Charlie's Chocolate Economy: The Rise and Development of Sustainable Chocolate in the Modern World

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CHARLIE'S CHOCOLATE ECONOMY: THE RISE AND DEVELOPMENT OF SUSTAINABLE CHOCOLATE IN THE MODERN WORLD

by

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ABSTRACT

From its first use by the Olmecs in the ancient Americas to its proliferate presence in modern foods, drinks, and snacks, chocolate has always been a popular commodity. Its historical development from bean to drink to bar is both complex and fascinating, and yet this favorite sweet of both children and adults alike carries a darker side that colors its popularity. As the past few decades have shown, sustainable and ethical trade has become an increasingly viable approach by chocolate and cacao companies in response to the popular outcry against the injustices that riddle the cacao economy.

OBJECTIVES. In this paper, I use the Worlds of Food framework of Kevin Morgan, Terry Marsden, and Jonathan Murdoch to examine the rise and development of a “moral economy” in chocolate from its beginnings as individual moral outcries to the organized efforts that contribute to the sustainable world cocoa economy today. METHODS. Following this historical analysis, I present the myriad problems, challenges, and obstacles currently faced by the world of chocolate by presenting and critiquing various case studies of sustainability models promoted by players in the cocoa economy. RESULTS. I find the existence of a cycle of compromise between a sustainable agenda and a profiteering, business-as-usual agenda in the world of chocolate. In conclusion, I suggest practices that might further enable the successful mainstreaming of ethical chocolate for a truly sustainable world cocoa economy.
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-CHAPTER ONE: INTRODUCTION-

Chocolate has always been an interesting commodity. Theme parks have been built around it, fiction characters have been immortalized by it, and entire holidays have been popularized through it. In history, the Olmecs and Aztecs used cacao, the raw bean from which cocoa powder and chocolate are made, as a form of currency and worshiped it as a divine gift from the heavens. After Spanish conquistadors “discovered” the venerated beans, the idolization of cacao spread beyond the Americas: traded as precious cargo from the Americas all throughout Europe and later to the United States, enjoyed both as a beverage and in solid form, hailed as a healthy alternative to alcohol consumption, and adored by children and adults alike for countless generations. Fiercely cherished and revered, chocolate truly is, as Charles Linnaeus termed, theobroma—food of the gods.\(^1\)

A food fit for the likes of the gods could only have an extraordinary history. In ancient Aztec society, “the royal coffers were overflowing, not with gold, but with cacao beans.”\(^2\) A currency prized above the precious metal Cortés sought, these beans were consumed by only the wealthiest of Montezuma’s citizens, and the emperor himself only drank cacao potions. As Robbins points out, “This may have

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been one of the most extreme examples of conspicuous consumption in history—the eating of money itself.”

As cacao moved across the Atlantic to the European continent, rumors of its mystical qualities followed. In 1520, Cortés wrote to the king, describing cacao as a “divine drink, which builds up resistance and fights fatigue,” and “permits man to walk for a whole day without food.” Thus the fame of cacao’s medicinal qualities spread, with many believing in its ability to heal burns, serve as a hallucinogen or an aphrodisiac, and to relieve fevers.

Regardless of whether cacao does indeed contain these pharmaceutical advantages, its popularity among the elite spread. Not only was the exotic beverage religiously sanctioned as a non-alcoholic enjoyment, but also after Cardinal Brancaccio’s decree in 1665 that it did not break the fast, the free consumption of the drink quickly solidified its place as a social necessity among the circles of the rich and powerful.

A mystery has shrouded this commodity, drawing unwavering fascination throughout the ages—how it keeps a soldier going, how queens used it in bed, and how monks kept it secret as they pored over it. In modern times, British children’s fiction writer Roald Dahl was also transfixed by the allure of the world of chocolate, culminating in his most famous work, Charlie and the Chocolate Factory, which

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3 Ibid.
5 Ibid., 35
features a fantastical factory owned by Willy Wonka, a man who is equal parts brilliant and discombobulating: a fitting personification of the oddity that is *theobroma*. Yet in the real world of Wonka-esque proportions lies a hidden darkness to this otherwise pleasurable treat. Although the “chocolate factory” dazzles the visitor, what happens behind its closed doors is a far cry from the innocent delight evoked by its delicious products. Much like a certain group of children who entered Wonka’s chocolate factory to vie for the grand prize of winning complete ownership of the factory, the chocolate economy today hosts a number of different “worlds of production” that have competing methods of production and exchange;\(^8\) and while in the fictional story of *Charlie and the Chocolate Factory*, the underdog Charlie wins the chocolate factory, the arguable underdogs of today’s chocolate economy, the players participating in a “moral economy”,\(^9\) are still in the process of gathering momentum. The outcome is yet to be determined.

### 1.1 Overview

In this paper, I attempt to follow the historical development of “ethical chocolate” and the underpinning idea of a “sustainable cocoa economy” in order to assess their possible effects on the future direction of chocolate production. Due to a rising concern over social and economic justice regarding cocoa trade and

environmental exploitation, I hypothesize that players who drive the chocolate economy are increasingly incorporating aspects of a “moral economy” that will change the future emphasis of chocolate production toward sustainability over bottom-line profit.

In Chapter Two, I give an overview of Worlds of Production, the theoretical approach to economic processes put forward by Michael Storper and Robert Salais,\(^\text{10}\) its application to the food system by Kevin Morgan, Terry Marsden, and Jonathan Murdoch in their work, *Worlds of Food*,\(^\text{11}\) and finally the concept of a moral versus neo-liberal economy as defined Morgan, Marsden, and Murdoch. These three works create the context in which the history, present, and future of the world of chocolate will be analyzed. Chapter Three details a brief history of chocolate as developing within, and proceeding through, different Worlds of Production to better understand how and why the chocolate economy is as it is today. Chapter Four focuses specifically on the development of ethical chocolate in its myriad definitions through history until its culmination as a confusing amalgam of meanings stretching from purely economic productivity to social justice and community empowerment, in order to understand why and under what circumstances a moral lens on chocolate was born, and what its popularization means today. In Chapter Five, I discuss the numerous problems, challenges, and obstacles faced by the “moral economy” of alternative chocolate, chocolate that is produced with a focus on

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solidarity between producers and consumers over profitability of shareholders. Some examples of such obstacles include market liberalization, a high concentration of cacao bean supply in a few countries, a domination of chocolate production by a few giants in the industry, and imperfect market information transfer along the length of the chain. In Chapter Six, I evaluate several case studies of sustainability models forwarded by various players in the economy—transnational and international organizations, MNCs, independent alternative chocolate companies—and critique each model based loosely on a standard given by Follett.\(^\text{12}\) Chapter Seven juxtaposes two trends that tend to run counter to one another, conscious consumerism and corporate consolidation, and analyzes their significance in shaping the future trajectory of the chocolate economy. Finally, in light of the different consumer and market trends, such as the opposing trends of conscious consumerism and corporate consolidation, that may affect this “moral economy,” the paper concludes in Chapter Eight by suggesting practices that might further enable the successful mainstreaming of ethical chocolate, ultimately answering the question, “Can Charlie’s chocolate economy be a reality in the near future?”

-CHAPTER TWO: THEORY-

2.1 Worlds of Production

In their book *Worlds of Production*, Michael Storper and Robert Salais introduce a theoretical framework that aids in understanding the full economic history of cocoa trade by incorporating what had previously been known as “non-economic” forces as a central part of the economic process in each of the four production worlds they define. Storper et al. no longer define these institutions, cultures, and social practices as “non-economic”, but as conventions that culminate in what they call *frameworks of economic action*.\(^1\) Four such frameworks are explored as “possible worlds of production”, where each world is a form of coordination between persons who make the product and those who use it.\(^2\) Storper and Salais identify these four worlds as the World of Intellectual Resources, the Industrial World, the Market World, and the Interpersonal World, with each world having its own conventions, or “systems of mutual expectations with respect to the competences and behaviors of others.”\(^3\) The conventions, as well as their place in the development of the chocolate economy, are described as below.

The *World of Intellectual Resources* is a world of creation that produces a great variety of new technologies, such as new materials, new production methods,

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\(^2\) Ibid., 42
\(^3\) Ibid., 42
and new products. The goal of workers within this world is to produce generic products from specialized knowledge, a process that allows others to later imitate their qualities and produce these generic products in turn. Therefore the World of Intellectual Resources typically includes major corporate research and development (R&D) projects, as well as departments of corporations that would otherwise fit in the Industrial or Market Worlds. As I will expound upon in later chapters, the World of Intellectual Resources was the predominant world of chocolate production during the eighteenth and nineteenth centuries, as many innovations during that time contributed to the evolution of chocolate into what is consumed today.

The *Industrial World* is the world of mass production. Products have broad markets and are interchangeable for the consumer via objective codified norms for the producer. These products, while also generic, are different from those in the World of Intellectual Resources because they are “standardized-generic” products, created according to a convention of standardizing resources, such as the labor process, technology, and the product itself. The goal of producers is to maximize economies of scale in order to better compete on a basis of price; consumers base their decisions on a list of similar products made with interchangeable technology. Chocolate companies such as Hershey, Mars, Nestlé, and Cadbury were, especially in their early years of success, completely immersed in this world of production.

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4 Ibid., 21
5 Ibid., 37
6 Ibid., 21
7 Ibid., 33-34
The Market World, although similar to the Industrial World in its standardization of products, has differentiated (“dedicated”) products. In this world, the consumer does not choose from a list of similar, pre-determined products, but rather articulates his or her special needs in the language of standardization. Therefore, the typically few producers who can meet demand compete on a basis of price and rapid response.\(^8\) Many foods companies that adhere to certification schemes (USDA Organic, TransFair, Utz, Rainforest Alliance, etc.) fall into this world of production, such as Horizon Organic Milk or in the case of chocolate, Cadbury’s Fair-trade Dairy Milk Bars, as they offer to meet a specific requirement of the consumer through the language of standardization (i.e., certification schemes).

It is important to note here a fundamental characteristic of the Market World that especially differentiates it from the Interpersonal World. In the words of Storper and Salais, using the language of standardization means that buyers “impose a ‘loss of personality’ on producers, which allows buyers to avoid loyalty or commitment to producers.”\(^9\) As this applies to chocolate, consumers are satisfied with labels that may meet the requirements of what they seek, but do not offer any transparency regarding the wellbeing of the producers behind the labeled product. In other words, the producer-consumer relationship is reduced to one in which each party is defined by objective interests\(^10\)—as long as Chocolate Brand X is USDA certified organic, the consumer is satisfied, despite the (high) chances that the cacao

\(^8\) Ibid., 20
\(^9\) Ibid., 35
\(^10\) Ibid., 35
farmers who supply Chocolate Brand X may be farming organic beans in as much poverty as those who do not farm organic beans.

The fourth and final World of Production is the Interpersonal World, which offers specialized and dedicated products; in other words, products made according to the buyers’ desires. Rather than being defined by objective interests, the relationship between the consumers and the producers rests on certain conventions, such as confidence, reputation, and image specificity.\textsuperscript{11} Since producers compete based on product quality, uncertainty is at its highest, as there exists no established external point of reference for confirming product quality; it must be explicitly defined between the parties involved in the transaction.\textsuperscript{12} Historically, local artisan chocolate makers conducted business according to this world of production; today, new ethical chocolate brands that have an ongoing justice-oriented relationship with their producers occupy the Interpersonal World.

\textit{2.2 Worlds of Food}

The literature on the worlds of food is particularly beneficial in this research analysis, as it applies Storper et al.’s theory to the food system, making the worlds of production theory a crucial explanatory factor in understanding the norms that have regulated, and currently regulate, the global food system. As the evolution of food is traced through the conventions of each world of production, the

\textsuperscript{11} Ibid., 20
\textsuperscript{12} Ibid., 35
development of a divide within the food system into a conventional, neo-liberal economy and an alternative, moral economy is highlighted as two opposing trends. In such context, the specific development of chocolate is informed when interpreted as a special commodity within a greater food economy.

Kevin Morgan, Terry Marsden, and Jonathan Murdoch, leading scholars in the field of human geography and rural/environmental sociology, compare two rival agri-food systems: the long-standing Conventional system, which is dominated by large companies that produce, process, and retail food nationally and globally, and the rising Alternative system, which has a more ecological approach to agriculture, with smaller companies that produce and retail food for their local markets. And yet the irony is that the distinction between the two systems is “something of a caricature” because the border between them is becoming increasingly blurred: large corporations are producing organic lines of conventional food, supermarkets are selling local food and own-brand fair trade products, and formerly independent ethical brands are being bought by the companies that dominate the conventional system.

Until recently, Morgan et al. point out, the historical interpretation of agriculture belonged to the conventional system. Thanks to remarkable advancements, exponential agricultural yield has created a supply of cheap and accessible food for the vast majority of the western world. In such a mass

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14 Ibid. 2
production system, the emphasis is on quantity over quality, and securing economies of scale for producers and low prices for consumers. Yet Morgan et al. note the rise of the alternative system’s interpretation of agricultural history, which starkly contrasts with the narrative of the conventional system: based on an ecological measure of sustainable development, the alternative system offers a new framework for internalizing costs that the conventional food system externalizes (i.e., environmental costs, healthcare costs, etc.). Instead of valuing quantity, the alternative food system trades on quality attributes, such as authenticity and traceability.

Both systems exercise the capacity to integrate players into their structure through what the authors call “hard power” and “soft power”. “Hard power” is the power to “cajole, compel, and command by force if necessary,” while “soft power” is the power to “enlist, inspire, and persuade through ethical and/or intellectual argument”. The conventional system routinely uses the former power, which can especially be seen in retailer-governed supply chains where the primary producers have been so weakened that in some cases, the prices they receive from supermarkets are lower than their costs of production, which is an unsustainable relationship. The alternative system, on the other hand, practices the latter power, creating what Morgan et al. call a new moral economy of food where producer-

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15 Ibid., 2
16 Ibid., 3
17 Ibid., 4
18 Ibid., 5
buyer relationships are defined by balanced and sustainable trade for all parties involved.

Morgan et al. apply Storper et al.’s worlds of production approach to their own analysis of food systems by “suggesting that the worlds of food that now comprise the contemporary food sector work not just according to an economic logic, but also according to cultural, ecological, and political/institutional logics.”

The four worlds of production (the Industrial World, the Intellectual Resources World, the Market World, and the Interpersonal World) are interpreted accordingly:

The Industrial World, in keeping with its standardization of production processes and consumption cultures, substitutes and appropriates ecological factors for production; today, intensive agricultural regions such as the Midwest industrial farms of the U.S. that supply a global economy, and areas of mass food manufacture and food processes belong in this world of production.

The Intellectual Resources World has been harnessed for an intensification of Industrial World trends. Genetic modification and biotechnology in the laboratories are currently forwarding the GM (genetically modified) revolution in agriculture.

The Market World is undergoing increasing mass-market fragmentation—production processes remain standardized, but because several new cultures of consumption are arising, these processes are fragmenting and becoming increasingly differentiated so that many market niches now exist. Today this mass-

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19 Ibid., 23
20 Ibid., 23
21 Ibid., 23
market fragmentation can be seen in the use of standardized products for diversified market niches, such as dedicating food technology laboratories to making microwaveable organic dinners.\textsuperscript{22}

Finally, the Interpersonal World is experiencing resurgence as a specialized sector that comprises “a mosaic of sharply distinct ‘mini-worlds’ in which food consumption practices are sensitive to the ecologies of production.”\textsuperscript{23} Smaller, ethically minded companies, cooperative-run organizations, and fair-trade/organic producers may fall into this category.

Morgan et al.’s application of Storper et al.’s worlds of production to the food system is thus an unconventional, but much-needed, method of interpreting the food network as having more than economic implications, but deeper social and ethical ones as well. The comparison of the conventional food system to the alternative one, then, is important in regards to the specific case of chocolate precisely because an alternative is given: there is a way in which a moral economy exists and functions in the world today.

2.3 The Neo-liberal Economy versus the Moral Economy

However, Morgan et al. are quick to emphasize that the conventional food system and the alternative food system are not tied to specific worlds, mutually exclusive from one another. A frequent erroneous conclusion is to assign the

\textsuperscript{22} Ibid., 23
\textsuperscript{23} Ibid., 23
conventional food chain to the Industrial World, and the alternative food chain to the Interpersonal World, but in the words of Morgan et al., “this is an unwarranted division of labor, because the borders between the worlds are more porous and less static than one might think. Firms and regions can move from one world to another.”24 Indeed, while each world of production does have its own regulatory environment, all of them are currently subject to the same two overarching trends that are emerging in the global food sector and have the potential to foster significant changes: the moral economy and the neo-liberal economy.25

The mainstream economy is the neo-liberal economy. It focuses on extreme utilitarianism and unrestrained economic power, overlooking the moral claims of society and nature in pursuit of narrow self-interests.26 As economists of the Chicago School have long argued, a private firm has only one social responsibility in this ‘free economy’ paradigm—“to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game.”27 And as the “rules of the game” allow for it, the finite resources of today are not only treated as infinite, but are exploited to such an extent as to disregard the ramifications of their overuse on the local environment and on present and future generations of people. Such practices have led to land grabbing by developed nations, the destruction of eco-systems for agricultural mono cropping, the

24 Ibid., 166
25 Ibid., 166
26 Ibid., 168
exportation of trash from developed to underdeveloped countries, and even global climate change.

The moral economy, on the other hand, has been a response to neo-liberal economic thought, pushed by academics, activists, consumer associations, development agencies, and environmental groups to tackle the pressing normative issues that they consider to be of utmost importance, rather than the secondary issues that the neo-liberal economy deems them.\textsuperscript{28} Resources are understood to be finite and consequently must be used in a responsible manner, taking into consideration the effects on the livelihoods of the people affected, the environment, and the general principle of sustainable practices. Current pressing issues include environmental concerns, labor rights, economic development in supplier nations, sustainable living and empowerment of producers, consumer health, business transparency, and more.

Taken in isolation, each regulatory trend could generate different paths of development. The neo-liberal economy would call for continued liberalization and deregulation of the food sector, while the moral economy would demand reregulation; however, the reality is that these two trends are evolving together, creating many points of tension and paradox in the various supply chains that make up the food sector.\textsuperscript{29} This coevolution explains why multinational firms, the most powerful economic actors in the supply chain, are unable to simply exercise unhindered power when striking deals with their weaker suppliers and producers:

\textsuperscript{28} Ibid., 167
\textsuperscript{29} Ibid., 166
they are operating within the confines of moral norms that have been constructed by a “messy combination of multilateral political agreements, NGO pressure, and the moral sentiments of affluent consumers at home.” In other words, the moral economy of which Morgan et al. speak is breaking in on the dominant neo-liberal economy, constraining its prioritization of profits and forcing it to adhere to socially constructed and strengthened ethical expectations.

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30 Ibid., 168
-Chapter Three: History-

The historical development of the chocolate economy is crucial for two overarching reasons. First, it leads to an understanding of how and why the present economy is shaped as it is, with its coexisting worlds of production and myriad of actors within each world. The factors and circumstances that have led to this confusing mix of trends within the chocolate economy must be disentangled from one another and understood in theoretical context; only then can one begin to predict the direction in which not only the chocolate economy, but perhaps the greater food network itself is headed, which leads to the second reason why the historical development of the chocolate economy is important: it informs through precedent the possible trajectory of the future in chocolate—whether the neoliberal interpretation of economic activity will continue to dominate, or whether the emerging moral economy will pervade international discourse enough to affect a more sustainable cocoa economy.

From its first recorded beginnings in the ancient Americas to its mass consumption all around the world today, the commodity cacao has enjoyed unflagging popularity as the key ingredient in chocolate, which itself has undergone a radical evolutionary process as it spread through Europe and the United States. Starting with the Aztec Empire, this chapter details a brief history of chocolate. A fairly unprocessed commodity before the existence of any World of Production,
chocolate is traced from its beginnings as a liquid beverage to its more commonly
known solid form as it entered and eventually spread throughout the Industrial
World, the Intellectual Resources World, the Market World, and finally, the
Interpersonal World.

3.1 From the Aztecs to the Spanish Empire

Although the Olmec civilization is believed to have been the first to use and
grow cacao beans, the Mayans likely planted the first cacao plantations outside the
rainforests, establishing these farms all throughout their kingdom in modern-day
Guatemala and the Yucatan Peninsula.¹ Cacao was so revered that the Mayans
worshipped it as an idol, used it in ceremonies and rituals as a spicy, hot drink called
xocoati,² and most interestingly, made it an actual currency for trade—goods were
priced in units of cacao beans.³ By 1325, the Aztecs had assimilated cacao into their
own culture, worshipping it as the Mayans had before them, and sweetening the
liquid drink xocoati with vanilla and honey to make their own cacahuatl.⁴

In 1519, Spanish conquistador Hernán Cortés became the first European to
taste the revered drink when he ‘discovered’ the Aztec civilization.⁵ Recognizing the
beans’ value, he traveled home to Spain with the precious cargo to present to his

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king; sixth two years later, Cortés returned to raze Tenochtitlán, the capital city of the Aztec Empire, to the ground and subjugate its people under Spanish colonial rule. seventh Cacahuatl quickly gained popularity amongst the colonials and the Spanish court, and further refinements to the drink began under the Dominican monks, who played a key role in developing their own chocolatl, a hot chocolate potion that was sweeter and more suited to the taste of the Spanish. eighth Charged with the double responsibility of experimenting with cacao beans and keeping the drink a secret from the rest of Europe, the Spanish clergy added various ingredients such as anise, sugar, cinnamon, almonds, hazelnuts, powdered roses, and orange water to counter the bitterness of the bean. ninth As a result, chocolatl, or chocolate, became the first nonalcoholic stimulant beverage introduced to Continental Europe—coffee would not arrive until 1615, and tea much later than that. tenth

So successful were the Spaniards in guarding their precious secret recipes that although cacao had become crucial to trans-Atlantic trade by the late 1500s, the Spanish held a monopoly over cacao until the mid-1600s. eleventh It was Italian aristocrat Antonio Carletti who in 1606, introduced chocolate to the Italian upper class, twelfth the first outside of Spain to enjoy the beverage. In 1615, however, Spain officially shared its secret with France through the marriage of Princess Anne of Spain to Louis XIII,
and the spread of chocolate to Holland, Germany, and England quickly followed, with London’s first chocolate houses opening in 1657 as trendy places for the elite to socialize and enjoy the rich and bitter drink.\textsuperscript{13}

Less than a half-century later, chocolate became so central to social life that in England, chocolate houses such as Whites and the Cocoa Tree were far more frequented than the coffeehouses and taverns;\textsuperscript{14} to match this growing demand from Europe, cacao groves were planted in Venezuela, Brazil, the West Indies, and Jamaica.\textsuperscript{15} Finally in 1712, chocolate consumption crossed the Atlantic, and Boston apothecaries begin to sell it, introducing the commodity to New York in 1758.\textsuperscript{16}

Then, in the 1760s, the manufacturing of chocolate emerged in both England and its American colonies: in 1761, Englishman Joseph Fry founded J.S. Fry, and four years later in America, Dr. James Baker became the first among the colonists to build what would become a chocolate-manufacturing enterprise (now owned by Kraft Foods);\textsuperscript{17} incidentally, Baker’s factory produced chocolate faster than any other factory in the world at the time.\textsuperscript{18} This record did not last long, however, for Europe—in particular, Britain—was entering the era of the Industrial Revolution, which brought several windfalls to the advancements of chocolate as a product.


\textsuperscript{15} Bitter chocolate: investigating the dark side of the world’s most seductive sweet. Toronto: Random House Canada, 2006. 44.


\textsuperscript{17} Hopkins, Kate. \textit{Sweet tooth: the bittersweet history of candy}. New York: St. Martin’s Press, 2012. 187.

3.2 Entering the First World of Production: the World of Intellectual Resources

Although in 1732 Monsieur Dubuisson’s invention of a table mill for grinding cacao made chocolate production easier and chocolate more affordable, it was Dutch chocolatier Conrad J. van Houten who made the first major alteration in chocolate preparation in the last 3,000 years: in 1828, with the help of the hydraulic press, he discovered an inexpensive method for pressing the fat from the cacao beans to create “Dutch cocoa” power. Van Houten single-handedly lengthened the storage life of cocoa, reduced prices, and increased quality, effectively bringing the cacao bean to the “forefront of world confection” and paving the way for the creation of the modern-day chocolate bar.

The evolution of chocolate had begun in earnest, and simultaneously, chocolate manufacturers such as Cadbury, Lindt and Sprungli AG, J.S. Fry & Sons, and the Rowntrees, began production. In 1847, J.S. Fry & Sons, combining the genius of van Houten’s Dutch processing with Watt’s steam engine, introduced the world’s first solid chocolate bar they called Chocolat Délicieux à Manger. And while it took a few decades for this eating chocolate to gain popularity, the lowering of import taxes on cacao beans in 1853, coupled with the increase of cacao plantations in the

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20 Ibid.
Portuguese, British, and Dutch colonies in Africa and Asia, led to a decrease in chocolate prices; chocolate had become more commonplace, and by 1904, chocolate bar sales rose from nine tons to 12,000 tons. The U.S. appetite for chocolate also grew, and in the late nineteenth century, cocoa imports more than doubled from 9 million pounds in 1883 to 24 million in 1893.

Meanwhile, improvements to chocolate continued to be made: in 1876, Daniel Peter in Switzerland invented milk chocolate using the milk powder that had been introduced by the Swiss chemist Nestlé; and in 1879, Rudolph Lindt’s breakthrough invention of conching, a process through which liquid chocolate is “kneaded” in a machine with wide rollers, led to the creation of a product that did not crunch, but melted in the mouth. Swiss chocolate was born, and by the late 1800s, Switzerland had surpassed France as the most respected chocolate-producing nation in the world.

Although the 19th century was predominantly an age of experimentation and technological advancements in chocolate production, by the turn of the century the emphasis had shifted to mass production schemes and the diversification of existing chocolate bars. At the same time, a dramatic decrease in the price of chocolate due to high amounts of cocoa imports and an increase of disposable income available to the working class meant that chocolate was no longer a luxury item reserved for the

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25 Ibid., 229.
26 Ibid.
social elite, but an affordable purchase for the common people. By 1900, the World of Intellectual Resources that had previously defined the environment of chocolate production was starting its descent, making way for the rise of a new Industrial World. Indeed, just the year before, Rudolph Lindt had sold his conching technology to David Sprungli, marking the beginning of the Swiss industry giant Lindt & Sprungli. Yet the greatest harbinger of the Industrial World was the early movements of a certain young man who would later become the embodiment of the successes of this incoming world: in 1894, a year after he had bought Mr. Lehmann’s industrial chocolate-making equipment at the Columbian Exposition in Chicago, Milton Hershey founded the Hershey Chocolate Co. in the back of his caramel factory.

3.3 Rise and Dominance of the Industrial World

Before Milton Hershey, chocolate had been a luxury item available only to the wealth elite. Although three manufacturers were producing in the U.S. at the time (Baker, Etienne Guittard, Domingo Ghirardelli), none knew how to make a more affordable chocolate product, or even how to make milk chocolate. It was Hershey who managed to accomplish both tasks, thus ushering in a true chocolate industry.

The economic trend in the 1900s was favorable to consumer brands in both the U.S. and Europe, because national populations were on the rise, and consumers

\[^{29}\text{Ibid.}\]
\[^{30}\text{Kimmerle, Beth.} \text{Chocolate: the sweet history.} \text{Portland, OR: Collectors Press, 2005. 38.}\]
\[^{31}\text{Brenner, Joël.} \text{The emperors of chocolate: inside the secret world of Hershey and Mars.} \text{New York: Random House, 1999. 85-86.}\]
\[^{32}\text{Brenner, Joël.} \text{The emperors of chocolate: inside the secret world of Hershey and Mars.} \text{New York: Random House, 1999. 74.}\]
were searching for consistent quality at low prices. At this time, what would later grow into giant chocolate corporations had begun to roll out their products: in 1900, Hershey introduced the first milk chocolate bars cheap enough to be enjoyed by the average American; in 1905, Cadbury came out with its Cadbury Dairy Milk Chocolate bar, which became an instant success in a market that had previously been monopolized by the Swiss; Nestlé and the Anglo-Swiss Condensed Milk Company was also formed in 1905, going on to build a multinational empire in the milk food industry with factories in the United Kingdom, Australia, Norway, Germany, and Spain.

Two years later, Hershey created its Hershey’s Kisses, with total sales reaching almost $2 million. National distribution, which every chocolate producer dreamed of achieving, had become a reality for Milton Hershey, and in 1914 he established himself as America’s candy man by supplying Hershey’s Milk Chocolate bars to U.S. soldiers at the outbreak of World War I. Meanwhile, other chocolate companies were benefiting from popular demand: Whitman’s began marketing its trademark Whitman’s Sampler in 1912; in 1917, America’s Clark Bar became the world’s first successful combination bar, also sold to American troops during World War I.

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34 Off, Carol. Bitter chocolate: investigating the dark side of the world’s most seductive sweet. Toronto: Random House Canada, 2006. 78.
36 Ibid.
38 Ibid., 132.
39 Ibid., 30
War I\textsuperscript{40}—together with Hershey, they broke the expectation that sweets were just for children because suddenly, it was acceptable for men to eat candy bars as well.\textsuperscript{41} Indeed, in 1928, Richard Byrd took Hershey chocolate on his journey to Antarctica, and his well-publicized loyalty to Hershey bars only made the candyman more popular without resorting to advertisements of his own.\textsuperscript{42}

In 1924, Frank Mars broke into the chocolate industry with the Milky Way bar, an immediate success due to its large size. As a combination bar, Milky Way’s cheaper input ingredients meant that Mars could offer bigger products for cheap prices, which in turn kept all prices low. In fact, at this time Hershey began facing an influx of competitors that marketed mainly combination bars: the Clark Bar, Baby Ruth, Mounds, and Oh! Henry were only a few of more than 260 candy bars that together, captured three-quarters of the market.\textsuperscript{43} Yet as these companies relied on Hershey’s bulk chocolate to coat their bars,\textsuperscript{44} Hershey’s growth was still assured.

The next few decades saw the beginnings of what would become a pattern in chocolate history: acquisitions and mergers as eager companies saw the growing potential of the market. For instance in 1927, General Foods bought Baker’s Chocolate, America’s first chocolate company;\textsuperscript{45} two years after that, Nestlé began to manufacture its own chocolate after having acquired the Swiss chocolate firm, Peter,

\textsuperscript{41} Ibid., 328
\textsuperscript{43} Ibid.
\textsuperscript{44} Ibid., 184
Cailler, and Kohler; and in 1935, 16 years after it had first merged with its longtime rival, Cadbury Group, Ltd., J.S. Fry & Sons became Cadbury's wholly owned subsidiary. Interestingly enough, chocolate did prove to be a resilient commodity, for when the Great Depression struck in 1933, overall profits remained strong. In fact, Hershey even introduced two new products during the Depression to offer consumers some novelty, which helped the company recover well ahead of the economy.

Hershey's popularity continued to rise, and during World War II when American troops supplied with its special Ration D chocolate bars were deployed around the world, Hershey won global fame. But the ever-growing competition was changing the playing field, and by the 1960s, the atmosphere of the candy world had shifted from mutual respect and cooperation to one of aggression. And although William Suhring and Larry Johns, Hershey Chocolate Co.'s heads of marketing and sales, respectively, attempted to transition the company into this new atmosphere, it was Mars that, under the leadership of Forrest Mars, truly thrived and eventually overtook Hershey in annual profits.

In 1964, Forrest Mars took over his father's company and driven by the "single objective" of profit, tied all his employees to a stricter standard of

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49 Ibid., 198
53 Ibid.
performance. Convinced that quality was key, Mars insisted on boosting chocolate coating on each bar, adding more peanuts and caramel to Snickers bars, and increasing the size of the Three Musketeers bar. When other chocolate companies adopted the practice of replacing cocoa butter with cheaper cocoa butter equivalents (CBEs), he refused to do likewise. Finally, Mars Food became the first company to date its own products and seize bars from retailers when they didn't sell.54 Forrest Mars’s efforts paid off: in 1973, Mars surpassed Hershey and became America’s leader in candy sales.55

The 1980s and 1990s witness another wave of acquisitions, starting with Interfood’s purchase of Callebaut in 1981.56 In 1983, Nestlé bought Ward-Johnson confections, assimilating the classic brands Oh! Henry, Goobers, Sno-Caps, and Chunky squares;57 five years later in 1988, Nestlé’s procurement of Rowntree, the fourth largest chocolate company in the world, effectively made it the largest chocolate manufacturer in the entire world.58 That same year, Philip Morris, a tobacco company, absorbed Kraft;59 and Hershey, too, acquired the U.S. division of Peter Paul, maker of Mounds, Almond Joy, and York Peppermint Patties.60 In 1989, General Foods merged with Kraft, bringing Baker’s Chocolate under the umbrella

55 D’Antonio, Michael. Hershey: Milton S. Hershey’s Extraordinary Life of Wealth, Empire, and Utopian Dreams. Simon and Schuster, 2007. 224; Mars did not, however, retain its lead for long. In 1981, the company refused to allow the use of its M&Ms in the film E.T., and the contract was awarded to Hershey’s Reeses Pieces. Hershey took the opportunity to feature E.T. in its advertising, which became a giant success for the faltering chocolate company. E.T. became the highest-grossing movie until that time, and sales from Reeses Pieces tripled. As a result, between 1975 and 2005, Hershey grows from $200 million in annual sales to $4 billion, reclaiming its top position in the U.S. candy sales and capturing 40% of the domestic chocolate market. (D’Antonio, 245).
57 Ibid., 49.
company Philip Morris. The next year, Kraft itself bought Jacobs Suchard, the creator of Toblerone, and Nestlé took over Curtiss Brands, the maker of Baby Ruth and Butterfinger, establishing itself as a massive candy company of the world’s favorites. In 1993, Russell Stover Candies, Inc. purchased Whitman Chocolate for $35 million, effectively monopolizing the U.S. market for mid-priced gift-boxed chocolates. 1996 was the year of two notable developments: first, in order to have more price leverage against retail giants like Wal-mart, Hershey bought Leaf North America for $440 million, acquiring both chocolate and non-chocolate brands such as Milk Duds, PayDay, Good and Plenty, and Jolly Rancher; and secondly, the 150-year-old Belgian producer Callebaut and the French manufacturer Cacao Barry merged to create the new chocolate company, Barry Caullebaut. Barry Callebaut is now one of the largest cocoa processors in the world, with smaller companies such as Cacao Barry Van Leer, Callebaut, Van Houten, Luijchx, Bensdorf, Brach’s, and Stollwerck Chocolate under its umbrella. With this trend in acquisitions, the Industrial World has taken its position as the dominant world of production: giant chocolate corporations have absorbed smaller companies in ever-increasing bids to control the global market and capture the biggest profits through their mass-production of generic, standard chocolate.

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Today, the Big Three that rule the conventional chocolate industry are Nestlé, Hershey, and Mars. All three companies, as well as the majority of chocolate processors and manufacturers, operate largely according to the regulatory environment of the Industrial World: mass-production of standardized products. However, a recent trend has been the movement toward premium, “ethical” chocolate: players in the chocolate world, producers and consumers included, have become increasingly interested in high-quality, ethically sourced, single-origin cacao.

This trend is not a new phenomenon, but one that has actually paralleled the development of chocolate, evolving from individuals’ efforts in the early Spanish empire to petition for more ethical treatment of its cacao plantation workers. Indeed, looking at the history of chocolate through the lens of the moral economy reveals a very different picture from that given by a neo-liberal economy lens. Just as the conventional food system has one interpretation of history, the alternative food system has its own—and within that, the historical interpretation of the chocolate economy’s development exposes well-hidden key truths about the world of chocolate. Chapter Four will detail this history.
-Chapter Four: History of “Ethical” Chocolate-

Although largely unknown, the history of “ethical” movements in chocolate began almost simultaneously with cacao’s introduction to the international stage via Spanish conquest. Indeed, the first recorded moral outcry was made in 1552 by a Spanish Dominican monk Las Casas.¹ When he witnessed the injustices his people were wreaking on the natives of the Americas, he published Short Account of the Destruction of the Indies, petitioning the idealistic and young King Phillip of Spain to pass new laws to protect Native Americans from abuse; unfortunately, the Spanish monarchy’s mild protests went ignored in the far-away colonies, and cacao trade became too important to the Spanish Empire’s economy to be “compromised by ethical ideals”.² The injustices that would plague the chocolate economy for centuries to come had already been systematized.

From individual protests to organized efforts of reform, one follows a rich and complex history of how “ethical” and “sustainable” chocolate have been defined in different ways. Although the majority of these chocolate actors have, to some degree or another, addressed the importance of relational justice for exploited workers, the emergence of an Interpersonal World, with its emphasis on consumer and producer relationship conventions, begins much later with the advent of ethically-driven, “moral economy” organizations. This chapter follows the

¹ Off, Carol. Bitter chocolate: investigating the dark side of the world’s most seductive sweet. Toronto: Random House Canada, 2006. 32.
² Ibid., 36-37
development of ethical concerns in the chocolate economy, pre-Interpersonal World and after, including the interactive rise of the Market World, for, as Morgan et al. emphasize, the borders among the Worlds have become increasingly “perforated” as large multinational corporations that usually define the Industrial World have also crossed the boundary into both the Market and Interpersonal Worlds.

4.1 Paternal Capitalism in Europe

By the 1800s, chocolate had become an established and popular commodity in Europe, and the chocolate economy was ready to expand in the new era of industrialization. English Quakers played a key role in the development of chocolate as a business as, ironically, this commodity that was being built on the backs of plantation slaves was their own haven from discrimination: prevented from entering many trades or attending university, Quakers turned to start-up business opportunities based on new products, which at the time included chocolate. As a religious group that stressed harmony, community, and moderation in all things, they considered themselves “stewards of the world’s blessings”. Thus for them, chocolate was the perfect way to do good while doing well. As Tim Richardson, an international confectionary and author of Sweets: A History of Candy, noted in his work:

“It is a curious aspect of manufacturing history that the large-scale confectionary industry as a whole in Europe became

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possessed of unusual idealism in the late nineteenth and early twentieth centuries... The way forward had been shown in the first years of the nineteenth century by pioneer Utopian socialists like Robert Owen, who demonstrated at his New Lanark cotton mills, that enlightened management practices could go hand in hand with higher profits. The confectionary moguls were not radicals who described themselves as socialists—their impulse was generally religious rather than political—but they were nevertheless remarkably forward-looking in their treatment of the workforce [bold added].”

The Cadburys and the Rowntrees, both successful Quaker families in the chocolate manufacturing business, spearheaded this “forward-looking treatment” in England during the 1800s: John Cadbury campaigned to prevent young boys from being exploited as chimney sweeps, and the entire family was deeply involved in adult education programs and human rights concerns. Above all, the Cadburys were most active in providing avant-garde welfare for their own factory workers—half days on Saturdays, full days off on legal holidays, medical and dental care for their workers, hot meals in company dining rooms, and sports leagues for exercise were some of the many innovative work-place benefits they offered. Unsurprisingly, Cadbury became Britain's favorite brand and a physical symbol of happiness, goodness, and social progress.

While Joseph Rowntree, founder of the Rowntree business, was the first in the chocolate industry to improve worker conditions, his son Benjamin Rowntree implemented further benefits than his father had done before him: in 1883, he

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6 Ibid., 85
became Britain's first labor director and the leader of the “paternalistic capitalism” movement—laying the groundwork for the welfare state, he established minimum wage and a system of family allowance payments for all British workers. Additionally, Rowntree insisted on a hygienic, safe work environment, organized a democratic system for his employees to choose their own managers, and scheduled salary and benefit payments for them.⁸

In 1878, however, it was the Cadburys who made the radical decision to build a “factory in a Garden” in a town called Bournville. Appalled at working conditions in British factories, their new factory in Bournville offered grounds with flowers and green spaces, and a dining room with nutritious meals.⁹ A strict moral code was imposed, and the banks of the town created a healthful atmosphere for the workers.¹⁰ In 1902, the Rowntrees followed the Cadburys’ example and built their own model village at New Earswick.¹¹

This paternalistic capitalism was not isolated to England, but spread to other chocolate manufacturing countries in other European countries, such as France and Switzerland. In the 1870s, the French manufacturer Menier implemented his own paternalistic social policies, providing houses, a school, a bank, and a library for his workers.¹² In 1876, a Swiss Huguenot Philippe Suchard became the first—before even his English counterparts—to give health and accident insurance to his

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⁸ Ibid., 52.
⁹ Ibid., 53.
¹⁰ Ibid.
¹² Ibid.
workers.\footnote{Ibid.} It was clear that the paternalistic method of business management was working for both ethically conscious manufacturers and their employees; according to their religions, these manufacturers Cadbury, Rowntree, Suchard, Menier, and many others were “doing good while doing well”, and a growing customer population was enjoying their products.

\section*{4.2 The United States: Paternalistic Capitalism within the Gilded Age}

Across the Atlantic Ocean, the paternalistic capitalism movement was developing in a different context. In 1873, Mark Twain and Charles Dudley Warner published \textit{The Gilded Age}, a satire of the greed and corruption that underlay the era of industrialization that the country was entering. Twain and Warner had recognized the money-crazy attitude of American society as small, local economies were merged by industrial technology to form one standardized national market. In particular, two trends were noticeable: aggressive new businesses were exploiting and corrupting the government, and also dominating labor; and a new elite class of industrialists was on the rise, while public morality was declining.\footnote{D’Antonio, Michael. \textit{Hershey: Milton S. Hershey’s Extraordinary Life of Wealth, Empire, and Utopian Dreams}. Simon and Schuster, 2007. 27.}

As a result, between 1878 and 1890, a big wealth gap had opened between the elite and the large majority of the rest of America—\footnote{Ibid., 86}1\% of the population controlled half of the nation’s assets.\footnote{\textsuperscript{15}} The “irrational exuberance” that Federal Reserve Chairman Alan Greenspan and others used to describe the 1990s perfectly
fit the reigning atmosphere of the 1900s as business conditions encouraged risk taking. John D. Rockefeller became the world’s first billionaire, Andrew Carnegie earned an inconceivable $23 million annually, and it seemed that with hard work, anything could be possible. And yet all was not well. As muckraking journalists revealed, the wealthy elite were abusing their power, selling products below cost to force out smaller competitors from the market. In fact, in just six years from 1898 to 1904, 1,800 companies had been consolidated into fewer than 160; and as dominant industries began to control increasingly more jobs, workers had no alternative but to accept low wages and dangerous conditions.16 It was in this environment that Hershey became the face of paternalistic capitalism in the U.S.

Milton Hershey’s utopian dream was a model American community “where the things of modern progress all center in a town that has no poverty, no nuisances, and no evil.”17 A philanthropist, his interest was not to make money, but to create a haven for his workers; unlike other factory towns that were emerging in the U.S. at the turn of the century, Hershey’s town would receive support from his chocolate business, instead of the other way around. As author Michael D’Antonio recounts in his book, *Hershey*,

“Milton S. Hershey’s creations—the company, the town, and the school—were more a reflection of his values than his ego. Though he possessed a strong will and could be imperious, M.S. was often shy and sentimental. Despite his great wealth he lived in relative modesty...And

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16 Ibid., 112
he held to common values, including respect for others, fair dealing, and honest effort.”  

Thus compared to the business moguls of the Gilded Age—Rockefeller and Ford, who didn't try to build utopian communities; Carnegie, who was a brutal employer and kept workers in his dangerous and dirty steel mills—Hershey was a success in business, charity, and community building. It was he who successfully used the fruits of capitalism to fulfill his progressive utopian ideal: he became wealthy without resorting to exploiting workers, trampling competitors, abusing the environment, manipulating stocks, or bribing politicians. In effect, he embodied the polar opposite of the new wealthy elite during the Gilded Age.

In 1903, Milton Hershey undertook the task of building what would become known as the world’s greatest chocolate town, Hershey, Pennsylvania, modeled after the garden cities of Cadbury and Rowntree. His town, however, would outstrip those in England—broader streets, green lawns for each house, indoor plumbing, electricity and steam heating, an amusement park with rides, a lake-sized swimming pool, a community center with a theatre, a golf course, gardens in the grand French style, and a network of trolley lines. Hershey also provided

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19 Ibid., 158.
20 Ibid., 181
insurance benefits, health care, and retirement plans for all his workers; and for the
next five years, Hershey Chocolate thrived as a profitable business.\textsuperscript{23}

Indeed, D’Antonio made a keen observation of the strong local economy of
Hershey, PA. As workers were allowed to purchase their own homes in the town,
they quickly became invested in the community at large. And since Hershey, PA was
relatively isolated, the employees’ wages were spent right in town, which helped to
circulate dollars within the local economy.\textsuperscript{24} Yet unlike the Cadburys’ garden city in
Bournville, Hershey was a town only in name—with no form of elected municipal
government municipal government, it only existed at the whim of its benevolent
dictator, Milton Hershey.\textsuperscript{25} Indeed, \textit{Fortune} magazine noted that while others
involved their fellow business partners in managing and maintaining projects,
Milton Hershey was the sole owner of everything he created. As a 1934 article ran,
“Hershey has no mayor and no municipal government because it has never been
incorporated. Its inhabitants lead their daily lives in a relationship so close to Mr.
Hershey as to be patriarchal.”\textsuperscript{26}

Nevertheless, Milton Hershey’s paternalism continued to be ever-present in
the chocolate town. In 1909 he started the Milton Hershey Industrial School, an
institution where orphaned and impoverished boys came to be educated.\textsuperscript{27} Perhaps
inspired by the great candyman’s charity in the midst of the Gilded Age, a “conscious

\begin{flushleft}
\textsuperscript{23} Ibid.
\textsuperscript{24} D’Antonio, Michael. \textit{Hershey: Milton S. Hershey’s Extraordinary Life of Wealth, Empore, and Utopian Dreams}. Simon and
Schuster, 2007. 120.
\textsuperscript{25} D’Antonio, Michael. \textit{Hershey: Milton S. Hershey’s Extraordinary Life of Wealth, Empore, and Utopian Dreams}. Simon and
Schuster, 2007. 120.
\textsuperscript{26} Ibid., 203-205.
\end{flushleft}
“consumer” trend arose in the early 1900s; anyone who wished to feel connected to Hershey’s noble cause could simply purchase a chocolate bar, knowing the proceeds were funding a school for the underprivileged.28

At the same time, trouble was brewing in the cacao plantations, and all was not well with the chocolate manufacturers. The muckraking journalists that had exposed the corrupt elite of the Gilded Age made no exception for the chocolate economy—in 1900 Edmund Morel had already revealed the appalling systematic slave labor in King Leopold’s Congo,29 and by 1906, Henry Nevinson published his own findings in A Modern Slavery: slaves were being taken from Angola to the islands of Sao Tomé and Principe to toil in the cacao plantations.30 The reports continued to culminate until in 1908, the Standard published a damning editorial against the Cadburys. A year later, after having confirmed cacao trade possibilities in Ghana, the company finally launched a boycott against Sao Tomé cacao and also sued the Standard for libel in what became the first trial on chocolate ethics.31 On November 29, 1909, Cadbury won its case, but as the evidence had shown that the chocolate board had been aware of the slavery conditions for years, it was only awarded a single farthing.32

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29 Off, Carol. Bitter chocolate: investigating the dark side of the world’s most seductive sweet. Toronto: Random House Canada, 2006. 56.
32 Ibid., 71
4.3 Increasing Competition and the Rise of Unions

Although it had its difficulties, the age of paternal capitalism steadily gained momentum as businesses that had been started by ethically-minded families grew into industrial giants. The benevolence that reigned in their factory towns also dictated the friendly nature of business amongst one another. As Richard Murrie, the son of William Murrie, who served as the president of Hershey until 1947, recounted, “It was a different era. Everybody knew everybody, everybody was friendly. My father was friends with Frank Mars. They admired and respected each other very much.” When Frank Mars was struggling with his company in Minneapolis, it was William Murrie who had given him an account with Hershey to create the Milky Way; and as Mars’s company grew more profitable, the bond between the two men grew stronger, which was reflected in the continuous business they did with one another (in 1938, Hershey’s had chocolate coating sales of 8.4 million pounds a month mostly due to Mars).33

Yet by the late 1930s, times were changing. Among the factory workers, union organizers were agitating against the paternal attitude of their masters, and among the chocolate manufacturers, sympathies were shifting from friendly partnership to cutthroat competitiveness. In 1937, labor organizers from the Committee for Industrial Organization (CIO) influenced Hershey’s workers to march against him to demand contracts that specified wages and benefits. The resulting

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34 Ibid.
labor agreement signed between Hershey and the unionized workers marked the
dying gasps of paternalistic capitalism, outdated since the 1920s.\textsuperscript{35} The strike was
one of the most important early examples of industrial action in the U.S., and specific
to Hershey history, the first time when someone other than Milton himself wielded a
little power.\textsuperscript{36} It was the beginning of labor empowerment in industrial America.

On the side of manufacturing, too, the atmosphere was changing. A hostile,
aggressive competitiveness was taking over, largely ushered in by Forrest Mars, the
ruthless son of Frank Mars.\textsuperscript{37} In 1945, Milton Hershey died a recluse, and with him,
the last vestiges of a paternalistic capitalism model of business; that same year, J.S.
Fry & Sons merged into Cadbury Brothers, which in turn eventually merged with
Schweppes. The age of acquisitions and mergers had arrived.\textsuperscript{38}

4.4 The Reaction of the Interpersonal World: Growing a Moral Economy in
the Midst of a Volatile Global Cocoa Market

This time period also saw, however, the humble beginnings of the alternative
food system in cacao and chocolate trade. Pioneer alternative trade organizations
(ATOs), such as Ten Thousand Villages and SERVE International, were formed in the

\textsuperscript{35} Off, Carol. \textit{Bitter chocolate: investigating the dark side of the world’s most seductive sweet}. Toronto: Random House Canada, 2006. 91.
\textsuperscript{37} In 1940, Forrest Mars approached Bruce Murrie to form a partnership in the creation and running of M&M Ltd., but as the
latter quickly realized, M&M (which stood for Mars and Murrie) was a company run solely by Forrest Mars, whose interest in
Murrie extended only as far as how much he could exploit his connections in the chocolate world.
\textsuperscript{38} Off, Carol. \textit{Bitter chocolate: investigating the dark side of the world’s most seductive sweet}. Toronto: Random House Canada, 2006. 93.
1940s39 to provide higher wages and sustainable living for communities of producers; and in 1949, the World’s Finest Chocolate Company began to use its milk chocolate and almond bars to fundraise more than $3 billion for youth organizations—one of the greatest chocolate-related innovations that is now adopted by other companies, such as Newman’s Own.40 Both ATOs and specific chocolate companies were serving a mission, not of profit, but of valuing the impoverished small-scale producers, an undertaking that aligned them completely with the conventions of the Interpersonal World and its regulatory moral economy.

STAGE I. From the 1950s to the 1970s, the first stage of the alternative trade movement, and therefore a moral economy, began. This was a period of impromptu relations between producers and NGOs/ATOs, and products were marketed on a basis of social solidarity as a form of philanthropy.41 STAGE II. From the 1970s to the 1980s, the second stage of alternative trade development saw producer relations formalized and producer-driven products marketed to a “committed band of ‘alternative’ customers.”42 A commonality ATOs shared in this early stage was a commitment to the moral economy in that they engaged in economic activity with a distinct moral purpose (social solidarity with small producers).43 Certification made its entrance during this time, but as a first-party certification scheme, it was strictly voluntary and self-regulatory. Standards were at a grassroots level, with several

42 Ibid., 7
stakeholders participating in the process, and were enforced by the producers themselves through peer-review systems.\textsuperscript{44}

Although first-party certification functioned well when the participating communities were small and operated within short supply chains, and both producers and consumers were deeply committed to their ideals, the steady growth of the cacao market and the increasing number of participants led to international efforts to organize in the 1970s. In 1972, the International Federation of Organic Agriculture Movements (IFOAM) was established as the first global network for organic agriculture for the purpose of "providing a worldwide platform for the organic movement, defending the principles of organic agriculture, advocating and facilitating the adoption of organic agriculture, promoting the development of organic markets, [and] ensuring an effectively managed organization with sufficient and sustainable resources".\textsuperscript{45} In 1973, the International Cocoa Organization (ICCO) was created for the threefold purpose of contributing to market transparency through the collection and dissemination of cocoa market information, serving as the main forum for discussing policy and strategic issues affecting the global cocoa economy, and developing the supervision of projects targeted toward solving specific problems in the cocoa economy.\textsuperscript{46} The ICCO established the International Cocoa Agreement (ICA) in the same year of its own establishment to operate a

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\item[46] Pipitone, Laurent. "The Future of the World Cocoa Economy: Boom or Bust?" The International Cocoa Organization presentation at the 69th session of the FAO Committee on Commodity Problems, Rome, Italy, 28-30 May 2012.
\end{itemize}
\end{footnotesize}
buffer stock program aimed at defending world cocoa prices within a certain range in order to raise and stabilize world prices, but this effort was eventually abandoned after a decline in world cocoa prices in the late 1980s forced the ICA’s buffer to its limit.

While fair trade and organics ATOs and small producers were proliferating in the alternative food system, the conventional food system was going through the opposite phenomenon of concentration. The major processors and suppliers of intermediate cocoa butter and industrial chocolate had begun consolidating since the 1970s, which resulted in the three giants Archer Daniels Midland (ADM), Cargill, and Barry Callebaut, that now dominate the processing stage of the chocolate supply chain, accounting for the great majority of total worldwide cocoa grinding capacity. According to Niels Fold, a professor in the Department of Geosciences and Natural Resource Management in the University of Copenhagen, the most important phenomenon on the global scale was rapid centralization and outsourcing among chocolate producers: more than 200 takeovers occurred from the 1970s to the 1990s, and today about 50% of the global market is supplied by fewer than 20 companies, motivating producers and manufacturers to reduce their own grinding activities and out-source liquor, cocoa butter, and standard chocolate.

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48 Ibid., 36.
production to large grinding companies.50 A serious implication of this phenomenon is the continuous forcing out or absorption of small processors.

By the late 1980s, the same plummet in commodity prices that wreaked havoc in developing economies and forced the ICA to abandon its cocoa price buffer galvanized the fair trade movement to enter its third stage of development. In 1988, Max Havelaar of the Netherlands created the first fair trade seal,51 enabling corporations that were not 100% fair trade to sell certified products.52 The Max Havelaar seal founders believed that the fair trade market could not survive the volatility of world commodity prices unless it entered the mainstream grocery chains, and indeed, the labeling scheme was so successful that other European countries and international organizations adopted similar certification initiatives, such as TransFair International.53 The purpose of the Max Havelaar certification program was to empower small producers and their local economies in the South by “facilitating market access, increasing market knowledge, providing support for local infrastructure, strengthening internal organization, increasing product quality, developing contact networks, developing alternative sources of income through diversification, increasing income and services for members and the number of participants, and extending the benefits to the broader community.”54

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53 Ibid.
54 Ibid.
A year later in 1989, the International Fair Trade Association (IFAT) was created, followed by The Fairtrade Labeling Organizations International (FLO) in 1997. Both organizations promote fair trade, the former by bringing producers and consumers together in a forum for exchanging information, and the latter as the worldwide fair trade standard setting and certification organization (created from a joining of Max Havelaar and other European fair trade organizations and North American NGOs). The fair trade movement that had started decades before by charity organizations as a small effort to address social injustices had finally become systematized on an international level—just in time for the next wave of upheavals in the world cocoa market.

Following the concentration trend among processors and manufacturers starting from the 1970s, the 1990s were marked by an explosion of economic liberalization and deregulation of marketing boards in most cacao-producing countries. Structural adjustment programs (SAPs), which were said to fix the market efficiencies of developing countries and boost their ailing economies, instead led to a loss of protection for cacao farmers. Farm gate prices were suddenly

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56 Asurning-Brempong, Samuel, Daniel Sarpong, Nana Akua Anyidoho, Raphael Kaplinsky, and Jennifer Leavy. “Mapping Sustainable Cocoa in Ghana.” The Institute of Development Studies and the University of Ghana report to Cadbury. 89.
57 Indeed, a liberal assessment of the SAPs is that these programs were intentionally used to force aid-accepting countries to adopt conservative policies, regardless of whether or not they met the needs of the country. Therefore, it is argued that cacao farmers’ loss of protection was an inevitable consequence of these policies, rather than an unexpected outcome.
determined by international prices, which resulted in more price fluctuations, and private, local, and foreign agents were given more room to maneuver.

Although in theory, “real” market prices should have had a better chance than regulated prices to reach collectors and producers directly and thus stimulate increasing volumes of cacao delivered to the market, the general pattern found in all major West African producing countries proved a different outcome. During the first years of implementing SAPs recommended by both the International Monetary Fund (IMF) and the World Bank, a large number of local private companies, big and small, would enter the cocoa industry as buyers and/or exporters (despite the fact that it is still unclear whether real prices have increased as a result of dismantling state regulatory institutions). Then the free competition of this early phase in the supply chain would effectively reduce the market power of established traders committed to traditional quality control systems. This in turn would lead to an erosion of quality premiums, and after a few more turbulent years, a consolidation of cocoa industries would take place as most local companies would be pushed out of business or reduced to being independent domestic traders in the cocoa supply chain. And though it remains uncertain whether these local companies ever “learn

61 Case study in the Ivory Coast: in 1989, the Ivory Coast was forced to take SAPs, and Le Caisse de Stabilisation (CAISTAB), a marketing board that guaranteed base price for cacao farmers no matter the unpredictable commodities market was taken down. Consequently, prices tumbled, farmers increased yields to generate more income, and cocoa exports increased while price sank. By the late 1990s, multinational corporations, such as Barry Callebaut, Nestlé, Cargill, and ADM, had taken control of almost all cocoa production there and subsequently cornered world markets, becoming majority suppliers to European and U.S. manufacturers. (Off, 116)
from global buyers” to build up capacity for quality control, export, and marketing, or simply remain dependent on the business of traders,\textsuperscript{62} it is clear that liberalization has placed the burden of accessing market information entirely on the farmer, a necessity that many farmers cannot meet.\textsuperscript{63}

The systematization of the fair trade movement by international organizations, coupled with the liberalization of world cocoa prices enabled the entrance of the third stage of fair trade development in the 1990s. Incidentally, this also led to the rise of the Market World alongside the Interpersonal World that had previously marked the fair trade movement.

4.5 Two Worlds of Chocolate: Mainstreaming the Fair Trade Movement

Stage III. The Market World’s regulatory environment dictates a standardization of differentiated (“dedicated”) products. In this world, the consumer articulates his particular needs in the language of standardization. Therefore, when Max Havelaar created the first certification scheme in an effort to mainstream fair trade, it opened up the movement to market demands. The third stage began in the 1990s and continued to the early 2000s as fair trade products became market-driven and targeted to “reflexive” and “upmarket” customers. A major transitional phase, the focus of the movement shifted from solidarity with small producers to a prioritization of consumer marketing, product development,

\textsuperscript{62} “The World Cocoa Economy: Past and Present.” The International Cocoa Organization, Executive Committee, Executive Summary, 14-17 September 2010.

\textsuperscript{63} Ibid.
and product quality. Increased professionalism, coordinated definitions of “Fair Trade”, an emphasis on quality assurance, direct marketing through supermarkets, and the establishment of working relations with mainstream businesses to secure economies of scale enabled the steady growth and popularization of fair trade. However, as many critics of the movement would later emphasize, this new direction of fair trade signaled the compromise of the spirit of the moral economy, especially in chocolate, where several small companies eventually were coopted by the giant corporations that dominated the Industrial World of the 20th century.

At first, however, the market-driven stage of fair trade began auspiciously. As fair trade products successfully expanded into supermarkets and retail chains, consumers became increasingly aware of the ethical implications of their purchases, which only led to higher demand for ethical products. Fair trade brands, such as chocolate companies Green&Blacks and Divine, built their market presence across several supermarket chains in this manner.

In 1991, four years after founder and leader in the organics food sector Craig Sams traveled in south Belize to discover indigenous farmers still cultivating native-grown Ciollo cacao trees with organic methods inherited from the ancient Olmecs, Sams’s Green&Black’s organic 70% chocolate bar was introduced to markets as an

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66 N.B.: Not all mainstream “ethical” chocolate companies have been coopted. Some, like Divine Chocolate, have arguably maintained its mission of empowering its cacao farmer communities and kept its position in the moral economy.
68 Off, Carol. Bitter chocolate: investigating the dark side of the world’s most seductive sweet. Toronto: Random House Canada, 2006. 278.
ethical product (Belizean farmers were being paid a premium price for their cacao beans).\textsuperscript{69} In 1994, Green&Black's Maya Gold bar became the first product to be stamped by the Fair Trade Foundation's logo in the UK,\textsuperscript{70} and by 1997, it performed well enough on the U.S. market to compete with Newman's Own's organic chocolate bar.\textsuperscript{71} By 2004, the company's turnover increased by 69\% to 22.4GBP (Great British Pounds), compared to the 2\% increase of the chocolate industry as a whole.\textsuperscript{72}

In 1993, after Ghana had agreed to liberalize its cocoa market within the framework of the SAPs, a cooperative of cacao farmers called Kuapa Kokoo was created to protect the farmers from the volatility of international market forces.\textsuperscript{73} With start-up finances provided by Twin Trading, a leading alternative trading company based in the United Kingdom, Kuaka Kokoo aimed to increase farmer power and representation within the market, as well as enhance women's participation and encourage environmentally sustainable production patterns.\textsuperscript{74} In 1998, it established an independent marketing branch in the U.K. in the form of the Day Chocolate Company (currently known as Divine and Dubble) and successfully launched its Divine Fair Trade milk chocolate bar, the first farmer-owned fair trade chocolate bar.\textsuperscript{75}

\textsuperscript{69} Ibid., 280
\textsuperscript{70} Ibid., 283
\textsuperscript{71} Ibid., 286
\textsuperscript{74} Ibid.
As the world market for ethical, quality chocolate grew, multiple certification schemes were created: in 1996, the Rainforest Alliance label was established, one year later Utz Certified was founded in Amsterdam, and in 1999, the U.S. formal fair trade certification, Transfair U.S.A., was created.\(^{76}\) Additionally, market demand for this new premium chocolate grabbed the attention of the chocolate giants Cadbury, Nestlé, Mars, and Hershey, and in March 1998, representatives from each corporation met with conservation groups at the Smithsonian Tropical Research Institute in Panama to discuss strategies for minimizing cacao crop diseases and new methods of sustainable cacao farming, including the shifting of cacao growing from large plantations to smaller farms within the rainforests, which would require fewer pesticides.\(^{77}\)

Up until the 21\(^{st}\) century, players in the chocolate economy that occupied the Market and Interpersonal Worlds had stayed relatively distinct from players in the Industrial World. However, the shift toward mainstreaming the fair trade movement opened up new opportunities not only for ethically minded chocolate companies and their producers, but also for the large chocolate manufacturers that observed the lucrative nature of this niche market product. The fourth stage of the fair trade movement illustrates that very tension, as the boundaries among the three become increasingly perforated during the early 21\(^{st}\) century.


4.6 Worlds Apart? The Thinning Lines of Separation Among the Worlds of Production

Stage IV. The fourth and final stage of fair trade development saw cooperatives dealing directly with large corporations and supermarkets, with the latter launching own-brand fair trade, ethical products, as well as an explosion of efforts by cooperatives, transnational organizations, large and small chocolate manufacturers, certification bodies, and many more, trying address a variety of serious issues facing the chocolate economy. Indeed, within this period more than any other previously, are the definitions of “ethical” and “sustainable” employed to describe such a variety of business models that confusion among consumers was not uncommon.

The single greatest factor that galvanized such an overwhelming response to a demand for more ethically made chocolate came in the form of a news article by the Knight Rider news agency. Although the UNICEF’s Ivory Coast office had released a report in 1998 detailing the trafficking of children from Mali and Burkina Faso to work in the cacao plantations, it was the Knight Rider story on chocolate and child slave labor that shocked the developed world into action. Shortly after the piece was published, Congressman Eliot Engel and Senator Tom Harkin proposed a

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79 Off, Carol. Bitter chocolate: investigating the dark side of the world’s most seductive sweet. Toronto: Random House Canada, 2006. 139.
“slave-free” labeling system for chocolate that would ensure the product had not involved the labor of children.⁸⁰ Despite the protests from big chocolate companies, the Harkin-Engel Protocol, as it came to be called, was signed in September, calling on companies to take various steps to meet its requirements.⁸¹ One month later, the chocolate companies manage to compromise with Engel and Harkin, and the Protocol—the first fully voluntary arrangement for regulating the industry—became an agreement among its signers to accept a six-point program designed to eliminate child slave labor in the cocoa supply chain by July 1ˢᵗ, 2005.⁸² Among its signers were the Chocolate Manufacturer’s Association; the World Cocoa Foundation (WCF); the chocolate producers Hershey’s, M&M Mars, Nestlé, and World’s Finest Chocolate; the chocolate processors Blommer Chocolate, Guittard Chocolate, Barry Callebaut, ADM; the Ivorian government; and the International Cocoa Organization, which represents cocoa exporting countries. The list of participants seemed promising, but when July 1ˢᵗ, 2005 came, the industry failed to complete its task. In fact, the industry would fail to meet altogether three deadlines—2005, 2008, and 2010—to phase out chocolate slavery in the Ivory Coast and Ghana; the new deadline has been set for the year 2020.⁸³

Despite poor precedent, international organized labor, led by the International Labor Organization (ILO), NGOs such as Free the Slaves and the Child

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⁸⁰ Ibid., 141
⁸² Off, Carol. Bitter chocolate: investigating the dark side of the world’s most seductive sweet. Toronto: Random House Canada, 2006, 144.
Labor Coalition, and cocoa companies outside the U.S., as well as the governments of cocoa-producing countries, met in Geneva in 2002 and agreed to give the Harkin-Engel Protocol a global reach, calling it the International Cocoa Initiative. Soon after, the renewed ICA of the ICCO made specific reference to the issue of sustainability: in Article 39, it “encourages its Members to give due consideration to the development of a sustainable cocoa economy,” and for the first time, the ICA established a Consultative Board on the World Cocoa Economy, which currently consists of private and public representatives from seven exporting countries and seven importing countries. In 2005, the Board began to work on the issue of a sustainable world cocoa economy, as it was mandated in Article 39 of the 2001 ICA.

Although chocolate players outside of the Interpersonal World had already begun to reach across the boundaries of their occupied Worlds, after the Knight Rider story, the cross-World interaction of players exponentially increased: in the U.S., Dagoba Organic Chocolate, a leading organic chocolate company in mainstream markets, was founded in 2001; and Equal Exchange, a worker-owned cooperative that had started in 1986 with the first fair trade coffee offered in the U.S. market, introduced hot cocoa mix, the first U.S. cocoa product to carry the Fair Trade

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84 Off, Carol. *Bitter chocolate: investigating the dark side of the world’s most seductive sweet*. Toronto: Random House Canada, 2006. 150.
87 In 2000, the Co-op, a U.K. supermarket retail chain became the first to launch a supermarket own-brand fair trade certified product, a milk chocolate bar; and a year later, it adopted fair trade chocolate supplied by Divine Chocolate in all of its stores. (Raynolds, 105)
Certified seal.\textsuperscript{88} Sales broke $10 million, and encouraged by its reception, Equal Exchange introduced three more organic, fair trade chocolate bars in 2004.\textsuperscript{89} In 2002, the Co-op converted its entire own-brand line of milk chocolate bars to certified Fair Trade, which marked a significant step for the Market World in that supermarkets were mainstreaming fair trade products—for the first time, fair trade goods were not being sold as high price, niche products under a separate fair trade label, but within the supermarket’s conventional brand image and more importantly, in competition with conventional bars, such as Cadbury’s and Nestlé,\textsuperscript{90} since supermarkets could practice the economies of scale that niche market sellers could not.

On the part of multinational corporations, the response to higher consumer consciousness was a second wave of acquisitions and mergers, this time of alternative brands. In 2002, Cadbury-Schweppes bought 5\% company share of Green&Black’s. The initial arrangement was to benefit both players: Green&Black’s wanted more capital to expand the brand, and Cadbury wanted to move into the market of the conscientious costumer.\textsuperscript{91} In 2005, however, Green&Black’s was entirely acquired by Cadbury-Schweppes; this procurement established the latter as a formidable player in the Market World of Production with its new line of ethical

\textsuperscript{88} \url{http://www.equalexchange.coop/story}
\textsuperscript{89} Ibid.
\textsuperscript{91} Off, Carol. *Bitter chocolate: investigating the dark side of the world’s most seductive sweet.* Toronto: Random House Canada, 2006. 287.
chocolate.\textsuperscript{92} Only five years later in 2010, Cadbury-Schweppes itself would be acquired by Kraft Foods, a significant acquisition that made Kraft the single biggest chocolate company in the world.\textsuperscript{93}

In July of that year, Hershey's acquired Scharffen Berger, a company that had introduced pure bittersweet chocolate by using traditional manufacturing methods and well-blended beans, helping to set a new standard for premium chocolate in the U.S.\textsuperscript{94} A year later, Hershey made its own prominent step in the direction of the Market World through its purchase of Dagoba Organic Chocolate in 2006.\textsuperscript{95}

In late 2005, two developments in the world of fair trade opened the doors wider for multinational corporations to enter the conscious consumer market: in October, the Fairtrade Foundation in the U.K. granted use of its fair trade seal to Nestlé; and in November, the U.S. Congress approved an "Organic Trade Association Rider", a clause that drastically weakened the USDA Organic standards by allowing non-organic, non-agricultural, and synthetic additives in food products with the "organic" label.\textsuperscript{96} Now big chocolate companies were given the means to strengthen their presence vis à vis the Interpersonal World via the Market World, in which they


\textsuperscript{94} Kimmerle, Beth. Chocolate: the sweet history. Portland, OR: Collectors Press, 2005. 49


could operate several lines of ethical products according to the regulatory
environment of the Industrial World.\footnote{To use the example of coffee, in October 2008, Starbucks Coffee made a partnership with Transfair U.S.A. and the FLO to source about 40 million pounds of coffee from fair trade per year, which made them the world’s largest single buyer of fair trade coffee. However, this entrance to the certification system with what was only 1% of its purchases as fair trade effectively lowered the bar—no major competitor would likely accept being bound to a higher standard than 1%. (Jaffee, 2010)}

As a result, from 2009 onwards, the Market World experienced an influx of chocolate companies that, through certification schemes and mergers/acquisitions, entered the ethical chocolate market: In March 2009, Cadbury committed to becoming fair trade certification for its Dairy Milk bar in the U.K. and Ireland by the end of the summer;\footnote{“Still Time to Raise the Bar: The Real Corporate Social Responsibility Report for the Hershey Company.” The Raise the Bar, Hershey! Campaign Addendum to the 2010 Report, September 2011.} in April 2009, Mars, Inc. aimed to certify its Galaxy bar in the U.K. with the Rainforest Alliance by early 2010, as well as getting its entire cocoa supply certified by 2020;\footnote{Ibid.} in June 2009, Blommer Chocolate Company made the decision to offer a line of Rainforest Alliance Certified cocoa and ingredient chocolate products by 2010;\footnote{Ibid.} in October 2009, Barry Callebaut joined the Utz Certified cocoa program that had been launched in 2007;\footnote{Ibid.} that same month, Kraft Foods committed to using only Rainforest Alliance certified cacao beans for its Côte d’Or and Marabou lines by the end of 2012;\footnote{Ibid.} in December 2009, Nestlé decided to become fair trade certified for its Kit Kat bars in the U.K. and Ireland by 2010;\footnote{Ibid.} in January 2010, Green&Black’s decided to source entirely from Fair Trade certified cocoa by the end of the year; in February 2010, Ben and Jerry’s made the decision to
become fully fair trade certified for all possible ingredients by the end of 2013;\textsuperscript{104} in March 2010, the first product using Utz Certified cocoa from Cargill, a chocolate Easter egg from the Baronie company, became available in Dutch supermarkets;\textsuperscript{105} in November 2010, Unilever committed to achieving Rainforest Alliance certification for its Magnum ice cream by 2015 and for the rest of its cocoa by 2020;\textsuperscript{106} in January 2011, Cadbury (now owned by Kraft Foods) announced that 20\% of its profits from Fair Trade certified Dairy Milk products sold during Fairtrade Fortnight in the U.K. would be donated to fund solar power projects in Ghanaian cocoa producing communities;\textsuperscript{107} and the Bon Appétit Management Company introduced Fair Trade certified baking chocolate to more than 400 university, corporate, and specialty cafés.\textsuperscript{108} Figure 1 shows the various ways in which players along the chocolate supply chain are contributing to ethical product sourcing.

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\textsuperscript{104} Ibid.
\textsuperscript{105} Ibid.
\textsuperscript{106} Ibid.
\textsuperscript{107} Ibid.
\textsuperscript{108} Ibid.
Figure 1

(Source: KPMG, “Study on the costs, advantages, and disadvantages of cocoa certification commissioned by the ICCO”)

Meanwhile in the international arena, organizations were also coming together to discuss strategies of sustainability: in 2007, the first Roundtable Meeting for Sustainable Cocoa convened in Ghana, setting up a space for dialogue among farmers, cooperatives, traders, exporters, processors, chocolate manufacturers, wholesalers, government representatives NGOs, financial institutions, and donor agencies; and achieving a consensus for action on sustainable production, commercialization, processing and manufacturing, and consumption.109 Shortly thereafter, the WCF established its Empowering Cocoa Households with Opportunities and Education Solutions (ECHOES) Alliance, a program focusing on community empowerment, integration, development, and independence that would

run until 2015. In 2008, 60 companies and NGOs signed the “Commitment to Ethical Cocoa Sourcing: Abolishing Unfair Labor Practices and Addressing Their Root Causes,” a joint statement outlining an approach to cocoa sourcing. In March 2010, the Netherlands government, together with retailers, chocolate producers, and NGOs, signed a letter of intent committing to make 100% of cocoa in the Dutch market “guaranteed sustainable” by 2025, with “sustainable” meaning “recognition of, and compliance with, international labor rights.”

With research centers and advocacy groups publishing data and information on the progression (or lack, therefore) of ethical and sustainable sourcing of cocoa, and consumers and producers becoming increasingly concerned with sustainability, the chocolate economy is experiencing several developments at once: a blurring of lines separating the Worlds of Production as multinational corporations acquire ethical brands, as companies and cooperatives occupying the Interpersonal World move into the Market World, and as companies big and small partner with small cacao farmers to effect sustainable development of their communities; a confusing proliferation of certification schemes and self-defined “sustainable”/"ethical” products and business models; the steadily increasing presence of small, niche market chocolate companies adhering to a moral economy vis à vis the acquisition of these same companies by multinational corporations; and the deepening of

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112 Ibid.
international cooperative efforts to address problems in the sustainable cocoa economy.

Currently, a mix of players are claiming a variety of solutions to the problems that plague the chocolate economy; but the question to ask in view of the future is, ironically, how sustainable are these proposals for a sustainable cocoa economy? When considering different business models, many operate within the moral economy of the Interpersonal World, but many also wish to apply the regulatory environment of the Industrial World to chocolate production, instead. Does the former have the potential to expand in the future, or will the neo-liberal, conventional food system continue to dominate? In other words, will the chocolate economy become Charlie’s chocolate economy?
-CHAPTER FIVE: CHALLENGES FACING THE MORAL ECONOMY TODAY-

The landscape of the world chocolate economy today is marked by a volatile cocoa market due to factors such as market liberalization, a high concentration of cacao bean supply in only two countries,¹ a domination of chocolate production by a few giants in the industry,² and imperfect market information communication along the length of the chain,³ all of which lead to an imbalance of value captured in the cocoa chain. The benefits accrued to cacao farmers have been limited in the face of massive power concentrated in chocolate and cocoa multinational companies (MNCs) and cocoa importing countries. According to Talbot, MNC-owned factories in developing countries prioritize profits over local development, keeping tight control of the most profitable stages of chocolate production, which are the final manufacturing and distribution stages, through branding and advertising strategies and receiving political support from core states.⁴ Additionally, the activities of intermediate cocoa grinders and international and local traders, coupled with high government export taxes, keep farmer income from cacao bean sales low; even an increase in international market prices does not guarantee cacao farmers a decent or sustainable income.⁵

¹ KPMG. "Cocoa Certification: A Study on the Costs, Advantages, and Disadvantages of Cocoa Certification Commissioned by The International Cocoa Organization (ICCO)." Report to The International Cocoa Organization, October 2012.
³ Ibid.
Further difficulties for cacao farmers and their communities are low productivity per harvest, low investment capabilities, and volatility of cacao bean value. Raising productivity can be achieved by improved production techniques and better harvest circumstances to protect against common droughts and diseases that plague the crop, but farmers frequently do not have the necessary financial means or access to credit for adequate investment, nor do they have much incentive to do so if these investments do not significantly raise their income. The wild fluctuations in cacao prices push many farmers to diversify into other types of crops in order to secure a more stable income; those who stay in cacao farming must struggle with ever-increasing costs of pesticide, fertilizer, and machinery, even as the price of cacao on world markets stagnate. Unable to negotiate consistent and reliable prices against the activities of MNCs and speculators on the future markets of London and New York, cacao farmers eke out a living on little more than $2 a day, falling well below the United Nations’ poverty line. It is small wonder that a study conducted by the Institute of Development Studies and the University of Ghana found that youth in farmer communities are leaving cacao bean production for a more promising future, in turn adding to the future unsustainability of the commodity.

Yet this lack of youth employment, together with low farmer income, has contributed in part to a bigger problem. The large majority of cacao farms in Africa,

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6 Ibid, 13
which supplies about 70% of the world’s cocoa for a $5.1 billion chocolate industry, is suspected to rely on some form of child slave labor.\textsuperscript{9} Unfortunately, several MNCs, including Hershey and Mars, source their cocoa from these countries, which indicates that their products are almost certainly made by slave labor.\textsuperscript{10} Figure 2 shows a chart from the Raise the Bar, Hershey! Campaign report that details the existence of labor abuse on West African cacao farms,\textsuperscript{11} illustrating not only that child labor exists in all five countries, but that \textit{forced} child labor is especially prevalent in the Ivory Coast, a country which alone provides 38% of world cocoa output.

The implications are striking: the structure of the cocoa and chocolate economy puts producers in developing regions at a serious disadvantage.\textsuperscript{12} An imbalance of power between MNCs and affiliated grinders and cacao farmers, low productivity and lack of investment, and fluctuating market prices of cacao beans all combine to create an untenable future for the chocolate economy. Figure 3 shows the volatility of market prices for cacao beans, much of which has been attributed to the market liberalization trend of the 1990s;\textsuperscript{13} Figure 4 reveals the market capture of chocolate production by multinational corporations Kraft, Mars, Nestlé, Ferrero, and Hershey; and Figure 5 illustrates the convoluted flow of goods and finances in a conventional cocoa value chain.

\textsuperscript{10} Robbins, John. "Is There Slavery in Your Chocolate?" \textit{VillageOne}.
\textsuperscript{11} "Still Time to Raise the Bar: The Real Corporate Social Responsibility Report for the Hershey Company." The Raise the Bar, Hershey! Campaign Addendum to the 2010 Report, September 2011.
\textsuperscript{12} Ibid.
Figure 2

Prevalence of Labor Abuse on West African Cocoa Farms

Companies must establish reliable systems to identify and prevent labor abuses throughout their supply chains in order to comply with upcoming legislation such as Executive Order 13126 and the California Transparency in Supply Chains Act. As more than 70% of the world’s cocoa comes from West Africa, and Hershey’s supply tracks with world figures, it’s crucial that Hershey employ an independent third party certification system, such as fair trade, to combat these abuses within its supply chain.

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>CHILD LABOR</th>
<th>FORCED LABOR</th>
<th>TRAFFICKED LABOR</th>
<th>% OF WORLD COCOA OUTPUT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cameroon</td>
<td>Yes</td>
<td></td>
<td>Country of origin, transit, and destination</td>
<td>5%</td>
</tr>
<tr>
<td>Côte D’Ivoire (Ivory Coast)</td>
<td>Yes</td>
<td>Yes</td>
<td>Primarily destination, though also country of origin and transit</td>
<td>38%</td>
</tr>
<tr>
<td>Ghana</td>
<td>Yes</td>
<td></td>
<td>Country of origin, transit, and destination</td>
<td>21%</td>
</tr>
<tr>
<td>Guinea</td>
<td>Yes</td>
<td></td>
<td>Primarily origin and transit</td>
<td>Roughly 2%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>Yes</td>
<td>Yes</td>
<td>Country of origin, transit, and destination</td>
<td>5%</td>
</tr>
</tbody>
</table>

(Source: “Still Time to Raise the Bar, Hershey”)

Figure 3

(Source: World Bank)
Figure 4

Global Chocolate Market

Ferrero 7%
Nestlé 13%
Mars 15%
Kraft/Cadbury 15%
Hershey 7%
Others 43%

Five companies dominate the $5.1 billion industry

(Source: The Chocolate Scorecard)

Figure 5

Conventional Cocoa Value Chain

Legend:
Goods flow
Finance flow

(Source: Haynes et al., 2012)
Thus the challenge of ethical chocolate today is multifaceted, and because its historical development has led to greater dialogue on sustainable cocoa supply chains and business models, the conventions of the alternative food system and the Interpersonal World in which it originally operated are confronted by the attempts of other worlds of production to define a sustainable chocolate economy in accordance with their respective regulatory norms. As previously mentioned, the boundaries separating these worlds are becoming increasingly perforated; players within the Industrial and Market Worlds are crossing over to involve themselves in this promising new market. Such an influx of differing, and oftentimes contradicting, ideas of creating and maintaining a sustainable chocolate economy has led to the rapid rise of issues concerning this commodity. Chapter Five discusses the numerous problems, challenges, and obstacles faced by the “moral economy” of ethical chocolate today, focusing on the role of corporations, international organizations, and other players within the neo-liberal economy in affecting the movement toward sustainable chocolate.

For several years now, the neo-liberal and moral economies have been developing in tandem. The neo-liberal economy places a heavy emphasis on efficiency and price, while the moral economy focuses on conventions of equality, fairness, values, welfare, and others in order to assess people’s buying decisions. Thus strong alternative food networks fit into the moral economy, while weak alternative food networks, such as industrial organic or ethical brands acquisitioned
by MNCs, incorporate the conventions of both economies. It is this divide in the alternative food system that has led to the tension of how to best regulate a sustainable cocoa economy.

The weak alternative food system, commonly comprised of corporations, focuses on environmental concerns, but neglects the issues that strong alternative systems endeavor to address: labor standards, rural communities, and small-scale farmers, as well as environmental protection. According to Follett, weak alternative food networks consequently fail to promote effective social and political change for four reasons:

1) *They are a part of the Market World.* Corporations compete with one another to sell to a small segment of society that appreciates the environmental quality of their food products, but as this competition is centered on price and efficiency, quality is subordinated to price. These Market World companies do not offer alternative products out of solidarity with the grater movement, but because the market niche provides great profit.

2) *They focus on the qualities of food rather than the network as a whole.* As long as the producers in their supply chain adhere to national standards and certification schemes, corporations have met their political and social goals, regardless of the fact that standardized labels do not necessarily lead to

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15 Ibid., 31
16 Ibid.
adequate protection and empowerment of farmers, rural communities, and laborers.

3) *Their distribution of power hinders social and political change.* Consolidation and selling to large retailers means a loss of power by both consumers and producers—producers are unable to negotiate fair business deals, and consumers cannot dictate what they would like to consume due to consolidation causing fewer alternatives from which to choose. Such is the status quo from which companies are currently benefiting.

4) *They are often long supply chains.* The producer-consumer relationships that characterize the short food supply chains of the Interpersonal World means that the trust that would have existed between producers and consumers gradually disappears the longer the chain grows. The needs of the producers are not articulated along the chain, and the concerns of conscious consumers are also overlooked.

5.1 CASE STUDY: FAIR TRADE IN CHOCOLATE

The fair trade movement in chocolate is a prime example of this divide within the alternative food system. As fair trade chocolate has evolved, it has developed a mainstream element through marketing and corporate involvement; a spectrum of actors from the Interpersonal World to the Industrial World is currently occupying the fair trade value chains.
As mentioned in the previous section, fair trade began as a strong alternative system: ATOs, cooperatives, and other social justice and sustainable development oriented enterprises came together for the purpose of perpetuating and maintaining a moral economy in which benefits from chocolate production were fairly distributed along the supply chain. Today, Equal Exchange is an enduring example of this model, bringing together Fairtrade International (FLO) certified cooperatives, cooperatively owned importers, and cooperatively owned cafés and retailers to sell fair trade coffee, tea, chocolate, and other products. Another such company is Divine Chocolate (formerly known as the Day Chocolate Company), the first fair trade company to have farmer ownership at the center of its value proposition.

On the other hand, the mainstream Market World-led weak alternative food system falls under neo-liberalist ideology, which promotes a certification agency-led, corporate-centric, profit-oriented model. Finding high value in a rapidly expanding niche market, chocolate and cocoa corporations control production, exporting, importing, shipping, and distribution within their value chains, effectively excluding small-scale cocoa farmers from engaging in the decision-making process. Several chocolate MNCs, such as Mars, Nestlé, and Cadbury, as well as supermarkets and other large retailers that have certified Fair Trade products do little or nothing to empower the farmer and his community. On the contrary, the domination of oligopolistic MNCs in the cocoa and chocolate sector exacerbates the problem of
imbalanced market capture.\textsuperscript{17} Below is Follett’s four-fold reason why weak alternative food systems do not affect change, as applied to fair trade chocolate:

\textit{Market World chocolate companies focus almost exclusively on price and efficiency.} The entry of these large Market World players has played a substantial role in lowering the price of fair trade chocolate. As MNCs enjoy economies of scale, they can produce the same products at a lower cost. In addition, supermarkets and other retailers do not see fair trade products as anything more than another product line, using their dominant power to levy increasing demands on their suppliers while simultaneously pressuring a reduction of prices.

\textit{Market World chocolate companies concentrate on product quality over the alternative network as a whole.} The proliferation of labeling and certification schemes offers a solid example of this emphasis on quality. As Reed\textsuperscript{18} points out, MNCs have consistently sought out the use of labels that typically place a strong emphasis on the environmental features of the product itself (i.e. “single-origin”) that market premium quality, but have much weaker social standards and do not pay minimum price guarantees to the farmers themselves. While it is true that certification schemes vary in their interpretation of sustainable cocoa production, and fair trade as a movement especially aims for better and more just trade relations before increased productivity,\textsuperscript{19} it can be said that in general they seek

\begin{itemize}
\item \textsuperscript{17} Abbott, P. H., M. Wilcox, and Wendi A. Muir. “Corporate social responsibility in international cocoa trade.” \textit{Purdue University, West Lafayette} (2005).
\item \textsuperscript{19} KPMG. “Cocoa Certification: A Study on the Costs, Advantages, and Disadvantages of Cocoa Certification Commissioned by The International Cocoa Organization (ICCO).” Report to The International Cocoa Organization, October 2012.
\end{itemize}
“improvements in farmers’ livelihoods, on developing good agricultural practices, and on building capacity.” However, several MNCs exploit certification schemes to enhance their control and capture market shares by using weaker labels such as Utz Kapeh and the Rainforest Alliance to gain a foothold in the market—these certifications establish standards that “hold the bar and guarantee minimum requirements,” but do nothing to empower the farmers.21

Furthermore, these Market World players have also pressured for a dilution of the standards and requirements needed to qualify for the fair trade label. Most notably, the U.S. Fair Trade certification has recently allowed the certification of plantations, a significant shift away from the ambitious, transformative economic and social changes that characterize authentic fair trade.22 “Unlike a successful farmer co-operative,” says North of Equal Exchange, “the certification of a plantation, no matter how benign its operation, does nothing to change who owns the farm land, who has true economic control, who decides what will be grown or how, or who has political and social power in these rural communities.”23 Yet as the U.S. Fair Trade label is applicable to cocoa plantations, fair trade cocoa importers will increasingly buy from these plantations that affect no significant change in the welfare of its workers, which detracts from the sales potential of farmer co-ops. Such practices have often been called “fair-washing” strategies, because these

20 Ibid., 16
23 Ibid.
labeled products are misleading to the ethical customer who is led to believe s/he is aiding a moral economy of chocolate.

CHRISTOPHER BACON WITH KAELIN HOLLAND

Figure 1: Questions about the Governance of Fair Trade in the USA

Corporations’ ‘stealth’ acquisitions and the overabundance of labels hinder social and political change. On the consumer side, consumer demands for ethical products have been blunted by companies that use their ethical chocolate lines to increase the sales of their conventional products, which misleads customers into believe that alternative, ethical options are increasing in the marketplace when in reality, they are narrowing. Additionally, the lack of a synergistic approach to labeling has led to the proliferation of uncoordinated, at times competing, initiatives in cocoa exporting countries. A survey by the International Cocoa Organization

(ICCO) Secretariat revealed about 64 initiatives worldwide on cocoa sustainability involving around 60 agencies and companies,\textsuperscript{25} which leads to the confusion of conscientious consumers who are not necessarily aware of the differences among the labels in terms of the support that is provided to the cacao farmers.

On the producer side, certification standards erect entry barriers in cocoa supply chains that many small-scale cacao farmers cannot overcome. As certification procedures become more expensive, smallholders and cooperatives that do not have access to financial aid or technical assistance are stuck. However, even those who \textit{do} meet the requirements of certification schemes are not guaranteed higher value captured in the cocoa chain. In the words of Ponte and Gibbon,\textsuperscript{26} “public institutions, which in the past set standards embedding in regulation, are increasingly unable to defend the interests of producers, especially small-scale ones...small producers in developing countries have been completely cut off from the game of standard setting and monitoring.”

\textit{Finally, Market-World chocolate MNCs drive long fair trade supply chains.} Herein lies a fundamental problem of corporate involvement in the sustainable cocoa economy: traditional corporate-dominated value chains are oriented toward maximizing profits for shareholders, while alternative value chains aim to support small farmers and by extension, their larger communities. In so doing, the alternative value chain aims to be as short as possible by reducing the number of

\textsuperscript{25} Pipitone, Laurent. “The Future of the World Cocoa Economy: Boom or Bust?” The International Cocoa Organization presentation at the 69th session of the FAO Committee on Commodity Problems, Rome, Italy, 28-30 May 2012.

profit-generating “middlemen” between the farmer and the consumer, and seeks to promote partnerships, not captivity, by helping small cacao farmers move up the chain in order to acquire more value. Therefore, in this moral economy value chain, “the relational form of governance is based upon values of solidarity and social justice.”

However, as Reed points out, there are two problems in particular with the traditional corporate-dominated chain: one problem is that certain corporations with bad reputations for social responsibility, such as Walmart, may become retailers of fair trade products; the second is that these corporations may move to absorb fair trade into their own brands, which implies that fair trade certification is giving legitimacy to a retail brand that does not uphold fair trade standards in all its products.

Granted, excluding mainstream corporations entirely is not only impossible, but also impractical. The fair trade movement has undeniably benefited from the major role that corporate participation has played in its recent exposure and reach. If kept at the retail level, corporate participation provides value in expanding the fair trade market. In other words, only an arms-length market relationship with ATOs and farmer cooperatives will not compromise the moral

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28 Ibid., 11
29 Ibid., 10
economy of the fair trade value chain. The 2012 Equal Exchange Annual Report makes an adamant claim to the same effect:

“We need to be clear: the idea for controlled mainstreaming of Fair Trade came from...a co-op in south Oaxaca, Mexico. The idea was not to give control of the Fair Trade system to European non-profits, or bureaucrats, or multinational companies, or to plantations...Fair trade was intended for small farmers and small producers who are democratically organized...developing over time at significant risk, small farmers can build solidarity networks and enter commercial supply chains. When they succeed at this there are benefits, such as positive development in their communities. That’s what Fair Trade is all about.”

Yet the reality is that not only the fair trade movement, but the moral economy of chocolate in general, is facing the challenge of remaining faithful to its original commitment to social justice while endeavoring to extend the reach of the norms that regulate the Interpersonal World in which it operates. This case study illustrating the divide within the fair trade movement simply reflects the tension within this greater chocolate economy.

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30 Ibid.
32 Ibid.
-CHAPTER SIX: CASE STUDIES OF “SUSTAINABILITY”-

This tension directly results from the coexistence of various players in the chocolate industry, each subscribing to different methods of regulating the chocolate economy. In this chapter, I evaluate several case studies of sustainability models forwarded by various players in the economy—transnational and international organizations, MNCs, independent alternative chocolate companies, and collaborations among them—and critique each model based on a standard given by Follett.1 Of course, there is no universal definition of sustainability, not the least because of the difficulties faced in attempting to quantify a largely qualitative notion—what is ethical? What is good? What should be the focus: economic, ecological, or social justice? However, historical precedent has shown that social justice and sustainable economic development have been central concerns on which were grounded related matters; from the Dominican monk Las Casas to the Knight Ridder journalists, protests against slave labor exploited for the purpose of one-sided economic benefit have underlined the development of chocolate through the ages. Therefore, in keeping with tradition, but adapting to the demands of a globalized economy, I use Follett’s definition of what makes a sustainable chocolate economy all along the cocoa supply chain:2

2 Ibid, 39
“...price and efficiency come second to the other qualities that food represents in the system.” Are the cacao beans organically grown, and harvested and processed in ways that do not compromise the quality of the beans? Are the beans kept from being mixed with lower-quality, non-organic beans from different cacao-growing regions?

“These qualities extend beyond the ecological aspects of food, organic certification, and green convention.” Are cacao farmers and cooperatives given sustainable wages for community development and infrastructural improvement of production methods? Do certification schemes demand requirements to such effect?

“...Their networks focus on relationships, transparency, and trust.” Do cocoa processors and chocolate manufacturers make available business, trade, and market information to their producers? Is the relationship one of equal partnership in which farmer demands are considered, or of one-sided governance in which cacao farmers and their communities are excluded from capturing much of the value of the final product?

“Participants examine the network as a whole and base decisions on more than a simple label of ‘organic’ or ‘conventional’.” Are buyers concerned with simply keeping the status-quo of passing the ‘ethical’ bar, or are they committed to deeper social, economic, and political change that will empower cacao producers and others in the supply chain that need currently exploited?
“...many farmers and buyers participate in these markets, so no one can control the market and dictate the terms of participation and interaction.”\(^3\) Is the cocoa and chocolate supply chain marked by equal exchange and balanced trade relationships, or is power and decision-making concentrated in a few big players?

Depending on the actor and the norms that govern the world of production in which that actor operates, different aspects of a sustainable chocolate economy are emphasized. MNCs typically focus on high, eco-friendly productivity and securing a stable line of cacao supply to meet chocolate demand, but neglect to address the deeper issues of farmer community development; alternative trade companies that either partner with cooperatives or are farmer-owned highlight the balance of social and economic benefits accrued to cacao farmers for their empowerment, but might struggle with being limited to a niche market; and other international bodies affiliated with the chocolate economy offer a wide variety of solutions spanning the spectrum between Market World values and Interpersonal World values.

6.1 INTERNATIONAL ORGANIZATION CASE STUDY: THE ICCO

Undeniably, all across the chocolate industry there has been a general acknowledgment of concerns for a more ethically determined economy. As previously mentioned, the ICCO’s annual report released in 2006/2007

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\(^3\) Ibid.
demonstrated a profound shift in concerns when it recognized the urgent need to increase the income levels of poor cacao farmers, 70% of whom live in Africa, especially in Ghana and the Ivory Coast. The ICCO urged industry players to focus not only on the quality of the chocolate, but also the social, ethical, and environmental context within which the cocoa is produced.

6.1.1 *Model of Sustainability*

The Consultative Board on the World Economy defines sustainability as involving three pillars—economic, environmental, and social. Sustainable development in these three pillars is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” Thus a sustainable world economy is understood to be an economy that is “economically viable, ecologically sound, and socially acceptable.” Below is Figure 6, which shows a diagrammatic interpretation of sustainability as seen by the ICCO.

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6 Ibid.
To that end, the ICCO pushes for a multi-pronged approach to achieving sustainability in the world cocoa economy. Stimulating cocoa consumption and production in cacao bean exporting countries; encouraging farmers’ creation of cooperatives; improving the managerial capacity of farmers, such as the efficient use of fertilizers and pesticides; supporting the improvement of existing market information systems for farmers, and the development of niche markets such as premium/flavored cocoa; empowering farmers to earn the highest value for their cacao and to diversify their crop for a more stable income; urging chocolate and cocoa MNCs to practice ‘corporate social responsibility’ (CSR), in order to advance their corporate image and increase farmer productivity and income; and eradicating child labor in West Africa are only a few of the proposals strongly deemed necessary.\textsuperscript{7}

\textsuperscript{7} Ibid.
6.1.2 Analysis of Sustainability Model

However, as can be seen from the above recommendations, the ICCO makes clear that “the economic pillar takes priority and precedence over the other two pillars”\(^8\) because small-scale cacao farmers are assumed to prioritize economic considerations over both environmental and social concerns. Indeed, “only when the basic economic needs of the farmers and their families are met, can they be expected to care about social and environmental aspects of their activities.” In other words, the first priority in activities towards a sustainable world cocoa economy is to improve the revenues and incomes of the cacao farmers [italics added].\(^9\) As much literature can attest to, small-scale farmers have expressed a clear desire for more than just economic gains: transparency along the supply chain,\(^10\) more equitable relationships between farmers and buyers,\(^11\) community empowerment through ownership of shares in chocolate companies,\(^12\) and social amenities, such as education for their children,\(^13\) are only a few of the non-economic gains farmers wish to access.

The fact that the ICCO assumes the desires of small-scale farmers to first and foremost be concerned with the economic pillar of sustainable development points to a major flaw in the organization—several stakeholders, including the cacao farmers themselves, and consumers, local traders, NGOs, and unions, are excluded

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\(^8\) Ibid., 2
\(^9\) Ibid.
\(^11\) Ibid.
\(^12\) Divine Chocolate. Annual Report 2010/11.
from membership in the ICCO, while country representation, which includes 18 exporting countries to 29 importing countries, is heavily skewed toward the latter with a ratio of more than two to one. As Oxfam reports, these actors must be given a voice to develop and implement measures that are supported worldwide. More importantly, the ICCO needs to receive input from stakeholders along the cocoa and chocolate supply chain, especially from those who are most affected—the cacao farmers themselves—if it truly wishes to create a more sustainable cocoa economy. For example, although the ICCO recognizes the need to eradicate the worst forms of child labor on cocoa farms in West Africa, in its 2007 report The Sustainable Cocoa Economy, it insists that “the practice is only found in a small number of cases,” despite the overwhelming evidence to the contrary.

Thus when juxtaposed with the requirements of a moral economy, the ICCO’s model of sustainable development in the world cocoa and chocolate economy remains within largely neo-liberal conventions. The fact that the ICCO insists on separating economic priorities from social and ecological ones illustrates its narrow definition of the economy as excluding “hidden costs” that the moral economy integrates: ‘efficiency’ is pursued as priority, and although the ICCO urges greater

16 Ibid.
17 Ibid.
19 Ibid., 8
means of efficiency for cacao farmers vis-à-vis their MNC buyers, the ecological and social aspects necessary for sustainable development of a farmer community is subordinated to short-term possibilities; networks under their model do not stress relationships, transparency, or trust, but rather top-down CSR without supplier empowerment; and cacao farmers and chocolate customers are excluded from the model.

6.2 MNC CASE STUDY 1: HERSHEY COMPANY

The Hershey Company, a global heavyweight in chocolate production, has operations spanning the world and employs over 13,000 employees. Its more than $6 billion annual revenue comes from consumer favorites Hershey’s, Reese’s, Hershey’s Kisses, Hershey’s Bliss, Hershey’s Special Dark, Kit Kat, Twizzlers, Jolly Rancher, and Ice Breakers, as well as premium chocolate products, such as Scharffen Berger and Dagoba. Yet this highly profitable company’s involvement in ethical business operations is argued to extend beyond CSR, as the legacy of founder Milton Hershey still pervades its management culture. From its town in Hershey, PA, to the Milton Hershey School established in 1909 that provides free quality education, housing, and medical care for orphaned children, Hershey Company is intimately tied to “making a positive difference in the communities where its employees live, work, and do business,” says the Director of Corporate Communications Jeff

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According to Beckman, not only do Hershey’s profits sustain the students of the Milton Hershey School, but the company’s global business strategy integrates goals of “fair and ethical business dealings, environmental stewardship, fostering a desirable workplace for employees, and positively impacting society and local communities.”

6.2.1 Model of sustainability: the Market World

To that extent, Hershey certifies its Hershey’s Bliss products with 100% cocoa from the Rainforest Alliance Certified farms, while working further with the certification body to source cocoa from Rainforest Alliance certified farms in Latin America and Africa for its premium organic brand, Dagoba. In addition to working with labels, the chocolate MNC funds Project Peanut Butter, a non-governmental organization (NGO) that provides supplemental peanut butter-based nutrition packs to at-risk children in Ghana. This partnership is part of Hershey’s ongoing support of education and community development programs in rural Ghana, and its financial aid for Project Peanut Butter goes toward the construction of a Project Peanut Butter factory in Ghana to produce the nutrition packs.

22 Ibid.
23 Ibid.
26 Ibid.
Further collaborations include its involvement with the Ghana Cocoa Board (COCOBOD) and the WCF to create CocoaLink, a program that will “use mobile technology to deliver practical information on agricultural and social program[s] to rural cocoa farmers and enable the farmers to ask questions and provide feedback;”27 and its LEARN TO GROW initiative, through which Hershey aims to create a farmer and family development center in the heart of Ghana’s central cocoa region. To accomplish this, Hershey works with Source Trust, an NGO set up to help farmers improve their livelihoods through better crop yields and quality.28 In effect, the Hershey Company and its various partners invest many resources in developing higher agricultural productivity for West African cacao farmers.

Figure 7: Hershey’s CocoaLink infographic

(Source: Hershey Company website)

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28 Ibid.
6.2.2 *ANALYSIS OF SUSTAINABILITY MODEL*

At first glance, it appears that Hershey Company is an active participant in the moral economy by its efforts to fund development projects in West Africa. However, a closer examination reveals the chocolate giant’s shortcomings as a Market World participant determined to remain in a ‘weak alternative food system.’ According to Follett, weak alternative food networks fail to promote effective social and political change for the four reasons of being a part of the Market World; focusing on the quality of the food above the network as a whole; distributing power that hinders social and political change; and maintaining long supply chains.

Hershey is no exception. Although it owns Dagoba, a premium organic chocolate brand, and certifies both Dagoba and Bliss with the Rainforest Alliance label, this amounts to less than 1% of all its chocolate products being certified. Furthermore, the Rainforest Alliance certification scheme is arguably one of the weakest schemes in terms of social justice requirements. Although its standards prohibit the use of forced labor, child labor, and discrimination, it fails in other respects to affect deep change: it does not require specific conditions for a democratic organization of the cooperatives that is certifies, living wages are not guaranteed to its certified farmers, it does not require buyers to pay a specific

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30 Ibid.
minimum floor price for cacao beans, and most notably, only 30% of the primary ingredients needs to be certified in order to earn the Rainforest Alliance label. In other words, Hershey may very well be Rainforest Alliance certified, but its remaining 70% of cocoa could be produced by forced, child, or trafficked labor.\footnote{Still Time to Raise the Bar: The Real Corporate Social Responsibility Report for the Hershey Company. The Raise the Bar, Hershey! Campaign Addendum to the 2010 Report, September 2011.} For cocoa, the current strongest certification system remains Fair Trade, but unlike several of its competitors,\footnote{Kraft Foods, Nestlé, and Divine Chocolate all have at least 1% of their cocoa sourced from Fair Trade cacao. (See Allen)} Hershey’s has not adapted the Fair Trade certification, opting instead for the looser regulations of the Rainforest Alliance label in order to minimize cost and maximize profit.

Relatedly, Hershey’s neglect of adequate protection and empowerment of farmers and their communities is shown in the results of their lukewarm efforts at bettering the lives of their producers. Their $10 million investment in Ghana and the Ivory Coast to reduce child labor and improve cocoa supply over the course of five years is not only a paltry 0.04% of their annual profits,\footnote{Allen, Tom. “The Chocolate Scorecard.” Trading Visions. April 2011.} but it also “doesn’t come close to meeting all the articles established in the Cocoa Protocol,” according to Hopkins, author of Sweet Tooth: A bittersweet history of candy.\footnote{Hopkins, Kate. Sweet tooth: the bittersweet history of candy. New York: St. Martin’s Press, 2012} Even their widely touted CocoaLink program is already failing to meet its goal of reaching 100,000 cacao farmers by 2014: if the rate of new enrollments continues at its present rate,
participants will actually number less than 12,000 farmers in Ghana, or 12% of Hershey’s goal.35

Finally, the longer the supply chain, the greater the disconnect between consumers and producers; and in the case of Hershey, trust is completely nonexistent between the two ‘end’ players in the chocolate supply chain because neither is known to the other. Hershey Company still refuses to make known the specific sources of its cocoa, and less than 1% of its cocoa is traceable along the supply chain.36

Thus for Hershey, price and efficiency come first, its adopted certification scheme does not challenge the company to change the status-quo of its power concentration, transparency and relationships of trust are nonexistent, consumers are wholly unaware of the impact of their buying decisions, and cacao farmers do not participate in this market that Hershey and other MNCs control.

6.3 MNC CASE STUDY 2: NESTLÉ

Kevin Petrie, the Head of Procurement at Nestlé, said “for a company to be successful over time and create value for shareholders, it must also create value for society.”37 The Nestlé Cocoa Plan (NCP), initiated in 2009, is Nestlé’s answer to creating value for society while running a profitable business. The NCP’s articulated vision is to benefit both the cacao farmers and the company itself through its

37 Petrie, Kevin, “Delivering a sustainable cocoa supply chain: supporting farmers for better chocolate” (presentation).
threefold focus on improving farm profitability, addressing social conditions, and creating sustainable supply chains. This “shared value”, according to the chocolate company, would provide value for society in the form of higher farmer income, better opportunities for farmers’ children, and stronger farmer organizations, while also giving value for Nestlé itself by allowing longer-term supply chain relationships, better quality cocoa, and consumer communication about its new initiative.\textsuperscript{38} As a Market World participant, Nestlé’s model of sustainability is as follows.

\textbf{6.3.1 Model of sustainability: the Market World}

As shown in its presentation, “Delivering a sustainable cocoa supply chain,”\textsuperscript{39} Nestlé outlines its threefold focus as follows; the accompanying graphic charts are from its website:\textsuperscript{40}

\begin{tabular}{l}
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\textsuperscript{38}Petrie, Kevin, “Delivering a sustainable cocoa supply chain: supporting farmers for better chocolate” (presentation).
\textsuperscript{39}Ibid.
\textsuperscript{40}http://www.nestlecocoaplan.com
\end{tabular}
1) Enabling more profitable cocoa farms:
   a. *Training 21,000 farmers in better agricultural practices*
   b. *Producing 1 million higher yielding plants for farmers*

(Source: http://www.nestlecocoaplan.com/)

2) Improving social conditions: *Building 40 schools in four years in Côte d’Ivoire with WCF*
3) Developing a sustainable supply chain: *Through the Nestlé Cocoa Plan,*

*sourced 38,000 tonnes of cocoa in 2012*

![Developing a sustainable supply chain:](image)

(Source: http://www.nestlecocoaplan.com/)

In order to continue supporting higher productivity in cacao yield, Nestlé runs a research and development center in Abidjan, Ivory Coast, that focuses on the accelerated propagation of cacao trees; in addition, the company keeps a 30 hectare experimental farm in Zambakro, Ivory Coast, for cocoa, coffee, and cassava growth.\(^4^1\)

Its social considerations and supply chain sustainability concerns merge to include a “monitoring and remediation process for child labor,”\(^4^2\) the creation of which involves working with the International Cocoa Initiative (ICI), its cooperatives, and its certification partners Fair Trade and Utz Certified to implement this system. The

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\(^4^1\) Petrie, Kevin, “Delivering a sustainable cocoa supply chain: supporting farmers for better chocolate” (presentation).

\(^4^2\) Ibid.
chart below illustrates how Nestlé and its partners envision the monitoring and remediation system via Nestlé’s cocoa supply chain.

Figure 8

(Source: http://www.nestlecocoaplan.com/)

Finally, Nestlé attempts to integrate the consumer in the NCP by providing essential information on its Kit-Kat chocolate wrappers, recently sourced from Fair Trade certified cocoa, as well as website links to more in-depth information for the conscious consumer.43

6.3.2 ANALYSIS OF SUSTAINABILITY

While Nestlé does take more concrete steps toward a sustainable cocoa and chocolate economy compared to its competitor Hershey, the fact remains that Nestlé, too, is part of the Market World and tends to propagate the norms of a neo-

43 Ibid.
liberal economy vis-à-vis those of a moral economy. The most notable example of this is Nestlé’s sustainability investments focusing on increasing cacao farming productivity to secure a stable cocoa supply, as opposed to placing a greater emphasis on the empowerment and community development of the cacao farmers themselves. Hence, the R&D center in Abidjan and the experimental farm in Zambakro are both geared toward cacao plant science, and only about 1% of its profits are used toward investing in their producers’ welfare.44

However, Nestlé must be recognized for its rapid response to consumer pressure for sourcing its cocoa more sustainably. On February 29, 2012, Nestlé became the first chocolate company to partner with the Fair Labor Association (FLA), an NGO that works with MNCs to improve the working conditions in their supply chains. After the FLA’s independent investigation revealed several child labor abuses, the chocolate company implemented the NCP, an ambitious sustainability model, and became the first global chocolate-maker to comprehensively map its cocoa supply chain.45 In the words of FLA President Aret van Heerden, “By inviting FLA to completely map and document its cocoa supply chain, consumers will have the complete picture they need to hold Nestlé, the largest food company in the world, accountable for where its cocoa comes from...”46

Therefore, although Nestlé occupies a position within the neo-liberal economy of the Market World, its recognition of the need to source cocoa more

46 Ibid.
sustainably has led to an embrace of several conventions within the Interpersonal World. While efficiency and price are still priority and the chocolate giant still controls and dictates the terms of participating within its supply chain, Nestlé has worked toward a network of transparency from its farmers to its customers and has funded several social projects in its sourcing countries.

6.4 MNC-ACQUISITIONED COMPANY CASE STUDY: GREEN & BLACK’S/CADBURY/KRAFT

Green & Black’s, which not only introduced its Maya Gold chocolate bar as the first Fair Trade product marketed in the United Kingdom, but also spared an entire cacao farmer community from ruin through their partnership, is a premium chocolate brand that offers 100% organic and fair trade chocolate products. After Cadbury’s takeover in 2005, Green & Black’s was able to expand its Fair Trade certification to all its food and beverage range by the end of 2011 through the financial backing of the well-established MNC. As previously noted in Chapter Four, Cadbury itself is a company with philanthropic beginnings. A company founded by Quakers, Cadbury was one of the first to create a village removed from urban slums for the benefit of its workers. Building upon this moral tradition,

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47 In 1991, the Toledo Cacao Growers Association (TCGA) in south Belize were facing a crisis: the price of cacao had dropped below half its former value, and TCGA farmers were facing financial ruin and the difficult choice of either relocating to the city to find work, or to try entering the citrus farming market. In 1994, Green & Black’s founder, Sam Fairey, met with TCGA representative Justino Peck to negotiate a cocoa supply chain of 100% organic cocoa, and Maya Gold was born. (Khamis)
Cadbury maintains a Corporate Social Responsibility program in Ghana, providing support for the farmers and the wider cocoa sector from which it sources its supply.

6.4.1 Model of Sustainability: The Market World

Cadbury’s many initiatives include:

่อ Ghana for the Source, a well-building program that Cadbury has run since 2000 with Kuapa Kokoo, a cacao farmers’ cooperative. Cadbury provides finances to Kuapa, which oversees the building of wells in villages.49

่อ The Cocoa Farmers’ Newspaper, a farmers’ newspaper that Cadbury established in 2005 to counteract the problem of poor information flows to cacao farmers about sustainable production practices. The newspaper provides pictorial information in the form of cartoons that are easy to understand by farmers of all literacy levels.50

่อ Cocoa Partnership program, a financial initiative in which Cadbury committed to investing substantial amounts of money to boost productivity in the Ghanaian cocoa industry.51

ério Earthshare, a program that Cadbury runs with Earthwatch, which conducts research on the biodiversity of a variety of cacao farms.52

In addition to these sustainability endeavors, Cadbury’s ownership of Green & Black’s, as well as its Fair Trade cocoa sourcing for its Dairy Milk brand from 2009

50 Ibid., 28
51 Ibid.
52 Ibid.
“had brought Fair Trade decisively out of niche markets and premium brands into the U.K. mass market...”53

6.4.2 ANALYSIS OF SUSTAINABILITY

While Green & Black’s as an independent chocolate company fully reflected the norms of the Interpersonal World within a moral economy, its absorption into Cadbury, and later Kraft Foods in 2010 when Cadbury itself was acquisitioned has shown both the limits and reach of ethical chocolate. For Green & Black’s, the aim of their Fair Trade terms with the TCGA cooperative was a substantial improvement in living standards in the farming community, a goal that reached a milestone when, after 10 years of Fair Trade, 80% of the children of the TCGA community continued on to secondary education, compared with 10% previously.54 At the same time, two corporate takeovers have moved the company closer to a mode of business that ultimately privileges profit and growth above all other considerations.55

In considering Green & Black’s under Kraft, Khamis has noted that “the more successful Green & Black’s became, the less pronounced its various ethical affiliations were in its advertising...a strategy to shift consumer perceptions of Green & Black’s away from ‘worthy organic’ toward ‘everyday luxury with intense taste cues’ shows a reference to production replaced with one to consumption...”56

In effect, the company gradually moved from operating as an alternative business to

55 Ibid., 24
56 Ibid., 25
becoming intertwined with the mainstream market norms of chocolate MNCs, which embody the ideological antithesis of ATO movements.

For Cadbury, its loss of independence to Kraft reshaped not only its own “philanthropic tradition”, but the chocolate industry as a whole. While Kraft pledged to “honor Cadbury’s commitments to sustainable and ethical sourcing, including Fair Trade,”\(^\text{57}\) it seems unlikely that the global food industry giant will use its resources to expand Cadbury’s, or its own, use of Fair Trade cacao beans beyond the Dairy Milk and various Green & Black’s products. Kraft Foods is an MNC wholly dedicated to the neo-liberal economy in which it has built its global empire; it does not articulate any commitment of its own to ethical sourcing of cocoa as Nestlé has done. Indeed, were it not for its ownership of both Cadbury and Green & Black’s, Kraft’s as a player in the chocolate economy would not even be in the Market World. As a senior figure at Kraft Foods in Europe recently said, “Green & Black’s is £40 million out of a £1 billion chocolate business [in the U.K.]. I would sell more Crème Eggs.”\(^\text{58}\)

Perhaps the greatest indicator of chocolate MNCs’ commitment to profit and growth over a moral economy in the cocoa and chocolate sector is the role they collectively played in the recent defeat of Proposition 37 in California in 2012. Proposition 37 was a call to label genetically modified (GM) foods, contributing to greater transparency between food companies and their consumers, but the


\(^{58}\) Lucas, Louise (2011) ‘Green & Black’s executives eye buy-out’ (Financial Times) http://tinyurl.com/3w7o8
proposal was defeated, largely due to the heavy financial contributions of MNCs, including Hershey, Nestlé, and Kraft, lobbying and advertising against Prop 37's passing. The irony is that the revenue these MNCs received from their respective ethical chocolate products and brands, all of which support consumer transparency, contributed to the more than $44 million that was poured into the fight against Prop 37. Thus it seems that no matter the various programs or initiatives these companies practice for the sake of a more sustainable cocoa economy, when profits are on the line, these concerns become secondary. Their business models are fundamentally subscribed to what works within a conventional food system: their networks do not focus on relationships, transparency, and trust; their farmers are not involved in the decisions that dictate the workings of the cocoa supply chain; and the majority of their sustainability projects are minimal responses to consumer pressure, with a focus on charity efforts that maintain the status quo, instead of partnerships that can cause social and economic change.

6.5 MAINSTREAM ALTERNATIVE CHOCOLATE CASE STUDY: DIVINE CHOCOLATE

Divine, formerly known as the Day Chocolate Company, is the first fair trade company to center its values on farmer ownership of the brand: farmers are represented on the board, actively participate in brand decisions, have influence

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over the product in the chocolate market, and are entitled to shares of its profits.60 A means for farmers in the Kuapa Kokoo cooperative to increase profits, gain direct access to global markets, and sell their own goods, Divine was established with the financial aid and operational advice of the ATO Twin Trading, and additional investments from The Body Shop International, Christian Aid (a sustainable development agency), the U.K. government’s Department for International Trade, Comic Relief (a philanthropic charity), and National Westminster Bank.61 The alternative chocolate company espouses the mission of “bringing people together to create dignified trading relations and, through those relations, empowering producers and consumers.”62

6.5.1 Model of sustainability: the Interpersonal World

Divine uses cacao beans produced by Kuapa Kokoo, subcontracts the processing, and sells the chocolate through mainstream retailers. Figure 9 below illustrates Divine Chocolate’s supply chain. 25% of its profits go directly to farmers, while the rest are allocated to the Kuapa Kokoo Farmers Trust (KKFT),63 which invests the money in Kuapa’s main business and social concerns. Some of its funded community projects are digging water wells for access to clean water, and financing economic projects for local women, such as soap making, running mobile medical

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programs, providing credit unions, educating farmers, and providing farmers’ bonuses.\textsuperscript{64}

Kuapa farmers, as members of the Kuapa Kokoo Farmers’ Union, own 45% of the shares in Divine and therefore have access to hearing how the company is doing. Every year, Divine makes available a calendar for the union that includes information on its financial performances, a description of its yearly activities, and some of its future plans; in effect, Divine is ensuring a degree of transparency for the actors within its supply chain whose livelihoods depend on it the most.\textsuperscript{65}

Figure 9

(Source: Doherty and Tranchell, 169)


Divine also seeks to maintain a level of transparency with its consumers, especially through educational means. Not only is teaching about the meaning of Fair Trade and the need for trade reform important to Divine’s social justice goals, it also has a positive marketing impact, precisely because the company’s model of farmer ownership is a unique selling point. Divine Chocolate’s recent CHOCOL8 conference for youth is particularly notable for its successful mobilization of school children. Fair Trade discussions were conducted all across the U.K., and two Ghanaian children, whose parents were Kuapa farmers, visited and inspired their U.K. peers with stories of life in rural Ghana. This meeting and sharing of stories is remarkable in that the chocolate company was able to bridge a relational divide between two groups of youth: the ethical consumer on the one hand, and the supplier on the other. CHOCOL8 effectively galvanized further support for its cause and customers for its brand.

6.5.2 Analysis of Sustainability

Unlike previous case studies, Divine is not an MNC that practices CSR as one branch in its operations, nor is it one that has simply acquired an alternative chocolate company. Divine Chocolate itself is grounded on the central value of farmer ownership, and thus bases its business model completely on providing sustainable livelihoods for farmers and farmer communities. According to Abbott et

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al., Divine’s sustainability model is effective because, contrary to Fair Trade rhetoric, Kuapa Kokoo does not support price floors for cacao beans, but instead shares a larger fraction of its oligopoly profits with the farmers who partially own Divine Chocolate. The results of Abbott et al., support the claim that marketing margins can be reduced if market power exists along the cocoa supply chain. “But those cost savings or premiums are most likely captured by consumers or intermediaries, and guaranteed minimum prices are shown to fail due to the market imbalances they generate.” In other words, decoupled payments are more likely to succeed than are price supports. The payments that Kuapa farmers receive, for instance, are put toward building infrastructure, schools, hospitals, and other things that will develop independence and empowerment in the community, rather than increasing farmgate prices, which runs the risk of being little more than a temporary buffer against the volatility of the cacao market.

However, although Divine is largely a success story for the moral economy and the Interpersonal World of production, its ability to use its relationships with other organizations has also led to some compromise that Davies outlines. A summary of his critical analysis of Divine Chocolate’s ethical dilemma follows:

Divine’s relationship with supermarket fair trade own-labels. Divine Chocolate has long been an active proponent of the own-labeling initiatives that have proliferated in the U.K., largely because the company benefits from

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69 Ibid.
being the main provider of fair trade cocoa to these supermarkets. Yet Divine is not simply selling through these supermarkets, but in some cases is actually being the supermarket’s ethical claim. There is a perceived hypocrisy of Divine claiming to be part of a movement committed to reducing exploitation along the supply chain, yet working closely with organizations that are infamous for the pressure they put on their own supply chains.

**Divine’s advertising/marketing to children.** Although Divine’s efforts to educate its consumers about where its chocolate comes from, who farms the cacao, and how these farmers live is praiseworthy, the extent to which these advertisements are aimed at children is arguably unethical. The dilemma is that Divine Chocolate’s products are fundamentally unhealthy, and its specifically child-centric products, such as Dubble, advertisement campaigns with Nickelodeon, and in-school education packs directly market its own brand to impressionable children.

**Divine’s usage of sex for sales.** Divine boasts a predominantly female and strongly feminist workforce, but nevertheless chose to participate in Valentine’s Hamper Competitions to increase exposure. The company has previously stated that it would not advertise in men’s magazines because of their sexually exploitative content, but it seems Divine’s decisions are pointing to a contradiction of values concerning what counts as sexually exploitative and what does not.
Divine Chocolate’s relationship with supermarkets, participating in child marketing, and use of sex to sell all point more to the conventions that dominate the conventional food system as opposed to the alternative food system: a focus on profits and market capture seems to causing the company to compromise some of its values regarding the ethical norms of the Interpersonal World.

And yet, Divine defends its decisions by claiming that its fair trade principles are furthered by its market relationships and choices because they have led to greater sales and awareness. Indeed, Divine Chocolate maintains transparency in its annual reports on supply chain sustainability, has 100% traceable ingredients, invests a large portion of profits in the development of farmer livelihoods, keeps forced and trafficked labor from its supply chain, and endeavors to empower its workers. Its business operations go beyond adhering to certification schemes or funding development programs in Ghana, precisely because the farmers who own 45% of the company prioritize a sustainable cocoa economy over price and therefore implement far-reaching actions for their community.

6.6 NICHE MARKET ALTERNATIVE CHOCOLATE CASE STUDY: TAZA CHOCOLATE

Taza Chocolate is a small, independent chocolate firm that was co-founded by Alex Whitmore and Larry Slotnick in 2006. Offering organic stone-ground chocolate made in the Oaxacan tradition, Taza ensures a product range of minimally processed chocolate that sources quality cacao beans from various cooperatives in the
Dominican Republic, Belize, and Bolivia. As a bean to bar chocolatier, Taza Chocolate is wholly within the Interpersonal World of production and a significant player in the moral economy, as the company demonstrates through its supply chain and business values that distinguish it from larger MNCs.

6.6.1 Model of sustainability: The Interpersonal World

In 2010, Taza Chocolate developed its Direct Trade Certified Cacao program, verified by a third party, in order to solidify its commitment to its customers and cacao farmers. According to the firm, Direct Trade provides an alternative to the conventional production network based on MNC integration of dispersed supply chain activities, as well as to the Fair Trade model. Instead, Direct Trade is guided by the principle of sourcing cacao directly from the growers and establishing standards for eco-agriculture that “ties quality of practice and product to wages paid to growers.” Figures 10 and 11 illustrate the five principles of Taza Chocolate’s Direct Trade program and its third party certification claims, respectively.

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72 Ibid.
73 Goldman, Janice. "Global Production Networks."
TZA CHOCOLATE’S FIVE DIRECT TRADE PRINCIPLES

Taza Chocolate maintains a Direct Trade relationship with every cacao grower from whom we source our cacao beans. The five principles of the Direct Trade relationship are:

1. We work exclusively with USDA Certified Organic cacao farms that practice sustainable agriculture.

2. We pay a premium of at least 500 US dollars per metric ton above the New York International Commodities Exchange (NY ICE) price on the date of invoice directly to cacao farmers.

3. We physically visit each cacao farmer or cacao farmer cooperative at least once a year to build long-term, sustainable relationships.

4. We only buy cacao from farmers and farmer cooperatives that ensure fair and humane work practices.

5. We never purchase cacao from farmers or farmer cooperatives that engage in child or slave labor.

(Source: Taza Transparency Report 2012)

THIRD PARTY CERTIFICATION

The following claims are verified annually by Quality Certification Services (QCS), a USDA-accredited organic certifier based in Gainesville, Florida.

Claim 1: Direct Relationships With Cacao Producers
We visit our cacao producers at least once per year. Our direct relationships with our cacao producers are measured by consistent visits to our cacao producing communities.

Claim 2: Price Premium Paid To Cacao Producers
We pay a premium of at least 500 US dollars per metric ton above the NY ICE price for cacao beans.

Claim 3: Purchase Of High Quality Cacao Beans
We source only the highest quality cacao beans (95 percent fermentation rates or more and dried to 7 percent moisture or less).

(Source: Taza Transparency Report 2012)
Taza claims that the Fair Trade system as it currently stands is inadequate in addressing the problems of an overly complex cocoa supply chain. Due to the complexities involved in bringing cacao from the farm to the market, farmers see little to none of the supplementary gains intended by the Fair Trade model because these gains are often captured by intermediary players. In dealing directly with its growers, Taza has effectively sidestepped the traditional supply chain to guarantee that the farmers receive fair prices for their beans; its Direct Trade price floor is established substantially higher than that of other certifications, a price that reflects the quality of the cacao beans expected under its agreement with its suppliers.

Taza Chocolate’s sourcing process is meticulous and guarantees high-quality sourcing. All of its cooperatives grow sustainable cacao that is certified organic, and all other additional ingredients the company uses for its finished products are also organic and sourced from neighboring countries. While the initial steps of harvesting and drying the beans are done at each cooperative’s fermentary, the beans are then directly air transported to the U.S. in hermetically sealed bags to guarantee bean integrity during shipment. At Taza’s factory, the beans are roasted, winnowed, stone-ground, and tempered before being dosed into molds and hand-

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74 Ibid.
75 At $2,800 per metric ton, inclusive of the Direct Trade premium of at least $500 per metric ton above the New York International Commodities Exchange price, Taza offers its farmers a much higher price for their beans. (Taza Transparency Report, 2012)
77 The sugar comes from the Green Cane Project in Brazil, true cinnamon (as opposed to cassia) and whole vanilla pods are sourced from Villa Vanilla in Costa Rica. (Goldman)
wrapped, waiting to be shipped around the country and the globe.\textsuperscript{78} This bean to bar production process starkly contrasts with that of conventional chocolate manufacturers, not the least because the latter are mostly ‘remelters’ that melt down cacao liquor and combine it with fat to create a highly processed product. Taza, however, oversees its entire sourcing and production process, the result being unprocessed and unconched chocolate containing nutritional value in the Mesoamerican tradition.\textsuperscript{79}

In addition to its unique Direct Trade program and bean to bar production method, Taza Chocolate practices a number of sustainability initiatives with and for its producers:

\textit{Credit and Investment:}

\begin{itemize}
\item [$\mathcal{E}$] La Cooperativa Red Guaconejo (La Red) of the Dominican Republic, Taza’s first cooperative partner, was in need of a line of credit in order to pay its farmer members on time. Taza provided La Red with an initial loan.\textsuperscript{80}
\item [$\mathcal{E}$] To help La Red continue to achieve its growth capacity, Taza invests an additional premium in the price per ton paid to the cooperative in order to help spur production volumes and increase quality.\textsuperscript{81} Most notably, Taza’s investment will enable La Red to offer its own farmers a more competitive price for the cacao beans they purchase from the local growing communities,
\end{itemize}

\textsuperscript{78} Goldman, Janice. "Global Production Networks."

\textsuperscript{79} Ibid.


\textsuperscript{81} La Red has already begun to see tangible benefits from its relationship with Taza Chocolate: in April 2012, the cooperative enlarged their storage warehouse, added more drying capabilities, and invested in a new fully-automated cacao bean cleaner and sorter. These expanded facilities will enable La Red to produce more than 150 tons per year of high-quality beans. (Taza Transparency Report, 2012)
which translates to making a larger impact on the lives of cacao farmers in the Dominican Republic.\textsuperscript{82}

Co-founder and CEO Alex Whitmore made a personal investment to establish a new rural economic development enterprise in Belize called Maya Mountain Cacao, Ltd. (MMC). The goals were to support sustainable agricultural production among cacao farmers in the Toledo region; source premium Belizean cacao to supply fine chocolate manufacturers in the U.S.; empower farmers by offering them a choice of buyers;\textsuperscript{83} compete for their crops by offering better prices and services than the farmers had access to previously; and build new local fermentation and drying facilities to allow for better quality control during processing.\textsuperscript{84}

*Interpersonal relationships with farmers:*

- Taza Chocolate staff work directly with the farmers to train them and help implement systems to consistently obtain the level of quality Taza requires for the beans.\textsuperscript{85}

- As part of its Direct Trade program, Taza Chocolate commits to physically visiting the cacao farmers and farmer cooperatives to build long-term sustainable relationships.\textsuperscript{86}


\textsuperscript{83} Taza Chocolate was previously unable to negotiate a sourcing contract with the Toledo Cacao Growers’ Association (TCGA) because the cooperative was exclusively tied to chocolate giant Cadbury. When Whitmore conversed with several TCGA farmers and learned of their interest in having new buyers in the market to compete for their fine-flavor cacao, he determined that introducing competition into the Belizean cacao market would be beneficial to both the farmers and the fine chocolate industry. (Taza Transparency Report, 2012)

\textsuperscript{84} Taza Chocolate. Annual Cacao Sourcing Transparency Report. September 2012.

\textsuperscript{85} Goldman, Janice. "Global Production Networks."

Not only do Taza employees visit the farms, but in September 2011, Taza Chocolate and La Red celebrated their sourcing relationship by flying four cooperative members to Boston to visit the factory. The members spent four days checking out Taza Chocolate’s manufacturing facility, talking with Taza’s customers at the Factory Store, eating barbeque and dancing the merengue with the Taza team, and watching a Red Sox game.\(^87\)

CEO Whitmore regularly inquires after the cooperative workers with whom Taza has sourcing relationships. In 2011 during his annual trip to the Dominican Republic, Whitmore conversed with several staff members of the Finca Elsevia cooperative, inquiring after the livelihoods of their new Haitian workers that had arrived in the aftermath of the 2010 earthquake. Finca Elsevia members reassured him that they earned twice what they would have earned in Haiti, and that the farm also provided necessary services for them and their families.\(^88\)

**Empowerment of cacao farmers:**

At the beginning of each year, Taza Chocolate works with its cooperatives to plan a purchasing schedule for the next twelve months. Upon arriving on-site at each cooperative’s facility, Taza inspects the bean quality; if they meet the company’s strict standards, payment is wired on the following business day.\(^89\) By requiring its cooperatives to meet a high standard and involving

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\(^{87}\) Ibid.

\(^{88}\) Ibid.

\(^{89}\) Goldman, Janice. "Global Production Networks."
them in the process of drawing up long-term schedules, Taza does not practice charity, but incentivizes its farmers to perform the extra work required.

After having established a competitive market in Toledo, Belize with the introduction of MMC, Taza Chocolate became one of several purchasers of the new cooperative’s cacao beans. Output from the new cooperative’s fermentary increased, and the MMC team also witnessed a growing interest in cacao farming in their local communities. Galvanized to support this growth, MMC has financed a 25,000-tree seedling project to encourage farmers to replant and replace aging trees, as well as expand their farms.®

*Consumer Transparency:*

* Taza Chocolate releases annual Transparency Reports that inform the consumer of its activities, the state of its cooperative partners, and future growth and sustainable development plans.

* Taza conducts factory tours for its consumers to witness firsthand the company’s bean to bar production process, as well as its commitment to sourcing high-quality cocoa from cooperatives that benefit from the business they do with the alternative chocolate firm. At the end of the tour, the customers are taken to the Factory Store to purchase the finished products—100% organic, Direct Trade, stone-ground chocolate that has been ethically sourced.

Taza Chocolate has partnered with Cotton Tree Lodge in Belize, a local eco-lodge, to host an annual Belize Chocolate Week program. Immersed in this cacao-farming environment, guests learn about this community of farmers and observe the MMC operations in action. As Taza’s 2012 Transparency Report reads, “Chocolate Week is a crucial part of Taza’s efforts to connect the team at our Somerville, MA factory with the cacao growers who provide the excellent raw materials used to craft chocolate every day.”91

6.6.2 Analysis of Sustainability:

As an actor fully immersed in the environment of the Interpersonal World, Taza Chocolate promotes the moral economy of an alternative food system: the sustainability model it practices has shown the many levels of its environmental, social, and economic concerns for both consumers and producers within its supply chain. In comparison to previous case studies, Taza espouses a model of economic sustainability that is as comprehensive as Divine Chocolate’s model, if not as wide in its impact.

Taza Chocolate keeps its business targets, as well as its supply chain sustainability and developmental projects transparent; sources 100% traceable and organic ingredients for all its products; invests a substantial amount of its profits right back into its farmer cooperatives for their livelihoods; maintains the integrity of its supply chain by insuring it from child, forced, or trafficked labor; actively

91 Ibid.
encourages and participates in farmer and worker empowerment; and most uniquely, runs its own Direct Trade program that the company claims does for farmers what the Fair Trade certification system neglects to do.

In fact, Taza’s dedication to ethical sourcing of cocoa and the betterment of farmer livelihoods may surpass that of its mainstream market counterpart because it has not made business and marketing choices that could compromise the company’s values and commitments to promoting an alternative way of manufacturing chocolate vis-à-vis the conventional food network that the majority of mainstream chocolate companies are a part of. Divine itself has taken on some of these Market World norms, which arguably has compromised the integrity of its mission.

However, Taza Chocolate’s sustainability model has some potential shortcomings. Firstly, while the Direct Trade program does address some of Fair Trade’s limitations, namely bypassing the complex supply chain that does not guarantee gains will go to Fair Trade certified farmers, offering higher prices for quality cacao beans, and sourcing directly from the farmers themselves, it still only adds to the explosion of certification schemes that have flooded the market and confuse consumers as to what is truly ethical and what is not. Furthermore, the Direct Trade program may offer a significantly higher price floor than that of the Fair Trade program, but a problem of over-production faces all price floor-dependent certification systems. In effect, price floors incentivize farmers to

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*See Mainstream alternative chocolate case study: Divine Chocolate.*
generate greater supplies of cacao beans, leading to an imbalance of supply and demand. In the long run, this can lead to either an accumulation of cacao and cocoa in storage, or a driving down of world prices, which would ultimately undermine the various initiatives’ goals.\textsuperscript{93} Divine Chocolate, on the other hand, circumvents this problem because rather than using a certification-driven price floor, it decouples its payments and gives them directly to its shareholder farmers in Kuapa Kokoo.\textsuperscript{94}

Additionally, Taza Chocolate is expanding its business within the niche market of ethical chocolate, but its impact is limited because the company has not penetrated the mainstream market as of yet, nor does it give any indication of planning to do so. And yet the pressures and demands of the conventional market, such as high profits, low cost, and efficiency over ethicality, often rub against the mission of alternative chocolate companies like Taza. This dichotomy of consumer markets leads to the greater question of whether or not a new moral economy in chocolate can thrive on a mainstream market-scale.

The next chapter, Chapter Seven, pinpoints important trends that have been developing in the world of chocolate and applies their relevance to the possible future trajectory of the chocolate economy. I conclude by analyzing the likelihood of what I have previously called, “Charlie’s chocolate economy.”

\textsuperscript{93} Abbott, P. H., M. Wilcox, and Wendi A. Muir. “Corporate social responsibility in international cocoa trade.” Purdue University, West Lafayette (2005).
\textsuperscript{94} Ibid., 16
-CHAPTER SEVEN: TRENDS-

Throughout the historical development of chocolate, several trends have recently come to the forefront, some that have long been evolving, and others that have only just begun emerging. Two main trends that are of particular note are conscious consumerism and corporate consolidation, the former having its roots in a long-standing tradition of individual activism that began with Dominican monk Las Casas in the 1500s, and the latter an ongoing consequence of contemporary neoliberal ideology playing out in the marketplace. In applying these two trends to the world of chocolate, a tension can be seen between consumers, organizations, and other advocacy groups calling for greater transparency and ethical responsibility from multinational chocolate companies, and these companies in turn striving to continue their pursuit of greater profits while simultaneously reacting to this sudden spike in conscious consumerism.

7.1 Conscious Consumerism

Dana Kissinger-Matray from the International Organization for Standardization (ISO) said, “not only is the influence of consumers on the market and business behavior increasing, they will have a far greater impact on the future.”

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Indeed, a report commissioned by Cadbury2 recognized this rapid change in consumer markets for chocolate confectionery: markets are becoming increasingly differentiated, as consumers are demanding better quality, higher social standards, and smaller environmental cost in production processes, all factors for which customers are willing to pay a premium.3 Additionally, the ICCO’s Sustainable Cocoa Economy executive summary also makes a clear note of a changing atmosphere in consumer markets, and urges players in the cocoa supply chain to respond accordingly:

“Customers are asking for ‘sustainable’ cocoa and chocolate products...which provide a decent living for the farmers, are produced in a socially acceptable way, not harming the environment, and which are safe and healthy to enjoy. Delivering such products is in the direct interest of the farmers, the cocoa processors, the traders/exporters, and the chocolate manufacturers.”4

This “direct interest” has only grown stronger in recent years as globalization is changing the concerns of chocolate consumers. They are more aware of how their purchasing choices affect the environment and lives of those who may live in other parts of the world; with the emergence of the Web, social media, and other technological advances, consumer activists have the ability to spread information

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3 Ibid.
instantaneously. As well as making informed buying decisions as individuals, consumers have also found various other means of calling chocolate corporations to account: research and advocacy activities of consumer organizations, participation in creating voluntary standards and labels, and other means of structured engagement. The involvement of the media has also lent strength to this ‘name-and-shame’ attitude toward corporations deemed as unethical in their conduct. As the International Trade Center noted in its 2009 Consumer Conscience report, “If a company does not continually renew its contract with civil society, it’s [sic.] public license to operate—its reputation—would face grave risks.”

7.2 Corporate Consolidation

The growing trend in conscious consumerism, however, often finds itself at odds with the actions of large MNCs. As seen in Chapter Three, corporate mergers and takeovers have defined much of the 20th century, concentrated in two waves, the first in the 1930s, and the second spanning the 1980s and 1990s. The 21st century is seeing a continuation of this trend, which arguably runs counter to the spirit of many ethical movements. Oxfam’s research report on the sustainability possibilities of the chocolate sector notes that as a few players control the market, the misuse of purchasing and selling power is a reality, especially as the trend

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6 Ibid.
toward concentration allows for more supply agreements to be made between large cocoa grinders and their manufacturing counterparts.

Many of these corporations have also bought several alternative brands, co-opting the discourse of their respective values to use them to increase profits while paying little attention to their sustainability endeavors. Such actions only give consumers the illusion that their purchases are alternative to the mainstream brands, when in actuality their options are narrowing. Furthermore, in response to the conscious consumer, companies have supported, and even directly participated in, the creation of a dizzying array of certifications. The exponential increase in these corporate-centric, profit-oriented models runs counter to the original spirit of the movement, a problem that can especially be seen in the governance and standards for Fair Trade price floors: Bacon and Holland⁸ found that the Fair Trade minimum prices lost 41% of their real value from 1988 to 2009, as a direct result of several “market-driven” firms and national labeling initiatives protesting price increases on the grounds that they would hurt company profits. As the study asserts, “the neoliberal model acts opposite to the alternative trade framework...the dominant trend in Fair Trade certified governance is characterized by these increased market-based projects and roll-out neoliberal environmental governance.”⁹

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⁹ Ibid.
Can these trends coincide in such a way that leads toward the strengthening of a moral economy in the world of chocolate production, or are corporate activities within the realm of neoliberal ideology and the Market World inherently paradoxical to the creation of a stronger Interpersonal World of production? While large corporations may help in the implementation of a sustainable cocoa economy if they use their vast resources to take a more responsible approach to their business models and enable their cacao farmers and workers to capture more value in the supply chain, a greater transformation is needed—a conventional food system based on neoliberal thought must be left behind for the successful transition to Charlie’s chocolate economy.

In my introduction, I hypothesized that a rising concern for social and economic justice regarding cocoa trade and environmental exploitation would influence chocolate economy players to increasingly incorporate aspects of a moral economy that will change the future emphasis of chocolate production toward sustainability over bottom-line profit. However, this remains only a possibility because of the often-incompatible norms that reign over each World of Production. Although Market World players endeavor to use neoliberal conventions to bring about a sustainable cocoa economy, social, economic, and environmental concerns are still externalized when profits come into question; thus we are approaching a crossroads, a point beyond which only one economic view will definitively define the future of chocolate production and manufacture. Will that view be the currently strong, mainstream neoliberal view of the conventional food system? Or will power
shift in favor of the moral economic view of the alternative food system? In the last chapter, Chapter Eight, I conclude with an analysis of practices that might further enable the successful mainstreaming of ethical chocolate, ultimately answering the question, “Can Charlie’s chocolate economy be a plausible reality in the near future?”
In October of 2011, Yvon Chouinard, Jib Ellison, and Rick Ridgeway, the CEOs of Patagonia and Blu Skye, wrote about the future of sustainability in an article in the Harvard Business Review. In this article, entitled “The Big Idea: the Sustainable Economy,”1 the three outlined what they called, “Sustainability 3.0”, a concept that would have been considered astonishing even just a few years ago. According to Chouinard et al., the 3.0 era will be one in which companies will see profits and sustainable business as “two sides of the same coin.”2 In other words, sustainability will be how business is done. In my analysis, I show how their model is being applied to the cocoa economy to create Charlie’s chocolate economy.

8.1 Sustainability 3.0: Creating a Value Chain Index

In a world where the conventional cocoa supply chain is made up of various players, these chains must be managed carefully in order to run sustainably. One form of management is a “supply chain map” that identifies these players and their contribution to the supply chain, as well as their requirements in terms of how sustainable their business methods are and whether those requirements are met.3 Such a map can reveal which players at each point of the supply chain practice

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2 Ibid.
sustainability, providing a level of transparency for fellow players who are interested in participating in a more sustainable supply chain.

Chouinard et al. identify three developments that are combining to create such a map, or what they call a Value Chain Index:

- *Many vital aspects of economic, environmental, and social impact that have traditionally been considered priceless are now being quantified.* In fact, Conservation International, the Nature Conservancy, and PricewaterhouseCoopers (PwC) are already developing methodologies to value ecosystems; the CEO of Dow Chemical, Andrew Liveris, is heading the company’s effort to operationalize sustainability by integrating ecosystem services into their business plans; and Puma and PwC currently issue Environmental Profit&Loss Statements that will measure the full economic impact of each company on the ecosystem. This “pricing” of economic, environmental, and social impact is allowing companies to internalize costs that have previously been ignored as externalities, or hidden costs.

- *Socially responsible investing (SRI) has shifted from a negative, minimal-cost attitude to a positive, value-seeking impetus for change.* This fundamental shift from negative to positive orientation has shown that sustainability management not only minimizes costs, but also has the potential to eliminate risks in the long-term and create positive associations with a given

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company’s brand in the eyes of consumers. Additionally, companies that actively engage in SRI attract talent because their positive environmental, economic, and social performances signal their long-run viability, especially as it is getting increasingly difficult for companies to succeed at the expense of society when their practices are detrimental to business in the long-term. A prominent example of such unsustainable practices is the fact that low cacao yield and low prices are currently demotivating the young generation from becoming cacao farmers, which in turn leads to a spiraling down of supply, even while demand is increasing.⁵

☞ Industries are converging on standard indices by which to rate products’ sustainability and seek improvements throughout their value chains. These indices, also known as Value Chain Indices (VCIs) allow each contributor in a supply chain to share one common sustainability standard, providing a way to compare products based on the impacts that accrue to them at each phase of their journey from raw material to consumed, discarded good. For more than a decade, companies have had to rely on several standards and certifications that each addressed one impact category, but VCIs offer a single, much simpler, and more effective all-encompassing standard that services an entire industry, enabling small businesses and developing country economies to enter and secure a space in international markets. In

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other words, VCIs give straightforward ratings by which companies judge how to source their raw materials.

Box 1 gives an example of how a VCI in the clothing industry would work.

**Box 1: The Sustainable Apparel Coalition and the Value Chain Index**

The Sustainable Apparel Coalition, a group we are closely involved in, was launched two years ago, when Patagonia asked Walmart to get behind an effort to create a value chain index for our industry. Our companies invited other corporate sustainability leaders in the apparel and footwear sectors, as well as key NGO and academic stakeholders, to tackle the hard work of developing and implementing the VCI. We realized that we would gain more momentum and have more impact if we worked together from the outset. In just 18 months this coalition has expanded to include 40 companies that together represent over 30% of the global market share for apparel and footwear. In the fall of 2011, the group completed a prototype VCI, and all members have begun road testing it in their supply chains. This initial version uses qualitative indicators to measure impacts across a product’s value chain, except in the materials category, where the impacts were measured using quantitative life-cycle data...

As the tool has taken shape, its potential has become clear; in particular, the design of the tool to provide three distinct views of performance—at the brand level, the factory level, and the individual product level—means that decisions at all levels can now be informed by sustainability considerations.

To appreciate how these three views mitigate impacts, imagine the CEO of a casual-apparel maker in a meeting with the head merchant of the company’s largest customer. The merchant declines to place an order, informing the CEO that the brand’s overall VCI rating is too low to meet the retailer’s standards. Having lost the sale, the CEO tells the VP of design that all products for next season must have cumulatively better VCI ratings. The VP conveys this directive to his team. A designer on the team starts work on a cotton blouse. She begins by specifying traditionally grown cotton, but her design software tells her that the VCI rating for that material falls short of the new sustainability goals. She then selects a vendor offering organically grown cotton, but the score is still low because she has sourced the cotton in western China, where irrigation is drawing down an aquifer faster than rainfall can replenish it. Scanning the VCI tables, she lights upon another option, a vendor in southern India buying from farms that are watered by the region’s rainfall. She completes her selection of materials and reaches the sustainability score she and her bosses have targeted.

(Taken directly from “The Big Idea: The Sustainable Economy”

According to Chouinard et al., if the three developments described were to converge and fuel one another, five outcomes would help Sustainability 3.0 break into the economic world to mainstream the moral economy.

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7 Ibid.
1) Valuation of ecosystem services would be integrated into VCIs,

2) Investors would learn to rely on VCIs,

3) Trillion dollar markets would open up,

4) Comprehensive product ratings would guide consumer choices, and

5) VCIs would inform regulation—and a new era of innovation.

While Chouinard et al. have made a convincing argument for their model of a sustainable economy, two aspects are missing that would truly shift the cocoa sector into a sustainable world economy within the Interpersonal World of Production: state contribution and small-farmer involvement in the creation and implementation of a VCI for the cocoa and chocolate industry. The latter, including reasons why MNC-dominated supply chains are detrimental to small cacao farmers, has already been detailed in previous chapters; the necessity of the former draws its support from the cocoa economies of Brazil, Malaysia, and the Dominican Republic.

State intervention within a certain degree is a necessary condition for the sustainable economic development of the exporting country and its small farmers. If state action stays within the limits of assisting local capitalists in entering a new sector, such as improving local basic infrastructure, and pushing capitalists to upgrade within a sector in which they are already involved, such as facilitating credit, the benefits accrued to the small farmer and the economy of the country as a whole seem to increase, as exemplified by the cocoa industries in Brazil and
Malaysia.9 However, one qualification is the existence of local capitalists themselves who are willing and able to take advantage of this state action and invest in the cocoa sector; in the absence of such a class, the state’s options are limited;9 it must first find ways to create long-term development paths for its citizens to become local entrepreneurs, which is not covered by the scope of this thesis.

In the specific case of the Dominican Republic and the improvement of its cacao bean quality, the state intervened in the same manner as described above, namely, by pursuing a decentralized approach to a fermentation system.10 Associations of Dominican farmers learn the fermentation process, and umbrella organizations, such as farmer cooperatives, sell directly to world buyers on the farmers’ behalf.11 State action led to the empowerment of Dominican farmers, who now partner with various chocolate companies around the world, including Taza Chocolate.

Therefore, the actualization of value chain indices for the cocoa sector must be coupled with state and small-farmer involvement to create a truly viable model of a sustainable world cocoa economy. To that extent, steps have already been taken: the World Cocoa Foundation and various stakeholders in the cocoa and chocolate economy have created CocoaMAP, a supply chain map similar to the VCI

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10 Ibid.
12 Ibid.
model forwarded by Chouinard et al., to track progress in the global effort to achieve sustainable cocoa production.12

8.2 CocoaMAP: A Step Toward Charlie’s Chocolate Economy

CocoaMAP is a tool that tracks progress in the global effort to achieve sustainable cocoa production by using a set of indicators and measurements that the WCF claims have been credibly verified.13 Backed by NGOs, producer governments, certifiers, and individual chocolate and cocoa companies, CocoaMAP aims to provide information on the following: cacao production levels, number of farmers involved, land use, cacao prices, and most notably, the impact of cacao production on the health and prosperity of farming families and communities, the environment, sustainable practices, certifications, and future generations.14 The hope of its various stakeholders is that CocoaMAP will eventually become a strategic tool for the industry and a transparent resource for the public, producer governments, and development agencies.15

The work of the WCF through CocoaMAP is laudable in that it has obtained the support of 60 companies that together make up 70% of the cocoa and chocolate market, producer governments, various NGOs and donors, and certification organizations.16 Its varied stakeholders bring more comprehensive analyses and

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13 Ibid.
14 Ibid.
15 Ibid.
solutions to the table than do the companies-dominated VCI recommendations of Chouinard et al., especially as the CocoaMAP can be used as a resource by states and independent agencies to finance farmers who cannot easily obtain credit elsewhere.

However, there are critical aspects of the WCF’s CocoaMAP supply chain map that detract from its potential to be a truly transformative VCI. First, the small-farmer involvement is minimal at best: cacao farmers and their communities are not included among the stakeholders of CocoaMAP, which essentially keeps them in a state of dependency on the chocolate MNC-dominated industry. Indeed, their involvement is limited to simply using CocoaMAP as a means to understand best practices and impacts, which frankly isn’t helpful if these farmers have no resources to implement and sustain such practices. Secondly, instead of replacing the myriad certifications and labels as one harmonizing standard, CocoaMAP maintains the status quo that currently adds to consumer confusion. Thirdly, the fact that the primary stakeholders in CocoaMAP are giant chocolate and cocoa companies that exclude the small producer in strategic decision-making indicates that sustainability efforts, however comprehensive, will be locked under neo-liberal norms until a more equitable partnership is formed with these farmers and farmer cooperatives, such as those enjoyed by Taza’s partners. Thus while CocoaMAP is a step in the right direction, it is still only one step of many that need to be taken to move away from a neo-liberal dominated way of business to a greater application of the moral economy to the cocoa and chocolate industry.
Regardless of CocoaMAPs flaws, its very existence is a testament to how far and deep the ethical and sustainable chocolate rhetoric has permeated. From individual monks and muckraking journalists who decried the mistreatment of Natives by imperial colonizers, to paternal capitalists who created utopian societies for their chocolate factory workers, to the first ATOs in the 20th century that were committed to goals of solidarity and justice, to the establishment of for-profit chocolate companies that, to a greater extent or less, incorporate aspects of the Interpersonal World of Production and/or its moral economy in their business models. Today, the rapidity with which not just chocolate companies, but governments, consumers and producers, and international organizations have joined in the dialogue on sustainable development have culminated in concerted efforts like the WCF’s CocoaMAP and Chouinard et al.’s Sustainability 3.0 VCIs.

8.3 Charlie’s Chocolate Economy

We are now closer than ever before to what I have called Charlie’s chocolate economy, a moral economy in which traditionally externalized costs—environmental, social, and economic—are taken into account within the cocoa supply chain, and the regulatory environment of the Interpersonal World oversees global chocolate production. In Roald Dahl’s Charlie and the Chocolate Factory, Charlie Bucket, the only unspoiled, virtuous child among the five, is the underdog who wins the chocolate factory; in my introduction, I had written that in contrast to Charlie, the underdogs of today’s chocolate economy (the players participating in a
moral economy) are still gathering momentum. In the past decade, that momentum has rapidly gained enough strength to potentially affect social, economic, and political change on the global scale.

As Follett has emphasized, however, weak alternative food systems that attempt to retain aspects of the neo-liberal economy fail to promote such change for four reasons: 1) they are a part of the Market World; 2) they focus on the qualities of food rather than the network as a whole; 3) their distribution of power hinders social and political change; and 4) they are often long supply chains. In essence, the neo-liberal model of economics is counteractive to fair and balanced trade.

And yet it is foolish to say that these large and powerful players participating in the Market World must disappear entirely. Indeed, if chocolate MNCs were to keep arms-length market relationships with ATOs and their partnering farmer cooperatives, the moral economy of the sustainable cocoa value chain would not be compromised by corporate attempts to control the entire chain, from raw materials to manufactured product. Large corporations can even help the implementation of Charlie’s chocolate economy if they were to use their vast resources to take a more responsible approach to their business models. If CocoaMAP were to: 1) follow the example of Divine Chocolate and integrate small-scale cacao farmers as stakeholders in the supply chain map, farmer communities would capture more of the benefits in terms of independence, empowerment, and having their voices heard as more equal partners with the other stakeholders, 2) encourage direct

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relationships between existing stakeholders (namely financing bodies such as states and donor agencies) and farmer cooperatives as Taza Chocolate does, farmers could receive credit and other forms of aid in implementing competitive cacao farming practices, just as Maya Mountain Company, Ltd. was able to do with Taza’s loans, and 3) adopt the more viable ratings of Chouinard et al.’s VCIs that effectively harmonize the many certification schemes into one standard that focuses on sustainability as a whole, then a sustainable world cocoa economy that follows the conventions of a moral economy and cultivates the balanced relationships of an Interpersonal World of Production becomes a strong future possibility.

The history of *theobroma* chocolate is as unique as its namesake. No other commodity narrative can claim such a long account of idolization and adoration throughout the ages, or such a tenacious tradition of moral outcries against the injustices that have surrounded the cacao bean. And today, the world of chocolate seems to be at the cusp of throwing off the status quo that it has maintained for centuries: the reality of its sinister underside hidden underneath a popular façade of decadent goodness and pleasure. The secret was blown open in the 2001 Knight Rider article, and now more than a decade later, players all along the chocolate supply chain have been pushed to react and participate in the creation of a “sustainable world cocoa economy.”

Both the neo-liberal and moral economies have defined what “sustainable” means, but as this thesis has traced the development of ethical chocolate, its paradoxes, compromises, and tensions have illustrated that a truly sustainable
world of chocolate is counterintuitive to a fully Market World, neo-liberal ideology. In order for small cacao farmers to be empowered and develop a greater standard of living, for the environmental costs of overproduction, pesticide and fertilizer use, and mono-cropping to be reversed, and for the greatest transparency the cocoa and chocolate supply chain can achieve, a shift to an Interpersonal World of Production, with its emphasis on a moral economy of equitable relationships and simple supply chains, is necessary. This is Charlie's chocolate economy.
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