions that have led Morning Star to become the largest tomato processor in the world.

Hans plans on retiring in the next 5 or so years, at which point he's looking forward to visiting most of the major league ballparks around the United States. 🍅





## 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  
**Jennifer Ingram** 209 827-7816  
**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](mailto:krufer@morningstarco.com)

## — OUR COMPANY —

# LOS BANOS TOMATO FESTIVAL



Morning Star participated in the sixth annual Los Banos Tomato Festival held downtown at the Los Banos Fairgrounds. As the presenting sponsor of the event, we welcomed thousands of visitors to learn about our processes, products, and colleagues.

The Tomato Festival hosts upwards of 7,500 guests from local and neighboring communities, educating people on the nature of the tomato industry and the important role it plays



Artwork by a Festival Visitor

in local, state, national, and global markets.

Activities sponsored during the day by local companies include a salsa competition, car show, live music, tug-of-war competition, cross-fit competitions, and dance performances. With this year's one-day event benefitting from perfect weather, crowds were out in full force enjoying all the activities. 🍅