

# The Hershey Company's Bittersweet Success\*

## INTRODUCTION

Chocolate is enjoyed by millions, mainly in decadent desserts, candies, and drinks. Demand for dark chocolate, chocolate with at least 70 percent cocoa, has grown due to its health benefits, such as reducing blood pressure, improving blood flow, and increasing good cholesterol. Developing countries are discovering that cocoa beans improve their sweet treats and candies, thus creating even greater worldwide demand. Cocoa beans grow mostly in tropical climates, mainly in West Africa, Asia, and Latin America, with the largest exporters being Ghana and the Ivory Coast.

With more than \$7.9 billion in annual sales, the Hershey Company is one of the world's largest producers of chocolate and candy products. Hershey's products are sold in more than 70 countries and include Hershey's Kisses and Hershey's Milk Chocolate Bars, as well as brands such as Reese's, Whoppers, Almond Joy, and Twizzlers. Although Hershey strives to be a model company and has several philanthropic, social, and environmental programs, the company has struggled with ethical problems related to labor issues, such as child labor, in West African cocoa communities. Hershey has developed several initiatives to improve the lives of West African cocoa workers and supports a number of organizations that are involved in cocoa communities. However, critics argue that Hershey is not doing enough to stop labor exploitation on cocoa plantations. This case examines some of the issues related to the Hershey Chocolate Company and West African cocoa communities.

## HERSHEY'S HISTORY

The Hershey Chocolate Company was founded in 1894 by candy manufacturer Milton Hershey in Lancaster, Pennsylvania. Hershey's chocolate business started off as a side project, a way to create sweet chocolate coatings for his caramels; however, the company soon began producing baking chocolate and

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cocoa and then selling the extra product to other confectioners. The successful sale of Hershey's excess products was enough to make the chocolate department its own separate entity.

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

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

Throughout the mid-twentieth century, the Hershey Chocolate Company continued to expand. The company's entrepreneurial spirit continued after Milton Hershey's death in 1945. The company acquired several other firms, including Reese's, and was renamed the Hershey Foods Corporation in 1968. The company changed its name to the Hershey Company in 2005. Today, Hershey employs more than 21,000 people worldwide, with the company headquarters in Hershey, Pennsylvania. In March 2017, Michele Buck was named president & CEO, making her Hershey's first female chief executive. She was later named to *Fortune's* "50 Most Powerful Women" list.

Hershey now includes the following brands: Hershey's, Kisses, Reese's, Kit Kat, 5th Avenue, Almond Joy, Brookside, Cadbury, Heath, Mounds, Mr. Goodbar, Krackel, Whatchamacallit, Skor, Symphony, York, Whoppers, Allan, Good & Plenty, Jolly Rancher, Pelon Pelo Rico, Twizzlers, Breath Savers, Bubble Yum, ICE BREAKERS, Milk Duds, PAYDAY, Rolo, Zagnut, and Zero. In September 2018, Hershey

acquired Pirate Brands, which includes, *Pirates Booty*, *Smart Puffs*, and the *Original Tings*, for \$42 million and Amplify, the parent company of SkinnyPop, for nearly \$1 billion.

After more than 125 years of business, Hershey is still innovating. The company plans to make a larger dent in the \$88 billion snacking industry by introducing more snack products, evidenced by its acquisition of SkinnyPop's parent company, Amplify, Hershey's largest acquisition to date. Hershey is evolving to accommodate changing consumer preferences, including changes in the way people shop. In 2019 Hershey introduced stand-up packaging which was designed to look good on the shelf in a store as well as appear appealing on mobile devices. By encouraging retailers to implement creative cross-selling solutions to their e-commerce platforms that encourage shoppers to add candy to their carts, Hershey hopes to appeal to shoppers who purchase groceries online and order in bulk.

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

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

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

### **Values**

Hershey has six core values:

1. **Open to Possibilities:** Fostering diversity, seeking new approaches, and striving for continuous improvement.
2. **Growing Together:** Sharing knowledge and capitalizing on employee potential in an environment of mutual respect.
3. **Making a Difference:** Leading with integrity and determination to have a positive impact on everything we touch.
4. **One Hershey:** Succeeding together while accepting individual responsibility for driving results.

## Corporate Social Responsibility Strategy

Hershey's corporate social responsibility (CSR) strategy, called Shared Goodness promise, centers on engagement with the company's stakeholders and continually improving its CSR performance. The company also incorporates its values into its programs and initiatives. The company believes that "The Hershey Company's commitment to CSR is a direct reflection of our founder's life-affirming spirit." Hershey uses its value chain to categorize their social responsibility activities into four groups: Shared Futures, Shared Planet, Shared Business, and Shared Communities.

### *Shared Futures*

Hershey's Shared Futures pillar focuses on helping children succeed through education and nutrition. Hershey introduced The Heartwarming Project to help children build meaningful connections while promoting inclusivity and empathy. Hershey partnered with organizations such as The Boys & Girls Club of America and WE Charity to reach more than 6 million children in the program's first year.

Additionally, Hershey aims to bring nourishment to children around the world with a variety of nutrition programs. Hershey provides ViVi, a fortified nutritional supplement, to students in Ghana to improve nutrition as well as increase school attendance. A study by the University of Ghana showed that anemia rates decreased by 11 to 81 percent and attendance rates improved by 84 to 95 percent in the 57,700 children that received ViVi daily. Also, Hershey partnered with Annamrita, a nonprofit in India, to provide

school lunches to more than 6,400 children. Additionally, they conducted an assessment of the nutrition of children in underserved areas of Mumbai with the purpose of creating a snack to address any nutritional needs identified. These efforts, among others, demonstrate Hershey's commitment to improving access to food and nutrition in its communities worldwide.

## ***Shared Planet***

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

- **Sustainable palm oil sourcing:** Palm oil comes from the African oil palm tree and is used in a wide variety of products, including Hershey's chocolate. However, the production of palm oil is highly controversial because of its impact on ecosystems. To combat concerns, Hershey became a member of the Roundtable of Sustainable Palm Oil (RSPO) and purchases palm oil only from suppliers that are also RSPO members.
- **Sustainable paper:** Hershey purchases paper for its office from suppliers that use sustainable forestry practices and are Forest Stewardship Council or Sustainable Forestry Initiative certified.
- **Recyclable packaging:** More than 80 percent of Hershey's packaging is recyclable, including syrup bottles, foil, paper wrappers, and boxes. Additionally, Hershey aims to reach a company-wide recycling rate of 95 percent by 2025.
- **Zero waste-to-landfill facility:** The Reese's manufacturing plant is a zero-waste-to-landfill facility, meaning that none of the plant's routine waste goes to a landfill. Today, 15 Hershey manufacturing plants and facilities have achieved zero waste-to-landfill. The waste that is not recycled goes to an energy incinerator and is used as a source of fuel.

## ***Shared Business***

Hershey strives to conduct business fairly and ethically by focusing on the integrity of its supply, consumer well-being, and alignment with customers. For Hershey, the integrity of supply includes not only the

ingredients but also the people and processes used to grow, process, and acquire those ingredients (the entire supply chain). Cocoa is of particular concern to Hershey, and the company is involved in a number of cocoa-sector initiatives and partnerships to make progress in sustainable cocoa farming and fair labor. These issues are explored in greater detail later in this case.

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

## ***Shared Communities***

Hershey's idea of shared communities begins with employee engagement and volunteerism and extends to investing in the communities in which Hershey operates. Hershey wants to provide value to employees and make the company a desirable place to work by focusing on safety, wellness, openness, and inclusion. The company has strong diversity policies and focuses on continuous safety improvements in its manufacturing facilities. Hershey has continued to improve its workplace practices. The firm launched an initiative called the Manufacturing Apprenticeship Program to recruit, train, and retain employees with physical or intellectual disabilities for its manufacturing plants. Hershey was named one of the "Best Places to Work for LGBTQ Equality" by the Human Rights Campaign.

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

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

In response to the COVID-19 (coronavirus) pandemic in 2020, Hershey made efforts to support its employees and communities at large. For instance, in its manufacturing facilities, Hershey implemented increased safety measures such as providing gloves, hand sanitizer, and masks along with infectious disease prevention guidelines. The company also provided manufacturing and retail employees the option to stay at home during the outbreak while creating incentives for team members that were willing to work. The company worked with organizations such as United Way Worldwide and Feeding America, donating millions of dollars in cash, product, technical expertise, and resources to COVID-19 response efforts. Hershey products were donated to hospitals to lift the spirits of those impacted by the virus. Hershey made these efforts despite facing a sales slump. For instance, Easter candy sales were severely impacted in the candy industry as consumers saved more and spent less, and there were fewer gatherings to celebrate the holiday.

## **BOARD CHANGES**

Despite its strong record of social responsibility, in 2016, Hershey experienced a board upheaval when the Hershey Trust Company settled with the Pennsylvania attorney general’s office. The attorney general’s office investigated concerns that board members were overpaid, received reimbursements for excessive travel expenses, and exceeded 10-year term limits. There were also questions about whether board members of the trust were acting in the best interests of the Milton Hershey School. The board had rejected different offers by other firms to acquire Hershey. The local community of Hershey, Pennsylvania, encouraged Hershey to remain independent, but some believed that selling the company would have been the most beneficial option for the school. The Hershey Trust holds 81 percent of the voting power, which gives it the power to control votes on mergers or acquisitions.

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

## **LABOR ISSUES IN THE COCOA INDUSTRY**

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

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

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

Although the process of manufacturing chocolate requires many steps before it can begin, most of the major ethical and legal issues are related to the source of the cocoa bean. Cocoa plantations are found in areas with rainy, hot, tropical climates and high amounts of vegetation. The global cocoa market is currently supplied mostly by lesser developed countries, with 70 percent supplied by Africa (Ivory Coast,

Ghana, Nigeria, and Cameroon). The Ivory Coast supplies 40 percent of the entire global market, and Ghana supplies 20 percent. This is followed by 19 percent from Asia and Oceania (Indonesia, Papua New Guinea, Malaysia), and 11 percent from South America (Ecuador, Brazil, Colombia). With the majority of the global cocoa supply coming from Africa, the need for workers on plantations never dwindles. This has brought about the booming business of child labor, slavery, and human trafficking across African borders. Many cocoa farms do not own the cocoa plantation and pay the landowner 50 to 66 percent of each year's crop. To keep costs low, farmers often use their own family members as a source of labor.

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

It is not uncommon for traffickers to abduct small children from the neighboring African countries of Burkina Faso and Mali, some of the poorest countries in the world. Boys are sent to the fields, often in hot, humid conditions with little food and water. They are taught to use chainsaws to cut through the forest, while others climb and work on trees higher than 9 feet. They use machetes to cut the cocoa bean pods, and then put the pods in sacks that weigh up to 100 pounds. The children are then required to either drag or carry the sacks out of the forest. Other children receive the pods and use their machetes or cutlasses to open the pod's hard shell to harvest the cocoa beans. Once the cocoa seeds have been removed, young girls assist women in processing or grinding the beans by hand. Some girls work on the farms for a few months, while others stay for the rest of their lives. This labor-intensive operation has been done by hand for centuries. Along with the physical demands, workers experience poor health services, little access to drinkable water, food insecurity, and lack of education.

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

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

Nonetheless, it is estimated that two-thirds of African farms use child labor. According to surveys conducted by both Tulane University and the Government of the Ivory Coast, an estimated 819,921 children in the Ivory Coast alone are working in some area of the cocoa business.

In addition to child labor, many cocoa plantations engage in the exploitation of other workers. While some non-family workers are paid, others may be enslaved or work in abusive conditions. They may have been trafficked from neighboring countries or tricked into owing large amounts of money to their employers. The workers are often threatened with physical punishment or death if they attempt to leave the plantation. Hershey introduced a human rights policy in 2019 as a sign of its commitment to human rights issues in the supply chain such as child labor, women's rights and empowerment, living wage and income, and forced labor. The goal of the policy is to create awareness around human rights issues across the company, identify training needs, and improve the company's supplier code conduct and social audit program.

## **Global Help and a Little Green Frog**

The issues of child labor, human trafficking, and forced labor in West Africa have drawn the attention of many organizations, as well as the companies that procure products from that region. They have implemented many different initiatives, laws, and other precautionary measures in order to reduce the use of children for cocoa farming in terms of manual labor. In Africa, individuals under the age of 14 are not

allowed by law to work within the business sector, which does not include family farms. This law seems to be effective, but in reality, it does almost nothing when considering the large number of family cocoa farms and the ease of hiding non-family laborers.

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

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

The International Cocoa Organization was established in 1973 by the United Nations. Membership is composed of cocoa producers and representatives from countries that import cocoa. It developed seven

formal economic agreements that address funding of projects, sustainable development, disputes, consultations, and research and marketing. It also established a set of standards for a “Sustainable World Cocoa Economy.”

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

## **Fair Trade USA**

Fair Trade Certified is a non-profit organization that was founded in 1981 by the Institute for Agricultural Trade Policy and involves a network of producers, companies, consumers, and organizations that are concerned about the environment and making people a priority. Fair Trade sets standards and criteria that protect ecosystems and stipulate farmers work in safe conditions and receive a harvest price while protecting the environment. Fair Trade guarantees a minimum price to farmers and a guaranteed premium payment per ton. While this is an improvement in financial remuneration to the farmers, it is still not enough to eliminate poverty for families. Their certification provides child labor monitoring, as well as remediation programs for those farmers who are caught abusing child labor laws. Fair Trade USA was a member of Fairtrade International until September 2011 when they resigned their membership because of disagreements as to the “best paths forward” in their certification and expansion missions.

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

# Universal Trade Zone and Rainforest Alliance

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

## Rainforest Alliance

Rainforest Alliance ensures that agriculture, rain forests, and farmworkers and their families meet standards that protect against environmental and social hazards. Cocoa certified by the Sustainable Agriculture Network (SAN)/Rainforest Alliance makes up more than 13.4 percent of the world’s cocoa supply. SAN is a non-profit conservation organization that has partnered with the Rainforest Alliance to help sustainable cocoa farming become mainstream. The SAN/Rainforest Alliance certification program was created to protect natural ecosystems and teach farmers about sustainable agricultural principles. This includes how to protect against insect infestations, prevent disease of cocoa trees, and safe farming techniques that protect workers as well as the environment.

Rainforest Alliance addresses the use of child labor by prohibiting minors under 15 years of age from working on the farms as part of its certification process. Young people between 15 and 18 are allowed to work but are restricted in the tasks they are allowed to perform. It also ensures that workers have access to education for their children along with access to medical services for farmers, workers, and their families.

On January 9, 2018, the Rainforest Alliance officially merged with UTZ. The certification merger includes coffee, cocoa, tea, and hazelnuts. With 182,000 farmers being certified in one or both of the organizations, the merger created the largest certification organization in the world. This merger also reduced administrative costs and duplications in the first year as each organization continued with their

separate and standard certifications and audits. In 2019, a new single program was instituted and marketed as a single certification brand. Currently, neither UTZ nor Rainforest has a system that protects farmers from market fluctuations or addresses fixed premiums for farmers.

## **Hershey's Efforts to Improve Labor Conditions**

Hershey has made several commitments to help reduce labor issues in its supply chain and in the chocolate industry. Hershey is involved in West Africa and the organizations that fight child labor in West African cocoa farming. The company is a member of the WCF, ICI, and is one of the eight corporations that signed the Harkin-Engel Protocol. Involvement in these programs and organizations requires Hershey to commit to certain standards and contribute to fighting child labor. Hershey instituted the Raise the Bar campaign as part of its transition to using certified cocoa under its 21st Century Cocoa Plan. Hershey made a commitment to source their cocoa through UTZ, Fairtrade USA, and Rainforest Alliance by 2020, a goal which the company achieved.

The Hershey Company is dedicated to sustainably and ethically supplying the cocoa needed for its products, as well as educating its suppliers. One program that integrates these two concepts is Hershey's CocoaLink program. CocoaLink uses mobile technology to share practical information with rural cocoa farmers. Farmers receive free text or voice messages that cover topics such as improving farming practices, farm safety, child labor, health, crop disease prevention, post-harvest production, and crop marketing. Farmers can also share information and receive answers to specific cocoa-farming questions. Hershey also supports Learn to Grow farm programs in countries such as Ghana and Belize. In Ghana, the program provides local farmers with information on best practices in sustainable cocoa farming, and in Belize, the program supports sustainable sugar refining on sugar cane farms.

In 2016, Hershey initiated the One for All Cacao Project, with its Dagoba brand organic chocolate. The Project's mission is to advance women and to assist in the economic development of cacao farming communities. Women are taught management skills and customized farming techniques that enable a sustainable environment. Hershey also supports Women in Cocoa and Chocolate Network, a program that supports women farmers who now make up a quarter of the cocoa farm population in West Africa. This

organization provides extension, business management, and certification services. They work to improve the economic lives in the cocoa communities as well as empower women throughout the cocoa supply chain. One of Hershey's latest endeavor, The Cocoa for Good campaign, was introduced to West African farming communities. Hershey pledged \$500 million by 2030 to address the cocoa community's issues of poverty, lack of nutrition, child labor, at-risk youth, and sustainable ecosystems.

## **Criticism of Hershey's Efforts**

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

Though Hershey achieved its goal of sourcing 100 percent of its cocoa from certified and sustainable sources (free from child labor) in 2020, the company still has obstacles to overcome. Green America developed a Big Chocolate Scorecard to grade chocolate manufacturers on the sustainability of their supply chains. Hershey ranked behind Tony's Chocolate, Lindt, and Ferrero Rocher. According to the scorecard, Green America believes there is room for improvement for Hershey's regarding deforestation and climate change, living income, and child labor.

Through the years, Hershey has addressed numerous litigations regarding child labor, human rights, and abuse of civil liberties in its supply chains, particularly in developing countries. Two class action lawsuits were filed against Hershey in 2018, alleging The Hershey Company and Mars knowingly imported cocoa beans from the Ivory Coast, a country that uses child labor, slave labor, and child trafficking. The lawsuits also contended that Hershey failed to address these issues with suppliers. Though the lawsuits were dismissed in 2019, a similar lawsuit was filed by Perkins Coie, an international law firm, on behalf of three California residents who alleged the Hershey Company, along with the Mars and Nestle Company, committed false advertising by failing to disclose the use of child slavery on their

packaging. The suit sought monetary damages for California residents who purchased the chocolate. They also petitioned to revise the Hershey packaging to acknowledge that child slaves were used in the production of the product. The First Circuit refused to hear the case in 2020; however, Hershey, due to the nature of the cocoa supply chain, will likely face similar litigation in the future.

## **CONCLUSION**

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

The Hershey Company recognizes the need to improve labor conditions in the supply chain and has developed several initiatives to help create positive change in the cocoa industry. However, despite the company's large financial contributions, the company trails behind competitors on efforts to address sustainability, poverty, and child labor. On the other hand, the company appears to have improved significantly in combatting child labor as it reached its goal to source 100 percent of its cocoa from certified and sustainable sources.

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

## **QUESTIONS FOR DISCUSSION**

1. Should Hershey be held ethically responsible for child labor conditions in the West African cocoa communities?

2. If it is not possible for Hershey to gain control of its supply chain for a required raw material (cocoa beans) in the final product, what are its alternatives?
  
3. In your opinion, is Hershey doing enough in terms of corporate social responsibility, given that the company is lagging behind competitors? If not, what could they do to improve?

## SOURCES

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