

Organic Opens Up

The U.S. organic industry grew by almost 10% last year to meet expanding demand—exceeding \$31 billion in sales, according to findings from the Organic Trade Association’s just-released “2012 Organic Industry Survey.” Meanwhile, according to multiple sources, the vegetarian/vegan market rocketed from just under \$650 million in 1998 to more than \$30 billion today.

Katherine DiMatteo, Contributing Editor

According to the “2011 Global Online Environment & Sustainability Survey,” conducted by The Nielsen Co., the areas where concern is mounting fastest among consumers (three quarters of those asked) are the use of pesticides, packaging waste and water shortages. And, the Center for Food Integrity’s consumer research study, done last year by Iowa State University, reported that, after “safe,” “nutritious” and “affordable,” consumers rated “reduced use of pesticides;” “humane treatment of animals;” and “farm conservation of soil and water resources” as important to their choices about food products.

This is all good news for producers and processors of organic food products. The strength of these trends is demonstrated in the growth of organic food product sales. The U.S. was the largest market for organic foods globally in 2011, with \$31.5 billion in sales and a 45% share of global organic sales. The Organic Trade Association (OTA) reports, in its “2012 Organic Industry Survey,” that “the organic food sector grew by \$2.5 billion during 2011, with the fruit and vegetable category contributing close to 50% of those new dollars. The fastest growing sector was the meat, fish and poultry category, posting 13% growth over 2010 sales (but still remaining the smallest of the eight organic food categories).” According to OTA, “Organic food sales now represent 4.2% of all U.S. food sales, up from 4% in 2010. Meanwhile,



Prospects for 2012 and 2013, per the Organic Trade Association’s “2012 Organic Industry Survey” results, show organic sales will continue to sustain growth levels of 9% or higher.

organic non-food sales, which reached \$2.2 billion in 2011, experienced strong 11% growth, while total comparable non-organic items grew only 5%.”

In addition, “The SPINS Report for Mid Year 2010” ranks (by consumer all-outlet dollar growth) the top-growing categories attracting the greatest number of incremental consumers as follows: packaged fresh produce, yogurt and kefir, energy bars, sweeteners, soup, refrigerated condiments, coffee and cocoa, and eggs. It further states: “Total U.S. household penetration for organics grew in 34 categories, a fact suggesting consumers are increasing the diversity of products within their basket[s].”

Younger consumers expressed greater preference for organic products, according to The TABS Group Inc.’s “2011 Annual Organic Products Study.” Nearly half of respondents 40 years in age and younger reported usage in the last six months, compared with only 34% of consumers aged 60 and older. Correspondingly, people under 30 bought, on average, a larger number of different organic products compared to purchases by people 60 older. “Young consumers, who typically have the least disposable income, show the greatest loyalty to organics. This will likely increase organics’ sales and market share over time,

©ISTOCKPHOTO/CHRIS SADOWSKI



It is well recognized by those who watch market trends that consumers today seek to know more about the food they buy and want simplicity in product formulation—including an ingredient list that is easy to understand and has few or no additives or preservatives.

as these consumers' buying power grows and they pass their preference on to their children. If this pattern continues, the outlook for distributors of organic products is very positive," said Kurt Jetta, Ph.D., TABS Group founder and CEO. In addition, this study shows people earning less than \$30,000 per year, and people with children purchased more organic products than higher earners and those without children.

The OTA's "2011 U.S. Families Organic Attitudes and Beliefs Study" found nearly eight in 10 American families (78%) are buying organic foods—up significantly from 73% in 2009 and 2010. Almost three quarters of parents (72%) are familiar with the USDA organic seal, up significantly from 65% in 2009. One third of households are new entrants into the organic market. The primary reason for purchase, for the third year in a row: Organics are "healthier for me and my children." (The percentage of families who do not buy organic has remained steady since 2009, at just under a quarter.)

With increased consumer interest and market growth, the variety of available organic ingredients continues to expand. In fact, most of the other popular food trends—superfruits, gluten-free products, vegan/vegetarian, raw, cultured, whole/ancient grain products and dairy alternatives—can be integrated into organic product development to attract the varied interests of consumers who wish to maintain or enhance their health.

Organic + Vegetarian = Growth

A Harris Interactive survey reports that 5% of U.S. is vegetarian. That single digit, however, includes more than 16 million people. Half now consider themselves vegan—twice

the number since 2009. And, in the general population, 33% of people are eating more vegan/vegetarian meals as they reduce their consumption of beef, poultry, pork, egg and milk. USDA forecasts the average American will consume 12.2% less meat and poultry in 2012 than in 2007. This latter "sometimes vegetarian" population is on a rapid upward trend.

Although vegetarian and organic are not interchangeable, processors seek a label that markets their product to vegetarians, and vegans need be aware of certain considerations. According to the Food Consulting Co., neither FDA nor FTC has any labeling regulations for vegetarian statements, other than being "truthful and not misleading." The most conservative course of action is to ensure the product is free of any animal-derived ingredient or ingredient components and use the term "vegan" when appropriate. This means that the product has no ingredients from animal origin, such as milk, eggs, honey or gelatin.

With such positive consumer interest in organic and vegetarian food products, there are solid market opportunities for processors to expand their organic product line or to consider introducing organic products.

Formulating and producing organic products requires a solid understanding of the USDA National Organic Program (NOP) Rules (www.ams.usda.gov/nop). The rules regulate the production of organic crops and livestock on the farm, through processing and to the final product. The NOP Rules were implemented in 2002, and enforcement has accelerated in the past three years, with several companies and individuals charged with fraud and subject to fines and jail. It is essential that operations verify the integrity of the organic certificate received for all organic ingredients purchased. Updates and actions on fraudulent activities are posted by the NOP on their website.

Labeling Logistics

To label final products as "organic" or "made with organic ingredients," the processing or co-packing facility must be certified organic by a USDA National Organic Program-accredited certification agent. Requirements include:

- an organic system plan.
- organic certificates for all ingredients.
- a list of all processing aids, sanitizers and cleansers, facility pest-control materials and non-organic ingredients used.
- product formulas and labels (to check the accuracy and NOP requirements of the label).

Every step of the process, from receipt of ingredients to final product, will be reviewed, and the operation will be inspected. If the item has less than 70% organic ingredients in the final product, the facility is not required to be a certified operation but is required to use certified-organic ingredients and identify, on the ingredients panel only, all of the organic ingredients.

NATURALLY CLEAR.

The demand for wholesome, fun beverages is clearly insatiable. So how do you quench that thirst while delivering a great look and taste? Start with Q-NATURALE® high-efficiency emulsifier and enjoy sparkling clarity in high-oil-load emulsions (even citrus and alcoholic). Then keep it clear and light with naturally based sugar reduction using ENLITEN® Reb A stevia sweetener. It holds up under extreme conditions while imparting a clean taste and reducing calories. Whatever your challenge is, the answer is clear.

Contact our experts.

[foodinnovation.com/
beverage](http://foodinnovation.com/beverage)
1-866-961-6285



Ingredion™

Developing ideas.
Delivering solutions.™

Corn Products and
National Starch
are now *Ingredion*.

The Q-NATURALE, ENLITEN and INGREDION marks and logo are trademarks of the Ingredion group of companies. All rights reserved. All contents copyright © 2012.



An area where it is easy to get “tripped-up” by NOP Rules is in understanding the prohibitions and allowances for processing and handling organic products, especially the use of processing aids, non-organic ingredients and food contact substances. Two requirements to keep in mind are:

1. When an ingredient or processing aid that remains in the product is not organic, then it must be specifically allowed, otherwise it cannot be used.
2. Sanitizers, cleansers, boiler-water chemicals and facility pest-control materials may be used but must not come in direct contact with organic ingredients or the final organic products, unless they are specifically allowed.

The NOP Rules contain a regularly updated national list of natural and synthetic substances allowed. But, processors should be aware the list changes regularly due to mandatory five-year reviews, and petitions submitted and approved to add or delete a substance from the list. Changes are posted on the NOP website or can be provided by the certification agent.

Rule Change

Several significant changes to the allowed list of natural and synthetic substances were implemented in 2012. The use of lecithin in “organic” or “made with organic” products has changed dramatically. Previously, non-organic bleached lecithin was allowed without restriction, and non-organic unbleached lecithin was allowed, if not available in an organic form. As of March 15, lecithin, bleached or unbleached, must be organic, except if organic de-oiled lecithin is not available.

Four additional changes are to be implemented on October 21, 2012:

- 1) The allowance for the use of yeast (autolysate; bakers; brewers; nutritional; smoked), pectin, potassium iodide and colors.
- 2) Organic yeast will be required when used as a food or a fermentation agent, if its end-use is for human consumption—except if not available in an organic form.

More to the Label

When it comes to labeling products as vegan, vegetarian or organic, processors can find themselves in a jungle of confusion. There are no government regulations for vegetarian statements, other than they must be truthful and not misleading. The most conservative course of action is to ensure the product is free of any animal-derived ingredient or ingredient components. Manufacturers can use the term “vegan” when the product has no ingredients from animal origin, i.e., milk, eggs, honey or animal-/fish-derived gelatin. Since there are different types of vegetarian practice, a clarifying statement defining the type of vegetarian for which the product is intended will ensure the statement is clear to the consumer (e.g., “suitable for lacto-ovo vegetarians.”)

Formally, organic is a labeling term that indicates the food or other agricultural product has been produced through approved methods that integrate cultural, biological and mechanical practices that foster cycling of resources, promote ecological balance and conserve biodiversity. Synthetic fertilizers, sewage sludge, irradiation and genetic engineering may not be used.

The USDA defines four categories of organic labeling:

- “100% organic”—must contain only organic ingredients.
- “organic”—must contain at least 95% organic ingredients.
- “made with organic ingredients”—must contain at least 70% organic ingredients.
- processed products with less than 70% organic ingredients that may identify the specific ingredients that are organically produced on the Ingredient Statement, but may not use the term “organic” on the front of the package.

— Karen Duester, President, Food Consulting Co. (www.foodlabels.com)

©ISTOCKPHOTO/CHRIS SADOWSKI



When it comes to labeling products as vegan, vegetarian or organic, processors can find themselves confused, as there are no government regulations for vegetarian statements—other than they must be “truthful and not misleading.”

3) Non-organic pectin, in non-amidated forms only, will be allowed if not available in an organic form; all other forms of pectin must be organic. (Amidated pectin, according to Belitz, et al. *Food Chemistry*, April 2004, is D-galactouronic acid that has been converted with ammonia to carboxylic acid amide. The article notes: “These pectins are more tolerant of varying calcium concentrations that occur in use.”)



4) Potassium iodide will no longer be allowed.

In addition, a new restriction has been added to colors derived from agricultural products that are currently listed. These colors must not be produced using synthetic solvents and carrier systems, or any artificial preservatives. Also, on January 1, 2013, all beer labeled “organic” must use only certified-organic hops.

The NOP National List is very specific and restrictive—only the exact substances listed can be used. So, in sourcing non-organic ingredients and processing aids, processors must check compliance to this list.

Substances allowed are listed by name and CAS number, if such exists. Many of the substances are allowed only for specific uses; for instance, magnesium carbonate, magnesium stearate and potassium phosphate are allowed only in products labeled “made with organic.” And, three-boiler chemicals are allowed but only for packaging sterilization. In addition to restrictions on use, there are restrictions on how the allowed substance is made. For instance, glycerin produced by hydrolysis of fats, oils and gums can be water-extracted only.

The NOP staff and the citizen advisory board, the National Organic Standards Board (NOSB), have begun a discussion about the level of technical review required in relation to solvents and extraction methods, and the classification of insignificant residues in substances including incidental additives. The outcome of these discussions is expected by the end of this year and could potentially further restrict the substances allowed for use in processed organic products.

Another critical issue to understand is the phrase “commercial availability” or “if not available in an organic form.” When agricultural ingredients that are not organic, but on the National List, and are intended for use in products labeled “organic,” they can be used only if the processor has proven to the certification agent that the equivalent organic agricultural ingredient is not commercially available. The criteria for commercial

SUGAR'S OUT.

A sweet clean taste with fewer calories is in. With ENLITEN® Reb A stevia, you can create reduced-sugar products consumers will love, from yogurts and drinks to confections and baked goods. And because naturally based ENLITEN® Reb A comes from our patented cultivar under controlled farming and processing, your formulations won't vary from lot to lot. Experience a sweetener that lets you take out guilt and put in enjoyment.



Say yes to less.

foodinnovation.com/sugarless
1-800-443-2746

Corn Products and National Starch
are now *Ingredion*.



Ingredion™

Developing ideas.
Delivering solutions.™

The ENLITEN and INGREDION marks and logos are trademarks of the Ingredion group of companies. All rights reserved. All contents copyright © 2012.



availability are that the ingredient is not available in the form, quantity and quality that are required.

Cost is not a factor in determining commercial availability. A certification agent will expect to receive from the processor an explanation of the global search they have conducted to find the ingredient in an organic form, including affidavits from suppliers.

Meanwhile, Back on the Farm

Although these may seem like an overwhelming number of details, it's worth it to develop full knowledge of the NOP Rules and gain experience as an organic processor. Consumers continue to demand minimally processed food products without artificial preservatives and additives, no irradiation, and ingredients and processing aids that can be traced back to their source—animals raised with no antibiotics and growth hormones under humane conditions; crops grown without use of pesticides, chemical fertilizers, sewage sludge and not from genetically-modified seeds; and identification of the country of origin (and often, the farm).

These attributes are what consumers expect from the “natural” claim. However, only the organic label encompasses all these attributes and can guarantee its claim, because it is uniformly regulated from farm to final product. The “natural” claim is risky, and it is only a matter of time before its shortcomings are exposed.

Farmers often are advised they can transition to organic by switching to some organic practices; then switching some of their fields into certified-organic production; and eventually making the full conversion to organic. So, too, can processors take this path, by first using organic ingredients without a product claim, then transitioning some products to the “made with organic” category. This category requires facility certification and adoption of the restricted list of allowed synthetic processing aides and ingredients, but it retains up to 30% of final product weight in non-organic ingredients. From there, the processor can move toward using more organic ingredients until achieving the “organic” or “100% organic” label.

Using organic ingredients in any amount stimulates increased production and supply and helps decrease ingredient costs. Adopting the allowed organic processing methods and materials presents food and beverage makers with new and growing market opportunities. 

Katherine DiMatteo is a managing partner of Wolf, DiMatteo and Associates, a consulting firm specializing in serving business in the organic sector. DiMatteo leads policy, regulatory and international services for the firm. She also was the executive director of the Organic Trade Assn. for 16 years, and was instrumental in securing congressional support for, and shaping the outcome of, the U.S. National Organic Program Standards. From 2008 to 2011, DiMatteo served as president of the Board of Directors of the International Federation of Organic Agriculture Movements. Since 1995, Wolf-DiMatteo has advised more than 100 companies on certification, compliance or farming practices, and provides ongoing strategic support for business interests in the U.S. and overseas. For more information, visit their website at www.organicsspecialists.com.

Cluck.



Amazing. An organic chicken flavor enhancer that's in powder form.

The fact that Savoury™ #3300 Chicken Flavor is made with real chicken broth is nice. But what really makes it unique is that unlike our competitor's organic flavorings, this one comes in powder form. For a sample of this or one of our other organic flavor enhancers, visit savourysystems.com. And if you can't find the exact flavor you're looking for, just tell us. We'll make it for you.

Order a sample at savourysystems.com or call 888.534.6621



Savoury Systems™
International, Inc.



See Food Master-INGREDIENTS, p. 113