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# BEVERAGE DIGEST

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## Special Issue: Industry Adopts New School Vending Policy.

### Coke, Pepsi and Cadbury Agree to Pull Regular CSDs Out of Schools. Clinton: 'Companies Care.'

In an historic move -- introduced at an unusual event -- Coke, Pepsi and Cadbury announce agreement to change the lineup of beverages sold in schools, essentially agreeing to remove regular CSDs, with several senior executives alluding to the "obesity problem." The North American heads of the three companies appeared at a news conference May 3rd in NYC with former President Bill Clinton to announce the new school vending policy. Standing with the executives, Clinton lauded the beverage industry. Citing "prevalence of overweight children tripl(ing) between 1980 and 2000, he noted, "this is a truly significant thing for an industry to do. Not entirely free of risks on their part, not only economic risks, but backlash among the consumers." Added: "And they did it, I believe, because they understand and accept the data and the trends, and they care about the future of our young people. And I'm very grateful to them." Former president explains that in the future, "only lower calorie and nutritious beverages will be sold" in school vendors.

Plus. Arkansas Governor Mike Huckabee -- also at event -- says: "The soft drink industry won't wait to be pushed. It jumped in to take an historic step." Adds Americans will "appreciate" the industry's leadership "in wanting to do the best for kids." Hours after industry announces new policy, Center for Science in the Public Interest issues press release saying it "applauds agreement" and "drops planned litigation."

Parties to pact. In essence, the three companies and the American Beverage Association (ABA) entered into a memo of understanding with the Alliance for a Healthier Generation (AHG) and the American Heart Association. AHG is a joint initiative of the American Heart Association and the William J. Clinton Foundation.

### **School Beverages : What Will Be in Vendors**

#### **Elementary Schools**

Bottled water

Up to 8-oz servings of certain low/no fat milk (including soy) and "nutrient-rich" 100% juice\* with no added sweeteners and up to 120 calories per 8-oz serving

#### **Middle Schools**

Same as elementary school, except juice and milk may be sold in 10 -oz servings

#### **High Schools**

Bottled water

No-calorie or low-calorie beverages with up to 10 calories per 8-oz serving; no package-size limitation

Up to 12-oz servings of certain milk, nutrient-rich 100% juice, light juice and sports drinks

Nutrient-rich 100% juice with no added sweeteners and up to 120 calories per 8 -oz serving

Light juices and sports drinks with no more than 66 calories per 8 -oz serving

At least 50% of beverages must be water and no or low calorie beverages

\* "Nutrient-rich" juice contains at least 10% of the recommended daily value for three or more vitamins and minerals.

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Up front. At press conference held in Clinton's Manhattan office before room crammed full of reporters/TV cameras were: 1) former U.S. president. 2) Coke North America president Don Knauss. 3) Pepsi North America CEO Dawn Hudson. 4) Cadbury Schweppes Americas Beverages CEO Gil Cassagne. 5) ABA chairman and Polar Beverage CEO Ralph Crowley. 6) ABA president Susan Neely. 7) American Heart Association president Dr. Robert Eckel. 8) Huckabee.

Beverages in schools. The new agreement sets standards for what beverages should be served in U.S. elementary, middle and high schools. In essence, no CSDs can be sold in elementary or middle schools. In high schools, diet CSDs may be sold; also sports drinks in packages up to 12-oz which comply with limit of no more than 66 calories per 8-oz serving. Table page 1 shows details.

Current data points. BD estimates that, on average, about 1% of Coke/PepsiCo/Cadbury beverage volume is now sold via school vending machines. Coke accounts for about 46% of that; Pepsi 42%; balance is Cadbury and all-other. BD further estimates that about 45% of volume now sold via school vendors will eventually have to be substituted, repackaged, or reformulated to comply with "nutrient rich" requirement.

Implementation. Coke, Pepsi and Cadbury agree to "make diligent efforts" with bottlers to ensure compliance. But, given that there are many existing contracts with school districts already in place, goal is to achieve implementation for 75% of schools before 2008-2009 school year and for all schools before 2009-2010 school year. Companies will begin in 2007 annually reporting status of implementation.

News conference; 'my industry partner.' At news conference, it was remarkable to see Clinton flanked by top executives of Coke, Pepsi and Cadbury. Pepsi. Hudson told audience, "there are no shortcuts to (solving) the obesity problem." Adds, "this is about where we sell out products, not about the products. All our products have a place in a healthy life-style." She then introduced Coke's Knauss as, "my industry partner." Coke. Knauss: "We care about America's children and wanting those children to build healthier life-styles." Adds, "we think this will strengthen the industry's ability to counter criticism that our beverages don't fit into a healthy life-style." Cadbury. Cassagne: "Obesity is a very serious problem, particularly in children. We believe we have a responsibility to be proactive." Adds new policy is good for schools "and good for the industry." Polar/ABA. Crowley: "Lowering calories in schools is sensible. It will help teach kids balanced diets."

Views. As BD went to press with this Special Issue, word of new policy was circulating throughout the industry. Of the bottlers/executives BD reached, most supported it strongly. A few expressed concerns about image/message of pulling regular CSDs out of schools. One cola bottler summed up views of others: "It's a significant and very positive move for the industry." Says it grew out of "listening to parents, educators and policy makers." Adds it "should be positively received in the communities. The industry is taking a leadership role to be part of the solution."