

NEWSLETTER

Nº 7 - 2004

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CAIS - PROCESSING VEGETABLE GROSS-UPS

Steve Duff, OMAF Senior Policy Advisor with the Canadian Agricultural Income Stabilization (CAIS) Program, has confirmed that, in the case of processing vegetables, when completing the CAIS application forms, including the T1163 tax form, crop receipts need to only reflect the net return paid to a grower as per processor statements. There is no need to gross up crop receipts to reflect the expenses deducted from grower returns to reflect costs that are part of the processor contract.

ONTARIO WEATHER NETWORK - AVAILABLE SERVICES - FARMSTEAD WEATHER FORECASTS

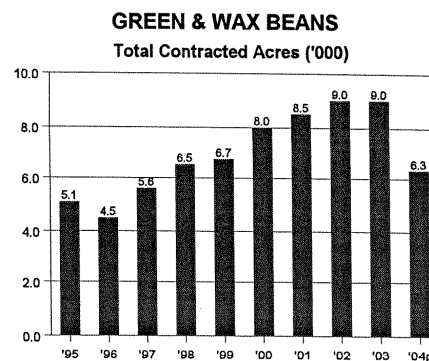
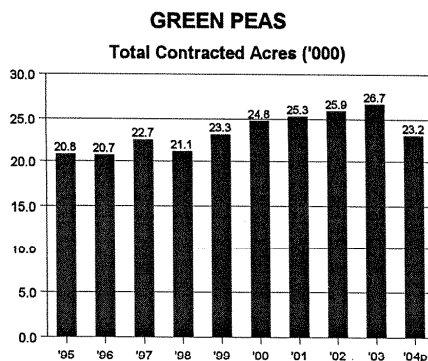
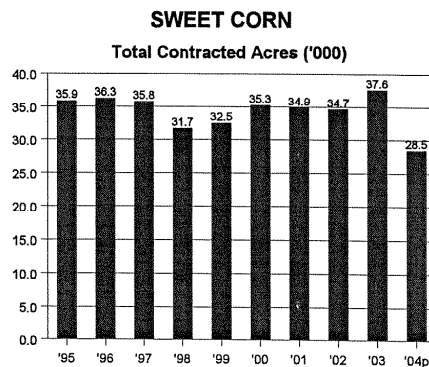
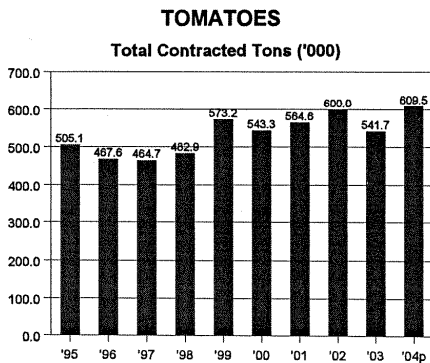
The Ontario Weather Network (OWN) has provided the following with respect to services it has available to growers:

OWN has contracted with an environmental consulting service to provide weather forecasting services. This forecast runs on an entirely different program than Environment Canada's forecast. It can provide hourly weather forecast on a resolution as fine as a 1km grid, providing farm by farm weather predictions. The model is processed twice a day and is available, at lower resolutions, to forecast out to 10 days. Wind and temperature parameters in this model may be more accurate than the prediction of millimetres of rain in convection storms, but we are convinced this is the direction of the future forecast programs in the United States and we are pleased to be able to provide it to Ontario producers.

To access, go to the OWN website or call them at (519) 674-1532.

ONTARIO CONTRACT INTENTIONS

Ontario processors have now reported preliminary contract information for 2004. With the exception of tomatoes, where contract volumes are up by approximately 12.5%, contracted acreage/tonnage is steady to down. With respect to crops such as sweet corn, green peas and green and wax beans, this is due to the closure of one processor and generally smaller pack plans for the remaining processors. Ten year contract data for these four crops are as follows:



THE CALIFORNIA TOMATO CROP

Harvest is already underway on the estimated 11 million ton California tomato crop. The following article is taken from the June 2004 Morning Star Packing Company Newsletter. Morning Star is the largest tomato processor in the world with just over 11% global tomato processing capacity.

MARKET ANALYSIS

Despite the large domestic crop, higher manufacturing costs and lower inventory levels are driving up industrial tomato prices industry-wide.

Higher Costs

Several key inputs are driving up the manufacturing costs of paste. Natural gas prices are projected to be around 30 percent higher than last year and double the 2002 rate.

Pressured by the rising price of steel and energy, packaging manufacturers are raising their prices 20 percent to compensate for their increasing manufacturing costs.

The cost of raw tomatoes is the biggest input into the price of tomato paste. Contract pricing this year is up \$1 to \$51 per ton. Expensive diesel fuel will increase the cost to haul tomato to the factories.

Low Inventories

Bulk paste inventories are at their lowest level in five years, according to the June 22nd estimate by the California League of Food Processors (CLFP). At 1.9 million fresh equivalent tons, June 1, 2004 industrial paste stocks are 40 percent less than last year, leaving only 2.8 months of available supply.

Industrial Tomato Paste made up 72 percent of the domestic pack for the 2003/04 season, but accounts for only 53 percent of the June 1 inventory.

Last year's lackluster crop is not the only reason for low paste inventories. At 8.23 million fresh equivalent tons, demand for paste reached a 10-year high and was up 7.6 per cent from last year. Total disappearance rose by more than 580,000 fresh equivalent tons from last year, which equates to an additional 193 million pounds of paste. Export opportunities among other things, drove up demand for U.S. paste.

2004 Estimated Industry Average Tomato Paste Production Chart	
Expense	% of Cost
Fixed Expenses:	
Facility Capital Expenses	7%
Insurance and Taxes	1%
Operating Overhead (Admin and R. & M)	8%
Variable Expenses:	
Tomatoes with Fees	46%
Tomato Hauling	8%
Seasonal Labor	3%
Boiler Energy (Natural Gas)	8%
Electricity	2%
Supplies and Miscellaneous	1%
Packaging Containers	10%
Operating Interest	4%
Selling Costs	4%
Total Expenses	100%

DISTRICT 1 VEGETABLE GROWERS ASSOCIATION

Steak BBQ at the Leamington Marina Tuesday, July 27th

cocktails @ 5:30 pm, dinner @ 6:30 pm

Come out and enjoy an evening of socializing with fellow growers, processors, researchers and suppliers

Tickets \$25.00

Available from your District 1 Vegetable Growers Association committee or call

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