Introduction
The EFFAT Cocoa Newsletter is one of the results of the European Conference on Sustainability in the Cocoa Chain, held from 10 to 12 March in the Netherlands. FNV Bondgenoten, which organised this conference, will continue to function as an organising and coordinating trade union on behalf of EFFAT in the cocoa sector in future. This Newsletter will appear twice a year to provide information on important developments in the cocoa chain. Special attention will be focused on trade union issues and activities that bring a sustainable cocoa chain closer. This is the first issue. We distribute this newsletter to all trade unions in Europe that organise workers in the cocoa chain. The aim is to keep all unions and their members in the sector properly informed. This will facilitate the coordination of activities. The main purpose is to make a contribution to good working and environmental conditions in all segments of the cocoa chain, i.e. to a sustainable cocoa chain.

Harald Wiedenhofer
General Secretary, EFFAT

Action plan: Make the chain sustainable
The cocoa chain can be made sustainable.
If we work on it together.

This challenge ran as a leitmotif through the European Conference on Sustainability in the Cocoa Chain in March 2009. Thirty trade union officials from the most important European cocoa producing countries met at the Ginkelduin Estate in Leersum, The Netherlands deliberating for three days among themselves and with experts. The subject of debate was developments in the entire chain, from bean to bar, and how to make the chain sustainable.

Belgian trade union leaders, German works council chairmen, British shop stewards and other officials from six countries were quick to agree. The income position of small cocoa farmers in West Africa must be improved rapidly and sustainably: otherwise, the future of the entire cocoa chain is bound to suffer.

Driving force
A great deal remains to be done, however. Trade unions in Western Europe have to inform their members in the cocoa chain about the current situation. “We must work together in a structured manner on an action plan, within the European trade union framework, to make all phases in the cocoa chain sustainable,” said Dick de Graaf, member of the Dutch working group on Sustainable Cocoa and chairman of the conference. “This means that it should be economically sound, socially responsible and environment friendly. The European Federation of Food, Agriculture and Tourism Trade Unions (EFFAT) agrees and stands ready to support FNV Bondgenoten. This Dutch trade union is the driving force behind the action plan. The German food trade union NGG offered to organise the next European Conference on Sustainability in the Cocoa Chain in Germany. The Belgian trade unions ACV and ABVV and the Austrian GMTN are endeavouring to set up a national platform for workers in the cocoa chain in their respective countries.

Sustainability fund
Shortly after the European Conference on Sustainability in the Cocoa Chain, the Second Roundtable for a Sustainable Cocoa Economy was held in Port of Spain (Trinidad and Tobago). Nearly three hundred participants from 29 cocoa chain countries discussed ways to make the cocoa chain, and especially cultivation, sustainable. During this discussion, FNV Bondgenoten tabled a proposal, in the name of the European trade unions, to set up a sustainability fund to support small cocoa farmers. This proposal garnered wide approval, especially from representatives of small farmers’ organisations. The closing statement of this Second Roundtable mentioned that this proposal must be worked out further.

There’s work to do
At the end of the roundtable in Port of Spain, the representative of the Dutch government offered to hold the next (third) roundtable in the Netherlands at the end of 2010 or beginning of 2011. This is a fine challenge for the European trade unions. “Together with other partners in the cocoa chain, we can see to it that a sound proposal is tabled to make the cocoa chain sustainable step by step,” Mr De Graaf said. “There’s work to do, in other words.”

Those who want to join in can contact FNV Bondgenoten. The report on the European Conference on Sustainability in the Cocoa Chain can also be obtained from there. See the colophon overleaf this newsletter for the address details. For the closing statement and the underlying documents of the Second Roundtable for a Sustainable Economy in Port of Spain, go to www.roundtablecocoa.org.
Farming better

He knows it too well. The productivity of cocoa farmers can be doubled with much extra effort. It is simply a matter of information and better use of the land and resources.

Stephen Nyame-Yeboah, president of the Ghana Agricultural Workers Union (GAWU), does not understand why his interlocutor does not believe as much. If we can reach the farmers with information material and give them access to better cocoa varieties, soil improvement and crop protection, productivity can be doubled within a year. Research data by Mars, the world’s largest chocolate manufacturer, confirm Stephen’s optimism. The relevant data are given in the table below. The yield is less than half of what it could be in all important cocoa producing countries, with a better use of resources against plant diseases and better soil use.

Necessity

In Ghana and the Ivory Coast, the situation of the cocoa farmers is not only a “farmers problem”. 29% of the population in Ghana depends on income from the cocoa chain. In the Ivory Coast this figure is as high as 44% -- incomparably higher than in other African cocoa producing countries such as Cameroon (12%) and Nigeria (1%).

If things do not go well with the cocoa harvest – and thus with the cocoa farmers – they definitely do not go well elsewhere in the cocoa chain either. There can be no good chocolate without a sufficient cocoa bean quality. Large chocolate manufacturers such as Mars and Cadbury are beginning to get worried about the future supply of sufficiently good cocoa beans.

They see the need for improvements among cocoa farmers in Africa, especially in the Ivory Coast and Ghana, from where more than half of the worldwide cocoa harvest still comes today.

Fragmented

But then they run into the same problem as Stephen Nyame-Yeboah. How do we reach the farmers and how can we set up programmes that enable us to reach them effectively at village level? Stephen’s GAWU uses films and other information material to reach village communities – together with the agricultural advisory experts of the Ghana Cocoa Board. The aim is to encourage the farmers to engage in more cooperation and to adopt better growing methods. But this process moves in dribs and drabs and is highly labour intensive. Chocolate manufacturers such as Mars and Cadbury and, to a lesser extent, cocoa processors such as Cargill Cocoa, cooperate with governmental and non-governmental organisations (NGOs) to get programmes for farmers off the ground. But the initiatives are still too fragmented and often geared to a specific goal: certification for the NGO concerned.

(Farmers’) common sense

It is time for more comprehensive programmes to be set up, in which the farmers have their own voice and participate in giving direction to the desired development – with the certainty that extra efforts will be rewarded. Because this is also common farmers’ sense: if there is no result, then it’s not worth the effort. Everyone in the entire cocoa chain must become aware that a guaranteed good price for cocoa beans is a precondition to making the chain sustainable. And the resources needed to support the farmers can come from the chain itself. Such as through a sustainability fund, for instance, as proposed by FNV Bondgenoten at the Second Roundtable for a Sustainable Cocoa Economy.

<table>
<thead>
<tr>
<th>Country</th>
<th>Average yield (kg/ha)</th>
<th>Farmers’ price as % of the world market price</th>
<th>Annual loss through plant diseases</th>
<th>Annual loss by soil fertility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ivory Coast</td>
<td>450 (200 – 1000)</td>
<td>40 – 45%</td>
<td>24%</td>
<td>28%</td>
</tr>
<tr>
<td>Ghana</td>
<td>400 (200 – 1000)</td>
<td>65%</td>
<td>29%</td>
<td>25%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>800 (300 – 1500)</td>
<td>84%</td>
<td>49%</td>
<td>15%</td>
</tr>
<tr>
<td>Cameroon</td>
<td>425 (200 – 1000)</td>
<td>79%</td>
<td>50%</td>
<td>23%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>350 (200 – 800)</td>
<td>79%</td>
<td>50%</td>
<td>23%</td>
</tr>
<tr>
<td>Brazil</td>
<td>175 (200 – 1500)</td>
<td>90%</td>
<td>65%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Source: Mars Cocoa Sustainability, Background and Activities, 2009.
Farmers in the cocoa sector are having a difficult time. They lack the power to improve their future. Their sons and daughters see no future in farming. The price that they get for their kilos of cocoa does not cover the costs. The distance to the customers, suppliers of artificial fertilisers and other resources is too great. Infrastructure and development opportunities are poor or entirely nonexistent. And yet, the future of the cocoa sector depends on the supply of good cocoa by small cocoa farmers in Ghana and the Ivory Coast. Together, the farmers in these countries produce more than half of the world harvest of cocoa beans. But they have no power. In any event, they are scarcely organised.

**Sustainability fund empowers**

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**Sparsely represented**

These cocoa farmers were sparsely represented at the Second Roundtable for a Sustainable Cocoa Economy in Port of Spain, the capital of Trinidad and Tobago. And yet, their position took centre stage in the proposal by FNV Bondgenoten to set up a fund. The purpose of such a fund would be to strengthen the position and organisation of the cocoa farmers. Once this proposal had got the backing of farmers and NGOs in a preparatory conference, it was also approved by the majority at the plenary session. Paragraph 10 of the “Declaration of Trinidad and Tobago” states that “Roundtable agreed to set up an Expert Working Group to thoroughly study the feasibility of establishing a Cocoa Sustainability Fund” for the benefit of producers.

**Financing proposal**

A levy of US $ 100 should be charged on each tonne of cocoa beans processed by the cocoa-processing industry. This is about 4% of the current world market price, within the usual fluctuations thereof.

This levy is to be passed on by the processing industry -- Cargill Cocoa, ADM Cocoa, Barry Callebaut and other companies – in the price of semi-finished products: cocoa paste, cocoa butter and cocoa powder. A crop of 3.6 million tonnes of beans would thus mean US$ 360 million going into the fund annually. A large customer such as Mars has already indicated that they would be prepared to accept such a charge for this purpose.

The price share of the farmers’ cocoa in a 100-gram milk chocolate bar is about 8% of the selling price. The effect of passing the sustainability levy onto the price would therefore be 4% of 8% -- or 0.32%: less than half a eurocent on a one-euro chocolate bar.

**Price breakdown of a chocolate bar**

Retail margin: 43%
Marketing costs: 10%
Processing costs + semi-finished product profit: 7%
Transport, storage, trade costs/profit: 12%
Farmer's share: 3.2%
Wholesaler's margin: 4.8%
Production costs + purchase of other raw materials + net profit: 20%

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Mars opts for sustainability

This spring Mars announced that it would process only sustainable cocoa by 2020. With this decision (in which the Mars family was also involved), the company has raised the bar high for itself.

For this means that Mars must purchase at least 300,000 tonnes of sustainably produced cocoa beans. (This is the tonnage that the chocolate-bar manufacturer currently needs.) With undoubtedly continued turnover growth until 2020, this volume may well rise to 400,000 tonnes. A discussion with some of those directly involved at the world’s largest Mars plant (in Veghel, The Netherlands) delved exhaustively into the background, objectives and methods.

Poor relation
A small staff of ten operating inside Mars under the name of Sustainable Cocoa has played a major role in the run up to this decision. It became clear in the discussion that Mars is striving for a cocoa economy for the future in which cocoa cultivation operates at a (agriculturally) much higher level. Sustainability comprises many aspects on this front: environment and land use, social facets such as internationally accepted work standards, and product quality. Cocoa is now seen as an orphan crop, a sort of poor relation among the many agricultural products, and is getting far too little systematic attention. It must become a crop that offers millions of farming families and their communities sound and viable long-term prospects.

Training
A great deal of work over quite a number of years is still needed. What is lacking, in fact, in virtually all cocoa producing countries, is systematic training for all farmers involved. And that is a fundamental link in a sustainable chain, one which governments must join.

Certification is a means of bringing a number of goals closer. Mars has deliberately not opted for only one certification system. It has for the time being opted to cooperate with the Rain Forest Alliance and UTZ Certified. As a first step, all Galaxy production for Great Britain is to get the Rain Forest Alliance label. Other steps will follow. Nor does Mars exclude certification by Fair Trade, which guarantees a minimum price for farmers.

Consumers
Mars is expressly intent on having mainstream cocoa meet certification standards. Nearly all farmers will ultimately have to supply in accordance with standards – if only to prevent certified cocoa from becoming substantially more expensive than non-certified cocoa. As Mars sees it, its policy will succeed if a multiple of the 300,000 or 400,000 tonnes meets the desired standards in 2020. Conspicuous also in the discussion was the statement by the Mars spokespersons that the training scheme for farmers must be broached jointly by all concerned. A sort of generic approach is needed. The ultimate certification logo has more to do with what consumers want than with clear differences in quality or production environment.

Coconut trees
Precisely because the infrastructure is poor in that country, Mars is starting with the Ivory Coast. The other important cocoa producing countries will follow afterwards. Countries where certification on a large scale is easier to introduce, such as Ecuador, will also be involved in the first phase of the programme. As Mars is absolutely incapable of doing this on its own, it endeavours to cooperate with many other parties involved. All such parties that can play a role in boosting the farmer training capacity are welcome.
Tulip Cocoa
Tulip Cocoa is a new cocoa processing company in the Netherlands. Tulip Cocoa Industries BV came into being a few years ago, to join the major processing concerns, Cargill Cocoa and ADM Cocoa, and the smaller Dutch Cocoa/ECOM. The van Roekel brothers, Gert and Frans, launched a processing company in Ede, initially under the name of Cacao De Klomp on the premises of a former plastics plant, which they now share with their brother Mees, who runs an animal feed premix company. As a contract manufacturer for Theobroma, Tulip Cocoa in Ede processes 175 tonnes of cocoa beans into cocoa paste every week, using equipment that partly still comes from the estate of Jamin and Bensdorp.

Four all but historical Bart roasters, connected to a central operating panel, roast the beans. In June 2009, a new stainless steel filling line for cocoa paste was installed. A staff of 6, including the two owners, achieve a productivity level that the “big boys” cannot come near.

Mars is moreover deliberately working on boosting new cocoa producing countries: Vietnam since 1994; the Philippines since 2006; and Liberia and Haiti very recently. The starting point in each instance is not to reclaim new farming land for cocoa, but to make far better use of existing fields. In the case of the Philippines, by planting cocoa under the coconut trees. Just like Cadbury is doing in the south of India. The other major chocolate corporations should pursue similar goals, so as to create the conditions for a coordinated approach to all cocoa farmers.

Film follows trail of traffic in children

“I can only pay children’s wages,” says a cocoa farmer from the Ivory Coast. He is trying to explain to his interlocutor that he cannot pay adult wages because of the low revenues generated from cocoa. And that he consequently has children come from Burkina Faso out of necessity. Intermediaries are used to sweet talk the parents of children aged 12 and 13 and take the latter to work in the Ivory Coast. The often ignorant parents are told tall tales about good wages and enjoyable work at the cocoa companies in the Ivory Coast.

The entire trail of this traffic in children is followed by the makers of the film “Kinderarbeid in Ivorkust” [Child Labour in the Ivory Coast]. The Link broadcasting corporation had earlier shown a version of over an hour of the film on Dutch television.

At the request of FNV Bondgenoten, filmmaker Gideon van Aertsen has cut this documentary to thirty minutes, with subtitled versions in Dutch, German and English. The showing of this film to trade union officials from the cocoa and chocolate industry in Germany, Lithuania, Austria, Belgium and the Netherlands led to spirited debates on the unfair distribution of wealth in the worldwide cocoa chain.

The film is available upon request from FNV Bondgenoten (Cf. colophon on page 8).

Petra Foods (Indonesia) took over two cocoa companies in Europe in 2008 so as to participate on the European market as well: Hamester in Hamburg and Nord Cacao in Gravelines (France). In Hamburg, the production capacity is currently being expanded from 60,000 to 120,000 tonnes, and the workforce from 130 to 200 employees.

Natra SA (Spain) is in the process of taking over Stollwerck from Barry Callebaut. Stollwerck has 3000 employees and production plants in Germany (3), and Belgium (1). This will increase Natra’s turnover from €450 million to €660 million. Natra thus becomes the biggest private label producer in Europe with branches in Spain, France, Belgium and Germany. Barry Callebaut acquires a 30% to 49% stake in Natra, and has concluded a 10-year contract for the annual supply of 85,000 tonnes of couverture to Natra. The latter company is currently also working on boosting turnover in North America and Russia, and has opened a sales office in China.

In the Netherlands, Sweet Products (Baronie De Heer in Rotterdam and Sweet Products in Veurne/Belgium) took over Continental Chocolatier/Rademaker in Amsterdam in 2009. This led to a further concentration in the private label market: the joint turnover amounts to €120 million.

Different types of fruit at the Cocoa Research Centre in Trinidad
Europe on board!

Thirty trade union members from the European cocoa and chocolate industry, mostly from Western Europe, convened for a conference in Ginkelduin from 10 to 12 March 2009. All the important cocoa processing companies and chocolate concerns were represented.

One of the first action plans of the Cocoa Sustainability Working Group in FNV Bondgenoten in 2008 was to provide a solid trade union base for the activities. This conference was set up to that end – with great success. Under the auspices of EFFAT, participants exchanged a great deal of information and engaged in discussions on sustainability in the sector. There are problems on this front, especially in West Africa, where a few million farmers are often powerless against everything levelled at them by the government and the cocoa-processing and chocolate industries. The film on child labour in the cocoa sector in the Ivory Coast in particular made a deep impression and gave rise to extensive discussions.

Through the mill
The most important conclusion drawn was that it was vital to inform workers in the sector throughout Europe about the situation in the entire cocoa chain, and to get down to work on an action programme for the coming years.

Furthermore, such a European conference should be held every year. One is already planned for mid 2010 in Germany, to be attended by participants from all over Europe. Works councils, including the European Works Council, will put their managers through the mill about the activities undertaken by their companies to promote sustainability, and will not be satisfied with run-of-the-mill PR. A national cocoa platform will be set up in every country that matters in the sector. Such a conference has already been held in Germany. Some twenty participants (all members of NGG and most of them president of a works council) represented some 50 of the 250 German chocolate companies in the Oberjosbach Bildungszentrum [Training Centre]. The same picture emerged there too: everyone was moved by what is going on in the chain and is prepared to cooperate actively in the coming years to improve sustainability therein.

Permanent structure
A month later, the works council members of the three Stollwerck plants in Germany (a Barry Callebaut subsidiary) met for half a day to discuss this matter. A conference is planned this autumn for workers in that region.

Austria and Lithuania too have already held national trade union conferences. Preparations for such conferences are under way in Belgium and in the United Kingdom. A large platform conference will be held in the Netherlands on 13 October 2009. In the meantime, it has been decided to set up a permanent European structure, in which FNV Bondgenoten (and by extension the Cocoa Sustainability Working Group) will assume the coordinating role.

Action programme
All attendees could more or less agree on the following action programme:

1. Make all workers/trade union members aware of the need for sustainability in the chain.
2. Set up national platforms in each country.
3. Engage in talks with management in works councils at local, national and European level.
5. Involve trade unions from Central, North and Southern Europe fully in the project at upcoming meetings.
6. Hold a European conference at least every other year, and if possible every year.
7. Set up a secretariat for European coordination.
8. Develop a trade union definition of sustainability.
9. Assess the experiences of trade unions in organising small farmers.
10. Raise funds for programmes geared to self-organisation by small farmers.
11. Raise funds for EFFAT cocoa initiatives.
12. Publish a newsletter twice a year.
The Cocoa barometer

The Tropical Commodity Coalition (TCC), in which FNV Bondgenoten is participating, presented the Cocoa barometer 2009 in the spring. This sustainability yardstick provides concise information on the current situation and the most important trends in all links of the chain. The report paints an alarming picture: in both the cocoa-processing and the end industry, i.e. chocolate production, at most five concerns account for more than half of the world market.

West Africa, namely the Ivory Coast and Ghana, produces about 70% of the total cocoa crop. Nearly three million small farmers muddle along all year with minimum support from the outside. The marketing boards that used to support them in many ways, were dismantled fully (Ivory Coast) or partially (Ghana) in the privatisation and liberalisation wave of the early 1990s. The consequences after several years are: neglected cocoa tree orchards, many diseases, older farmers (young people see no prospects in farming and move away to the cities and Europe) and the risk of dropping revenues.

The barometer shows that the industry sees the dangers coming, but has only a very limited answer. All sorts of programmes to sustain sustainability in cultivation reach only 15% of all farmers. These are mainly different types of certification programmes. Some 450,000 farmers in the Ivory Coast (50% of the total) could be trained with just 1% of the enormous marketing budget that the six biggest chocolate concerns allocate every year (8.5 billion per year, or about 20% of their turnover). Only a fraction of this sum is given out at present. A greater effort and better coordination are needed. The barometer is intended primarily to expose the current situation and to get companies to do something about it.

Exchange with the Brazilians

New friendships were sealed, and many impressions garnered on links of the cocoa chain in Brazil. A sustainable cooperative cocoa plantation, with the aspiration to start a processing company. Cocoa plantations that are hard hit by witch’s broom disease. Processing companies where they were not allowed to enter, but were able to talk to workers at the gate. Extensive talks with cocoa workers about pay, housing, social security, living conditions.

In short, a plunge into Brazilian everyday reality.

The three shop stewards of Dutch cocoa companies that visited Brazil at the end of October 2008, were impressed by the country and the people. Ton Bouma of ADM Cocoa, Bart Bruyn of Cargill Cocoa and Bas Witte of Dutch Cocoa/ECOM do not want to stop there. They are going to forge intensive lasting contacts with colleagues from Brazil. At the end of October 2009, four Brazilians will visit the Netherlands to take a plunge into Dutch reality. An intensive programme has been drawn up together with the supervisory organisation TIE-Netherlands to involve more trade union members from the Netherlands in such exchange visits; plus visits in Dutch cocoa plants, where hopefully they will now be allowed to go in.

[green] Lotte in South Korea, owner in particular of the Belgian company Guylian, took over Japanese Mary Chocolate at the end of 2008, a company with two plants and 750 workers. [green]
[chocolate industry] **Cadbury** is building a large distribution centre for continental Europe in **Southern Poland**. It is also planning to build an enormous chocolate factory; investment costs: €250 million. The distribution centre is expected to be operational at the end of 2010.

[Chocolate industry] The German company **Ritter** recently decided not to build new promises in **Russia**. It will continue to supply from the sole production location in Waldenbuch. The land intended for the new plant in Russia has been sold. Ritter employs 800 people. In 2008, it was among the best employers in Germany in terms of personnel policy.

[Sustainability] **Cadbury** wants to bring all dairy milk products (representing 15,000 tonnes of cocoa beans) it sells in Great Britain and Ireland under the Fair Trade label as of September 2009.

[Sustainability] **Verkade** (Dutch subsidiary of United Biscuits) brought all chocolate production under the Fair Trade label in January 2009 (some 15,000 tonnes of cocoa beans). Verkade is the sole company that has dared to make all the cocoa and sugar it uses Fair Trade.