



Kombucha Update, Friday, 7/2/2010

Changes are highlighted

On Wednesday, June 16, UNFI halted the sale of unpasteurized Kombucha products, and recommended retailers also halt sales of those items. Many questions have arisen, including why UNFI took this course of action, what stores should do with inventories of affected products, and what the final resolution will be. The objective of this communication is to provide you with the latest information available.

Why did UNFI halt the sale of unpasteurized Kombucha products?

UNFI was made aware that unpasteurized Kombucha products may not meet federal regulations governing the sale and labeling of products containing alcohol. When our suppliers were asked to prove compliance with the regulations in question, they were unable to immediately do so. In fact, we have been informed that certain tests conducted showed many unpasteurized Kombucha products to contain in excess of .5% alcohol content by volume, the threshold above which products must include on their label the federal warning regarding the possible effects of alcohol.

The concerns are basically:

- Items with alcohol content above this .5% threshold may pose a danger to some consumers.
- Knowingly selling such items that do not meet labeling requirements is illegal.
- Retailers that sell items containing alcohol over this threshold are required to hold specific type(s) of retailing permits/licenses/bonding. Many of the retailers who purchase from UNFI and who do not have such permits face potential legal exposure. As well, many of our retailers who purchase product which should have the labels but don't and are above the threshold could lose any permits/licenses they may have. Finally, if we have reasonable knowledge we are selling such products in violation of the law, our Company is exposed to certain liability.

Why are UNFI competitors still selling unpasteurized Kombucha products?

There is presently no government-mandated recall of the items in question. UNFI, when provided the knowledge noted above, made the decision that the right thing to do to protect our retailers, consumers, and our own Company, was to halt the sale of these items. We placed a premium on doing the right thing, not on trying to maximize profits.

What is the latest information on the brands affected?

- Celestial Seasonings
Items have been withdrawn from the market by Celestial, and will be reformulated as rapidly as possible to assure compliance with labeling requirements. **Currently, there is no ETA for reformulated product.**
- GT's / Millennium
New production, 100% compliant product to be released to distribution in July.
- Katalyst



- Completing third party testing on product presently in the marketplace, with no estimated date of final disposition. **7/2 update: no additional information has been provided by this supplier.**
- **High Country**
Company has reformulated, and is working to ship UNFI new product. Best estimate ETA is 7/19-7/26 into UNFI warehouses, and available for sale.
 - **Honest Tea**
Product withdrawal from market. Reformulation taking place; no ETA on reformulated product at this time.
 - **Kombucha Botanica**
Working on reformulation of product. **September 1, 2010 ETA for reformulated product.**
 - **Pronatura**
The ready to drink shelf stable kombucha item is not pasteurized, and does not meet labeling requirements. We have halted the sale of this item. No information on go-forward approach by the supplier is available presently.
 - **Vibranz**
Items have been reformulated by Vibranz. **ETA for reformulated product is 1-2 weeks into UNFI DC's.**

What should stores do with unpasteurized Kombucha product they have pulled off their shelves?

The answer is specific to each brand involved:

- **Celestial Seasonings**
Call in credits to UNFI; destroy product at retail.
- **GT's / Millennium**
Call in credits to UNFI. Please note any credit request greater than \$200 needs prior verification by your UNFI sales rep. Destroy product at retail (product must be held for verification if claim amount is greater than \$200).
- **High Country**
Call in credits to UNFI; destroy product at retail.
- **Honest Tea**
Call in credits to UNFI; destroy product at retail.
- **Katalyst**
After third party testing of product presently in the marketplace is completed, Katalyst will determine and communicate their position regarding inventory presently at retail. **7/2: supplier has provided no additional information to date.**
- **Kombucha Botanica**
Call in credits to UNFI; destroy product at retail.
- **Pronatura**
Company has not determined whether they will accept credits. **7/2: supplier has provided no additional information to date.**
- **Vibranz**
Call in credits direct to Vibranz at (707)473-9240, attention Kathy Taylor. Vibranz will not honor credits called in to UNFI directly.