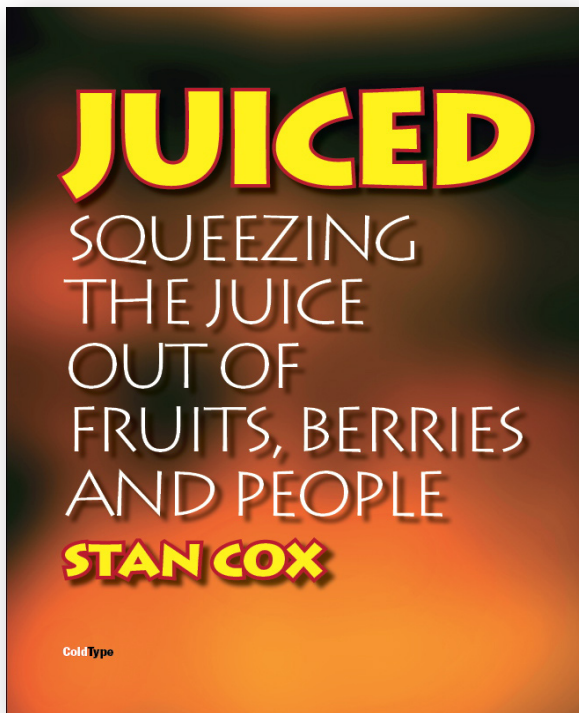


JUICED

SQUEEZING
THE JUICE
OUT OF
FRUITS, BERRIES
AND PEOPLE

STAN COX



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"They sold considerable quantities of the elixir of life, performed many cures, and recruited their finances . . . Gold flowed into their coffers faster than they could count it." – Charles MacKay, *Extraordinary Popular Delusions and the Madness of Crowds*, 1852 (writing of the 18th-century swindlers Joseph Balsamo and Lorenza Feliciano)

The unemployment rate is climbing toward 10 percent, underemployment has hit one in six members of the US workforce, and more than 60 percent of bankruptcies are now linked to medical bills. But you don't have to wait for the government to fix the economy. You can give yourself a job and give jobs to your friends and family members as well, while building up protection against chronic diseases and ruinous medical crises. You'll no longer be exploited by corporate retailers and employers or ripped off by greedy pharma-



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ceutical companies. You can think globally and earn locally . . .

Or that's the impression you'll get from listening to superjuice promoters, anyway. Their lavishly packaged, exotic extracts, sold as nutritional supplements via multilevel marketing (MLM) systems, are said to be packed with antioxidants and other healthful compounds. They usually sell at a retail price of \$35 to \$45 per 25.5-ounce bottle.

Multilevel marketing – also known as “network marketing” by proponents and “product-based pyramid schemes” by critics – built the Amway, Mary Kay, Tupperware, and Herbalife empires. But the superjuices, led by companies such as MonaVie LLC, XanGo LLC, Tahitian Noni International, Inc., Zrii LLC, and Freelif International, Inc., have cooked up a new recipe that is currently energizing the MLM industry with billions of dollars per year.

The recipe is straightforward: Create a deeply pigmented blend of liquids; in-

clude among the ingredients a strange fruit from an distant land that contains unfamiliar biochemical compounds; bottle it like an expensive wine, or perhaps energetically with curves and colors, or sumptuously, as for a Mughal ruler's secret potion; affix a steep price tag; make expansive but nonspecific claims for improved well-being; bundle it with the promise of a fat, durable income stream; and turn loose a hierarchy of distributors to hard-sell the juice-income bundle.

In an advisory, the Federal Trade Commission provided this concise description of multilevel marketing: "These plans typically promise that if you sign up as a distributor, you will receive commissions -- for both your sales of the plan's goods or services and those of other people you recruit to join the distributors." Those "other people" form a pyramid-shaped group known as your "downline" in the MLM world.

The Direct Selling Association (DSA) publishes figures showing that the MLM industry tends to grow at its fastest when the national economy is doing badly. That, the *New York Times* reported this spring, is exactly what's happening during the current recession: "People may use their earnings to pay off specific debts like credit cards or as a way to bring in cash while they -- or their spouses -- look for jobs."

Let's first examine the health claims being made by superjuice distributors and then ask whether selling the juices through multilevel marketing can provide enterprising people with a means to survive this recession and the "jobless recovery" to follow.

The formula

Each of the major superjuices includes an exotic fruit or berry that's reputed to be



If the pitches being tossed around by distributors in living rooms and church basements across the country are to be believed, there's no ailment that just a couple of ounces of superjuice a day can't fix:

healthful but that you can't just go buy by the pound at the local US supermarket: Xango uses mangosteen, a tree fruit from southeast Asia; Tahitian Noni's key ingredient is the noni berry, which grows in Asia and on Pacific islands; Zrii's is the amla fruit of India; Freeliflife makes Himalayan Goji Juice and Gochi juice with the goji berry, a native of north central China (far from the Himalayas, by the way); MonaVie's juice mixtures include the açai berry from the Amazon basin.

To avoid trouble with the FDA, company officials themselves are careful to make no specific claims that their juice mixtures prevent or cure disease, and the legally binding agreements signed by distributors bar them from making such claims. But, say critics, if the pitches being tossed around by distributors in living rooms and church basements across the country are to be believed, there's no ailment that just a couple of ounces of superjuice a day can't fix:

* A CBS affiliate in Los Angeles took hidden cameras into a Tahitian Noni Juice recruitment session in Orange County and recorded claims that the juice could be used to treat AIDS, lupus, dementia, and even severe burns.

* The man who developed the original formula for Himalayan Goji Juice, Earl Mindell, told the Canadian Broadcasting Corporation in 2007 that his elixir could "probably prevent 75 percent of breast cancer from occurring" if all women drank it.

* FDA sent a warning to XanGo in 2006 about brochures claiming the juice could be used in treating hardening of the arteries, bacterial infection, glaucoma, cataracts, gum disease, obesity, diabetes, and depression. XanGo responded that one of its distributors, not the company itself, had produced the offending mate-

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rials.

* A Florida doctor named Lou Niles was captured on video promoting MonaVie, saying that when he “threw this juice into the protocol” for his end-stage cancer patients, it had “a tremendous effect.” He speaks of having recruited his patients and their relatives and friends as distributors, a move that was for them, he says, “an act of last resort, sort of.”

* A lawsuit filed last year against MonaVie by the home-products MLM giant Quixtar (formerly Amway) accuses MonaVie distributors of touting the juice as a treatment for cancer, fibromyalgia, rheumatoid arthritis, Crohn’s disease, colitis, multiple sclerosis, spinal scoliosis, high blood pressure, poor eyesight, macular degeneration, migraines, autism, Lyme’s disease, gout, Parkinson’s disease, Graves disease, hangovers, and even the phantom-limb pain suffered by amputees.

(MonaVie, like XanGo, emphasizes that independent distributors are instructed not to make false claims and that if they do so, it is the distributors, not company employees, who are at fault. But Quixtar maintains in its suit that “MonaVie’s failure to prevent such misrepresentations, and permitting their distributors to use MonaVie’s trademarks and symbols when making the misrepresentations, cloaks its distributors with apparent authority. MonaVie has given its distributors carte blanche to hold themselves out as MonaVie itself.”)

* And yes, as was probably inevitable, a prominent promoter of Tahitian Noni Juice says its formula “can prevent and abort” swine flu – along with “SARS, bird flu, Fujian flu, and West Nile virus in humans and animals, other acute viral syndromes, and reported success with Chikungunya virus.”

The Internet is clogged with debates



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over the relative merits of the different juice recipes – most of them relying on personal testimonials or misuse of research results – but hard evidence one way or the other is thin in the scientific journals. Compared with the many years and enormous volume of still-unfinished health research on more familiar antioxidant-laden fruits like grape and blueberry, studies of the superjuices and their ingredients remain at the embryonic stage.

Consider the current king of the superjuice hill. MonaVie of South Jordan, Utah was crowned this year by *Inc.* magazine as the fastest-growing among all privately held food-and-beverage companies in the country, having chalked up almost 6000 percent growth in the last five years. The key peer-reviewed papers upon which the company relies in promoting the health benefits of its juice grew out of research performed and/or funded by the American Institute for Biosocial and Medical Research (AIBMR) in Puyallup, Wash. The founder of AIBMR, Alexander Schauss, is also co-founder of a company called K2A in Provo, Utah.

In 2005, K2A entered into an agreement to sell freeze-dried açai powder to MonaVie for use in its juices. Today, Schauss and açai are recognized by MonaVie as essential to its astonishing success; in 2008, flanked by two of the luxury cars offered as awards to top distributors, Schauss lauded the purple berry’s virtues at the MonaVie sales convention.

In an AIBMR-sponsored study published by the *Journal of Agricultural and Food Chemistry* in 2008, human subjects had blood drawn, then drank four ounces of MonaVie, and then had blood drawn one and two hours later. In tests for changes indicating improved circulatory-system status, results were mixed. For eleven human subjects in one of the

experiments, consuming the high dose of MonaVie did increase blood antioxidant content by ten or twenty percent, an increase of unknown duration. Even if that result can be achieved outside the lab, the consequences for health remain unknown. And there is no research supporting advertised claims that the 19 fruit juices contained in MonaVie products interact “synergistically” to improve health.

Schauss and his co-authors credited compounds known as polyphenols with the increases that were seen in bloodstream antioxidant activity after drinking MonaVie. But a review of the research literature on polyphenols published that same year in the same journal by scientists at the University of California at Davis and Louisiana State University concluded, “Any claims on the biological and health protective effects of natural polyphenolic compounds in our diet are premature.”

Effects of other, less familiar compounds contained in other superjuices – xanthones in XanGo, polysaccharides in Himalayan Goji, noniosides in Tahitian noni juices, and an alphabetful of others – are even less well understood. As with MonaVie, definitive clinical studies by scientists unconnected to the other superjuice companies have yet to be published.

“The exotic juices,” says David Katz, a physician and associate professor at the Yale School of Public Health, “generate marketing hype well ahead of the science. We don’t really know for sure whether or not these juices offer a health benefit, and in particular, whether they offer a benefit beyond that conferred by less costly, more conventional products such as orange juice.”

“The scientific literature is conclusive



Superjuice companies, in short, don’t make it easy for you to earn income through going out and marketing large volumes of juice to the public. That leaves one alternative: go out and enlist more distributors to sell the juice for you

that eating fruits and vegetables confers health benefits,” confirms Katz, who specializes in nutrition and disease prevention. “But there is no such evidence for the ever-expanding panoply of exotic juices and nectars. What is known in many cases is that these products are rich in antioxidants. But from there, a leap of faith is taken that they will confer a unique health benefit. We don’t know that, and the premium price of such products is thus a gamble.”

The payoff

The superjuice companies typically do not allow distributors to sell through retail outlets, catalogs, or auction websites, and MonaVie, for one, forbids advertising on television or radio. Internet sales or promotion may be done only through company-approved websites. And distributors generally are not permitted to sell juice at a price lower than the always-high figure set by their company. Superjuice companies, in short, don’t make it easy for you to earn income through going out and marketing large volumes of juice to the public. That leaves one alternative: go out and enlist more distributors to sell the juice for you.

In 2004, Jon Taylor, a long-time MLM researcher who runs the site mlm-thet-ruth.com, conducted a survey of residences south of Salt Lake City in Utah County, where several superjuice companies are based. Only 7 percent of households surveyed had been contacted about buying an MLM product without being offered a “business opportunity” at the same time. Over the same period, 56 percent of households in the survey had been approached with an offer of an MLM opportunity.

For anyone hoping to earn money by signing with a superjuice marketer, the

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companies' income disclosure statements make for sobering reading. The numbers available in MonaVie's statement permit us to calculate that in 2008, out of 621,000 people who had signed distribution agreements, 540,000 bought juice but either made very little income or only spent money. The remaining 81,000 met the qualifications for full-fledged distributor status. Among the bulk of those – about 75,000 people – the average income for the year was just \$2000. Only one person out of every thousand enrolled with MonaVie in 2008 made more than \$50,000.

The Internet is densely populated with yacht-and-mansion-owning MLM distributors and \$10,000-per-month incomes. But those are much harder to find in the real world. One fortieth of one percent of people participating in MonaVie's programs rake in more than \$200,000 annually. For someone signing up with the company in 2009, the odds of achieving that income are even tinier; instead, a good year to have signed up would have been 2005, when the company was founded. As MLM distributor-turned-guiding light Jonathan Budd (said to have hauled in a huge fortune by the age of 25) wrote in his blog last month, "Now it's well known in network marketing that the BEST times to be involved with companies is at their launches."

MonaVie doesn't disclose the amounts earned or lost by the bottom 87 percent of its distributorship, those who are not tabulated in the disclosure statement. (MLM critics say that virtually all such people spend more than they make.) But the company does helpfully publish the estimated numbers of hours worked per week by the other 13 percent of distributors, so we know that out of that select, 81,000-strong sales force, those bottom



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75,000 sellers bring in an average of \$4.25 per hour worked.

The prospect of such earnings, at a rate 41 percent below the federal minimum wage, may help explain why the half million non-earning MonaVie participants don't put in more hours selling, and why the dropout rate is estimated by industry insiders at 70 percent.

Meanwhile, the 60 top people at the sharp tip of the distributorship's income scale were hauling in \$740.00 per hour. The chief source of that top income lay within the company itself, in the form of purchases of wholesale juice, sales tools, and fees by downline participants.

Income disclosure statements published by other superjuice marketers are even less encouraging. Only 37 percent of Tahitian Noni International's distributors earned commissions, and 90 percent of that group saw annual incomes that averaged a meager \$650, according to that company's statement. At XanGo, the bottom 98 percent of those distributors who received income pulled in even less: an annual average of \$570 per year. (XanGo's statement doesn't list the percentage of distributors who did not receive income.)

Companies maintain that many of the people they recruited but who never made money had signed up simply because they wanted to buy high-quality, healthful juice. As distributors, they could buy it at a slightly lower wholesale price and maybe offset the cost with a few sales.

So suppose a superjuice distributor resolves faithfully to consume her product every day and make sure that her partner does the same. Wholesale prices typically run between \$1.00 and \$1.50 per ounce of juice, and the highly flexible recommended daily intakes of the various products

seem generally to hover between two and four ounces per day, so the couple would probably be shelling out between \$1500 and \$4500 annually for the beverage, not counting shipping and handling. Clearly, the great majority of people who sign up with the MLM companies could not manage even to pay for their juice habits, much less buy a boat, with their earnings.

The Game

According to MLM enthusiast Jonathan Budd, if you have slick powers of persuasion, it doesn't matter which juice you choose. He advises readers, "This is what most MLM companies like Zrii don't tell people. They don't tell people that the product is virtually useless to their success."

Writer Robert Fitzpatrick keeps an eye on MLM companies through his site pyramidschemealert.com. He agrees on the irrelevance of the specific product being sold. He told me, "Juice is *not* what MonaVie and the other companies are about." The question of how superjuice companies can thrive during a recession by promoting \$40 bottles of semi-palatable juice to a cash-poor public is no mystery to FitzPatrick: "They don't have or need a retail customer base. They're selling an income proposition."

But, Jon Taylor reminded me, the juice does serve one important function: "Because the MLM model is fundamentally flawed and cannot work mathematically, there must be claims of almost magical properties for the product being sold." The attractively bottled elixirs, he says, are ideal for that purpose.

Anonymous complaints by former and current MLM distributors are not hard to find; see, for example, thesitepurplehorror.com. But few go public with charges that



An estimated 88 percent of people involved in multilevel marketing are female according to DSA, and that suggests another explanation for high Mormon participation

the companies are hoodwinking them. According to Taylor, the MLM game has built-in protection against whistleblowers: "The people doing the recruiting are victims themselves, and if they file a complaint they will be turning in not only themselves but the friend or relative who recruited them."

Any unhappy distributor who remains under contract with a superjuice company loses the right to speak out. MonaVie's policies and procedures instruct distributors, "You must refer any media inquiries immediately to MonaVie corporate." Zrii uses similar language: "All inquiries by any type of media must be immediately referred to the Company."

That doesn't necessarily mean that the folks at company headquarters are eager to communicate with the media either. My own attempts to obtain responses from MonaVie, Xango, Zrii, and Tahitian Noni International regarding the charges of their critics were unsuccessful.

All four of those companies, along with a throng of other MLMs, are based in Utah, and members of the Church of Jesus Christ of Latter-Day Saints have been involved in the superjuice industry's founding and growth. The Mormon connection may be just a coincidence, or maybe not. Most speculation about that, as in a 2006 *Time* magazine piece, focuses on Mormons' vaunted capacity for networking.

An estimated 88 percent of people involved in multilevel marketing are female according to DSA, and that suggests another explanation for high Mormon participation. Taylor, himself a Mormon living in Utah, says MLM schemes tends to have great appeal in his community because "there is strong emphasis on women staying home until all of their children have moved out. Therefore, home busi-

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ness opportunities are very attractive.”

Mormon church leaders teach forcefully against gambling; therefore, says Taylor, “I have tried to get them to speak out against multilevel marketing as well.” He has calculated that the average casino player is more likely to turn a profit than is someone who signs up with an MLM.

But the superjuice industry doesn’t grow out of some sinister Mormon conspiracy. People of all persuasions have jumped in; one of them is mystical health-and-happiness sage Deepak Chopra. Zrii’s website declares that its juice “is wholeheartedly endorsed by the Chopra Center for Wellbeing . . . Because of the high standing and unshakable integrity of the Chopra Center, its endorsement is arguably the most credible in the history of our industry.”

Chopra himself, however, is taking no chances. Zrii’s policies-and-procedures document warns distributors (“executives” in Zrii-speak) that the best-selling guru is off-limits to them: “Independent Executives are prohibited from publishing the name, likeness, or image, of Deepak Chopra or any likenesses thereof. Independent Executives are also not permitted to contact any associate or employee of the Chopra Center. Any violations of this policy are subject to termination and possible litigation.”

Then, last week, television host Oprah Winfrey and her frequent guest Dr. Mehmet Oz announced that they are suing the makers of MonaVie and more than 40 other açai-based products for “falsely purporting to speak in Dr. Oz’s and/or Ms. Winfrey’s voice” in recommending their products. Oz said he did not want consumers to purchase “products that actually don’t work in the ways that are described,” in the belief that he had endorsed them.



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Seen from without, the world of multilevel marketing can look like a new kind of musical-chairs game that features lawsuits. In MonaVie, founder Dallin Larsen has replicated in many respects the packaging, dosage, and promotional methods that his previous employer Dynamic Essentials used in the early 2000s for its seaweed-based tonic called Royal Tongan Limu. The year after Larsen started MonaVie, FDA effectively shut down Dynamic Essentials for making unsupported claims that Royal Tongan Limu could treat cancer, arthritis, and attention deficit disorder.

In 2007, Quixtar terminated its relationship with distributor Orrin Woodward and his company-within-a-company, called Team, which marketed sales tools and motivational materials to distributors. Quixtar branded Woodward “a poster child for a long list of bad business practices.” Whole brigades of other Quixtar distributors promptly bailed out and followed Woodward over to MonaVie, in violation of their contracts.

Woodward and some other ex-distributors had sued Quixtar to have those contracts voided, on the grounds that the company was actually an illegal pyramid scheme. The lawsuit provides a striking account of the MLM world as seen by insiders, charging that “. . . once participants sign up and pay their initial investment into the pyramid, it quickly becomes evident that Quixtar’s products cannot be retailed,” that the company “exists only on the backs of its distributors” and that “the vast majority of ‘sales’ are actually to the distributors themselves.” Seven months later, Quixtar retaliated, charging in its own lawsuit that MonaVie raided its distributor network and made fraudulent health claims.

Those who defected from Quixtar

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to MonaVie maintain that their new MLM home is absolutely not a pyramid scheme. Meanwhile, Woodward's Team organization produces "training systems" and promotional items such as websites, business cards, and T-shirts for MonaVie distributors to buy and to encourage their downlines to buy as well, in a kind of meta-MLM, an arrangement that a *Forbes* magazine report called "a pyramid atop a pyramid."

WHATEVER twists and turns the evolution of multilevel marketing takes in coming years, the basic rules will continue to hold. In a recession, says Jon Taylor, that can mean only one thing for the typical new recruit: "People going through these hard times who decide to get into an MLM will find themselves in worse shape when they get out. These programs are cruel."

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