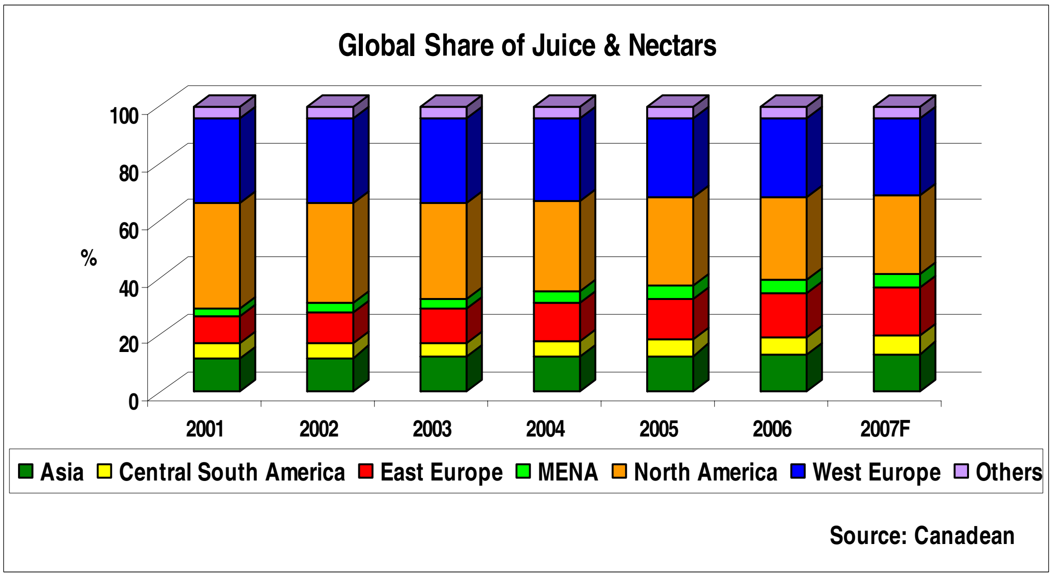
NEWS from Canadean

Eastern Promise for Juice & Nectars

Canadean's 2007 Global Juice & Nectars report points to a small acceleration in the global rate of growth for juice & nectars with demand increasing by more than 3% in 2006 and an expected rise of almost 4% predicted by the end of 2007. Each global consumer now drinks 6 litres and with total volume having reached 39 billion litres, once again the sluggish performance of the two regional juice & nectar heavyweights, West Europe and North America, who between them account for well over half of global sales, has handicapped the whole category and concealed some positive regional performances.



One of the good news stories comes from Eastern Europe, which continues to enjoy double digit rises in demand. In terms of per capita, Eastern Europeans drink 16 litres each, almost 10 litres less than their West European neighbours. Inevitably this gap will close and although the rate of increase is expected to slow, the compound annual growth rate is expected to still approach 8% between 2008 and the end of 2010. The integration into the European Union of many markets will have a beneficial impact, as drinkers adopt more Western European habits.

If the region is to achieve the ambitious growth rates, then much hinges on Russia, which makes up 45% of all of the region's sales. Each Russian drinks 20 litres of juice & nectars but is not expected to post such buoyant results in future years. It will be up to other vibrant markets in the region to contribute more to the juice & nectar boom. One such market will be the most dynamic market in the region, the Ukraine, which enjoyed a remarkable 27% jump in juice and a 24% jump in nectar sales last year, prompted by a shift away from carbonated soft drinks and marketing initiatives. The performance of Belarus is not far behind and it is their consumers who drink more than anyone else in Eastern Europe, 12 litres more than the average. Belarus can also boast a remarkable CAGR of 41% between 2001 and 2007.

One notable feature of East Europe is the strong bias towards nectars; 100% juices make up just 46% of the category and the report suggests it is swinging further in favour of nectars. Much of this can be accredited to price, with nectars representing better value for money in a price sensitive part of the world. There are also strong indicators that show that many drinkers do not differentiate between juices and nectars, often drawn to nectars because of their more diverse range of flavours.

What makes East Europe so important to stakeholders in the packaged global juice & nectar category is the limited availability of freshly squeezed juice sold on the street. In the Middle East, Asia and Africa these street sales significantly restrict the long term potential for packaged juices. It is no coincidence that drinkers in these parts consume just 4 litres each annually in Central & South America and as little as 1 litre each in Africa and Asia. These markets may all be on the rise but Canadean forecast that Eastern Europe will account for nearly 40% of the new category volume between 2008 and 2010.

For further details please contact Debra Richards on Tel: +44 (0) 1256 394227, email: debra.richards@canadean.com or visit www.canadean.com

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Issued by the Corporate Marketing Department of Canadean Ltd, the leading global beverage research company.

Canadean Ltd
12 Faraday Court
Rankine Road
Basingstoke
RG24 8PF
England

Tel: +44 (0) 1256 394210
Fax: +44 (0) 1256 394201
Email: **sales@canadean.com**
Website: **www.canadean.com**