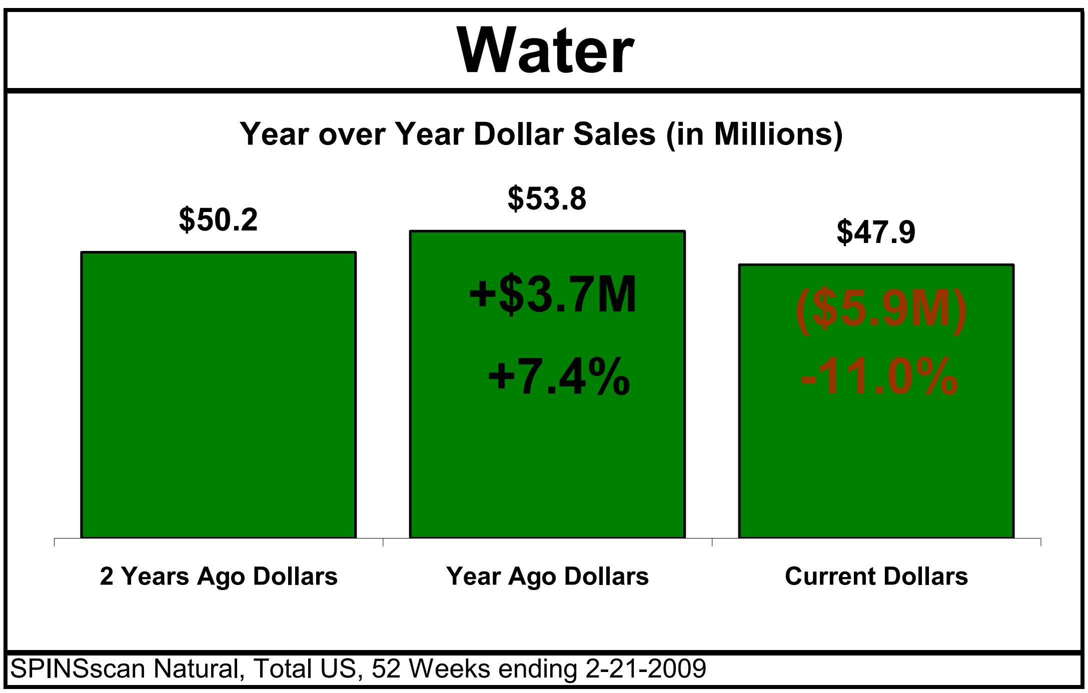
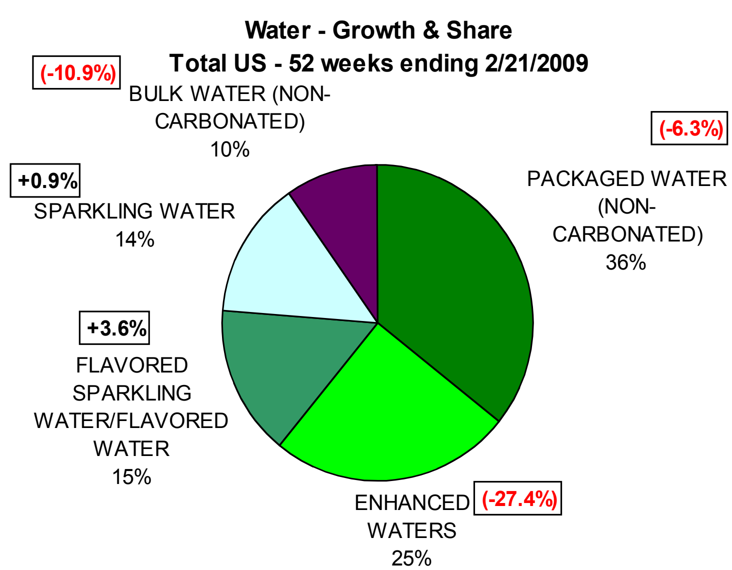
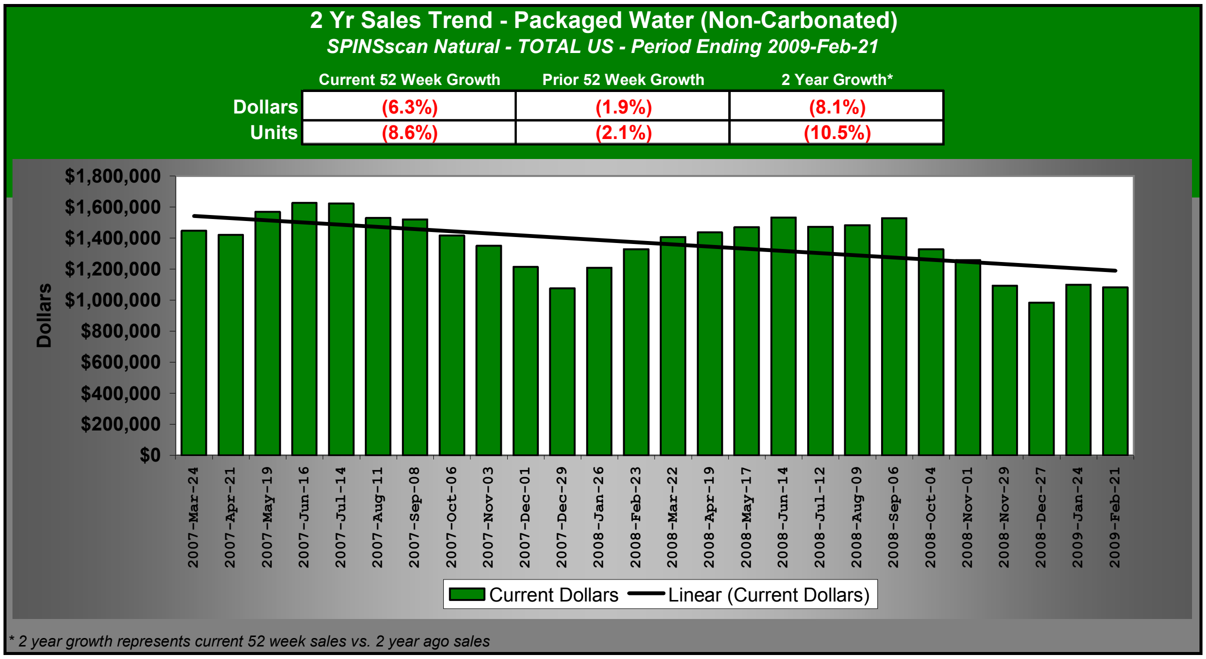
Water and the Natural Products Consumer

As the packaged water debate continues natural consumers speak loudly with their purchasing decisions. According to SPINS Inc., a market research and consulting firm for the Natural Products Industry, water sales have fallen by more than **-11%** over the last year (SPINSscan Natural, 52 weeks ending 2/21/2009). The environmental impact from plastic bottles, regional availability of clean/safe drinking water, and health benefits of some water types appear to be more heavily weighed than in the past.

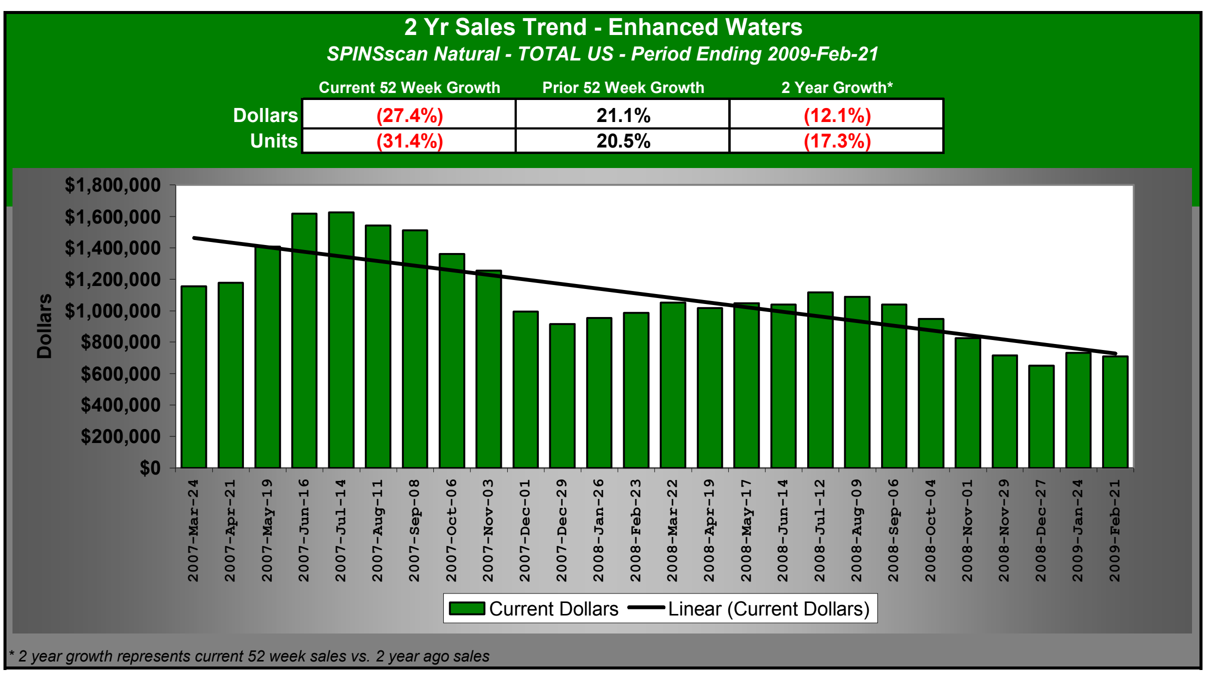




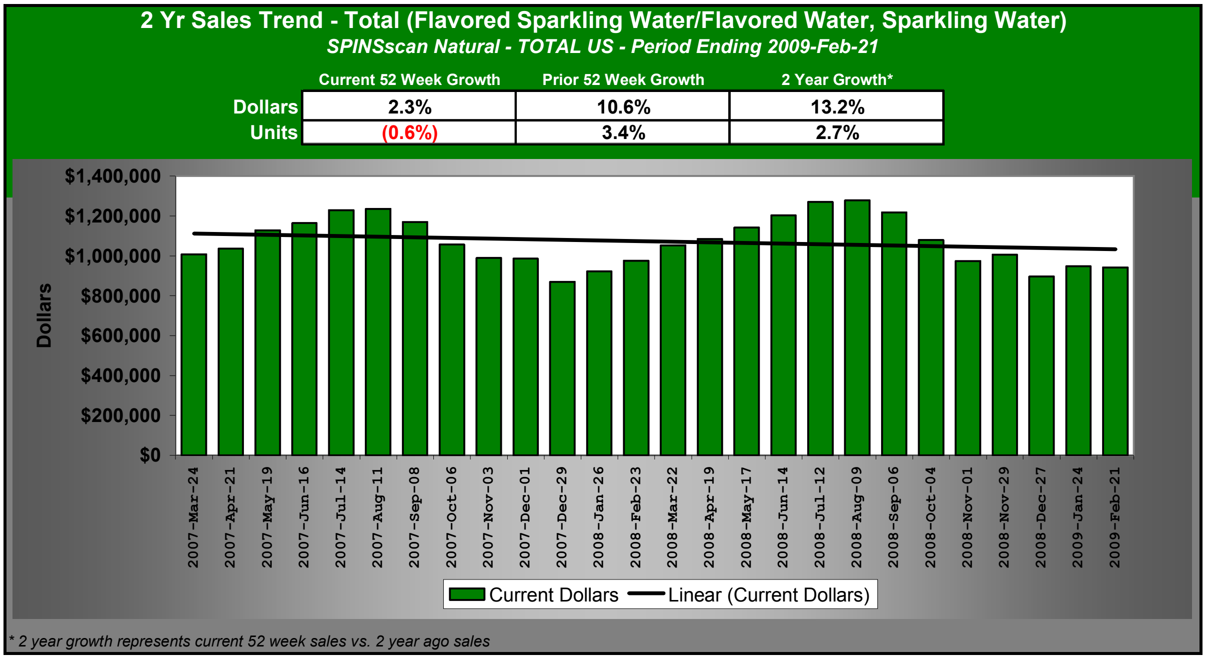
Packaged Water (Non-Carbonated) is defined by SPINS Inc. as single serve and multi-pack plain bottled water. This is currently the largest of the water subcats and represents 36% of all water sales. Packaged water sales are down **-6.3%** for the 52 weeks ending 2/21/2009 but that decline jumps to **-12.4%** for the 12 weeks ending 2/21/2009 vs. year ago.



The steepest decline in water sales are being produced by Enhanced Waters. Enhanced waters represent 25% of natural water sales and have declined by more than **-27%** in the 52 weeks ending 2/21/2009 vs. year ago. While environmental impact is a factor in all bottled beverage categories the sharp declines in enhanced water sales are more likely attributed to significant shifts in marketing strategies than a message over environmental concerns. A few of the key enhanced water brands have become mainstream players with significantly different views on distribution vehicles and marketing.



One bright spot for water would be sparkling (both flavored and unflavored). Both of these subcats produced positive dollar growth for the 52 weeks ending 2/21/2009 and when combined represent 29% of the category dollars. While the growth is far from stellar (+2.3% combined) these subcats provide products that cannot be easily replicated from ordinary tap water, becoming somewhat sheltered from the full environmental impact debate.



The mass packaged water craze may be behind us but many of the factors that started the craze still remain today. The consumers demand for convenience, a desire for healthier beverage options, and the ability to temporarily replace local water supplies rank among the top. While the future remains volatile technical innovations in packaging, increased use of bulk containers and the continued pursuit of unique product offerings may be the catalyst for change in this slumping category.

SPINS SERVICE UPDATE: NCGA Store Level Reporting

SPINS Inc. is pleased to announce the addition of store level reporting for National Cooperative Grocers Association (NCGA), the largest association of food co-op's in the US representing over $1.1B in sales and 10.5% growth in 2008. NCGA is home to iconic natural supermarkets like The Wedge Co-op, PCC, Peoples Food Co-op, New Pioneer, Lakewinds, Blooming foods, and many others. NCGA is an important partner for SPINS and our industry, and our client's ability to measure and manage performance, pricing, distribution and promotional activity at store level across NCGA's landscape will help to substantially improve our client's and NCGA's business opportunities. Now that NCGA has joined the other SPINS key accounts with store level data release SPINS can now deliver store level reporting on 260+ stores.