

Cross Company Crop Report

The Morning Star Group

Tomato Crop/Harvest/Processing for 2011

"Valley Sun Brand" certified California Sun Dried Tomatoes



VSP Products Inc. (VSP)

"Quality and Value for Generations"

Processing Season 2011

VSP's Dry Yard, the worlds largest is in full swing. Our drying season will closely mirror the harvest pattern of our parent company Morning Star. As a reminder we are the only vertically integrated drying facility in the USA. Our affiliated companies start from planting the tomatoes, harvest, haul, market and distribute our products, sustainably throughout the world. We want to bring the high taste and quality confidence of truly California tomatoes to the far reaches of the world.

The normally hot summer weather is yet again avoiding us. We have had no days that exceed 101 degrees since the start of our drying season July 15! The good news is that the quality of the fruit coming in from the tomato fields is high because the mild weather has allowed for even maturity and size.

Innovating our Costs Away!

Our many plant improvements have shaved off considerable productions costs, which we will share with lower costs to our customers.

1. New unloading area is faster and has shown to be an efficient process to unload the trucks that come in with fresh tomatoes from the field.
2. Larger volume fluming systems.
3. Custom designed and manufactured cutting machines resulted in improved quality slicing; higher values and less waste.
4. New leak proof sulphur chambers.

New Products in the Works:

1. **Chard:** Using open flame to Char-Broil DRIED TOMATOES.
2. **Smoked:** Actual Hickory Smoked or flavor added.
3. **Heirloom:** Special varieties that have great taste and flavor.
4. **Tomato Sweet:** Sweetener added to make a non-savory offering.
5. **Tomatios:** Amazingly sweet and very unique.
6. **Wagon Wheel Cut:** Great for IQF; Frozen entrees.
7. **Tomato Crystals:** Made from tomato serum and great for many applications.

Please see Matt in R&D for preliminary Specifications and Samples. We will have samples at the end of season!

Our Accomplishments and Goals for 2011-12:

1. We are going for our BRC certification!
2. New high speed oil line to be installed late Spring 2012.
3. Millions in new plant and equipment investment to reduce cost and improve quality.
4. Doubling our capacity to meet our growing demand.
5. Our sales are climbing and our goal is to double our sales in 15 months.
6. Look for our new Web Site and recipes added monthly!
7. We are in the process of becoming certified California Grown. This mark can go on all of our Domestic products.

DFA:

We are now a DFA Member, the "Dried Fruit Association"; A legacy of Quality. We are again members of this historical organization, who has brought continuity, uniformity and high quality standards to the US Dried Fruit industry for more than 100 years. The Benech's have been involved with this organization for generations.

United States Department of Agriculture



United States Department of Agriculture
National Agricultural Statistics Service



California Processing Tomato Report

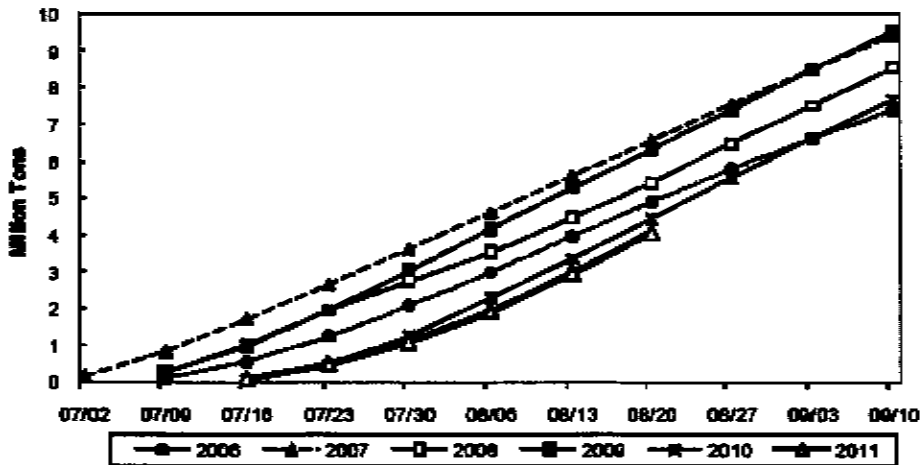
Cooperating with the California Department of Food and Agriculture
California Field Office - P.O. Box 1258 - Sacramento, CA 95812 - (916) 498-5161 - (916) 498-5186 Fax - (916) 498-5188
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2011 PROCESSING TOMATO PRODUCTION

Contracted production for California processing tomatoes is forecast at 12.2 million tons, averaging 47.47 tons per acre. The current forecast is down less than one percent from the 2010 crop. Similarly to last year, wet weather and cool temperatures were a factor this spring for processing tomato growers. The combination of disease and cool temperatures slowed plant growth.

As a result, harvest started about 10 to 14 days behind schedule in mid-July. Growers were applying fungicides to minimize bacterial speck damages. By August, harvest was well underway. The industry is paying close attention to the maturity of the crop. If too much is ready at the same time, it could cause delays at processing plants and gaps in production.

California's Harvested Processing Tomatoes
Weekly Cumulative Totals for 2006 through 2011



Source: Processing Tomato Advisory Board

USDA is an equal opportunity provider and employer.

ACREAGE AND PRODUCTION (CONTRACT AND TOTAL) - CALIFORNIA

Year	Total Crop				Contract Only				
	Planted Acres	Harvested Acres	Yield Tons/Acre	Production Tons	Planted Acres	Harvested Acres	Yield Tons/Acre	Production	
								Tons	Metric Tons
1991	322,000	312,000	31.71	9,893,520	320,000	310,000	31.68	9,820,000	8,908,557
1992	242,000	240,000	33.05	7,932,000	238,000	236,000	33.09	7,890,140	7,103,386
1993	282,000	274,000	32.67	8,951,707	280,000	272,000	32.68	8,890,240	8,065,082
1994	318,000	311,000	34.55	10,745,540	315,000	308,000	34.52	10,632,160	9,645,336
1995	331,000	317,000	33.46	10,605,747	329,000	315,000	33.25	10,472,980	9,500,930
1996	318,000	313,000	34.05	10,638,741	315,000	310,000	34.00	10,540,000	9,561,730
1997	270,000	260,000	35.93	9,342,309	267,000	257,000	35.96	9,241,720	8,383,950
1998	282,000	280,000	31.76	8,892,800	280,000	278,000	31.82	8,845,960	8,024,822
1999	337,000	329,000	37.20	12,239,300	332,000	324,000	37.01	11,990,270	10,877,393
2000	289,000	271,000	37.96	10,286,500	285,000	267,000	37.94	10,131,000	9,190,691
2001	258,000	254,000	34.02	8,640,140	255,000	251,000	34.12	8,583,570	7,768,742
2002	296,000	291,000	37.99	11,056,000	290,000	285,000	37.54	10,806,400	9,803,404
2003	289,000	274,000	33.77	9,252,000	286,000	271,000	33.73	9,141,000	8,282,578
2004	301,000	281,000	41.54	11,672,000	293,000	273,000	41.58	11,600,000	9,979,035
2005	267,000	264,000	36.36	9,600,000	263,000	260,000	36.31	9,440,000	8,563,826
2006	283,000	282,000	35.83	10,104,800	280,000	279,000	35.93	10,024,000	9,093,622
2007	301,000	296,000	40.82	12,082,800	298,000	293,000	40.96	11,965,000	10,854,468
2008	281,000	279,000	42.37	11,822,000	277,000	276,000	42.03	11,691,000	10,605,900
2009	312,000	308,000	43.23	13,314,000	308,000	304,000	43.25	13,148,000	11,827,668
2010	271,000	270,000	45.54	12,297,000	269,000	268,000	45.56	12,212,000	11,078,543
2011	—	—	—	—	258,000	257,000	47.47	12,200,000	11,067,657

VIC TOLOMEO, Director
 SARAH HOFFMAN — KELLY KRUG, Deputy Directors
 DOUG FLOHR — ROBERT JEUTONG, Estimates Group Statisticians

USDA-NASS, California Field Office publications are available free-of-charge on the Internet at: www.nass.usda.gov/ca

A Word From Chef Petrozza



Executive Chef Lou Petrozza

From the Chefs Perspective:

I am so excited about this year's crop of California Tomatoes, full of rich color and sweet flavor.

Perfect for drying in our Hot California Sun!

Touring the dry yard I can't wait to start developing Great new recipe ideas for you to use.

We have just finished filming our Thanksgiving Dinner Feast, a 6 course, step by step instructional video featuring VSP Products, Sun Dried Tomatoes in each dish. From appetizers to dessert you can cook alongside me on your way to your best holiday meal ever!

Please visit www.ValleySun.com in mid October to watch.

I am also working on 100's of new recipes using our products. These can be found in the recipe section of our web site.

One of my favorite parts of working with VSP Products is that I am able to travel the country cooking with Valley Sun at trade shows. I have met 1,000's of great people! If you attend a show I am at please stop by and say Hi. We can talk Sun Dried Tomato recipes, talk about my time as a finalist on FOX TV's Hell's Kitchen and sample one of my recipes!

Enjoy our products and.....

Keep Cooking!

Chef Petrozza

Morning Star Packing Companies'
and Our Affiliates Crop Reports:

Paradise Tomato Kitchens (PTK) (From their Website)

THE SAUCE SOURCE

Crop Update



A Signature Service from Franchise

JULY 2011

CALIFORNIA CROP CONDITIONS
CALIFORNIA CROP FORECAST & PRICING
INTERNATIONAL CROP & GROWING
CALIFORNIA EXPORTS



[Click here](#) to forward this
newsletter to a friend.

California Crop Conditions

Inclement weather this spring has delayed the start of the California tomato harvest. Normally, harvesting begins around July 4th, but given the maturity of the plants, harvest isn't set to begin until the middle of July. Packers in the North, above Sacramento, don't expect to begin until August, making this year's start date very similar to last year's when the crop was also delayed by a wet, cold spring.

The famous, nurturing California sun has been shy this spring. Enough rain and snow has fallen to replenish water supplies and pull California



DID YOU KNOW?

out of its drought, but the moisture and clouds delayed everything from field preparations to plant growth. Additionally, diseases, like Bacterial Spec, flourish in the damp conditions. Growers must proactively apply sprays to combat the diseases.

Oddly, growers and packers are not all that concerned about the less than ideal conditions. It looks a lot like last year they say. Last year's crop started two weeks behind schedule and still managed to produce record breaking field yields of over 45 tons per acre. The volume of the crop harvested will depend greatly on weather in the fall. If September and October are mild and dry, as they have been over the last five years, then the crop can do very well.

California Crop Forecast & Pricing

Currently California's crop is forecast at 12.2 million tons according to the NASS/USDA California Processing Tomato Report released May 27. This estimate is down from the January forecast of 12.6 million tons. The forecast dropped in part due to weather but economics played a hand in the decrease. Global shortages of corn and cotton inflated the prices of those crops. Growers saw the profit opportunity and chose to plant corn and cotton instead of tomatoes.

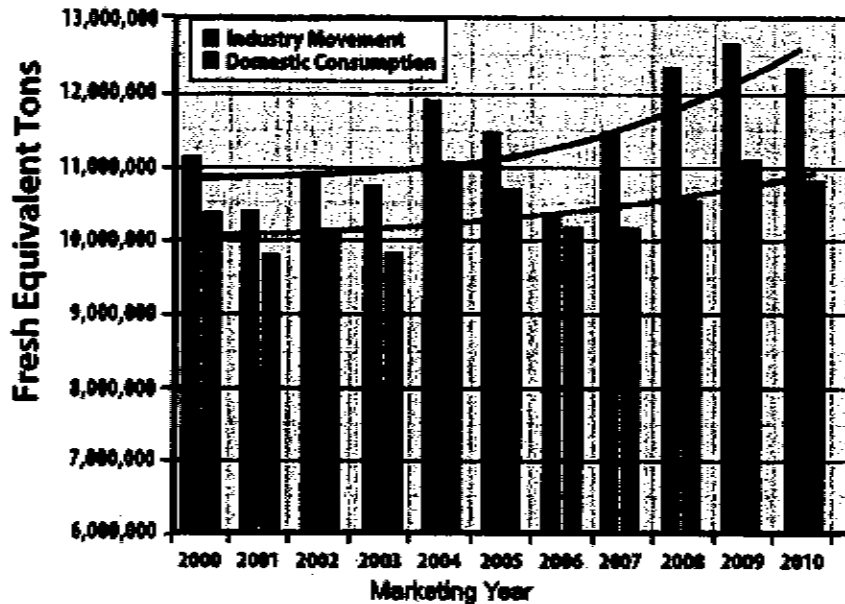
Additionally, some packers cut back their contracts with growers as fuel and fertilizer prices spiked, which pushed up the field price for tomatoes. Most packers have signed contracts for a field price of \$68 per ton, which was an unanticipated 4.6% rise from the 2010 price of \$65 per ton.

As tomatoes make up a majority of the production cost for tomato paste, buyers will not be seeing a drop in price.

The size of the crop is driven by growing demand for tomatoes from the United States. Although consumption domestically is relatively static, net exports are growing sharply and driving demand.

U.S. Processed Tomato Disappearance

Source: California League of Food Processors



- Paradise™ is expanding to California. Our third state-of-the-art facility is in the heart of the world's premiere tomato growing region. In August, we will begin packing our newest offering -- Packed-In-Season sauces using tomatoes harvested fresh from the fields during the July to October tomato season. Our California facility will also use the All-Season Fresh™ Process to make sauces on-demand, all-year round.
- The new West Coast facility was built from the ground up to our specific requirements. To ensure the highest and most consistent quality in-season tomato product, we partnered with the industry leader in tomatoes, The Morning Star Packing Company. Nestled right next to their Los Banos factory, our operation will draw a stream of tomatoes directly from Morning Star during the tomato season, giving us unprecedented reliability and flexibility with in-season tomatoes.

- Expanding to California allows us to serve our customers from Coast to Coast and offer more tomato-based products packed in convenient pouches. In addition to our great custom sauces, we'll be able to offer other popular items like paste, puree, tomato sauce and other commodity items, all packed in pouches.

International Crop & Growing California Exports

The latest global forecast from the World Processing Tomato Council puts the global crop at 37.232 million metric tons (41.03 short tons), a very slight 0.4% drop under last year's crop.

As usual the countries China, Italy, Spain and Turkey expect sizable crops prime for the export market. However, very little of that product will be imported into the United States and a larger volume of US product is being exported and consumed around the world.

From 2007-2009, an average of 12% of tomatoes packed in the US were consumed outside of the US. This is more than double the average from 2004-2006 when only 5% of US tomato production was exported. Since 2007 the changes in government CAP subsidies in Europe have pushed up costs and availability of processing tomatoes in Europe. In China, other crops seem to work better for the growers and packers have been paying more for tomatoes.

A recent Food News forum on processing tomatoes had a series of speakers who reflected on the growing competitiveness of California in the global market. The root of California's success lies in efficiency -- factory throughput, high grower field yields, a long season, and consistent climate.

Martin Stilwell of the Portuguese processor, Itáagro, spoke about the intensification of climatic challenges and presented a "stability index" representing the number of normal years in a growing region before a year of detrimental weather damages the crop. California was at the top end of the stability index with 13 years of normal weather conditions. Portugal was a close second with 11 years, while China's Xinjiang region was at the bottom end with three normal years between problem years. Stilwell mentioned that in a capital intensive industry like tomato processing, the stability of the crop is very important to costs and customer supply.



OUR COMPANY

CAREERS

PRODUCTS & SERVICES

GROWERS

Pacific Coast Producers

"YOUR GOOD NAME DESERVES ANOTHER"

This has been our company motto since we started our company in 1971 and it continues to be the guiding principle for every employee of Pacific Coast Producers. From our grower-owners who raise our crops to our employees that bring these crops from the fields and orchards to our customers' doors, we are committed to one thing - insuring that the good name of our valued customers receives the service, quality and support deserved. In the pages of our website we invite not only our customers, but everyone who plays a part in insuring our good name - our grower-owners, our suppliers, our employees - to discover more about our company.

To your Good Name,

Daniel L. Vincent
President and Chief Executive Officer

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Peaches

Full bloom in the Yuba City District (50% of PCP's peach crop) has not yet been reached and will presumably be called this week. We are experiencing stormy and rainy weather but at this time no damage to bloom has been found. Several growers have put pruning crews back in some orchards. In the other districts (Fresno and Modesto) full bloom is underway. Bloom has been fairly uniform for most varieties. Ross and Starn varieties are at full bloom with Loadels at 90%. First irrigation is at least one week away depending on the weather. Crop potential continues to look good.

Pears

Fruit buds in the River District are opening and beginning to finger out. Linden and Mendocino Districts are a few days behind the River District. The Lake District is now showing bud break with a little bit of green showing. Fruit bud volume looks good in all districts. Timing is about a week behind normal right now, especially with the recent cooler weather.

Apricots

Petal fall is nearly complete and leaves are beginning to push on most trees. The recent rain here in California has postponed irrigation. If it hadn't rained the trees would have needed to be watered to sustain the fruit. Bloom and petal fall were both uniform and there is potential for a full crop.

Tomatoes

Organic Tomato planting is now complete.

Southern Pear Shaped Tomatoes will begin transplanting this week.

In the North, transplanting will begin next week in a few acres that are ready. The weeks to come will have more transplanting activity.

SNOKIST GROWERS - 2010

Northwest Sweet Cherries

The 2010 Northwest Cherry crop was affected the most of the Washington crops by the spring weather issues. Current reports have the crop at 40% below last year's record harvest. This has created an extremely strong fresh market, which has pulled significant tonnage from processors in Washington & Oregon. With this, the 2010 Cherry supply will be very tight. Look for the Cherry market to firm quickly, as well as some possible inventory shortfalls before next season's harvest. Pack should be completed for processors by the last week of July.

Harvest: Early July to late July

Processing start: Early July

Apples

The 2010 Apple crop is estimated to be excellent. It was partially reduced by the spring weather problems, but still should be one of the larger Apple crops in Washington's recent history. Part of the large crop is brought on by the influx of new acreage coming into bearing this year. The new bearing trend should continue over the next couple of years. The first official Apple crop estimate in Washington is released in mid August.

- Harvest: Late August to late November
- Processing start: Mid September

PCP News ~ 2011

The CAN & The Environment

Canned Food doesn't require any energy for storage.

Canned foods require up to 70% less energy throughout the supply chain compared to frozen foods.

Steel that is not recycled is harmless to the environment and simply rusts and returns to its natural components.

Metal is the most valuable commodity in the post-consumer waste bin. The high scrap value offsets collection costs, which helps finance the extensive collection and recycling infrastructure for plastics, papers.

The production of steel for packaging is now 45% lower in emissions than it was in 1975.

New technology allows a refuse plant to effortlessly sort and obtain an additional 150 tons of metal every year.



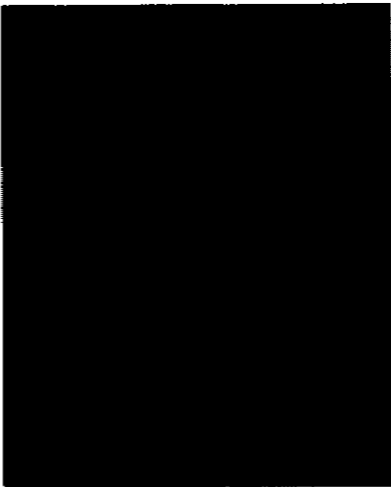
CALIFORNIA CROP

Shy California Sun Delays Tomato Crop

The famous, nurturing California sun has been shy this growing season. Instead, rain and snow storms replenished water supplies and pulled California out of its multi-year drought.

The moisture and clouds delayed everything from tomato field preparations to plant growth. Additionally, diseases, like Bacterial Speck, flourish in the damp conditions. Growers must proactively apply sprays to combat diseases.

As a result, the fields have not matured on schedule, and the beginning of the harvest was pushed back a couple of weeks into the middle of July.



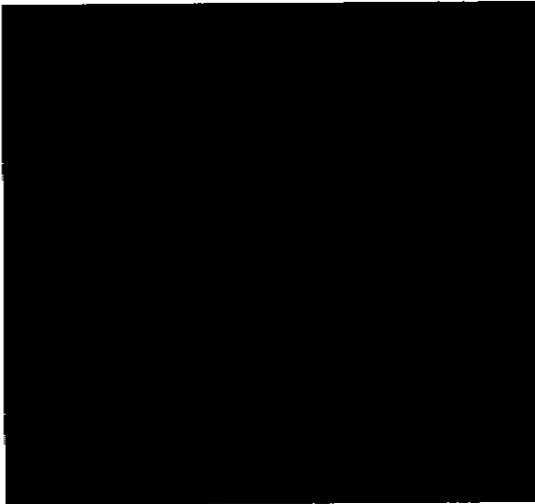
Oddly, growers and packers are not all that concerned about the less than ideal conditions. It looks a lot like last year they say.

Last year's crop started two weeks behind schedule and still managed to meet forecasts and produce record breaking field yields over 45 tons per acre.

A delayed start means the crop size depends greatly on how long the season stretches into the fall. If September and October are mild and dry, as they have been over the last five years, then the crop should perform very well.

Currently California's crop is forecast at 12.2 million tons according to the NASS/USDA California Processing Tomato Report released May 27. The forecast is down slightly from January's 12.6 million ton estimate.

The forecast dropped partly due to weather, but economics



Storm clouds brought rain and hid the nurturing California sun this spring. The tomato crop required more time to mature due to cool weather and a delayed planting this spring.

played a hand in the decrease. Global shortages of corn and cotton inflated the prices of those crops. Growers saw the profit opportunity and chose to plant corn and cotton instead of tomatoes.

Additionally, packers cut back their contracts with growers as fuel and fertilizer prices spiked which pushed up the field price for tomatoes. As of July 6, all packers signed contracts at \$68 per ton, which was an unanticipated 4.6% rise from the 2010 price of \$65 per ton.

SALES TEAM

Kelly Heywood 530-473-3626
Paul Maxon 209-827-5518
Keith Rigby 209-827-5522
Karolina Splinter 209-829-5090
Becky Wahlberg 209-827-5508
Robert Young 209-827-7830

European Sales

Jan Jaw Amzrega +34 609 543 160

OUR PRODUCTS

Hot Break Tomato Paste
(28" and 31" NTSS)
Organic Hot Break Paste
(31" NTSS)
Cold Break Tomato Paste
(31" and 32" NTSS)
Organic Cold Break Paste
(31" NTSS)
Concentrated Crushed
(26" and 28" NTSS)
Diced Tomatoes
(3/8", 1/2" and 3/4" cut)
Fire Roasted Diced Tomatoes
(1/2" and 3/4" cut)
Organic Diced Tomatoes
(1/2" and 3/4" cut)
Ground Tomatoes in Puree
Tomato Puree (1.67)
Chili Sauce
Ketchup
Custom Formulated Products

CONTAINERS

300-gallon aseptic bag-in-box
55-gallon aseptic drum
StarPak
(four 75-gallon bag-in-box)

INTERNATIONAL CROP

Europeans Forecast Less

Conversion Note: 1 metric ton = 1.102 short tons

The world expects to decrease processed tomato production only slightly in 2011, according to the World Processing Tomato Council's (WPTC) June forecast. At 37.232 million metric tons (MT), expectations are 0.4% below the 2010 crop and 4% lower than the three-year average.

Although overall production remains comparable to last year, there are regional differences. Europe is decreasing production, while China, Iran, and Turkey plan greater volumes.

2011 is the first season that Italian, Spanish, and Greek growers will not receive subsidies specifically for tomatoes. Since 2008, the Common Agricultural Policy (CAP) has gradually been phasing out those subsidies.

As a result, European processors are paying more for tomatoes, and production has fallen. Volume is forecast 14% below last year from the five European countries (Italy, Spain, Portugal, Greece, and France).

Italy (12.7% of world volume) expects to produce 4.7 million MT, a decrease of 7% from last year. Reports claim Italy will meet its forecast despite spring rains delaying crop plantings and warm June temperatures incubating diseases.

Italian processors are paying 26% more for tomatoes, an aver-

age price of 88€ (\$125) per MT.

Spain (5% of world volume) estimates a crop 19% below last year at 1.91 million MT. May rains delayed and damaged their crop. At 75€ (\$106) per MT, packers are paying 15% more for tomatoes.

Portugal's crop was also disrupted by the May rains. Forecasts are at 1 million MT, down 22% from last year. Growers contracted their tomatoes at 75€ (\$106) per MT, a 7% increase from last year.

Three exporting countries outside of Europe look forward to increased volumes in 2011.

China (18% of world volume) expects a 6.7 million MT crop, an 8% increase over last year. Raw tomatoes prices appear comparable to last year.

Turkey (4.8% of world volume) plans to increase production 41% to 1.8 million MT. At \$116* per MT, processors in Turkey may pay 29% less for tomatoes.

Iran (5.4% of world volume) is a growing force in processed tomato production. The country expects to produce 2 million MT in 2011, a 43% jump from last year. At \$136* per MT, packers in Iran are paying growers 37% less for tomatoes.

*Source: Tomato News, July-Aug 2011
(California's short ton field price equates to \$75 per metric ton.)

MARKET ANALYSIS

Strong Demand for US Tomato Paste

In the United States, many sales of bulk tomato paste are done under cost-based contracts. Those costs have gone up because the price of raw tomatoes increased \$3 over last year to \$68 per ton. (Please see our April 2011 Newsletter for additional details.)

Tomatoes make up 53% of the cost to make bulk tomato paste. The \$3 increase in the price of tomatoes inflates the 2011 production cost one cent per pound above last year.

Expanding Global Market

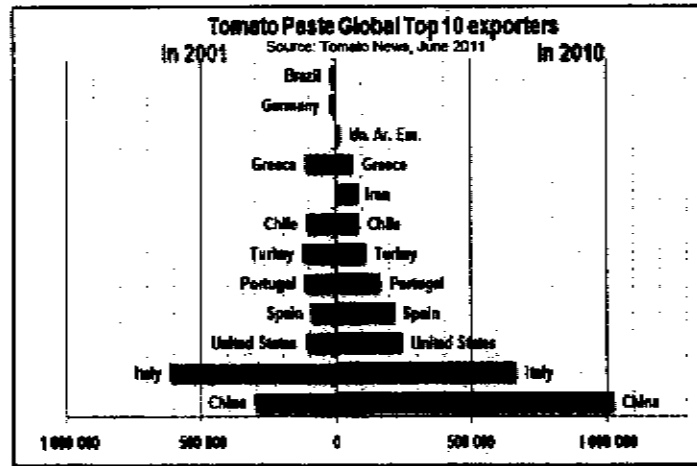
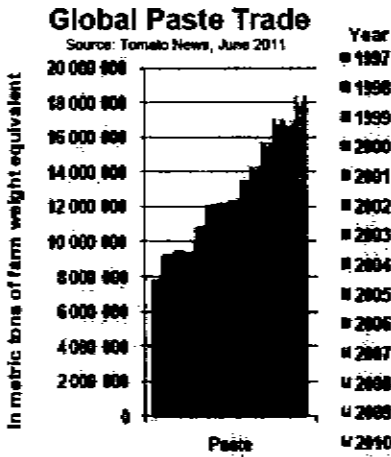
Most packers agreed to pay the higher price for tomatoes because demand for US tomato paste is growing. Three factors are fueling this expansion —growing tomato paste demand globally, favorable exchange rates created by a weak dollar, and phased-out subsidy programs in Europe.

As Tomato News showed in the graphs below, global tomato paste trade has risen steadily in the last six years. And the main players in the export market have shuffled around since 2001. China



has surpassed Italy as the world's leading exporter, while the United States became the third biggest exporter of tomato paste.

From 2007-2009, on average 12% of US tomatoes were consumed outside of the US, more than double the average percent from 2004-2006 when only 5% of US tomato production was exported.



COLLEAGUE PROFILE

Robert Young — “I love this job.”

“I love this job,” says Robert Young, sales colleague at our Los



Banos factory. “All my previous work experience seemed to train me for this position,” he explains. “The only thing I’m missing is the ocean. I like to surf.”

The southern California native left the coastal beach cities behind two years ago to work for Morning Star. He’s the sales contact for the company’s R&D products. He also enjoys seeking out new customers and creating relationships with them. Additionally, he supports some current customers, both internationally and domestic.

Robert’s experience with food products and international business came from the 11 years he worked for a global food broker. He focused on sauces, canned foods, and tomato paste.

But he also worked as a ships’ agent, owning that company for 11 of the 14 years he was there. Ships from around the world arrived in the Port of San Diego and Robert’s company coordinated their unloading, reloading, restocking, refueling, mechanical maintenance— essentially everything the ship needed while docked.

Robert is married to Karolina, another of our sales colleagues. Their daughter turns a delightful two years old in September. To unwind, Robert reaches for his guitar, playing jazz and blues.

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



THE MORNING STAR PACKING COMPANY