**WaterSmart Environmental, Inc.**

Post Office Box 26346
Shawnee Mission, Kansas 66225-6345
913.897.2727 fax 897.1902
H2Osmart@ix.netcom.com www.watersmart.com

# Press Release

Contact: C. G. Steiner
Phone: 913.897.2727

**For Immediate Release**
Date: November 1, 2007

**Subject: *WaterSmart Environmental, Inc.* announces its intention to construct SuperGreen™ Retail Food Outlets to sell Organic Foods. In carrying out its intention the company has formed WaterSmart Organic Foods, A Division of WaterSmart Environmental, Inc.**

***WaterSmart Environmental, Inc.*** announces its intention to enter the Retail Organic Foods Business through its **WaterSmart Organic Foods** Division. The supplier of the organic foods will be the parent company itself. The parent company provides wastes-to-renewable energy, organic foods, biofuels, and water independence technologies to the marketplace on a build-own-operate marketing platform.

The organic foods will be produced within large greenhouses that will utilize intercropping techniques that produce 10 times as much food per acre than outdoor farming. This high efficiency indoor farming result is achieved by the 100% control of climatic conditions coupled with the total recycling of irrigation water and fertilizer nutrients. Because of the ultrahigh efficiency of indoor intercropping farming the produced organic foods will be extremely inexpensive. The will subsequently be retail sold at very low prices. Low prices plus good food equals great marketplace value to the customer. The Retail Organic Foods Outlet Stores will be constructed immediately adjacent to the wastes-to-renewable energy project buildings thereby assuring their freshly produced value to the purchaser. In addition to local sales, the Retail Organic Foods Outlet Stores will sell the organic foods over the Internet to the worldwide marketplace. The most popular organic food product is expected to be mercury free tilapia fish fillets.

The attachments reflect the rapidly increasing popularity of organic foods. At one time organic foods were priced higher than non-organic foods. With the growing competition in the marketplace organic foods now sell for about the same price as non-organic foods. With our introduction of home-grown organic foods the price of foods will be even further reduced in the marketplace. It is the intention of **WaterSmart Organic Foods** to reduce the marketplace price of foods, organic or otherwise, by 50% over the next 10 years throughout the entire world and still make a reasonable profit because of the ultrahigh efficiencies associated with intercropping farming.

WaterSmart Environmental is marketing its Kyoto Protocol compliant wastes-to-energy technology on an economic development platform to concentrated animal feeding operators and to municipalities. Animal farmers benefit by purchasing biodiesel, electricity, and natural gas (methane) at a 20% discount from retail. Municipalities also benefit by making biodiesel, electricity, natural gas, and potable water available to its citizens and businesses at a 20% discount from existing prices. The technology is marketed on a build-own-operate basis thereby eliminating the necessity for local sales and property tax increases since project financing is entirely secured from the financial marketplace. Municipalities that embrace the waste-to-energy technology automatically become zero waste-to-landfill communities. The waste-to-renewable energy technology has been slowly developed over the last 10 years. It is just now being introduced to the international marketplace. The technology has the clear potential for making every single city throughout the world energy and fuels independent while reducing oil and natural gas imports. The technology will also permit every single city throughout the world to improve water and wastewater treatment infrastructure while creating jobs and investment opportunities. The waste-to-energy technology can also be applied to Sugar Cane Mills as well as Pulp & Paper Mills with equal success. Both types of mills become energy, food, fuels, and water independent while significantly increasing profits from routine operations. In the case of Sugar Cane Mills temporary and seasonal jobs turn into full time better paying jobs.

***WaterSmart Environmental, Inc.*** is a provider of waste-to-energy, food independence, water independence, and energy independence technologies and a manufacturer of highly engineered water purification components and systems. The company designs and builds a wide variety of water treatment equipment including packaged water and wastewater treatment plants, UltraPaq™ aerobic package plants, OAT™ Process anaerobic digesters with associated energy production, aerators, filters, PuriSep™ and SmartWater™ oil/water and solids/liquids separators, RainDrain™ perimeter trench sand filters for stormwater runoff, dissolved air flotation separators, air strippers, complete skid assembled aqueous waste treatment plants, FilterFresh™ skid mounted potable water production plants, skid mounted wastewater treatment systems for laundromats, commercial laundries, and car/truck wash facilities with water reclamation and reuse, softeners, demineralizers, activated carbon treatment equipment, and water purifiers for domestic and international markets.

This year, retail sales of organic foods are expected to exceed $15 billion — with more than $32 billion projected by 2009. While the conventional food industry still dwarfs the organic sector with $550 billion in yearly sales, it is producing an unappetizing 2 to 3 percent annual growth rate, while the organic industry has savored several years of 17 to 20 percent growth.

“Once you have Kraft marketing an organic product, albeit through another brand, you really can't be more part of the mainstream than that,” said Don Montuori, editor of Packaged Facts, an industry publication.

Kraft owns Boca Burgers, and other mainstream food companies and supermarkets want a piece of the organic pie. Other big players are going organic, including Coca-Cola, which bought Odwalla natural beverages, and General Mills, which has Cascadian Farm. Wal-Mart and Costco are now among the 700 U.S. companies selling organic as well as conventional food products.

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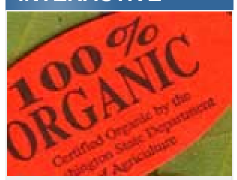


Guide to deciphering food labels

All this competition means organic prices have dropped — often to the same levels as conventional food. But you can still drop $65 on an 18-pound organic turkey.

The organic industry is big and still growing. The newest Whole Foods Market in New York city is more Costco-sized than Manhattan cramped — it boasts 60,000 square feet. The $4 billion-a-year organic food giant is poised to get even bigger on the national level, riding — if not leading — the wave of the organic boom.

“Organic is just plain better for you,” said Nina Rothschild, on a recent shopping trip. “So I feel that I'm doing the right thing.”

Consumers can expect to see the mass marketing of organic foods, drinks and other products to continue, especially in everyday supermarkets. Supermarkets accounted for 37 percent of organic sales last year, and they're also eliminating obstacles to wider market penetration — including price, quality and distribution.



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# Food Facts

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## Organic food facts

Organic product sales continue to grow exponentially in the United States. U.S. organic food sales grew by approximately 20.4 percent during 2003, to reach $10.38 billion, according to figures from the *Organic Trade Association's (OTA's) 2004 Manufacturer Survey.*

- U.S. organic food sales have grown between 17 and 21 percent each year since 1997, to nearly triple in sales, while total U.S. food sales over this time period have grown in the range of only 2 to 4 percent a year. According to the findings, organic food sales now represent approximately 2 percent of U.S. food sales.

- Organic foods are increasingly found in more mainstream retail establishments. In 2003, 44 percent of total organic food sales were handled through supermarkets and grocery stores, mass merchandisers, and club stores. Meanwhile, independent natural product and health food stores and natural grocery chains accounted for 47 percent of sales. Direct sales through farmers' markets, co-ops, foodservice operations, and exports represent the remaining 9 percent.

- Consumers continue to seek out fresh organic fruits and vegetables at their local food cooperatives, supermarkets, farmers' markets, and through Community Supported Agriculture (CSAs). There are even companies that deliver organic products directly to customers' homes. For instance, in the Puget Sound, Washington, area, Pioneer Organics (www.pioneerorganics.com) offers a home delivery service featuring organic produce and groceries.

- Other trends show that organically produced products as milk, cheese, meats, and baby food are growing in popularity. The routine use of antibiotics and growth hormones in livestock handling in conventional agriculture, for instance, has motivated many consumers to seek organically derived dairy and meat products.

- The wide variety of organic foods available meets the diverse tastes and choices of consumers. In addition to fruits, vegetables, grains, seeds, meat, eggs, dairy items, and baby foods, it's possible to buy organic pasta sauces, salsa, fruit juice, soup, cereal, ice cream, peanut butter, tea, coffee, frozen dinners, chocolate, popcorn, snack food, beer and other beverages, to name just a few options available.

**Other developments:**

- Organic hamburger patties produced by Wisconsin farmers and sold through Organic Valley (www.organicvalley.coop) have replaced traditional quarter-pound patties in University of Wisconsin Housing Food Service cafeterias.

- Schools are testing organic products in vending machines. Stonyfield Farm has helped roll out “healthy vending machines” featuring nutritional organic and natural products. The machines are now installed in various schools throughout the nation.

- Supermarket and department store chains, such as Meijer Inc., Super Target, Kroger, Price Chopper, Giant Food Inc., Stop & Shop Supermarket Companies, and King Soopers, are offering more organic products. For instance, Super Target grocery stores in Alabama, Colorado, Florida, Georgia, Indiana, Kansas, Minnesota, Nebraska, Texas and Utah now market organic boneless chicken breasts, organic gluten-free skinless frankfurters, organic gourmet chicken brats and jumbo hamburger patties produced by Wholesome Harvest. Meanwhile, Raley’s and Bel Air are now offering Dakota Beef’s 100 percent certified organic beef in all of their 117 North California and Nevada stores.

- Song, Delta Air Lines’ low-fare air service, has added organic food items for babies and children for purchase on board, in addition to its offerings for other age groups.

- Procter & Gamble Co. has expanded sales of its organic Fair Trade coffee from online and telephone orders to supermarkets, mass retailers and drugstores.

- The Sterling Café in Seattle, WA, has received organic certification from the Washington State Department of Agriculture.

- Bon Appétit Management Co. has begun recruiting growers to supply organic produce for companies and institutions it serves in Washington State. As a result, fresh organic produce will be on menus at the Seattle Art Museum, Amgen, and Seattle University.

- White Wave’s half-gallon organic Silkâ Chocolate is America’s single best-selling product in the chocolate milk category, according to grocery sales tracker Information Resources, Inc.

- Kaiser Permanente has taken steps to encourage the establishment of farmers’ markets at its medical centers, beginning in the San Francisco Bay, CA, area. According to an Aug. 6, 2004, article in the *San Francisco Business Times*, Kaiser’s Oakland medical center since May 2003 has hosted a weekly farmers’ market that draws as many as 1,000 employees, physicians, patients and neighbors to buy organic produce from local farmers. Since then, Kaiser’s San Francisco center got its own market, and Kaiser’s Hawaii unit has launched similar venues. During 2004, Kaiser opened an organic farm stand at its Richmond, CA, medical center, where low-income neighborhood residents can buy hard-to-find fresh produce. Farmers' markets have also started up at Kaiser's Santa Theresa and Santa Clara medical centers.

- Olympia, WA, grade schools now offer organic salad bars to their students. Lincoln Elementary in Olympia managed to cut its lunch costs by two cents a meal even though it offers a full organic menu. To do so, it eliminated desserts other than fruits.

- The Seattle School District, Seattle, WA, recently adopted a policy banning foods containing high levels of sugar and fat and encouraging offering organic food in school cafeterias whenever feasible. The school board policy is available at http://www.seattleschools.org/area/policies/index.dxml.

- Whole Foods Market in Monterey, CA, has designed a school lunch program that it is pitching to private schools around Monterey County. As a result, All Saints Episcopal Day School in Carmel, Valley, signed up for the program which features lunches offering organic products whenever possible and avoiding the use of hydrogenated fats, artificial colors, flavors and preservatives.

- The Berkeley, CA, Unified School District has earned the "Golden Carrot Award" from the Physicians Committee for Responsible Medicine for its efforts to get junk food out of its schools and to guide students toward healthy eating, including incorporating organic produce.

- The Hopkins, Minnesota, school district has revamped its school lunch program to incorporate more whole grains and organic foods.

- Due to demand, Yale University has expanded its sustainable food menu, including organic entrees, from its Berkeley College dining hall to 10 open residential college dining halls. Cost, however, is still a hurdle, according to dining service officials.

## Resources on organic

Because organic products are becoming more widespread, it is becoming easier to find organic products in local venues. Here are some resources to consult:

- The Organic Pages Online—The Organic Trade Association offers a searchable online directory of its members, at www.theorganicpages.com. Visitors to the site can search for such categories as mail order, branded products, and farm-grown products.
- The O'Mama Report—The Organic Trade Association's consumer web site, this provides many resources and articles of interest to consumers interested in organic agriculture and products. The site: www.theorganicreport.org.
- Consumers may also visit www.localharvest.org and www.eatwellguide.com to find farmers, restaurants and other sources of organic products in their area.

The Organic Trade Association is the leading business association representing the organic industry in the United States, Canada, and Mexico. Its more than 1500 members include growers, processors, shippers, retailers, certification organizations and others involved in the business of producing and selling certified organic products.


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## U.S. Organic Industry Overview

The U.S. organic industry grew 17% overall to reach $14.6 billion in consumer sales in 2005. Organic foods, still by far the largest and most clearly defined part of the organic industry, grew 16.2% in 2005 and accounted for $13.8 billion in consumer sales. Other organic products or 'non-foods'—including personal care products, nutritional supplements, fiber, household cleaners, flowers, and pet food—grew 32.5% from a much smaller base of sales and totaled $744 million in U.S. consumer sales in 2005.

### Organic Food Market

The $13.8 billion in consumer sales of organic foods in 2005 represented 2.5% of total U.S. food sales, a 'penetration rate' that has grown from 0.8% in 1997. Organic foods have shown fairly consistent annual growth rates of 15% to 21% since 1997, when fairly comprehensive data was first available. Anecdotal data based on historical surveys and interviews with long-time participants in the organic foods business place growth estimates in a similar range of nearly 20% annually since 1990.

**Total Foods and Organic Foods Consumer Sales and Penetration, 1997-2005**

| | Organic Food ($Mil) | Organic Food Growth | Total Food Sales ($Mil) | Organic Penetration |
|---|---|---|---|---|
| 1997 | $3,594 | na | $443,790 | 0.81% |
| 1998 | $4,286 | 19.2% | $454,140 | 0.94% |
| 1999 | $5,039 | 17.6% | $474,790 | 1.06% |
| 2000 | $6,100 | 21.0% | $498,380 | 1.22% |
| 2001 | $7,360 | 20.7% | $521,830 | 1.41% |
| 2002 | $8,635 | 17.3% | $530,612 | 1.63% |
| 2003 | $10,381 | 20.2% | $535,406 | 1.94% |
| 2004 | $11,902 | 14.6% | $544,141 | 2.19% |
| 2005 | $13,831 | 16.2% | $556,791 | 2.48% |

Source: *Nutrition Business Journal* estimates based on OTA's 2006 Manufacturer Survey, annual *Nutrition Business Journal* surveys of manufacturers, SPINS, and other sources.

### Organic Food Channel Distribution

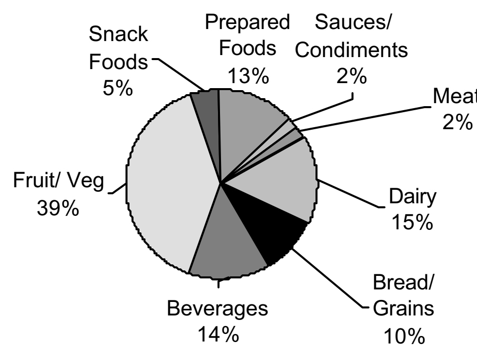
As organic foods become part of the American mainstream, they are increasingly found in more mainstream retail establishments. Although the independent natural grocery or health foods store laid the tracks for the organic foods manufacturer and supplier, sales have since penetrated many other channels to the point that independent natural food stores represented less than 25% organic food sales for the first time in 2005. The largest natural food chains (led by Whole Foods Market and Wild Oats grocery retailers) represent an estimated $3.2 billion of total organic food dollar sales, so together the natural channel represented 47% of U.S. organic food sales in 2005. Roughly 46% of total organic food dollar volume was sold through the mass-market channel, which includes supermarkets/grocery stores, mass merchandisers, and club stores. The remaining 7% was made up of farmer's markets, food service and other non-retail-store sales.

## Organic Food Categories

Fruit and vegetables accounts for by far the largest portion of sales at 39% of the $13.8 billion total. Understandably the more established categories like beverages (includes soymilk) and fruit & vegetables grew less quickly in 2005 than less established categories. Smaller, less established categories like condiments and meat & poultry grew at noticeably higher rates in 2005 than more established categories. Data was collected and analyzed in 71 individual food sub-categories that comprise the eight major food categories.

**Organic Food Category Share, 2005**

| Organic Food Categories | Sales ($Mil) | % Growth 2005 |
|---|---|---|
| Dairy | 2,140 | 23.6% |
| Bread & Grains | 1,360 | 19.2% |
| Beverages (incl. non-dairy) | 1,940 | 13.2% |
| Fruit & Vegetables | 5,369 | 10.9% |
| Snack Foods | 667 | 18.3% |
| Packaged/Prepared Foods | 1,758 | 19.4% |
| Sauces/Condiments | 341 | 24.2% |
| Meat/Fish/Poultry | 256 | 55.4% |
| **Total Org Consumer Food Sales** | **13,831** | **16.2%** |



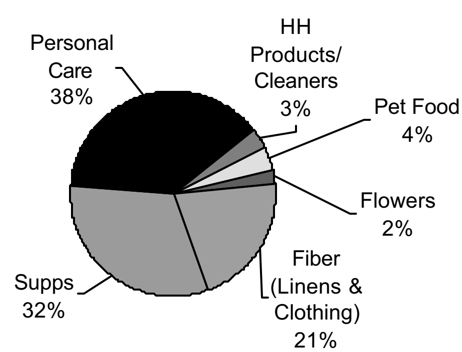

Source: OTA's 2006 Manufacturer Survey. Category and growth estimates derived from survey responses, *Nutrition Business Journal*'s organic industry model, SPINS retail data, and other sources.

## Organic Non-Food Categories

Other organic products, or non-foods, had consumer sales of $744 million in 2005 and growth of 32.5%. Roughly 38% of organic non-food sales, or $282 million, were personal care products. Compared to organic foods, which had a penetration rate of 2.5% in 2005, organic non-foods are still emerging as a category and accounted for only 0.22% of total sales in their sectors in 2005.

**Organic Non-Foods Category Share, 2005**

| Organic Categories | 05 Sales ($Mil) | % Growth 2005 |
|---|---|---|
| Organic Supplements | $238 | 29% |
| Organic Personal Care | $282 | 28% |
| Organic Household Products/Cleaners | $19 | 29% |
| Organic Pet Food | $30 | 46% |
| Organic Flowers | $16 | 50% |
| Organic Fiber (Linens & Clothing) | $160 | 44% |
| **Total Organic Consumer Non-Foods Sales** | **$744** | **32.5%** |



Source: OTA's 2006 Manufacturer Survey. Category and growth estimates derived from survey responses, *Nutrition Business Journal*'s organic industry model, SPINS retail data, and other sources.

**Organic Labeling, Certification, & Materials Supply**

- When asked whether they display the USDA Organic seal on 'any' of their products, 61% of survey respondents answered in the affirmative.
- Of the 39% of survey respondents that do not currently display the USDA Organic seal, 53% reported that they intend to display the USDA Organic seal on their products in the future.
- 17% of survey respondents reported that USDA labeling requirements and certification programs had "dramatically increased their ability to generate sales of organic products." Thirty-eight percent reported that labeling increased organic sales somewhat, 43% reported that labeling and certification had not affected sales, and 1% reported that it had decreased sales.
- 52% of survey respondents reported that a lack of dependable supply of organic raw materials has restricted their company from generating more sales of organic products.
- Nearly half (49%) of survey respondents' organic sales were classified as 95+% organic, while 32% of sales were reported as 100% organic and 19% as 70+% organic.

**Methodology & Acknowledgements**

*The Organic Trade Association 2006 Manufacturer Survey* was conducted and produced on behalf of the Organic Trade Association by *Nutrition Business Journal.* The survey was conducted in February and March of 2006. More that 200 companies responded to the survey, of which 160 firms submitted complete surveys, including revenues reported in narrow ranges, growth, and product and sales channel breakdowns. NBJ research provided revenue estimates and product and sales channel analysis for an additional 155 companies.

The complete 63-page survey, including a 2007-2010 forecast by major categories, is available for $495 (OTA member rate is $195). To order, go to http://www.ota.com/bookstore.html.