

# NEWSLETTER

WHAT'S NEW IN THE WORLD OF MORNING STAR



- SPRING 2020 -

## CALIFORNIA CROP

### 2020 CROP FORECASTED AT 12,000,000 TONS

#### California reservoirs are at above-average capacity despite the lack of rainfall

California processing tomato production is forecasted at 12 million tons. This forecast is down 100 thousand tons from last year's January initial forecast of 12.1 million tons following a 2019 harvested crop of slightly under 11.2 million tons. The 2020 production is to come from an estimated 235 thousand acres, generating an average yield of 51.1 tons per acre.

Planting began in the second half of February in the early harvesting areas of the southern part of the growing region. Obtaining the seed required for the early transplanting has been difficult as a result of regulations requiring testing for viroids before tomato seed is shipped to California.

Temperatures have been running above normal, and the lack of rainfall has resurfaced the dreaded "d-word" (drought) into the California climate discussion. While the lack of rain facilitates an early planting window, the California Department of Water Resources reported that as of February 24, statewide water content in the Sierras was just 41% of the April 1 average with current Northern Sierra precipitation at about 51% of season average. California is fortunate in that there was good wet weather and a significant snowpack in late 2019. The state's reservoir levels are hovering above average.

On February 25, the Bureau of Reclamation announced an initial 2020 water supply allocation for Central Valley Project (CVP)

contractors of 15% of their contract supply and the San Joaquin River Exchange Contractors and San Joaquin Settlement Contractors 100% of supply. While 15% of contract supply for CVP contractors is not much, it at least gives growers an amount of water that they can expect. State Water Project users are also at 15% allocation. The Sustainable Groundwater Management Act (SGMA) plans were filed by January 31 and are posted for review.

Drought years often bring high leafhopper counts in the hills along the valley, and they pose a threat of transmitting the curly top virus to the tomato plants as the hills dry down and the leafhoppers migrate into the valley. Leafhoppers carrying the virus transmit it to the tomato plant as they feed. While the State Curly Top Virus Control Program is

aggressive, its control measures are still limited by environmental restrictions and property owners' rights. Treatment has already begun. The last bad year for the curly top virus in California was 2013.

Labor in California agriculture continues to be a hot topic. With the beginning of 2020, minimum wage has increased by \$1.00 per hour, and the hours worked prior to overtime being paid has been reduced by a half hour. Not only are costs increasing, but availability of farm labor continues to be a problem.

Despite the challenges facing the processing industry in California, the potential for a good year still remains with resilient growers and processors linked with a drought year that normally produces above average yields.



### COVID-19 UPDATE

#### No impact on processing tomatoes to date

To date, the coronavirus (COVID-19) has not had an impact on the processing tomato supply. Seeds were already purchased and transplanting has begun.

#### Morning Star has a Pandemic Virus Outbreak Plan already in place

The Morning Star Packing Company is dedicated to the protection of its employees, facilities, and resources and is committed to ensuring that our company can continue all aspects of its critical business processes during a Pandemic Virus Outbreak. To ensure supply chain continuity and prompt recovery in the event of an interruption, we have documented a contingency plan to address these concerns.

Should you have any questions, please reach out to your Morning Star sales colleague.

## GLOBAL CROP EXPECTED TO INCREASE IN 2020

**World Processing Tomato Council estimates a 5.1% increase to 39.32 million mT**

In many countries, it is difficult to have a precise prediction of the 2020 crop; however, we can look at several indicators to determine increases or decreases in production.

Greece is expecting a 10-12% increase to 400,000 mT, with growers willing to plant more after an encouraging 2019 season.

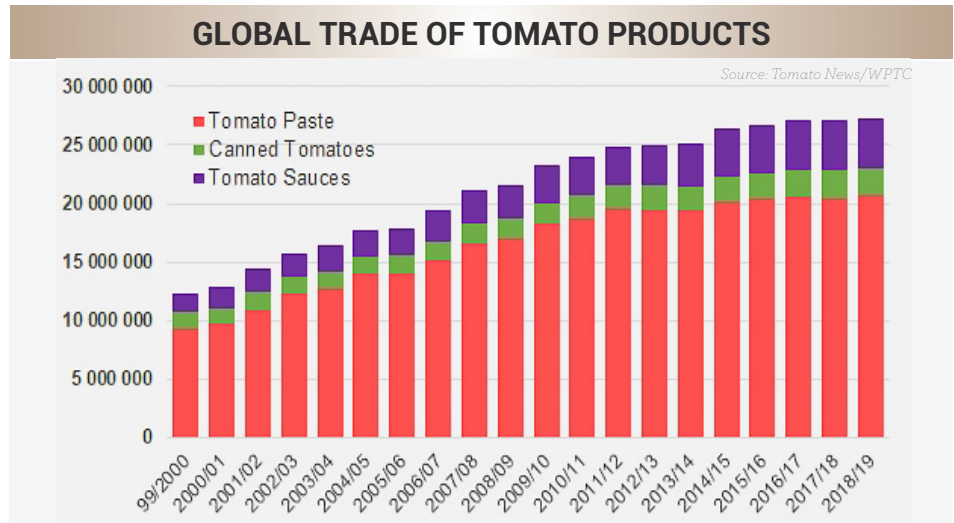
Italy is on track to produce on par with 2019, expecting 5 million mT to be delivered (2.6 in the north and 2.4 in the south).

Portugal has just recently confirmed their contracts and is expected to produce 1.4 million mT.

Spain faces some concerns about water availability in Andalusia and subsequently reduced surface planting by 7% in the region; however, yields in 2019 were promising and, combined with a 4% increase in the Extremadura region, the country expects to produce 3.1 million mT.

Turkish farmers have indicated a desire to increase planting in 2020 but Turkey is facing high inventories from 2019 and will likely produce around 2.2 million mT.

China is facing an increase in the demand for production, with 100,000 acres being added to the



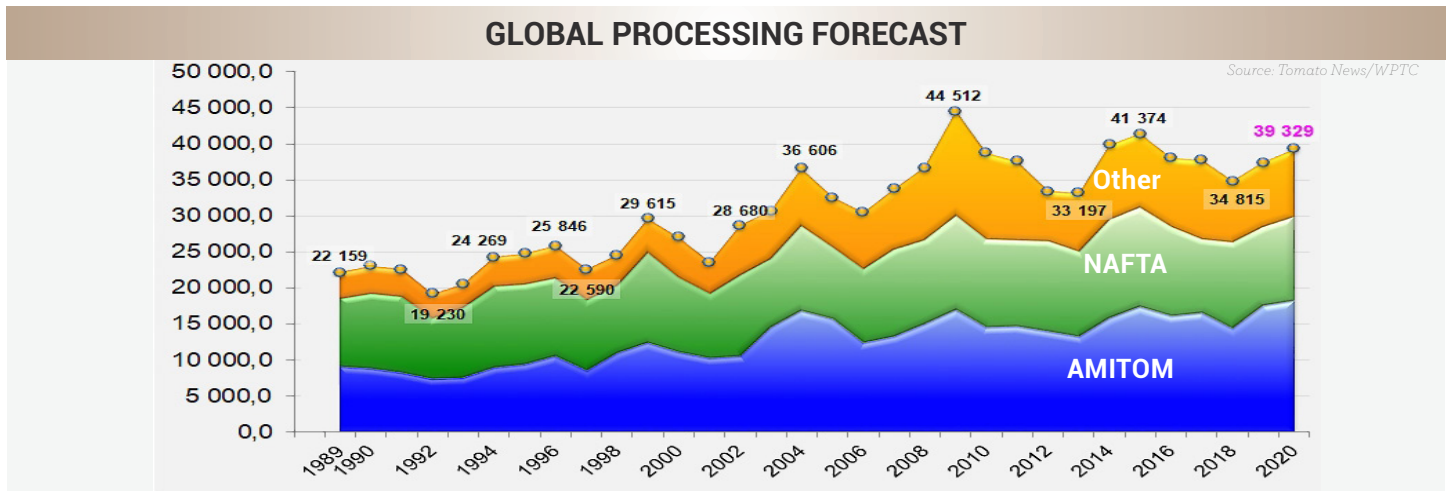
current growing areas, which should increase the raw material volume by 0.7 million mT.

California has contracts totaling 10.89 million mT for 2020, an increase of 4.3% compared to reported contracts at the end of the 2019 season. With 2019 production finishing at 10.14 million mT, California should see an increase in their final volume. The California crop totals 235,000 acres (95,100 hectares) with an average yield of 51.1 short tons/acre (114.5 t/ha).

Southern Hemisphere countries continue to harvest into March, with Argentina, Australia, and Chile expecting to deliver a total of 1.5 million mT of product.

Global tomato paste exports, for all countries, saw a notable increase in the 2018/2019 marketing year. While growth since 2011/2012 has been nominal, the 1.6% jump last year represents total exports jumping from 3.33 to 3.46 million mT.

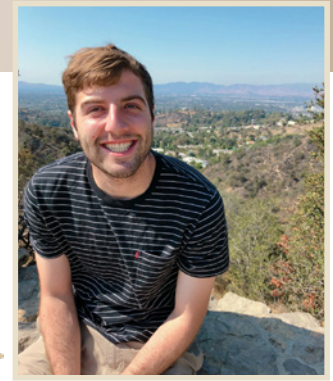
Ukraine has been the primary driver for this increase in global exports, growing at 19% annually for the last seven years, bringing their total production up from 125,000 mT to 420,000 mT. Portugal, as well, had an 8% annual growth to transform from 363,000 mT to 628,000 mT. Finally, Spain rose 14%, taking their production from 878,000 mT to 2.22 million mT between 2011 and 2019.



# COLLEAGUE HIGHLIGHT

## JAKE SHERMAN

*To perform in-depth market, business, and industry analysis for The Morning Star Company using economic principles in order to provide insight and identify opportunities. In addition, provide analytical support, research, and write about free market solutions to social issues for the Foundation for Harmony and Prosperity.*



### How did you first learn about Morning Star?

I was searching for economist roles on various job boards after completing graduate school and stumbled upon The Morning Star Company. I was intrigued by the position summary, so I researched the company's website and submitted an application after thinking it would be an interesting place to work.

### Before working at Morning Star, what was the most unusual or interesting job you've ever had?

I was a math and economics teacher at a rehabilitation high school for students with behavior and/or mental health issues.

### What are 3 words to describe Morning Star?

Tomatoes, Self-Management, and Authenticity.

### What drew you to Morning Star originally?

The position. Working as an economist has been a career goal of mine and being able to do that with the world's largest tomato processor seemed like an excellent opportunity. Every day I learn something new

and I am constantly intellectually challenged.

### What do you find most challenging at Morning Star?

When I first began, the biggest challenge was understanding self-management because it was a new concept to me. Various colleagues helped me understand what it means and how to apply it to build a career with the company.

### What is on your wish list for the next 10 years?

Continue learning as much as possible about the tomato processing industry and building my personal skillset to be more effective in my role.

### Tell me about your family.

My parents live in Livermore, CA and I have an older sister, Sarah, who is an Occupational Therapist in San Jose and a twin brother, Aron, who is the Aquatics Supervisor for the City of Rohnert Park. My brother recently got engaged to his fiancé, Kenzie, who is an English teacher at Windsor High School.

### Tell me about your background.

I grew up in the East Bay Area and

completed my bachelor and master degrees in economics at Long Beach State. I worked as a math and economics teacher at a high school during graduate school and as an economics lecturer at Saddleback College after completing my masters degree. I played water polo in junior college and love watching baseball. I also have a passion for baseball analytics and this interest growing up drove me to study economics.

### People would be surprised if they knew \_\_\_\_\_ about you.

I have an identical twin brother. Yes, we do look a lot alike.

### What do you like to do in your spare time?

I like working out, swimming, reading, and hanging out with friends or family.

### What's your favorite book(s)?

My favorite book is Moneyball by Michael Lewis and I'm a big Star Wars fan.

### What's on your bucket list?

I want to complete a triathlon.

## Morning Star is organizationally structured through a system we term "Mission Focused Self-Management"



*Morning Star: A marketplace of mutual respect and accountability*

*Our company is operated by colleagues without titles or an appointed hierarchy of authority.*

From day one, our founder envisioned an organization of self-managing professionals who initiate communication and coordination of their activities with fellow colleagues, customers, suppliers and fellow industry participants absent directives from others. He desired for colleagues to find joy and excitement utilizing their unique talents and to weave those talents into activities which complement and strengthen fellow colleagues' activities, and for colleagues to take personal responsibility and hold themselves accountable for achieving Morning Star's Mission.

# MORNING STAR NEWS AND UPDATES

## Morning Star makes expansions to increase capacity for peeled, diced, specialty and fire roasted products

Morning Star continuously strives to innovate and expand our operations to ensure we meet customer demand in the most efficient and cost-effective means possible.

For the 2020 season our Santa Nella facility, Liberty Packing Company, is undergoing key expansions:

The already massive tomato fire-roaster will be doubling its capacity from 25 tons/hour to 50 tons/hour.

A new dedicated processing line is being built in what was once the peach processing building. The new dedicated line will include a steam peeler, which expands total peeling capacity from 290 tons/hour to 410 tons/hour with, consequently, additional dicing capacity. In addition, this new line will be used to expand Liberty's specialty, organic and R&D production capabilities.

With the introduction of this new

dedicated processing line, Liberty will be able to produce additional formulated industrial products, which includes fire-roasted formulated products.



## Morning Star Newsletter now distributed electronically

As a reminder, Morning Star is now distributing our newsletters electronically using an email distribution vendor called Mailchimp. Your e-version will now include informative Morning Star videos and highlights. Depending on your company's firewall, these emails may initially be directed to your spam folder.

## Products

Conventional, Organic, Fire Roasted, Green, Specialty, Pomace, Sun-Dried...and much more!

-WITH CONCENTRATED-TOMATO



Ask your sales colleague about our extensive line of innovative value-added products.

### Sales Colleagues

Kelly Haywood	+1 530.473.3626	Karolina Splinter	+1 209.829.5090
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### Packaging / Containers

- 300-Gal Aseptic Bag-in-Box
- 55-Gal Aseptic Drum
- Food Service Pouches and Cans
- Retail Pouches and Cans



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