

Lifeway Foods, Inc.
For Immediate Release

**Lifeway Foods Applauds USDA's Move
To Amend Class I Milk Classification To Exempt Kefir**

- Recent change to Kefir classification to have positive impact on business -

Morton Grove, IL — October 21, 2010 — Lifeway Foods, Inc., (Nasdaq: LWAY), maker of the nutritious, probiotic dairy beverage, Kefir, today announced its support of the USDA's recent decision to exempt Kefir beverages from the Class I milk classification.

"Lifeway fully supports the USDA's ruling," said Lifeway Foods CEO Julie Smolyansky. "We have always stressed the distinction of our Kefir products and the company is encouraged to see that the USDA has formally recognized this fact following years of petitioning by Lifeway Foods and the dairy industry."

The decision provides exemptions from the Class I definition for Kefir and other drinkable yogurt products containing at least 20 percent yogurt (by weight) as well as products intended to be meal replacements. The final rule, issued by the USDA on August 24th, will take effect January 01, 2011.

The USDA's decision reflects the fact that Kefir drinks do not directly compete with fluid milk products, and therefore the milk used to produce Kefir should not be priced at the Class 1 fluid milk level. Kefir is often consumed as a healthy snack or meal replacement, similar to that of yogurt, and therefore should be priced as Class 2 milk, which has historically been the way yogurt has been priced.

"This change from Class 1 to Class 2 costing should have a positive impact on what the company pays for its key ingredient, milk, which is about 80 percent of the products' cost of goods sold," Edward Smolyansky, Lifeway Foods Chief Financial Officer said. "In addition to having a positive effect on gross margins, the improved input costs will allow all of our high-value, probiotic Kefir-based products to be more competitive with other non-Class I milk products, such as yogurts in the marketplace. This expected increase in cash flow will provide greater financial flexibility, enabling the company to expand marketing efforts or retain cash for future initiatives. We expect to see this improvement in the 2011 first quarter."

In September, the company reported it purchased approximately 4.3 million pounds of Class 1 conventional milk at an average price of \$.18 per pound. Under the new pricing structure, the company would have paid about \$.16 per pound and saved approximately \$85,000. Historically, the price of Class 2 milk is typically 10-to-20 percent lower than the price of Class 1 milk.

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About Lifeway Foods

Lifeway Foods, Inc. (LWAY), recently named one of Fortune Small Business' Fastest Growing Companies for the fourth consecutive year, is America's leading supplier of the cultured dairy product known as Kefir and Organic Kefir. Lifeway Kefir is a dairy beverage that contains 10 exclusive live and active probiotic cultures. While most regular yogurt contains only two or three of these "friendly" cultures, Lifeway Kefir products offer even more nutritional benefits. Lifeway produces 12 different flavors of its drinkable Kefir and Organic Kefir beverage, and recently introduced a series of innovative new products such as a children's line of Organic Kefir called ProBugs (TM) with a no-spill pouch and kid-friendly flavors like Orange Creamy Crawler, Goo Berry Pie, Strawnana Split, and Sublime Slime Lime. In addition to its line of Kefir products, the company produces a variety of probiotic cheese products. Lifeway also sells frozen kefir and kefir smoothies through its Starfruit(TM) retail stores.

This news release contains forward-looking statements. Investors are cautioned that actual results may differ materially from such forward-looking statements. Forward-looking statements involve risks and uncertainties including, but not limited to, competitive pressures and other important factors detailed in the Company's reports filed with the Securities and Exchange Commission.