

Organic Health and Beauty Products – the State of the Debate

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The natural products trend of the past few years is perhaps the strongest force in current retailing. Growth in this sector has been spectacular and all data suggest that it will continue. Natural and organic food stores are sprouting everywhere in this country and many mass market retailers are dramatically expanding their natural sections. The consumer for this product is relatively price insensitive and the

quality of ingredients are the deciding factor in her purchase decision. But what about health and beauty products?

Marketers have not missed this trend and hundreds of products have been introduced in the health and beauty care (HBC) area that called them "organic" in order to capitalize on the growth in this sector. But, these organic products may contain synthetic preservatives or other components – are they still considered "organic"? Until August of this year, there had been no government oversight of the industry and many producers took advantage of this lack of oversight in their marketing and development of so-called "organic" HBC products.

So, What is Organic and Who is in Charge?

It may be helpful to briefly review the development of an organic standard as well as the government's response to interest in this sector. In response to incredible pressures from the organic foods industry in 2002, the U.S. Department of Agriculture (USDA) created an industry seal to symbolize that a product was recognized as an "organic" product. In order to meet the requirements of the seal, a strict set of qualifications must be met. These qualifications were developed through the USDA's National Organic Program (NOP). The familiar USDA Organic seal, representing furrows of produce in a field has since been applied to many food products. Initially, the NOP focused on consumable goods and has been broadened to include milk and other products.

Since the creation of the seal, the USDA has broadened the qualifications to include other areas that had been making "organic" claims. In late 2003, the USDA circulated draft criterion for potentially moving the organic seal to health and beauty products. The subsequent discussions regarding the draft criterion were significant, especially due to some manufacturer's claims that certain ingredients, chiefly water, should be included as "organic." A chief component of most HBC products is water and therefore producers could increase the percentage of water in their products solely to hit the NOP triggers. In the end, the USDA decided that



U.S. Department of Agriculture Organic Seal

water, despite its natural origins, should be excluded from the ingredients list. The standard for the utilization and inclusion of the USDA seal is a 95% threshold of organic ingredients, excluding water and including other ingredients that were used in the manufacturing process.

In April of 2005, around the time of the natural industry's largest semi-annual trade show, the USDA announced that chiefly due to the fact that so many issues regarding ingredient origins could not be resolved successfully, the NOP seal would not be available for use on HBC products.

Following the USDA decision to exclude HBC, a national advocacy group, the Organic Consumers Association (OCA) joined with Dr. Bronner's, a producer of natural skin care products, and sued the Agriculture Department to force them to include HBC in the organic program as they had originally planned.

In a published interview, Barbara Robinson, the head of the USDA's National Organic Program explained the basis for their April decision. "We do food," she explained. "We don't do cosmetics here. We're not lipstick. We're not mouthwash. We're not lawn care products. It took us a while to sit down and look at this and say 'All right, how do we make this work?'"

Dr. Bronner's was in a unique position. Not many companies can meet the strict requirements of the NOP certification but Dr. Bronner's had recently acquired a line that had many products that qualified under the program's guidelines. Dr. Bronner's could therefore show damages under the Agriculture Department's decision and with the OCA, they successfully argued that "use" of natural ingredients in no way compromised their "organic-ness."

In August of 2005, the day before the deadline for the USDA to respond to the lawsuit, the Agriculture Department reneged on its previous decision and issued a memo to organic certifiers that it would begin to accept beauty products under the NOP guidelines.

In the final analysis, USDA officials determined that it really didn't matter what the finished product was – what mattered was that the composition of the product components followed the NOP standards. "What difference does it make if you brush your teeth with it or eat it?" said Robinson.

The August expansion of the use of the USDA NOP seal also included certification for pet foods and certain dietary supplements. The USDA is currently establishing how to include fish within the scope of the organic program.

How Organic is Organic?

The NOP is very strict in its qualifications and very few products will actually be able to use their organic seal. In fact, many products use a lesser description that was also approved by the USDA – "Made With Organic Ingredients." The reason that some products fail the test is that even though the ingredients are organic, the soap making process includes the inclusion of an alkali with oil and water. Even though none of the alkali remains in the finished product, since it is used in production it must be included in the calculations under the USDA requirements.

In the lab, while there is significant demand for natural alternatives, synthetics and chemicals are powerful additives that increase the efficiency of cleansing products. Surfactants, such as sodium laurel sulfate (derived from palm kernel oil), are extremely effective at releasing trapped dirt and other solids. Some impressive work is being done in developing

"natural" or organic surfactants but the additional expense of these ingredients as well as reduced performance have made for a diminished consumer experience.

According to Morris Shipman of Avalon Organics in a recent *New York Times* article, "It's really very hard to make a shampoo or a skin care product that is 95% organic. There are ingredients in those products that are not organic and those [in the 5%] are the things that clean your skin or get under the grime in your hair."

In most products, preservatives, surfactants and fragrances are primarily derived from synthetic ingredients. Typically, these ingredients represent a small percentage of the total finished product but the way that the USDA "tests" for organic ingredients, they are enough to eliminate the use of the NOP label. These ingredients are not unsafe but it has to do with their origins.

Now the Rules Are Out – How are Producers Responding?

In a way, the use of the organic seal has forced consumers to read labels more closely. If a product fails to meet the "gold standard" of the seal, the "Made with Organic Ingredients" can be used including a percentage calculation. The percentage of organic ingredients must meet a minimum threshold level of 70%.

Some producers of HBC products have found ways to "boost" their actual percentages by using some ingredients that are closely related to other ingredients. For example, some manufacturers include "hydrosols" or high amounts of organic aloe vera in their ingredients list. Hydrosols is another word for water that has been used in the steam distillate of certain herbs or flowers. As long as the herbs or flowers are certified organic, this practice is also allowed. In addition, since ingredients are listed on packages in order of their percentage in the final product, these hydrosols have prominence on the ingredients list.

Manufacturers can also create a "tea" using an infusion of a trace amount of organic herbs that are briefly "steeped" in hundreds of gallons of water. Typically, they will then list those herbs in an ingredient list as an "organic infusion," which is essentially water.

Another potential source of confusion is the word "organic" especially when used in a brand name because the presence of the word "organic" in the brand name is no guarantee that everything produced by that company is actually "organic."

Ultimately ... Consumers Rule

Of course, manufacturers are reformulating products to meet consumer demand. The consumer, especially the organic consumer, is much more educated as to ingredients and components of their skin care products. These products are significantly more expensive to manufacture and the certification process comes with significant review of manufacturing and production. Those manufacturers who are "blazing" the organic trail will see benefit from being the first to add the NOP badge to their labels.

Over time, the relative costs of these ingredients will come down as more manufacturers and suppliers enter the marketplace. Now that we have an objective "yardstick" supplied by the government, consumers will have the ability to evaluate these products. ■