The Netherlands moving towards sustainable chocolate

According to a declaration of intent, by 2025 all chocolate consumed in the Netherlands will come from sustainable cocoa.

Step by step in the years leading up to 2025, all chocolate consumed in the Netherlands will be labeled sustainable. It will be the turn of chocolate letters as early as 2012. By 2015, 50% of all chocolate will come from sustainable cocoa, and that percentage will rise to 80% by 2020. The population of the Netherlands, numbering more than 16 million, consumes 5 kg of cocoa and chocolate-based products per capita each year.

The arrangements for making chocolate consumption sustainable are laid down in a declaration of intent, signed by the main chocolate manufacturers in the Netherlands, retail companies, the FNV Bondgenoten trade union, a number of NGOs and other players in the Dutch cocoa chain. More than 25 organisations signed this declaration of intent on 5 March 2010, while major cocoa processors ADM Cocoa, Cargill Cocoa and Barry Callebaut also drew up a supporting declaration. While these companies hardly manufacture any chocolate in the Netherlands, they do process cocoa beans into semi-finished products.

Working group

The signatories to the declaration of intent established a Chocolate Working Group to monitor the progress of activities, and where necessary step up the pace of these activities. Significantly Ferrero, a major player without manufacturing operations in the Netherlands, is also taking part in this working group so that it can contribute its own ideas and learn from the experiences of other players in the cocoa chain. The declaration of intent will be elaborated on under the supervision of the Dutch government, with a plan of action being drafted to translate the general objectives into concrete steps.

Criteria

The signatories recognise the need to improve the position of cocoa farmers, realising that without changes for the better in this area the supply of high-quality cocoa beans will be at risk. The objectives set out in the declaration of intent relate to the results of the 2nd ICCO Round Table for a Sustainable Cocoa Economy. In terms of labour relations, the ILO declarations that are relevant to the cocoa sector will have to be complied with. The same applies to the OECD Guidelines for Multinational Enterprises.

Setting an example

The Netherlands is a key player in the cocoa sector. As well as being the world’s biggest importer of cocoa beans, it is home to the world’s largest cocoa-processing factories, owned by ADM Cocoa and Cargill Cocoa, in the Zaan region just to the north of Amsterdam. This makes the Netherlands the biggest exporter of semi-finished cocoa products in the world. The Mars site in Veghel is the world’s largest chocolate factory, and the port of Amsterdam with its cocoa-bean transshipment and storage activities is the main logistical hub in the chain. Therefore it is only logical that the concern about the future of the cocoa sector is particularly keenly felt in the Netherlands – and that there this concern should be transformed by means of the initiative described above into a plan of action to increase the sustainability of the sector.

Other countries could follow the lead that the Netherlands has taken with this initiative.
Diboké: a cocoa village in Côte d’Ivoire

Diboké, a village in the middle of the Ivorian cocoa region, is working on a new future – and needs all the help it can get.

Diboké is a village in the west of Côte d’Ivoire near the Liberian border. Situated in the cocoa region in the canton of Boo, it has 4,000 inhabitants, making it a medium-sized village. Plagued by rebels from Liberia, the residents had to flee the village on many occasions in the last few years and go into the woods. The Ivorian civil war also led to a state of upheaval. Now the people of the village are trying to build a new future, for example through working groups in the village’s recently established general mutual development organisation (Mutuelle Générale de Développement du Village de Diboké).

Wells

Although the village has no electricity or water mains, Belgian trade union ACV/CSC has given Diboké’s residents and cocoa farmers reason for cheer as with its help six new wells have been dug, meaning that Diboké now has safe drinking water again. A tractor with a trailer to take cocoa, rice and coffee to storage places and the market is a high priority for the village’s cocoa farmers. The nearest asphalt road is 25 km away, a journey that takes an hour and a quarter by car. Currently, the villagers rely on heads, hands and transporters, but transporters demand extortionate prices. The cost of a tractor with a trailer, bought locally and delivered to the village, would cost around €25,000. The shed where it would be kept would be built by the villagers.

Solidarity

The Cocoa Newsletter editorial team, as well as discussing the key problems in the cocoa chain, invites you – its readers – to support this local initiative in Diboké, and so practise solidarity on a small scale. To donate, please make a transfer to World Food Vision, bank account no. 1543.56.131, IBAN no. NL66 RABO 0154 3561 31, BIC no. RABONL2U, indicating “Diboké” in the explanatory notes. The Cocoa Newsletter will continue to follow developments in Diboké.

Sustainability

Since January 2009, Verkade (United Biscuits) has been manufacturing all its chocolate products for the Dutch market with the Fair Trade label. This involves 1,500 tonnes of cocoa beans. Since September 2009, Cadbury has been selling all its Dairy Milk products in the UK and Ireland with the Fair Trade label. This is good for some 15,000 tonnes of cocoa beans. As from the spring of 2010, Dairy Milk was also due to be sold with the Fair Trade label in Canada, Australia and New Zealand.

Since 2009, Nestlé has been selling Kit Kat products in the UK with the Fair Trade label. Kraft intends to manufacture all Côte d’Or products using cocoa produced in line with the principles for Rain Forest Alliance certification by 2012. This initiative is starting in 2010 on the Belgian and French markets. In total, a volume of approximately 30,000 tonnes of cocoa beans is involved. The cocoa will mainly come from Côte d’Ivoire. This will be followed by the Marabou products in Scandinavia and the Suchard products in Austria and Switzerland.

In Belgium, Oxfam-Wereldwinkels/Maisons du monde (Oxfam World Shops) launched a nationwide campaign against unpaid child labour in 2010 under the slogan: “I don’t like child slavery”.

The campaign is mainly aimed at providing information to children and aims to step up the pressure on the chocolate industry. On 8 May, a child rights forum was held in Brussels. The forum saw the drafting of a young persons’ treaty on child labour in cocoa cultivation (http://www.oxfamwereldwinkels.be/english).

In Germany, the Schokoladenaktion-Aachen was launched in September 2009 in the Aachen region. Churches in that region started a campaign to put pressure on regional companies in the chocolate industry to have a significant proportion of their products certified with the Fair Trade label within a few years.
Dark clouds hover over cocoa harvest

Next year the supply of cocoa beans will continue to lag behind demand. Alarm bells are ringing in the sector. Cocoa farmers' lot must be improved.

“We can see a storm coming and we have to get ready for it”, says Hans Jöhr, who as the Corporate Head of Agriculture at Nestlé is responsible for the supply of agricultural commodities. He has a bleak view of future prospects for the supply of cocoa beans. A Financial Times reporter followed Jöhr on his working visit to Côte d'Ivoire, resulting in a report in that newspaper on 29 May. The British newspaper reports that demand for cocoa beans, expressed in the grinding figures, is now exceeding supply for the fourth consecutive year. Cocoa traders are forecasting another deficit for the 2010-2011 harvest, which would be the fifth in a row – something which has never happened since reliable cocoa statistics began more than 50 years ago.

Concerns
The cocoa sector is concerned. Especially for Côte d'Ivoire, the main cocoa-producing country, the prognoses are not good. According to ICCO forecasts in May 2008, a production volume of 1.421 million tonnes was expected in 2008-2009, followed by a substantial annual rise to 1.482 million tonnes in 2009-2010, culminating in a volume of 1.635 million tonnes in 2012-2013. However, current ICCO forecasts (June 2010) for Côte d'Ivoire are rather lower, at 1.200 million in 2009-2010. The outlook in Côte d'Ivoire is sobering for the industry.

Productivity is low, at one-third of productivity in Indonesia. The revenue per tree and the maintenance of the plantations are well below standards. Furthermore, long supply chains mean that the price paid to farmers is even lower than it would be otherwise. In return for payment in cash, cocoa farmers in remote villages supply buyers who come with their truck to the village in question. These so-called ‘pisteurs’ pass on the cocoa beans to Lebanese or Ivorian buyers (‘traitants’), who then supply them to cocoa multinationals such as Cargill, ADM, Touton and Olam. This process means that only 40% ends up in the hands of the cocoa farmers themselves.

Rubber
If things are not going well for cocoa farmers, the cocoa harvest will also not be good. The cocoa sector knows that now. There is even the risk that farmers in Côte d’Ivoire will switch to other crops, such as rubber. Malaysia has already made this switch. Given the high rubber price at the moment and the less labour-intensive nature of rubber cultivation, this is a genuine risk. This means that cocoa farmers’ lot must be improved. Development of and support for farmers’ organisations are essential in this regard. But cooperative ventures do not have a good reputation. They have a bad track record: failing management and corruption have made the farmers suspicious. Moreover, the governmental bodies to support the cocoa sector were abolished thanks to the International Monetary Fund (IMF). And no new decisive initiatives can be expected in the current political climate, with the smouldering civil war. This means that the cocoa sector itself has to take the initiative. But what should it do? A comprehensive sectoral approach is not even on the table yet. Every cocoa multinational manages the situation in its own way. Take Nestlé for example. It goes on the road with new plant varieties that yield more revenue and are more resistant to the notorious cocoa diseases. For the next 10 years, Nestlé has made available 12 million young cocoa plants using a budget of €80 million for plantation enhancement. That is only 0.6% of the 2 billion cocoa trees in Côte d’Ivoire. Goals are not being set high enough and the storm is looming.

The campaign is supported by NGG and Misericor. Companies in the region are Lindt & Sprungli, Mars, Stollwerck and Ludwig Schokolade. Südwind published a report entitled Die Dunklen Seiten der Schokolade (‘The Dark Sides of Chocolate’) (September 2009). For more information, see www.schokoladenaktion/aachen.de (in German).

In Austria, at the initiative of the PRO-GE trade union, the Tropical Commodity Coalition’s Cocoa Barometer was translated into German and supplemented by specific information about the chocolate industry in Austria. A coalition of five organisations is publishing the brochure to support forthcoming campaigns. The following organisations are participating: PRO-GE, Weltumspannend Arbeiten, Südwind, Dreikönigsaktion and Fair Trade. For more information, see www.proge.at/projekte (in German).

In Switzerland, the Declaration of Berne development NGO ran a campaign in the second half of 2009 to alert the Swiss public to the need for sustainable cocoa cultivation. This campaign led to a film being broadcast on Swiss TV in early December that exposed the existence and impact of child labour in cocoa cultivation in Côte d’Ivoire.
Cultivation: In June 2010, the world market price for cocoa beans reached its highest level in the last 32 years, at £2,397 or $3,197 per tonne. This historically high price is the result of four years of demand for beans outstripping bean production, plus the influence of speculators. The last time that cocoa-bean production lagged behind demand for four consecutive years was 1965-1969.

Processing: Barry Callebaut bought the Spanish company Chocovic SA in the spring of 2010. Situated in Gurb, to the north of Barcelona, Chocovic has 120 workers, manufactures about 30,000 tonnes of couverture and special chocolate products and has turnover of €60 million.

ADM closed its processing plant in Glasboro (USA) in October 2009. Production was moved to a new plant in Hazleton, Pa. (USA), resulting in about 50 people losing their jobs.

ADM announced in the spring of 2010 that it would be closing its processing plant in Hull (UK).

Petra Foods started production in its substantially extended Delfi Cocoa Europe processing plant in Hamburg (Germany) in late 2009. Production capacity has been increased from 35,000 tonnes to 100,000 tonnes. The plant performs grinding and pressing operations for the Western European chocolate and sweet industry.

Takeover of Cadbury by Kraft shows the need for more rigorous rules

The trade unions reacted extremely badly to the takeover of British chocolate manufacturer Cadbury by Kraft. Jennie Formby, national officer of the British union Unite, explains why. She thinks the rules governing takeovers need to be tightened up.

Unite represents some 3,000 Cadbury workers in the UK. Originally, it was unclear whether we would resist the takeover bid – not so much because we were uncertain about the merits of the bid. Kraft made a commitment to save and keep open a site that Cadbury was already due to shut down by the end of the year, but because – although the union officers took that promise with a considerable pinch of salt – the 400 workers at the site in question in South-West England saw it as their last hope. From the start, we asked Kraft not to make any promises it could not keep. But the company went on repeating the lie that it would not close the site, and the takeover was less than a week old before Kraft announced that it would shut down the plant after all.

Hindered

In spite of this, the Unite campaign ‘Keep Cadbury Independent’ was launched six weeks after the takeover bid was announced.

We provided all Cadbury shareholders with detailed information about the adverse effects of the bid on the long-term prospects and profitability of the company, as the takeover would turn out to be to the detriment of shareholders and in particular of the company’s workers. They would have to pay for the takeover through the loss of part of the jobs and working conditions. But we were substantially hindered by the lack of protection for workers under the current British rules governing takeovers: there was no consultation, no information was provided about the business plans and no opportunity was given to negotiate about guarantees covering jobs or working conditions.

Since the City had already decided that a takeover was worthwhile in financial terms, the transaction went ahead on 2 February 2010. Hedge funds had increased their stake in Cadbury from 2% to no less than 30% and the fund managers of the major institutional investors rubbed their hands with glee at the prospect of large bonuses. Nothing could stop them anymore.

Rules governing takeovers

We conducted an effective campaign in the UK. There was also a lot of opposition both from politicians and public to the takeover. But this was not enough to face down the power of money. The support we received during the campaign is now helping us to actively involve both politicians and other key figures in the debate about the need for reform of the rules governing takeovers. The key points Unite wants to include in these rules are:

- an extension of TUPE (Transfer of Undertakings, Protection of Employment, Regulations, which is how the European Union Takeovers Directive, protecting workers’ rights, has been transposed into UK legislation) to all mergers and acquisitions, because this legal protection currently does not apply if the change in ownership takes place via a transfer of shares – this would give the workers the right to consultations with both the party that is taking over the company and the party that is being taken over;
- complete openness of all business plans so that consultations are worthwhile;
- the right to negotiate about guarantees of jobs and working conditions to ensure that workers do not pay the price for takeovers.

Other measures we are discussing include stipulating a maximum debt, so as to protect workers from the substantial risks involved in excessive debts. We are also advocating an increase in the stake that is needed for a successful bid from 50% to 75%.
Chocolate industry: The sale of Stollwerck to the Spanish company was called off in the end after several months of negotiations. According to Stollwerck’s parent company, Barry Callebaut, Stollwerck is still for sale but there is no hurry to make a deal.

In Austria, Kraft outsourced production of the renowned Salzburger Mozartkugeln a few years ago now. Production was transferred from Mirabell to Salzburger Schokolade. Now Kraft has announced it plans to move packing operations to the Czech Republic. According to Austrian trade union PRO-GE, this will mean a total of 40 to 50 job losses.

Giants in the chocolate market
World market shares in the chocolate market following the acquisition of Cadbury by Kraft in early 2010

1. Kraft/Cadbury 15.2%
2. Mars/Wrigley 14.6%
3. Nestlé 12.6%
4. Ferrero 7.3%
5. Hershey 6.7%

In early 2010, these five companies controlled more than 56% of the world chocolate market.

News from the trade unions
In October 2009, ACV/CSC Food and Services held a study day in the Elewijt Centre in Belgium about the critical situation in West African cocoa cultivation. A lot of chocolate firms operate in Belgium, of which the biggest are those of Barry Callebaut and Kraft/Côte d’Or. Union members are very willing to contribute to promoting decent working conditions in all parts of the chain. On behalf of Oxfam-Wereldwinkels (Oxfam World Shops), Marieke Poissonnier explained what kind of problems exists in the chain and announced a campaign for chocolate not using child labour. Concrete plans of action for a sustainable cocoa chain will be developed further in the future.

In addition, we are studying measures to curb the power of greedy organisations such as hedge funds. This can be done through rules governing how long shares must be in someone’s possession before they are eligible to vote or through a weighted vote that makes the voting right attached to shares dependent on the number of years the person has held the shares.

Struggle
The takeover of Cadbury by Kraft will not be the last in the sector – that is absolutely certain because the market is gradually recovering and there are still sufficient companies in the food and drink sector that are making substantial profits. The sector is fairly resistant to recession. IUF and EFFAT played a key role in the takeover process through the investigative work they had already done on Kraft. They also organised the involvement of unions worldwide. We must continue this global approach, as it is the only way to protect jobs and working conditions in this now even larger company. Kraft has already announced it plans to tackle working conditions in the coffee processing plant. A lot of jobs will also be lost at Cadbury head office. More details about further consolidation of the European sites will be publicised in the forthcoming period.

It will be an uphill struggle. But with a clear strategy and a high level of commitment from all the unions operating under the IUF umbrella, we will have success in fighting for our members.

In the summer of 2009, US food giant Kraft announced its intention to take over British company Cadbury. The trade unions rejected this plan because Kraft, which already had a large debt burden, intended to go a lot further into the red (up to £20 billion (€22.5 billion)) to finance the deal.

The story of Kraft over the past decade has been one of closing factories and cutting jobs. About 60,000 workers had to leave their workplace and between 20 and 30 sites closed their doors as a result of its many takeovers. Debts were paid off mainly through cost-cutting measures rather than through allowing organic growth of turnover and profits. The unions at Cadbury were aware of Kraft’s anti-union reputation and its strong tendency to outsource production.
Certification unaffordable for small cocoa farmers

Farmers often need a certificate to prove that their agricultural products have been sustainably produced. It entails huge costs for them - and for what benefit? Marie Louise Filippini, a cocoa producer in Brazil, recounts her experiences.

Six years ago, André Simoes (49), a former World Wildlife Fund (WWF) ranger in Brazil, set up a mixed agricultural business specialising in organic cocoa production near Itubera in southern Bahia. At the same time, he founded a cooperative. After an initially enthusiastic take-up by local people, one by one the participants began to leave. The difficulties were too great. Finding affordable, natural fertiliser was a feat worthy of an Olympic medal and, on top of that, the return from the production (in financial and volume terms) was so low that adhering to organic principles was no longer economically viable.

André is still an organic farmer. Apart from the satisfaction of seeing his children grow up in an unpolluted environment, he no longer derives any additional benefit from his organic status. The cooperative’s organic certificate has expired and he has no money to renew it. Nor can he continue to afford the fixed annual fee per hectare of organically farmed land. He now sells his produce on the conventional market in the hope of keeping his head above water.

Why?
In this environment I am now hard at work trying to secure organic certification for my own business. However, obtaining an organic certificate takes three years, due to the obligatory transition period. For the past three years, I have been growing cocoa, bananas and limes in a sustainable and organic way.

André’s story set me thinking about the how and why of certification. What is the purpose of certification and who is it actually aimed at? What are the costs and advantages and who ultimately benefits from it?

Benchmark
The global market price for bulk cocoa beans serves as a benchmark in Bahia. That price is not high enough to cover our costs, and it does not do justice to our excellent product: whole cocoa beans, sufficiently heavy, well fermented with no chemical additives and a perfect taste! To harness the added value of such a quality product, I need a certificate – or so I’m told. And so I find myself in the brave new world of certification.

It all sounds so logical: the market wants assurance that producers’ claims about their products are correct. Just come and see for yourself, is my initial reaction. But that’s not how it works. Producers themselves have to prove that what they say about their product is true, and they have to pay for the privilege of doing so.¹ Such proof can only be provided by calling in the services of an official certifier. And so you embark on a pilgrimage through the land of certifications. Will it be Fair Trade, Rainforest Alliance, UTZ CERTIFIED or organic? Why? Do you choose a nationally or an internationally recognised certificate, and what exactly are the differences? Do you opt for one product or do you think to the future and get certified for multiple agricultural products?

And once you’ve decided which certificate you think is best suited to your business (if your employees are paid in line with national labour law but you don’t earn a cent yourself, does that count as Fair Trade?), you face yet another choice. Who do you take as your actual certifier? There seem to be dozens of certified certification companies, all of them only too willing to offer you their services, subject, of course, to fair remuneration for their work (the exact nature of which is not entirely clear in advance). Then, of course there are the certifier’s travel and accommodation expenses to be paid. All of this after having filled in and e-mailed back a number of highly detailed questionnaires about your products and production methods.²

Costs
Almost all certifiers live in urbanised areas. In Brazil, that means around 2,000 km further south; the only way to reach our farm is by aeroplane. Consequently, the additional costs involved are far from negligible. A one-way flight from São Paulo to Ilheus costs €600.

In November 2009, NGG members from the North German chocolate industry met for a weekend seminar (‘Wochenend-seminar’). To give members who cannot be free during the week the opportunity to be there, for a number of years now a deliberate choice has been made to hold a seminar at the weekend. The issue of a sustainable cocoa chain featured prominently on the agenda.

In England, Unite organised a national meeting in late June 2010 which had sustainable cocoa as a core topic. It also looked at international networking in the main companies in the sector, with of course a strong emphasis on ensuring a strong network within Kraft Cadbury.
What’s more, the average cocoa farm has no suitable guest accommodation, which means hotel and possibly car-hire expenses on top of this.

Certification involves more than a one-off visit. An unannounced inspection may be made each year, for which the farm once again picks up the bill. With organic certification, the whole investigation process has to be repeated every three years. And in the case of UTZ, certification has to be reapplied for annually! Moreover, certified businesses are charged a fixed annual fee per certified hectare.

And when you’ve finally got your hands on the much-coveted certificate, what benefits can you expect? Guaranteed sale at a reasonable price? No, that’s your own responsibility as a farmer. The certificate will merely open a few doors – via the Internet, of course, assuming you are lucky enough to have an electricity supply (mobile-phone access is out of the question). Would it not be more beneficial to the organic, sustainable, Fair Trade etc. cause to develop a certification system that is simple, accessible and profitable for ‘ordinary’ farmers, one that ensures a decent long-term wage for the work done? This would give André and those like him a real reason to strive for sustainability.

See for example: The UTZ CERTIFIED Guide. “The producer is responsible for being in compliance with the Code, and bears the costs of the certification process and audit.”

Validity of the certificate:
The certificate is awarded when the producer complies with the UTZ CERTIFIED Code of Conduct and is valid for one year from the date of the inspection. Prior to the expiration of the UTZ CERTIFIED certificate, the producer is responsible for organising his re-certification inspection. (www.utzcertified.org/inter.phdID=111)

To gain some idea of what is required when applying for certification, take a look at the websites of the relevant organisations. See for example www.rainforestalliance.com; http://www.bcs-oeko.com/en_index.htm; http://fairtrade.net/sites/certification/explanation.html; www.utzcertified.org.

“The actual amount of the premium is determined in negotiations between buyer and seller, but a premium must be paid according to the principle of a better price for a better product. The premium must be explicitly agreed upon in the negotiation process between producer and buyer. (…) UTZ CERTIFIED does not interfere in price negotiations.” The UTZ CERTIFIED Guide
September: 2nd European Cocoa Conference

This summer sees the organisation of the 2nd European Cocoa Conference, which will be held in Oberjosbach (Germany) from 14 to 17 September. There, European trade-union members from the cocoa sector will elaborate on the initiatives that were taken at the first conference, organised in March 2009 by FNV Bondgenoten. That conference, supported by EFFAT and IUF, was a resounding success. Belgian trade union ACV/CSC – Food and Services, the German NGG union, the Austrian PRO-GE union and British union Unite became active members of the FNV Bondgenoten action programme last year. Over the past year, they have already conducted a number of activities relating to sustainability in the cocoa chain.

The second conference will cover topics including certification in the cocoa chain. In the trade union centre near Frankfurt, the participants will also work on building networks for each company and each link in the chain. The conference will end with a joint action programme and a declaration.

Trade union members in the cocoa sector are being invited to take part through their union.

Brazilian cocoa workers in the Netherlands

In late October 2009, trade union members from the cocoa-processing businesses in Brazil visited the Netherlands. A year before, Dutch union members had been their guests in Brazil, meaning that it was now time for a return visit. This involved a visit to cocoa storage business SITOS in the port of Amsterdam and a boat trip on the River Zaan past the major Zaan cocoa processors. Unfortunately a full visit to a cocoa processor was again not possible.

During their meeting, Dutch and Brazilian managers exchanged experiences about the whole range of relevant trade union issues, the content of the collective labour agreement, working conditions, access to business information, the collection of key data about your own business, outsourcing of activities and sustainability in the cocoa chain.

They decided to keep each other informed and to develop their relations – after all, we are all working for the same bosses and so we must continue supporting and providing information to each other.

Brazilian trade unionists visiting the Netherlands

Participants from the UK and Ghana at the first conference, in the Netherlands