



iTi tropicals Inc.

Tropical Fruit Purees &
Concentrates

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**Presence of Undeclared Added Sugars and Other Ingredients in Coconut Water
(Testing conducted by a leading juice authenticity lab reveals that
while 85% of all coconut waters by volume are correctly labeled, numerous
brands, representing 15% of the total market volume, are not.) 1/**

iTi Tropicals, Inc. ("iTropicals") wishes to share the results of its market survey of added sugars and other ingredients in 20 coconut water beverages collected from retail stores in the United States. While the results show that the market leaders are labeling the added sugars, when present, the survey also identified 12 products that failed to identify the presence of added sugars and 2 products that failed to identify the presence of low levels of sulfites. iTropicals is calling on the coconut water industry to take proactive steps and properly label coconut water beverages sold in the United States.

As one of the world's leading suppliers of bulk coconut water, iTropicals became suspicious of the labeling of many of the coconut water beverages sold in the United States. Indeed, iTropicals' concerns have been reinforced by a statement made by an executive from one of the leading coconut water brands who acknowledged in a recent interview the widespread problem of added sugars and preservatives used in coconut water. 2/ The sugar content declared in the nutrition facts for many of the products far exceeds the level of sugars that iTropicals typically observes in freshly collected coconut water. It is in this context that iTropicals engaged a leading juice authenticity laboratory, Krueger Food Laboratories (KFL), to determine if commercially-available coconut waters are properly labeled.

Based on the test results, iTropicals found there are essentially two categories of coconut water products: (1) those with no added sugars and (2) those with added sugars. Specifically, the first category includes brands such as Coco Libre, Naked, Zico, and Zola, which supply 100% pure coconut waters without added sugars declared on the label or found in the products. The second category includes market leaders such as Goya and Vita Coco who combined represent 60% of all volume sold in the United States. These products generally contain more sugars than the 100% pure coconut water. For example, according to Vita Coco's product label, it contains "less than 1% natural fruit sugar." Effectively this means the Brix level of the raw materials can be increased from 4 to 5, or up to 25% increase in total soluble solid content. While we applaud that Vita Coco admits that it adds fruit sugars, we question whether "fruit sugars" is an appropriately descriptive name to describe the ingredient. Moreover, in the event the added sugars are indeed derived from fruits, we suspect they would be concentrated from the fruits and question whether it is appropriate to position a product with concentrated fruits as "never from concentrate."

1/ Market share information is based on data compiled by IRI.

2/ The interview is available at: <http://www.beveragedaily.com/Manufacturers/Vita-Coco-CEO-Strong-UK-rival-can-help-us-build-250m-coconut-water-category>.

Disturbingly, the second category also includes 12 brands of coconut water beverages that contain undeclared added sugars from corn, beet, cane, or rice. These products are believed to constitute roughly 15% of the coconut water sales by volume. These inexpensive added sugars sweeten the product and help mask the taste of the naturally occurring minerals in pure coconut water and in some cases are used to replace coconut water sugars. The practice offers unfair economic advantages to the perpetrators; it also hurts iTi (which markets only 100% pure coconut water in bulk, as an ingredient, with no added sugars) and it also harms companies that properly label their products. In addition, the analyses revealed low, detectable but undeclared levels of sulfites in 2 of these products.

As a leading coconut water ingredient supplier, iTi is concerned that the continued sale of coconut waters with undeclared added sugars and other ingredients threatens to jeopardize consumer confidence in the category. iTi, therefore, feels it is incumbent on the industry to take proactive steps to put an end to this misleading practice. By releasing the summary of the results of these analyses, iTi hopes that retailers and brand-holders will strive to ensure the ingredients added to coconut water are properly labeled.

The industry does have the ability to ensure the proper labeling of coconut water and iTi hopes proactive steps will be implemented in response to this information. iTi, for example, has controls in place from the plantations where the coconuts are grown, harvested, and processed to its operations in the United States where the concentrate is distributed for packaging. These practices ensure the purity and identity of its coconut water. iTi processors use carefully selected, high-quality coconuts that are only broken on-site at a facility registered with the Food and Drug Administration (FDA). The water is collected at the factory and processed under HACCP (Hazard Analysis and Critical Control Point) conditions. All the water collected this way is also GMO-free.

iTi engages in ethical sourcing practices and is committed to ensuring sustainability. By concentrating the coconut water at the plantation near the source, iTi is able to transport the concentrate from Southeast Asia with a far lower container freight carbon footprint being expended than for transporting the single-strength juice. iTi's coconut water from concentrate has the same superior quality and nutrition as those that are not from concentrate with the additional manufacturing, sustainability, and environmental benefits. Coconut water concentrate also exhibits the same high-quality taste and organoleptic characteristics as the coconut water that is not from concentrate.

If a customer wishes to offer unsweetened coconut water, we offer single-strength from Indonesia with a Brix level typically in the 3.4-4.0 range. One could blend this with the Thai Fragrant Nam Hom variety. The problem with this solution is cost and availability. The Nam Hom Variety is very costly (the price is more than double of the single-strength variety we offer from Indonesia) and availability is limited. One also has to compete with the fresh market in Thailand. iTi does offer both products. If a customer wants to enter in to the sweetened segment we recommend using the Indonesian variety and adding 1% or more sugar and simply declare it in the ingredient statement.

A more economical way to enter either the sweetened or unsweetened market is by using organic or conventional 60 °Brix concentrate. For an unsweetened version we recommend diluting the concentrate to a Brix level of 3.9-4.2. Since FDA has not yet issued a single-

strength standard for juice made from coconut water concentrate, FDA requires manufacturers to use the soluble solid contents of the “single-strength (unconcentrated) juice used to produce such concentrated juice.”^{3/} iTi collects information on the Brix level of the juice prior to concentration that can be used to reconstitute the juice to single strength. Harvest solids of coconut water are typically between 3.8 °Brix and 4.2 °Brix. For the sweetened segment we recommend reconstituting to the Brix level of the expressed juice and then adding sugar to the final desired Brix level. For the unsweetened version we recommend not using more than 4.3 °Brix because the mineral taste associated with high Brix levels might be too strong for consumers. This is also the reason why many brands decide to add sugar to mask the taste of the naturally-occurring minerals in pure coconut water. iTi offers 60 °Brix Thai Fragrant Nam Hom variety as well as organic and conventional coconut water concentrate from the Philippines and Indonesia. All products offered are 100% pure coconut water without sulfites, added sugar, or other additives.

The biggest opportunity for coconut water, however, is the use in 100% juice blends to lower the overall caloric content. Some of the cleanest, least-processed, packaged foods on the market are 100% juice products. As consumers look for alternatives to sugary soft drinks that are lower in calories and sugars, 100% juice blends made with coconut water offer an attractive option. Coconut water is the ideal ingredient to accomplish this goal. For example, in an 8 oz. serving of coconut water, there are 36 calories versus 140 calories for grape, 113 calories for orange and 150 calories for pomegranate. A 50/50 coconut water blend with any of these fruit juices could reduce the caloric content by 30-50% and the beverage could still be labeled as 100% juice. iTi recently designed a new website (www.coconutwaterconcentrate.com) for developers with FAQs, application ideas, news and a calculator for pricing and calories. This calculator can simply be used to compare the cost and calories for several ingredients, or as a more comprehensive cost and calorie calculation for new beverage development. Coconut water can also be used to reduce the thickness of highly viscous purees and yogurts, which is the complete opposite of banana puree that can be used to increase viscosity in fruit smoothies and other products. And, being relatively bland, coconut water does not interfere with other flavors and allows for the development of a 100% juice product with simple ingredients the consumer can pronounce, an ideal viscosity, and an improved nutritional profile with lower sugars and calories.

Additional information about the testing methodology can be found in Exhibit A while Exhibit B contains the results of the iTi findings.

^{3/} 21 CFR 101.30(h)(2). A citizen petition was submitted to FDA on July 2, 2014, by the Juice Products Association requesting FDA establish a minimum Brix level for single-strength coconut water at 3.9.