

Buyers should beware of organic labels on nonfood products

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Credit: AI-generated image (disclaimer)

Product labels offer valuable information to consumers, but <u>manufacturers can misuse them</u> to increase profits. This is particularly true for the U.S. Department of Agriculture's <u>organic label</u>.

Two recent decisions by the <u>U.S. Federal Trade Commission</u>, which



protects consumers from unfair and deceptive business practices, signal that the agency is paying more attention to misuse of the word "organic" on nonfood items, such as clothing and <u>personal care products</u>. In my <u>research on food and environmental policy</u>, I have found that federal authority in this area is less clear than it is for food products. In my view, the FTC's interest is long overdue.

The rules are mostly for foods

Unlike other marketing claims such as "healthy" or "natural," "organic" is defined and regulated by the federal government. Organic food products undergo a rigorous certification process to comply with the National Organic Program, or NOP, which is administered by the U.S. Department of Agriculture.

Only agricultural products that contain at least 95% certified organic ingredients meet these standards and can display the USDA organic seal or use the phrase "made with organic products." USDA organic certification is considered the gold standard among food labels, and has significant cachet in the marketplace. In 2018 the U.S. organic food market was valued at US\$49.9 billion and accounted for almost 6% of nationwide food sales.

All sorts of nonfood products also make organic claims, including textiles, household cleaners, personal care products and services such as house cleaning and dry cleaning. Nonfood products are a much smaller market, but their sales jumped by 10.6% to \$4.6 billion in 2018. While they may appear to promote healthy lifestyles, the word "organic" is less meaningful when used on nonfood products and more subject to abuse.

Organic nonfood products with agricultural ingredients



While the NOP regulates organic claims for agricultural food products, its authority over nonfood products is limited. Textiles, for example, are made from agricultural products like cotton, wool or flax. Textiles made from agricultural ingredients that are "produced in full compliance with the NOP regulations" <u>may be labeled as NOP certified organic</u>.

Personal care products can also be made from agricultural ingredients, such as flower or fruit extracts and oils. USDA allows personal care products that contain agricultural ingredients and meet the USDA/NOP organic standards to be <u>certified organic</u>. As a result, you can find mosquito repellent, shampoo and face cream bearing the USDA certified organic seal.

Consumer confusion

Beyond these limited categories, products with non-agricultural ingredients do not generally fall within the NOP program, and the USDA does not regulate them. For example, the agency has no authority over cosmetics that do not contain agricultural ingredients or meet NOP organic standards. Cosmetics are regulated by the Food and Drug Administration, which has expressed little interest in policing organic claims.

The Federal Trade Commission can investigate and sue companies making false, misleading or deceptive organic claims, but until recently it has been reluctant to do so, partly to avoid duplicating the USDA's efforts. This began to change in 2015 when the two agencies conducted a study on public understanding of organic claims for nonfood products. They found that consumers were confused about whether these claims meant the same thing as claims on food products, and did not understand that USDA had limited authority in this area.



When the agencies co-hosted a <u>roundtable in 2016</u> on this issue and solicited public input, they received <u>hundreds of comments</u> from individuals, trade associations and other interested groups. One individual wrote: "I am deeply concerned about the flagrant misuse of the term "organic" in the personal care products industry. The term "organic" should mean the same thing whether applied to personal care products or to <u>food</u>. I am also very troubled that companies that deliberately mislabel their products <u>seem to go unpunished</u>."

The nonprofit Cornucopia Institute, which acts as an organic industry watchdog, submitted results of a survey it conducted about the word organic. One question asked consumers whether a shampoo labeled organic was certified by the USDA. Approximately 27% of respondents said yes, 55% said no and the rest were unsure.

The Institute urged the FTC to "harmonize label regulationwith the [NOP organic] standards in a simple way: Prevent the term 'organic' from being used on products and services that generally fall <u>outside the scope of the USDA's National Organic Program</u>."

In my view, this is unlikely to happen. But one useful step would be for the FTC to include information about organic claims in its <u>Green Guide</u>, which is designed to help marketers avoid making misleading or deceptive environmental claims.

Recent violations

In 2017 the FTC stepped in for the first time to investigate deceptive organic claims on baby mattresses. According to a consent order filed with the agency, Moonlight Slumber, LLC made <u>unsubstantiated</u> representations on its mattresses, including that the mattresses were "organic." In fact, the company's products were made of <u>a majority of non-organic materials</u>, mainly polyurethane, a plastic produced almost



entirely from petroleum-based raw materials.

In October 2019 the FTC fined another company, Truly Organic, \$1.76 million for falsely advertising its body washes, lotions, baby, hair care, bath and cleaning products as "certified organic," "USDA certified organic," and "Truly Organic." Despite having some ingredients that could be organically sourced, Truly Organic products either contained ingredients that were not organically sourced.

Nonetheless, the market for natural and organic personal care products continues to grow, as evidenced by the popularity of celebrity brands like Gwyneth Paltrow's Goop and Jessica Alba's Honest Company.

Demand for this category of goods is projected to reach \$17.6 billion by 2021.

Consumers want clean, chemical-free and <u>organic products</u>, but they don't always get them. Many personal care companies have been cited for <u>misleading claims</u>. As examples, <u>Goop</u> and the <u>Honest Company</u> have settled lawsuits that accused them respectively of making misleading health claims and false advertising.

Instead of relying on consumers to bring these claims to court, I believe regulators should be more engaged, particularly the FTC. Without effective oversight, unscrupulous retailers have an incentive to continue cashing in on the organic seal.

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