



NEWSLETTER

—JULY 2016—

—OUR COMPANY—

MORNING STAR PREPARES FOR 2016 SEASON

Vertical integration aids in the preparation

Since the end of the 2015 season, Morning Star Colleagues have worked hard preparing for what challenges 2016 has in store for us. Other than standard factory repairs and maintenance, our Colleagues are deeply involved in decisions at each stage of the production process.

The beginning of the 2016 season starts with the greenhouse, where we evaluate how many seedlings will be needed for the upcoming season. We supply the majority of the plants our growers require and the majority of those come from our greenhouses.



From the greenhouses, our Cal Sun Grower Services takes over and transplants the young tomatoes into the field. Using large transplanters, we transfer the seedlings from their trays into the prepared fields. With a mix of automatic and manual transplanters, we are constantly looking at new technology to improve the speed and reliability of the transplanting process.

Having a feel for the plants and the fields so early on in the season helps us plan efficiently for our harvesting and trucking needs down the road when the tomatoes are ready to be picked.

Morning Star's unique position in

the industry is partially due to our involvement in each step of the process - from the greenhouse to the factory, we strive to ensure quality by having a stake in each stage of the tomato's development.

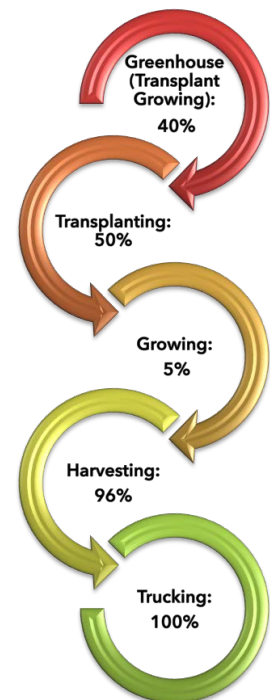


Seedlings take about 40-50 days to mature and be ready for harvest. During this time, our farming partners work hard to maintain the health of the plants in their respective fields. Using drip irrigation, tomato crops are actually one of the most water-efficient crops in California. Given that water has become an increasingly important issue in the state, Morning Star is constantly learning how to better use scarce resources.

At this time, our Colleagues are now in the final stages of preparing for the season. Harvesting is scheduled to begin in the coming weeks and will kick off another exciting season in the tomato industry.

Our harvesting Colleagues will be busy deploying our over 70 harvesters to fields as far north as Glenn County and as far south as Kern County. Our trucking Colleagues are also organized to be ready to deliver the harvested

MORNING STAR VERTICAL INTEGRATION



tomatoes to the factories. Timing is everything once the season starts and we are happy to have an exceptional feel for each step of the process leading up to the production at the factories. 🍅



—CALIFORNIA CROP—

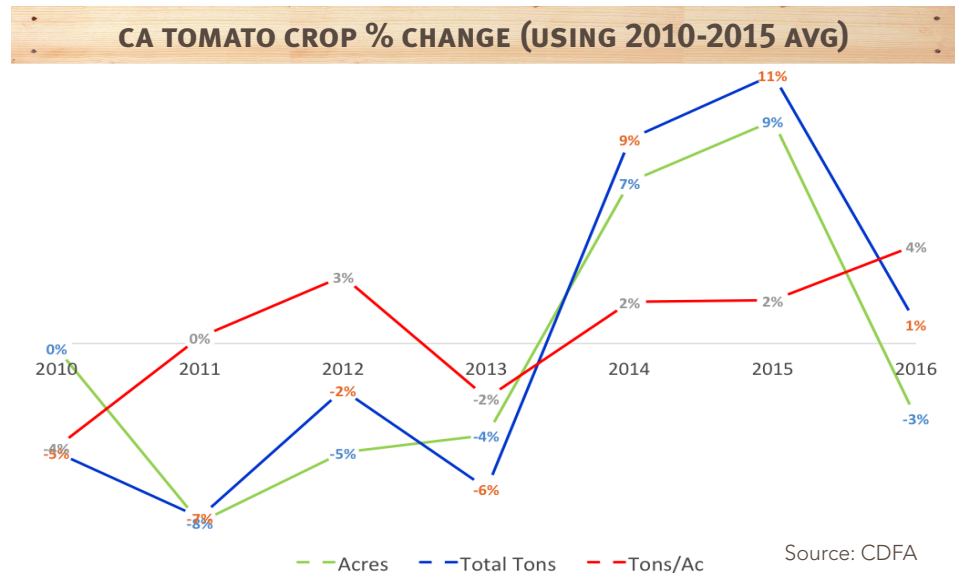
CALIFORNIA TO DECREASE PRODUCTION BY 9.1%**Processors contract for 13 million tons according to May intentions**

May intentions, recently released by the California Department of Agriculture, show that California's tomato processors reported that they intend to contract 13 million tons from 262,000 acres this season. This number represents an 11.8% decrease from last year's final contracted acreage. Contracted production per acre is 49.6 tons/acre, a 1.5 tons/acre increase over the 5-year average and 1.1 tons/acre higher than the prior two years.

Water and Curly Top virus concerns continue to be the most prominent obstacles to reaching contracted tonnage goals.

In northern California, transplanting in wetter conditions impacts yields negatively due to soil compaction. While rains helped fill northern reservoirs and provide water flow for rivers, the southern part of the growing region still has reduced water supply in areas where Federal districts control supply. In these areas, farmers are relying on groundwater pumping.

Environmental restrictions did not allow for the 2016 year to see adequate pumping levels. While total inflows between October 1, 2015 and May 31, 2016 reached over 11 million acre feet,



only 1.5 million acre feet were allowed to be pumped by the Federal and State pumps. Approximately 85% of the water is flowing out to the ocean, a number that continues to increase.

Curtailed pumping remains the primary reason for low water levels in the San Luis Reservoir, despite a good rainfall season. Fresno County, the largest processing tomato county in California is serviced by the Federal Westland Water District. The State Water Project allocation at 60% has improved over the prior year allocation of 20% and

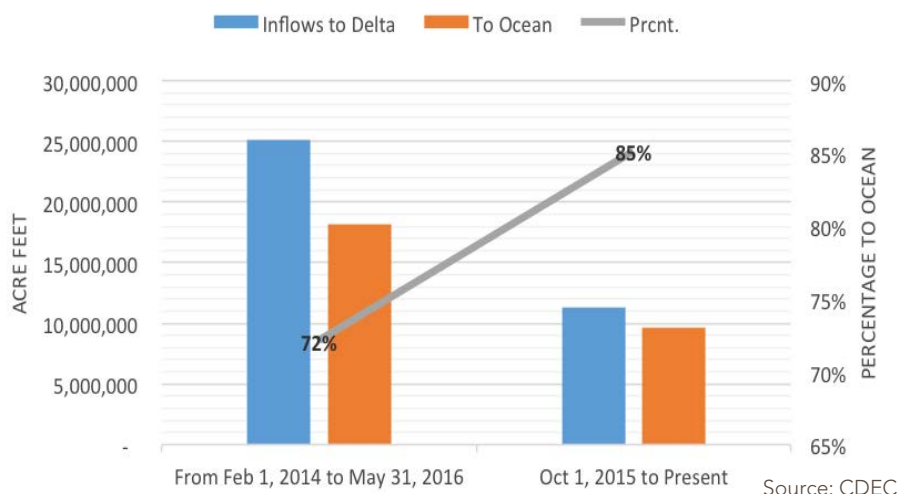
Exchange Contractors located in the Los Banos/Firebaugh area are now receiving a 100% allocation this year.

Generally speaking, the 2016 crop looks promising. Heat, cold, disease, rain, water availability, transplant quality, and a multitude of other factors affect the final production and subsequent yields.

While rainfall was promising in recent months, California has also experienced some extreme weather. Some areas in early May were damaged by a storm that brought hail and nearly 5 inches of rain. Heat presented another challenge, hitting higher marks and indicating a potential early season.

Transplanting concluded in May with only a few isolated fields planted in June. Finishing transplanting early this year was positive due to the high heat encountered during the last week of May and first week of June. This almost record-breaking heat would have made it very difficult to establish a tomato stand due to high soil temperatures.

The question remains: will California reach its goal of 13 million tons? With higher heat forecasted for the summer, farmers will be challenged to meet yield targets of nearly 50 tons/acre.

WATER FLOW TO OCEAN

Organic tonnage has grown as a percentage of the total 2016 crop as a result of increased demand for finished organic products. Yields for organic tomatoes are normally 20% below that of conventional tomatoes and will put additional pressure on the tons per acre target.

The positive indicator for yield is a September finish for processors. While

the planting season was interrupted by rain, wind, and heat, this did not extend into late plantings.

Few diseases were present this planting season; however, the Curly Top virus did make an appearance with a grower alert issued in early May by the Control Program. Some fields were affected but appear to be the exception rather than the rule.

All things considered, the 2016 season will be yet another challenge for our highly productive and resilient processed tomato growers; however, we are off to a pretty good start with a successful transplanting period and a better supply of water this year. 🍅

—INTERNATIONAL CROP—

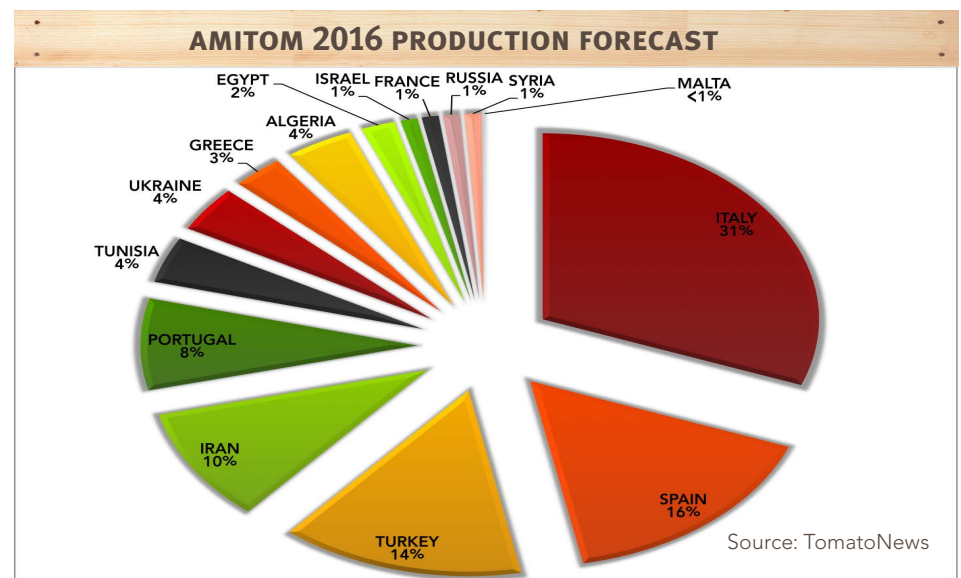
GLOBAL CROP UPDATE

Conversion Note: 1 metric ton = 1.102 short tons

Estimates for the 2016 AMITOM processed tomato crop were originally expected to be 300,000 metric tons less than last year with planned tonnage at 17.1 million metric tons (18.8 million short tons) in February. Due to adverse weather conditions, new estimates for the 15 AMITOM countries look to be closer to 16.3 million metric tons (mT).

Growing areas around the world have been affected in one way or another by weather issues. The EU, which includes some AMITOM countries, is expecting 9.9 million mT in 2016, an 11% drop in their processing compared to 2015.

Italy, the largest of the AMITOM countries, experienced some cool weather accompanied by numerous rainstorms in May that caused issues with planting in the North. Total planting areas have been reduced by 5%, but Italy still supports their estimate of 2.5 million mT for Northern production. Southern Italy has had better luck with planting and, while planting areas have been reduced by



10%, forecasts for the Southern region is 2.5 million mT as well.

Spain has also fought with weather, getting significant rainfall in April and May that interrupted planting for 15 days. Spain expects a late crop as well as gaps in raw tomato harvesting. The volumes estimated for Spain are around 2.6 million mT.

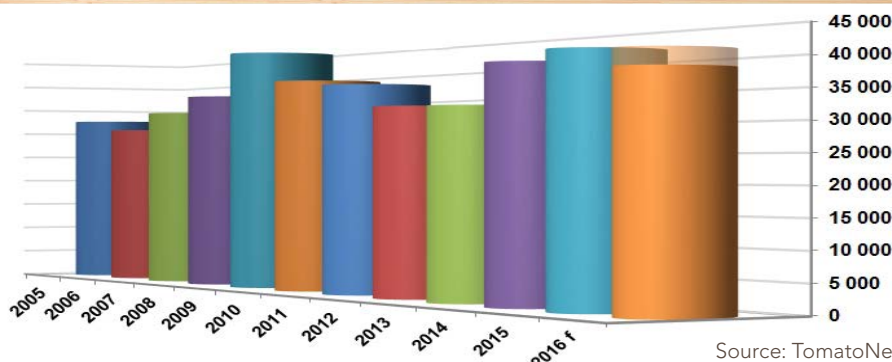
Turkey has been fortunate with weather; however, crop estimates are 15-20% lower than last year at approximately 2.3 million mT.

Portugal, while experiencing a wet and cold spring, has fought through and finished half of their planting around May 25th.

China is expected to contribute 5 million mT of production this year, marginally lower than the original 5.4 million mT forecast.

Including the AMITOM, total global forecast is 38.1 million mT for 2016. 🍅

HISTORICAL GLOBAL PROCESSING (IN METRIC TONS)





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

—COLLEAGUE SPOTLIGHT—

RICK PALMER

Rick Palmer is a new addition to the Morning Star colleague family, having just joined us last year. He originally met owner and founder Chris Rufer in 1995 when Rick was the Vice President of Operations for Authentic Specialty Foods and was looking for a co-packer.

Rick earned degrees from Biola University in Organizational Leadership, Chapman University in Food Science, and graduated from Azusa Pacific with his MBA. He also attended classes at Stanford, Cal Tech, and Talbot Seminary.

Rick's mission at Morning Star is to create and realize ultimate value across people, processes, technology, markets and products to optimize Return on Assets for the Morning Star enterprise, with a primary focus on the Liberty Packing Company, while satisfying all stakeholders in an admirably ethical manner through a commitment to excellence.

Rick is excited to be a part of Morning Star and hopes to help the organization reach even greater heights in the future. He believes Morning Star's Commitment to Excellence is paramount - and one of the distinguishing characteristics of the company.



Having worked for many established companies in the past, Rick explains that the most challenging aspect of working for a unique company like Morning Star is operating in an environment where you do not

have the power to dictate to others - rather, you must rely on voluntary agreements. While it's an adjustment, and certainly different from the way a lot of companies operate, Rick is quickly adapting to the self-managed environment.

Rick is very involved in his family and personal life as well. He and his wife, Christina, have three children, Jordan, Eden, and Cana. All three were homeschooled and his eldest, Jordan, is a music producer in Hollywood working with Sony while his other two children attend Fresno State.

In Rick's spare time, he likes to remain active. An avid outdoorsman, he enjoys hiking, skiing (water and snow), jet skiing, and working out. You'd be surprised to find out that he was once a professional bowler and even participated in a bodybuilding contest when he turned 50! 🍅