



—OUR COMPANY—

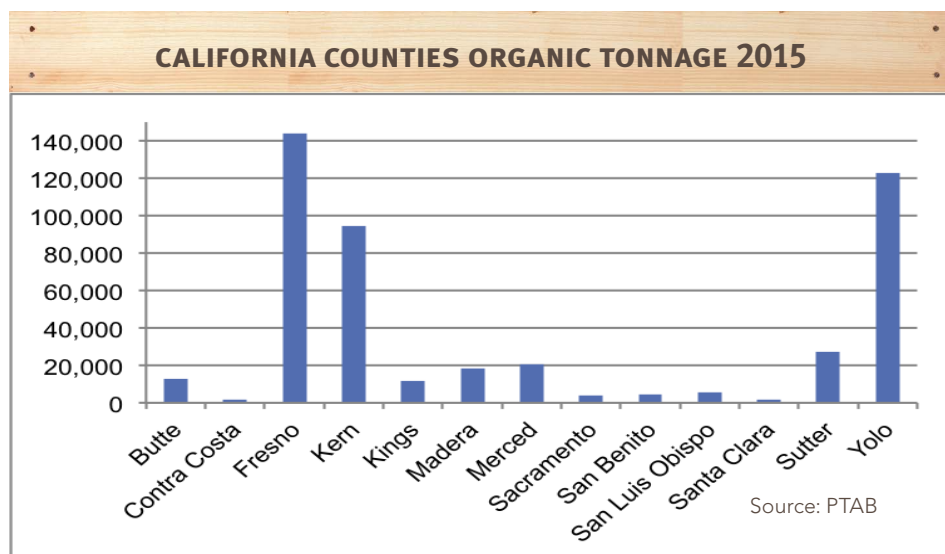
MORNING STAR'S LIBERTY FACTORY COMPLETES FIRST YEAR OF ORGANIC PRODUCTION

Dedicated organic line for paste and diced products allows for organic production throughout the entire season.

One of Morning Star's most recent capital projects has been to further revolutionize our Liberty Packing facility in Santa Nella, CA to provide for high volumes of organic tomato production. The tomato unloading station has been modified to create a separate line for the organic tomatoes to arrive and enter their own dedicated flume into the world's second largest processed tomato factory.

One of the most unique aspects of this new organic line is simply the fact that we now have the ability to run organic products throughout the entire season. Most processors choose to process organics at the beginning of the season, when the tomatoes may not be at their highest quality, because the factory has to be completely sterilized and meet organic standards without additional hassle or plant downtime.

One of the most important benefits of sourcing tomatoes throughout the season is obtaining high quality tomatoes to make finished products. We source our tomatoes from the San Joaquin Valley, where tomatoes are



higher in solids, color, and flavor. By being able to wait for the organic fields to properly achieve their best quality, typically from mid-season tomatoes, we can better achieve consistent finished product quality.

Processing organics throughout the season also provides a more reliable supply of finished products for our customers because a crop failure (unique pest or weather events) is less likely to negatively affect our whole supply.

In 2015, we successfully completed our run of the new dedicated line. Last year, Morning Star (Liberty Packing) produced approximately 30 million pounds of organic bulk paste and 50 million pounds in bulk diced.

This coming year, our production

capacity will reach 200 tons/hour of paste and 60 tons/hour of diced. That translates into a finished product production capacity of 130 million pounds of paste (31% equivalent) and 100 million pounds of diced. Of course, while capacity exists, actual production will depend on the needs of our customers.

California as a whole produced 469,858 tons of organic tomatoes in 2015. While the organic market is growing, it still only represents 3.4% percent of the state's 14 million tons. In recent years, many household brands have added an organic alternative to their product lines, allowing for greater customer choice and flexibility.

If you're interested in learning more about our organic products, please contact your sales colleague. 🍅

—CALIFORNIA CROP—

EL NIÑO MAY FALL SHORT OF EXPECTATIONS

Hopes of a “Godzilla El Niño” significantly impacting California’s drought have been slightly dampened by underwhelming February rainfall and warm temperatures. Although January showed promising levels of rain, the “Godzilla El Niño” hasn’t had the effect on reservoirs as Californians had hoped. Models have forecasted rains to continue well into spring.

While the El Niño impacts may not be as great as expected, reservoir conditions from 2015 to 2016 have improved moderately. Some reservoirs, such as the Folsom reservoir, are regulated to maintain a conservative water level to account for snow melting and prevent flooding.

One of the most important numbers to watch is the “Snowpack Water Content” from the previous year. While the average water content is

still not 100%, it has increased to an approximate average of 80% versus the approximate 2014 average of 20%. Snowpack remains an important marker due to its ability to refill reservoirs in the spring as well as provide a source of riparian water for farmers depending on river water.

Another important indicator for an improved water situation is the “Precipitation Index Accumulation” where water storage in the Northern Sierra, Southern Sierra, and Tulare Basin are listed at 115%, 109%, and 106% above average, respectively.

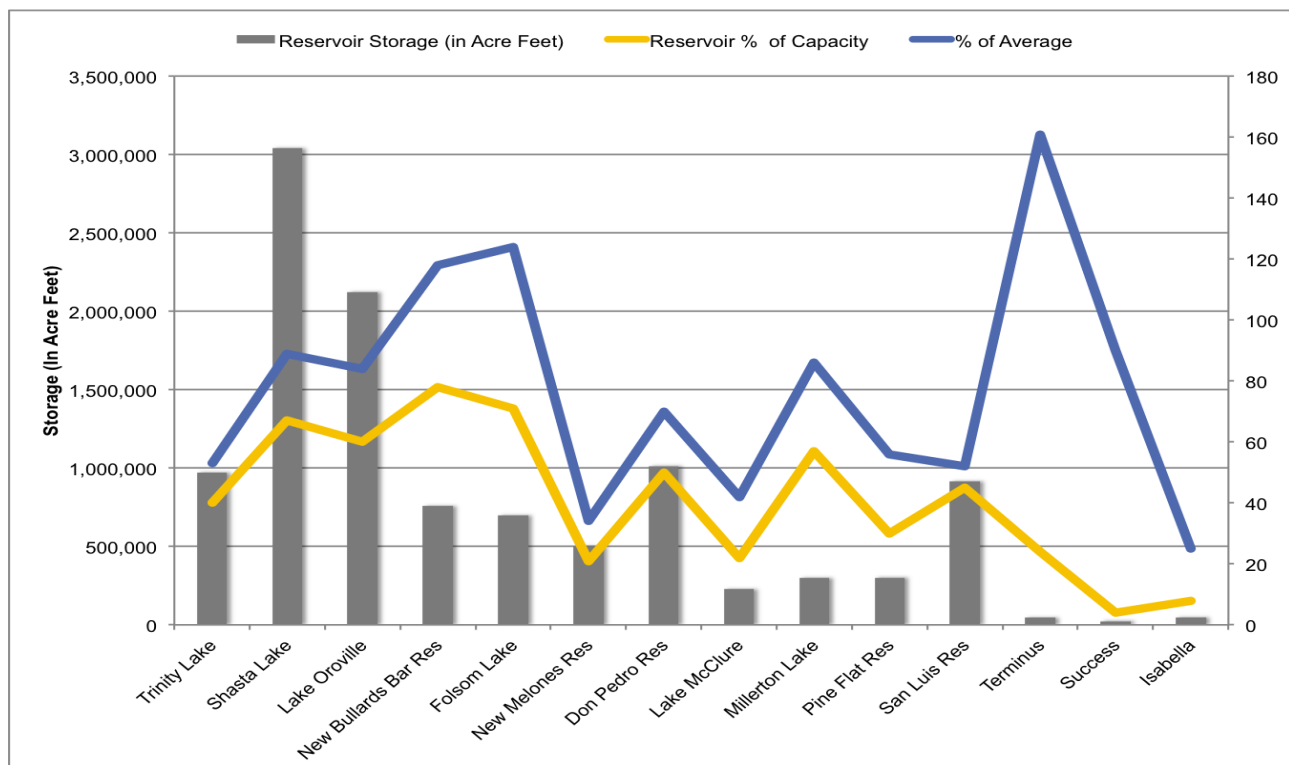
While the weather is helping to ease the drought, the Endangered Species Act has caused the level of water in the San Luis Reservoir to decrease from 65% of capacity in 2015 to 44% of capacity in 2016. The Act has severely limited the amount of water able to be

pumped into the San Luis Reservoir. Between October 1, 2015 and February 28, 2016, total water inflows into the Delta was approximately 4.9 million acre feet and nearly 3.9 million acre feet flowed to the ocean. Only slightly over 900,000 acre feet was pumped by state and federal pumping plants. To put this into perspective, California received the same level of rainfall in 2013 but levels in the San Luis Reservoir were 500,000 acre feet higher than they are today.

The implementation of the Endangered Species Act and subsequent pumping restrictions has primarily curtailed the supply of water to Southern California, particularly Fresno County, the leading tomato producing region in the state.

During the drought in California, water has become less readily available from surface sources, leading farmers

RESERVOIR SUMMARY AS OF MARCH 7, 2016



Source: CDEC

to rely more heavily on groundwater pumping to make up for the shortfall. As a result, the Sustainable Groundwater Management Act (SGMA) was passed in 2014 as a means of preserving groundwater supply. The act requires the formation of local groundwater sustainability agencies (GSAs) that assess conditions in their local water basins and adopt locally-based management plans. The act provides substantial time, 20 years,

for GSAs to implement plans and achieve groundwater sustainability. It also protects existing surface and groundwater rights.

With both pressure on the surface and groundwater supply, it is important that rain continues, despite the potential interruptions to tomato planting operations. The most desirable situation is snow in the mountain regions with the valley dry and temperature above frost level.

Water will continue to be an important issue for California's agricultural industry, with resources going to the more water-efficient crops. Adequate conveyance systems, storage, and environmental restrictions continue to be one of the biggest hurdles to overcome in the future. 🍅

—COLLEAGUE SPOTLIGHT—

DEREK AZEVEDO

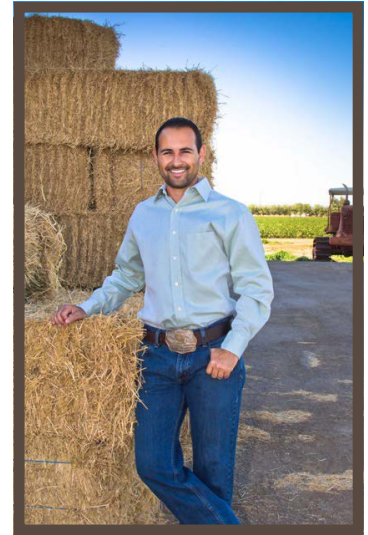
Derek Azevedo began working for Morning Star before the 2005 season. As a recent graduate of Kansas State University in Animal Science, he began his career in tomatoes working with our Aquisition group, organizing the purchase, management, and ultimate delivery of quality tomatoes for our processing plants.

In the 11 years since his arrival, Derek has taken on numerous responsibilities and roles as operations have grown, currently focusing on variety planning and grower relationships at our southern facilities (Los Banos and Liberty Packing). Derek is a wealth of agricultural knowledge and expertise that he readily shares with his fellow colleagues.

Recently, Derek graduated from the California Agricultural Leadership Program; a 16 month MBA-level program where a group of individuals engage in a rigorous process of class

presentations, case studies, seminars, and international travel in order to develop the leadership skills to successfully navigate the agricultural world. The mission of the program is to "grow leaders who make a difference" and their vision is to create "California agricultural leaders united as a catalyst for a vibrant industry."

Derek's most important takeaway from the program is understanding where his peers are coming from, learning that different personalities make up the individuals around him, and how he can change his own actions to better cope with his environment. He takes all that he learned during the program and applies it to his work at Morning Star in order to enhance the relationships around him. Derek highly encourages his fellow colleagues to participate in the California Agriculture Leadership Program. For more information, go to www.agleaders.org.



Derek's current initiative at the company is an ongoing campaign for organics; guiding new growers into organics, converting conventional agreeage to organic, and developing key relationships with growers and supporting them throughout the growing process.

FUN FACTS

Derek was born into a third generation farming family. Derek and his wife Angelique have two daughters, Avrey and Ashlyn.

Derek was originally recruited to Kansas State to participate on the Livestock Judging Team where he placed in the top 10 at five national contests and was ranked as one of the top 10 individuals nationally! 🍅





LOS BANOS

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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

—LEGISLATION UPDATE—

THE STATE OF GMO LABELING

In November 2012, California Proposition 37, known as the "Mandatory Labeling of Genetically Engineered Food Initiative," was placed before voters and failed to pass 51.4% against and 48.6% in favor. Mandatory GMO labeling has historically been a state-level issue; however, opponents to state labeling laws argue that increased costs cause competitive disadvantages for products relative to similar products from other states.

Currently only one state, Vermont, has successfully passed a mandatory labeling law, Act 120, in 2014 (effective July of this year) and now the issue is being looked at on a national, rather than state, level.

Senate Agricultural Committee Chairman Pat Roberts has recently proposed a national voluntary label law that would prevent states from creating their own laws requiring labeling for

all genetically engineered products, stating "No state or a political subdivision of a state may directly or indirectly establish ... any requirement relating to the labeling of whether a food ... or seed is genetically engineered."



Barbara Boxer and Richard Blumenthal have reintroduced legislation, the Genetically Engineered Food Right-to-Know Act that would require the FDA to label GE food and products that contain GE ingredients.

Although there are varying opinions on both sides of the aisle, most

agricultural groups, including the California League of Food Processors, support uniform legislation. State-by-state laws would create an unbalanced result by confusing consumers as to what they're really consuming. With each state able to define their own parameters, true transparency would not be achieved.

There are other alternatives to mandatory labeling, such as digital disclosure programs like "SmartLabel" that would provide easy access for consumers to review information about the foods they consume. Consumers can also learn more about GE foods and the precise and safe techniques used to produce products.

The next few months should indicate the direction of labeling laws - falling to the states to legislate labeling or to the federal government for a more uniform labeling system. 🍅