

# The Hershey Company and The Cocoa Controversy

## INTRODUCTION

Chocolate is enjoyed by millions, mainly in decadent desserts, candies, and drinks. It contains fiber, iron, magnesium, copper manganese, potassium, phosphorus, zinc and selenium, which are nutritional antioxidants. Dark chocolate, with at least 70% cocoa, is considered protective against heart disease because it can reduce blood pressure, improve blood flow, raise HDL cholesterol (known as the good cholesterol), and lower total LDL cholesterol, or less desirable cholesterol. In one study, it was shown to reduce calcified arterial plaque by 32%. Other studies indicate that long term consumption of dark chocolate may protect skin from sun damage and reduce the risk of cancer, help with cognitive function in elderly people, and improve brain blood flow, oxygen levels and nerve function.

As science learns more about the health benefits of dark chocolate, its demand continues to grow. Developing countries are discovering that chocolate beans improve their sweet treats and candies, thus creating even greater worldwide demand. Cocoa beans grow mostly in tropical climates, mainly in Western Africa, Asia and Latin America, the largest exporters being Ghana and the Ivory Coast.

With over \$7.5 billion dollars in sales every year, the Hershey Company is one of the world's largest producers of chocolate and candy products. Hershey's products are sold in more than 70 countries and include Hershey's Kisses and Hershey's Milk Chocolate Bars as well as brands such as Reese's, Whoppers, Almond Joy, and Twizzlers.

Although Hershey strives to be a model company and has several philanthropic, social, and environmental programs, the company has struggled with ethical issues related to the labor issues associated with West African cocoa communities, including child labor. Hershey has developed several initiatives to improve the lives of West African cocoa workers and is involved with a number of organizations that are involved in cocoa communities. However, critics argue that Hershey is not doing enough to stop labor exploitation on cocoa plantations. This case examines some of the issues related to the Hershey Chocolate Company and West African cocoa communities.

## HERSHEY'S HISTORY

The Hershey Chocolate Company was founded in 1894 by candy-manufacturer Milton Hershey in Lancaster, PA. As a candy entrepreneur, he had two bankruptcies before his eureka moment while making candy caramels with fresh milk. Hershey's chocolate business started off as a side project, a way to create sweet chocolate coatings for his caramels; however, the company soon began producing baking chocolate and cocoa and then selling the extra product to other confectioners. The successful sale of Hershey's excess products was enough to make the chocolate department its own separate entity.

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Despite its immediate success, Milton Hershey still craved more chocolate, especially milk chocolate. At the time, milk chocolate was perceived as a treat only the wealthy could afford to enjoy. Hershey set out to find a less expensive way to produce milk chocolate while still maintaining its quality. Therefore, in 1896, Hershey bought a milk processing plant in Derry Township, Pennsylvania and began working day and night until 1899 when he created the perfect milk chocolate recipe—a recipe that could be manufactured cheaply and efficiently while maintaining a high level of quality. The company soon opened a factory and began introducing new chocolate treats; the most popular of these was the Hershey's Kiss, a small dollop-shaped chocolate candy wrapped in foil.

The Kiss was only the beginning; Hershey's soon came out with Mr. Goodbar and the Krackel bar, both of which remain popular today. In 1923 Hershey's began collaborating with another famous confectioner, Reese. H.B. Reese was a former employee at the Hershey Company who started his own candy company that focused on a single product, the peanut butter cup. Due to his ties with the Hershey Company, the chocolate coating for the Reese's peanut butter cups was supplied by Hershey.

Throughout the mid-20th century, the Hershey Chocolate Company continued to expand. The company's entrepreneurial spirit continued after Milton Hershey's death in 1945. The company acquired several other companies, including Reese's, and was renamed the Hershey Foods Corporation in 1968. From 1969 to 2004, the company grew from \$334 million to \$4.4 billion in net sales. The company changed its name to the Hershey Company in 2005.

Today, Hershey's employs more than 15,360 worldwide, with company headquarters in Hershey, PA. Net sales in 2017 were \$7.52 billion. The company has a formal "*Code of Conduct*," and is ranked number 252 on *Forbes Best Employer List*. In March 2017, Michele Buck was named President & CEO, making her Hershey's first female Chief Executive. She was later named to "*Fortune's 50 Most Powerful Women*."

Hershey's product list now includes: "*Hershey's, 5<sup>th</sup> Avenue, Allan Candy, Almond Joy, Brookside, Bubble Yum, Cadbury, Dagoba, Good & Plenty, Heath, Ice Breakers, Jolly Rancher, Kit Kat, Lancaster, Milk Duds, Mounds, Mr. GoodBar, Payday, Popwell, Reese's, Rolo, Scharffen Berger, Skor, Sofit, Takes, Twizzlers, Whoppers, York, Zagnut, Zero, Whatchamacallit.*" In September 2018, Hershey's acquired Pirate Brands which includes, *Pirates Booty, Smart Puffs*, and the *Original Tings* for \$420 million.

Thanks to Milton Hershey, the company has a long history of philanthropy and stewardship. He supported education; building the Milton Hershey School, a private school for lower income children. He also built parks, a hospital and even a town as he put his employee's wellbeing over his personal profits. At the time of his death, he bequeathed most of his estate to the Hershey School.

## **ETHICS, VALUES, AND SOCIAL RESPONSIBILITY AT HERSHEY**

Hershey's commitments to its stakeholders through ethical behavior are outlined in the Code of Ethical Business Conduct. The code covers issues from conflicts of interest and antitrust to fair trade, sustainable supply chain management, and workplace diversity. The company encourages ethics reporting through a variety of channels, including management, HR, executives, and third-party reporting. All employees go through ethics training and certify their adherence to the code every year. Hershey's Ethical Business Practices Committee provides oversight and guidance in all ethical issues at the company.

## HERSHEY'S VALUES

Hershey's four core values are centered on the idea of "One Hershey":

- Open to Possibilities: "We are open to possibilities by embracing diversity, seeking new approaches and striving for continuous improvement."
- Growing Together: "We are growing together by sharing knowledge and unwrapping human potential in an environment of mutual respect."
- Making a Difference: "We are making a difference by leading with integrity and determination to have a positive impact on everything we do."
- One Hershey: "We are One Hershey, winning together while accepting individual responsibility for our results."

## HERSHEY'S SOCIAL RESPONSIBILITY STRATEGY

Hershey's corporate social responsibility (CSR) strategy centers on engagement with its stakeholders and continually improving its CSR performance. The company also incorporates its values into its programs and initiatives. The company believes that "The Hershey Company's commitment to corporate social responsibility is a direct reflection of our founder's life-affirming spirit." Hershey uses its value chain to categorize its social responsibility activities into four groups: Marketplace, Environment, Workplace, and Community.

### MARKETPLACE

Hershey strives to conduct business fairly and ethically by focusing on the integrity of its supply, consumer well-being, and alignment with customers.

For Hershey, the integrity of supply includes not only the ingredients but also the people and processes used to grow, process, and acquire those ingredients (the entire supply chain). Cocoa is of particular concern to Hershey, and it is involved in a number of cocoa-sector initiatives and partnerships to make progress in sustainable cocoa farming and fair labor. These issues are explored in greater detail later in this case.

The company sponsors several consumer health initiatives and programs, including Moderation Nation, a national consumer education initiative that promotes balanced lifestyles, which is sponsored by the Hershey Center for Health & Nutrition (HCHN) and the American Dietetic Association (ADA). The company also hosts Hershey's Track and Field Games across the U.S. to encourage children ages 9-14 to engage in sports and a healthy lifestyle.

### ENVIRONMENT

Maintaining the environment is important to Hershey, and it is taking many steps to reduce its impact on the environment, including sustainable product designs, sustainable sourcing, and efficient business operations. Some specific programs include the following:

- Sustainable palm oil sourcing: Palm oil comes from the African oil palm tree and is used in a wide variety of products, include Hershey's chocolate. However, the production of palm oil is highly controversial because of its impact on ecosystems. To combat concerns, Hershey became a member of the Roundtable of Sustainable Palm Oil (RSPO) and purchases its palm oil only from suppliers that are also RSPO members.

- Sustainable paper: In 2011 Hershey began to purchase paper for its office from suppliers that use sustainable forestry practices and are Forest Stewardship Council or Sustainable Forestry Initiative certified.
- Recyclable packaging: More than 80 percent of Hershey's packaging is recyclable, including syrup bottles, foil, paper wrappers, and boxes. Recycling helped Hershey to reduce its packaging waste by 1.75 million pounds in 2014.
- Zero-waste-to-landfill facility: In 2011, the Reese's plant became a zero-waste-to-landfill facility, meaning that none of the plant's routine manufacturing waste went to a landfill. Today six Hershey manufacturing plants and five other facilities have achieved zero-waste-to-landfill. The waste that is not recycled goes to an energy incinerator and is used as a source of fuel.

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## WORKPLACE

Hershey wants to provide value to its employees and make the company a desirable place to work by focusing on safety, wellness, openness, and inclusion. The company has strong diversity policies and focuses on continuous safety improvements in its manufacturing facilities. However, this does not mean that Hershey never faced workplace issues. In 2011, over 400 foreign students working for Hershey went on strike after Excel, one of the company's sub-contractors, misled and underpaid them. OSHA later fined the sub-contractor \$283,000 for health and safety violations.

Hershey has continued to improve its workplace practices. In 2013 it was listed in *Corporate Responsibility* magazine as one of America's "Best Corporate Citizens." It launched an initiative called "Manufacturing Apprenticeship Program" to recruit, train, and retain employees with physical or intellectual disabilities for its manufacturing plants. Hershey is also considered one of the best places to work for LGBT employees.

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## COMMUNITY

Hershey's biggest philanthropic contribution is through its Milton Hershey School. Milton Hershey and his wife, Catherine, started the school in 1909 to help orphan boys receive an education while living in a nurturing environment that included meals and clothes. The school was a cause dear to the couple's heart because they were unable to have children of their own. After his wife's death, Milton Hershey created the Hershey Trust Fund, to which he donated most of his money, to be used for the support of the school. To this day, the fund remains the company's biggest shareholder and largest beneficiary. It holds a 30 percent stake in Hershey.

Although the school is Hershey's biggest philanthropic contribution, the company also donates to and supports over 1,400 organizations including the American Red Cross, Habitat for Humanity, Junior Achievement, Dress for Success, and the Children's Miracle Network. The company has also designed a way to get their employees involved in the community. Hershey designed a program called "Dollars for Doers" in which employees who participate in 50 hours of community service over one year are rewarded \$250, by the company, to donate to an organization of their choice.

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## BOARD CHANGES

Despite its strong record of social responsibility, in 2016 Hershey experienced a board upheaval when the Hershey Trust Co. settled with the Pennsylvania attorney general's office. The attorney

general's office had begun investigating concerns that board members were overpaid, received reimbursements for excessive travel expenses, and exceeded 10-year term limits. There were also questions about whether board members of the trust were acting in the best interests of the Milton Hershey School. The board had rejected different offers by other firms to acquire Hershey. The local community of Hershey, Pennsylvania encouraged Hershey to remain independent, but some believe that selling the company would be the most beneficial option for the school. The Hershey Trust holds 81 percent of the voting power, which gives it the power to control votes on mergers or acquisitions.

The allegations were serious enough that Hershey agreed to make corporate governance changes. Some of the board members resigned. Additionally, Hershey developed a legal document that caps board member terms as well as compensation. This lapse in corporate governance was a slight blow to Hershey's reputation, but it also offered the firm an opportunity to learn from its mistakes and develop more sound leadership for the future.

## LABOR ISSUES IN THE COCOA INDUSTRY

Although the Hershey Company strives to engage in ethical and responsible behavior, the realities of the cocoa industry present several ethical challenges related to the fair and safe treatment of workers, especially children. Chocolate is one of the world's most popular confections, but few people consider the sources of the chocolate they consume.

The process of making chocolate spans several countries and companies even before the ingredients arrive at the manufacturing plant. It starts with the cocoa bean, which is found within the *Theodroma Cacao*, also known as the cocoa pod (fruit). The harvest process is labor intensive and starts when the seeds (cocoa beans) are extracted by splitting the pod with a machete. Each pod can contain anywhere from 20 to 50 beans, and around 400 beans are needed to produce one pound of chocolate. After the beans have been extracted, they are laid out to dry in the sun for several days in order to acquire the flavor needed for chocolate. The beans are then packed into bags and sent out for shipment.

The cocoa bean supply chain is extensive and elaborate; at times the cocoa bean can go through up to 12 different stages before getting to the chocolate manufacturers, and the price per pound of cocoa beans changes significantly throughout the supply chain. By the time the beans reach the chocolate manufacturers, they are a mix of beans from hundreds of cocoa plantations.

Although the process of manufacturing chocolate requires many steps before it can begin, most of the major ethical and legal issues are related to the source of the cocoa bean. Cocoa plantations are found in areas with rainy, hot, tropical climates and high amounts of vegetation. The global cocoa market is currently supplied by mostly poor nations, with 70 percent from Africa (Ivory Coast, Ghana, Nigeria, Cameroon), especially the Ivory Coast, which supplies 40 percent of the entire global market, and Ghana, which supplies 20 percent. This is followed by 19 percent from Asia and Oceania (Indonesia, Papua New Guinea, Malaysia), and 11 percent from the Americas (Ecuador, Brazil, Colombia).

With the majority of the global cocoa supply coming from Africa, the need for workers on plantations never dwindles, which has brought about the thriving business of child labor, slavery, and human trafficking across African borders. Many cocoa farms do not own the cocoa plantation

and pay the land owner 50-66 percent of each year's crop. To keep costs low, farmers often use their own family members as a source of labor.

Children who work on cocoa plantations are usually somewhere between 12 and 15 years old but can be as young as 5 years old. Many of them work in hazardous conditions on the plantations, with workdays often lasting eight to twelve-hours. Poverty in the Ivory Coast and Ghana causes parents to rely on their children to help provide for the family's basic survival. The average number of children in a household range from 5-17. Children work in all segments of cocoa production: land preparation, planting, farm maintenance, harvesting, and post-harvest. They clear land; fell and chop trees and brush; burn; spray insecticides; and apply fertilizers and fungicides.

It is not uncommon for traffickers to abduct small children from the neighboring African countries of Burkina Faso and Mali, some of the poorest countries in the world. Boys are sent to the fields, often in hot humid conditions, with little food and water. They are taught to use chainsaws to cut through the forest, while others climb and work on trees higher than 9 feet high. They use machetes to cut the cocoa bean pods. They then put the pods in sacks that weigh up to 100 pounds and then either drag or carry the sacks out of the forest. Other children receive the pods and use their machetes or cutlasses to open the pod's hard shell to harvest the cocoa beans.

Once the cocoa seeds have been removed, young girls assist women who then begin processing or grinding the beans by hand. Some girls work on the farms for a few months, others stay through life. This labor-intensive operation has been done by hand for centuries. They also experience poor health services, access to drinkable water, food insecurity, and education.

Insect and pest control is a major problem for the growers, so children are sent to spray the pods with large amounts of industrial and toxic chemicals and pesticides, without the benefit of protective clothing. Exposure to these poisons creates damage to their neurological and physical development.

Although governments and corporations are aware of this problem, no accurate information, aside from estimates, exists regarding the true number of children working on cocoa plantations. The difficulty of obtaining accurate data can be attributed to the immense quantity of cocoa plantations across Africa, totaling well over 1,000,000 small plantations (average size 2-4 hectares), with between 600,000 and 800,000 plantations located throughout the Ivory Coast.

Nonetheless, it is estimated that two-thirds of African farms use child labor. Research conducted by the International Labor Organization (ILO) stated that in 2007 there were 284,000 children who worked in hazardous conditions related to cocoa in the Ivory Coast. Furthermore, according to surveys conducted by both Tulane University and the Government of the Ivory Coast, an estimated 819,921 children in the Ivory Coast alone are working in some area of the cocoa business. According to an ILO investigation in 2002, an estimated 12,000 child laborers in the Ivory Coast had no relatives anywhere near the plantations, which suggests that they may have been trafficked.

In addition to child labor, many cocoa plantations engage in exploitation of other workers. While some non-family workers are paid, others may be enslaved or work in abusive conditions. They may have been trafficked from neighboring countries or tricked into owing large amounts of money to their employers. The workers are often threatened with physical punishment or death if they attempt to leave the plantation.

The issues of child labor, human trafficking, and forced labor in West Africa have drawn the attention of many organizations as well as the companies who procure products from that region. They have implemented many different initiatives, laws, and other precautionary measures in order to reduce the use of children for cocoa farming in terms of manual labor. In Africa, individuals under the age of 14 are not allowed by law to work within the business sector, which does not include family farms. This law seems to be effective, but in reality, it does almost nothing when considering the large amounts of family cocoa farms and the ease of hiding non-family laborers.

To help change labor practices without relying on governmental or legal support, several organizations are working to encourage the ethical sourcing of cocoa. Most of these organizations focus on the fair treatment and education of cocoa producers and raising voluntary support from companies. The following are some of the global organizations and programs that are working to combat the labor problem within the cocoa industry:

- World Cocoa Foundation (WCF): An organization devoted to improving cocoa farmers' lives through sustainable and responsible cocoa farming practices.
- Sustainable Tree Crops Program (STCP): Farmers learn to improve their cocoa crop yields and earn more money through nine-month field training courses.
- Harkin-Engel Protocol: An initiative enacted in 2001 to commit the chocolate industry to fighting the worst cases of child labor. The agreement was signed by eight chocolate manufacturers, including The Hershey Company.
- International Cocoa Initiative (ICI): An independent foundation established in 2002 under the Harkin-Engel Protocol to address the worst forms of child labor and adult forced labor on cocoa farms in West Africa. The organization works to inform and educate communities on child labor and how to create community-based solutions.
- International Labor Organization (ILO): An organization working to combat the various child labor related problems within West Africa. The different programs initiated by the ILO have focused on creating sustainable ways of removing children from child labor in the cocoa business, improving community initiatives to fight child labor, and increasing overall income for the adult sector to prevent the need for child labor.

The International Cocoa Organization was established in 1973 by the United Nations. Membership is comprised of cocoa producers and representatives from countries that import cocoa. It developed seven formal economic agreements that address funding of projects, sustainable development, disputes, consultations, research and marketing and established a set of standards for "Sustainable World Cocoa Economy."

Today, there are three main certifying organizations for cocoa: Fair Trade USA, UTZ, and RainForest. Their mission is to provide assurance that the product is produced in a sustainable manner. They have a formal *Code of Conduct* and *Certifications* that address farming methods, working conditions, and care of the environment.

**Fair Trade USA** – Fair Trade Certified is a non-profit organization that was founded in 1981 by the Institute for Agricultural Trade Policy and involves a network of producers, companies, consumers and organizations that are concerned about the environment and making people a priority. Fair Trade sets standards and criteria that protect ecosystems and stipulate farmers work in safe

conditions and receive a harvest price while protecting the environment. Fair Trade guarantees a minimum price to farmers and a guaranteed premium payment per ton. While this is an improvement in financial remuneration to the farmers, it is still not enough to eliminate poverty for families. Their certification provides child labor monitoring as well as remediation programs for those farmers who caught abusing child labor laws. Fair Trade USA was a member of Fairtrade International until September 2011 when they resigned their membership because of disagreements as to the “best paths forward” in their certification and expansion missions.

Today more than two billion people live on less than two dollars a day according to the U.N. poverty statistics. Fair Trade created Co-Op Link which provides cooperatives with funding for capital access and increased quality standards. It also limits child labor, the use of pesticides, herbicides and genetically modified products (GMO’s) as well as establishing standards for contracts and importers that must be met before certification. It also allows a set of standards for democratic decision-making, so farmers will have an opportunity to have input into how the Fairtrade premiums are invested.

**Universal Trade Zone (UTZ) and Rain Forest Alliance.** UTZ was founded in 2002 as UTZ Kapeh or “good coffee,” by Nick Bocklandt, a Belgian-Guatemalan coffee grower and Ward de Groot, a Dutch coffee roaster, both of whom were committed to implementing sustainable farming practices. In October 2007, cocoa certifications were added. Today more 750,000 cocoa farmers from 21 countries producing 1.5 million tons of cocoa are now UTZ certified. UTZ has a *Certified Code of Conduct* and includes traceable growing practices, that address farm management, farming practices, labor and living conditions, and the environment. UTZ is also a full member of the ISEAL Alliance, the global sustainability standards association.

**Rain Forest Alliance Certified** - Ensures that agriculture, rain forests, farm workers and children meet standards that protect against environmental and social hazards. Sustainable Agriculture Network/Rainforest Alliance composes more than 13.4 percent of the world’s cocoa supply. It was created to protect natural ecosystems and teach farmers about sustainable agriculture principles. This includes how to protect against insect infestations, prevent disease of cocoa trees, and safe farming techniques that protect workers as well as the environment

As part of certifications, the Rain Forest Alliance addresses the use of child labor by prohibiting minors under 15 from working on the farms. Young people between 15-18 are allowed to work but are restricted in the tasks they are allowed to perform. It also requires that education be provided for the children along with access to medical services for farmers, workers and their families.

The RainForest Alliance organization chose the Red Eyed Tree Frog (*Agalychnis callidryas*) as their marketing logo. The frog is so named because of its distinctive red bulging eyes and green color.

On January 9, 2018 the RainForest Alliance officially merged with UTZ and will be now known as the **RainForest Alliance – UTZ Certified**. The Rainforest Certified “green frog” will continue as the logo, since it has extensive consumer recognition and brand value. This certification merger includes coffee, cocoa, tea and hazelnuts. This will also make it the largest certification organization in the world; 182,000 farmers are certified in either or both organizations. This merger will also reduce administrative costs and duplications. Each organization will continue with their separate and standard certifications and audits until 2019, when a new single program will be *instituted and*

marketed as a single certification brand. Currently, UTZ nor Rainforest have a system that protects farmers from market fluctuations or addresses fixed premiums for farmers.

## HERSHEY'S EFFORTS TO IMPROVE LABOR CONDITIONS

Hershey has made several commitments to help reduce labor issues in its own supply chain and in the chocolate industry. Hershey is involved in West Africa and the organizations that fight child labor in West African cocoa farming. The company is a member of the WCF, ICI, and is one of the eight corporations that signed the Harkin-Engel Protocol. Involvement in these programs and organizations requires Hershey to commit to certain standards and contribute to fighting child labor.

The Hershey Company is dedicated to sustainably and ethically supplying the cocoa needed for its products, as well as educating its suppliers. One program that integrates these two concepts is Hershey's "CocoaLink – Connecting Cocoa Communities" program. CocoaLink use mobile technology to share practical information with rural cocoa farmers. Farmers receive free text or voice messages that cover topics such as improving farming practices, farm safety, child labor, health, crop disease prevention, post-harvest production, and crop marketing. Farmers can also share information and receive answers to specific cocoa-farming questions.

In 2012 Hershey launched the Hershey Learn to Grow (LTG) farm program in Ghana, which provides local farmers with information on best practices in sustainable cocoa farming. Specifically, the program seeks to encourage ethical farming practices as well as leadership and empowerment. Both men and women are being trained on how to improve crop yields. Those who meet acceptable certification standards receive extra money. Hershey estimates that this program influenced over 31,000 farmers by 2015.

Hershey also produces some of its products using ethical and sustainable cocoa. Hershey Bliss, one of the company's specialty chocolates, is made with 100 percent Rainforest Alliance Certified cocoa. In 2006 Hershey acquired Dagoba, (which means shrine), from Knoppers, a German chocolate wafer snacks company. In 2012, Hershey's purchased certified organic cocoa from the Rainforest Alliance for their Bliss and Dagoba premium brand chocolates.

In March 2013, the Hershey Candy instituted their "*Raise the Bar*" campaign that included a timeline to begin a transition to certified cocoa as part of their "**21 Century Cocoa Plan.**" Hershey made a commitment to source their cocoa through UTZ, Fairtrade USA and Rainforest Alliance. The initial goal was to have 40 to 50 percent sustainable cocoa by 2016 and 100 percent by 2020.

Hershey also launched their *Learn to Grow Farmer and Family Development Center* in Assin Fosu in Ghana's central cocoa region. *Source Trust*, a non-profit organization was created for the education of farmers to help improve their revenues by teaching better farming techniques. It also includes a supply system that allows tracing product back to the farm of origination. Source Trust has an alliance with the *Cocoa a Livelihoods Program* and with the *Bill and Melinda Gates Foundation* to address food security for farming communities.

In 2016, Hershey initiated the "*One for All Cocoa Project,*" with their *Dagoba* brand organic chocolate. The Project's mission is to advance women and to assist in the economic development of cocoa farming communities. Women are taught management skills and customized farming techniques that enable a sustainable environment.

Hershey also supports “*Women in Cocoa and Chocolate Network*,” which supports women farmers who now make up a quarter of the cocoa farm population in West Africa. This organization provides extension, business management, and certification services. They work to improve the economic lives in the cocoa communities as well as empower women throughout the cocoa supply chain.

Hershey’s latest endeavor, “*The Cocoa for Good*,” campaign was introduced for West African farming communities in April 2018. Hershey pledged \$500 million by 2030 to address the cocoa community’s issues of poverty, lack of nutrition, child labor, youth’s at risk, and sustainable ecosystems.

## CRITICISM OF HERSHEY’S EFFORTS

Some critics argue that Hershey is not doing enough to combat labor exploitation and improve communities in West Africa. Over the past few years, Mars, Mondelez, Nestlé, Cargill, and other competitors have worked to adopt fair trade certification and/or release information regarding their suppliers. Despite many requests for public disclosure of its cocoa suppliers, Hershey still declines to name them. It is well known that Hershey acquires most of its cocoa from West Africa, but the specific sources are more difficult to identify.

According to a 2010 report titled “Time to Raise the Bar: The Real Corporate Social Responsibility for the Hershey Company,”

“Hershey has no policies in place to purchase cocoa that has been produced without the use of labor exploitation, and the company has consistently refused to provide public information about its cocoa sources...Finally, Hershey’s efforts to further cut costs in its cocoa production has led to a reduction in good jobs in the United States.”

The report, compiled by Global Exchange, Green America, the International Labor Rights Forum, and Oasis USA, accused Hershey of not embracing fair trade practices despite having a U.S. market share of over 40 percent. It also accused Hershey of greenwashing, or creating a false impression regarding its eco-friendly behavior, by donating to various programs without actually changing its policies to ensure that its cocoa is ethically produced. Green America even created a coalition called “Raise the Bar, Hershey!” to urge the company to address child labor and trafficking in the supply chain.

Since then relations between Hershey and Green America seem to have improved somewhat. The organization was pleased with Hershey’s pledge to source 100 percent of its cocoa from sustainable sources (free from child labor) by 2020. However, the company has many obstacles to overcome, and Green America has ranked Hershey’s competitors higher than Hershey in its approach to solving the child labor problem. Green America developed a “Big Chocolate Scorecard” to grade chocolate manufacturers on the sustainability of their supply chains. Hershey ranked behind its major competitors Nestlé, Mars, Mondelez, and Ghirardelli (owned by Lindt). Hershey received a C—according to the scorecard’s ranking criteria. However, even Nestlé—the highest ranked among the top chocolate manufacturers—only scored a C+. A representative from Green America maintains that Hershey scored lower because it relies more on third-party certification rather than direct engagement. The organization believes that while third-party certification is a step in the right direction, it is only part of the solution to combatting child labor.

Through the years, Hershey has had to address numerous litigations regarding child labor, human rights and abuse of civil liberties in their supply chains, particularly in developing countries. The most recent litigation was filed in February 2018, when the law firm of Hagens Berman filed suit on behalf of Massachusetts consumers. They alleged Hershey's and Mars knowingly imported cocoa beans from the Ivory Coast, a country which uses child labor, even slave labor, and traffics in children. The suit also contends that changes to addressing these issues has been postponed from 2008, 2010 and now to 2020.

Another class action suit was filed by Perkins Coie, an international law firm, on behalf of three California residents that allege the Hershey Company, along with the Mars and Nestle Company, committed false advertising by failure to disclose the use of child slavery on their packaging. They also contend these companies are deceiving consumers into "unwittingly supporting child labor and violations of human rights." The suit seeks monetary damages for California residents who have purchased the chocolate. They are also petitioning to revise the Hershey packaging to acknowledge that child slaves were used in production of the product.

## CONCLUSION

The labor issues in the chocolate industry are complex and are connected to the poverty within West Africa. The exploitation of cocoa communities is intertwined with the meager incomes for the majority of the population, a lack of education and opportunity, governmental corruption, and other conditions in the region. With more than 2.1 million children used in the cocoa production just in the Ivory Coast, the magnitude of this corruption is vast. Improving the overall well-being of West Africa is an important part of any attempt to effectively fight the problems associated with labor cocoa plantations.

The Hershey Company recognizes the need to improve labor conditions in the supply chain and has developed several initiatives to help create positive change in the cocoa industry. However, despite the company's large financial contributions, the company trails behind competitors Nestlé, Mars, Mondelez, and Ghirardelli on efforts to address sustainability, poverty, and child labor. On the other hand, the company appears to have improved significantly in combatting child labor after initiating the 21<sup>st</sup> Century Cocoa Plan in 2013.

In the end, labor exploitation in the chocolate industry cannot be solved by one company alone. There are many possible solutions, and it will take many years and a large amount of investment from the chocolate industry before conditions change. However, by making small changes to West African cocoa communities, the quality of life for thousands of cocoa workers will slowly improve.

## QUESTIONS

1. Should Hershey be held ethically responsible for child labor conditions in the West African cocoa communities?
2. How can Hershey balance its ethical culture and concern for labor conditions in West Africa in relating to various stakeholders?
3. If it is not possible for Hershey to gain control of its supply chain for a required raw material (cocoa beans) in its final product, what are its alternatives?
4. In your opinion, is Hershey doing enough in terms of corporate social responsibility, given that the company is lagging behind competitors? If not, how could they do to improve?

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