

HERSHEY'S

The Hershey Company



THE HERSHEY COMPANY {COCOA SUSTAINABILITY STRATEGY}

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HERSHEY: COCOA SUSTAINABILITY STRATEGY

Background:

1893 United States sweet maker, Milton Hershey spotted chocolate making equipment at the World's Fair in Chicago and began production at a factory in Pennsylvania (INAFORESTA, n.d.). The Hershey Company, together with its subsidiaries, manufactures and sells confectionery products. The company operates through two segments, North America, and International. It offers chocolate and non-chocolate confectionery products (Yahoo Finance, 2017).



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HERSHEY: COCOA SUSTAINABILITY STRATEGY



What is Cocoa?

Greek name Theobroma Cacao, which literally means “food of the Gods”.

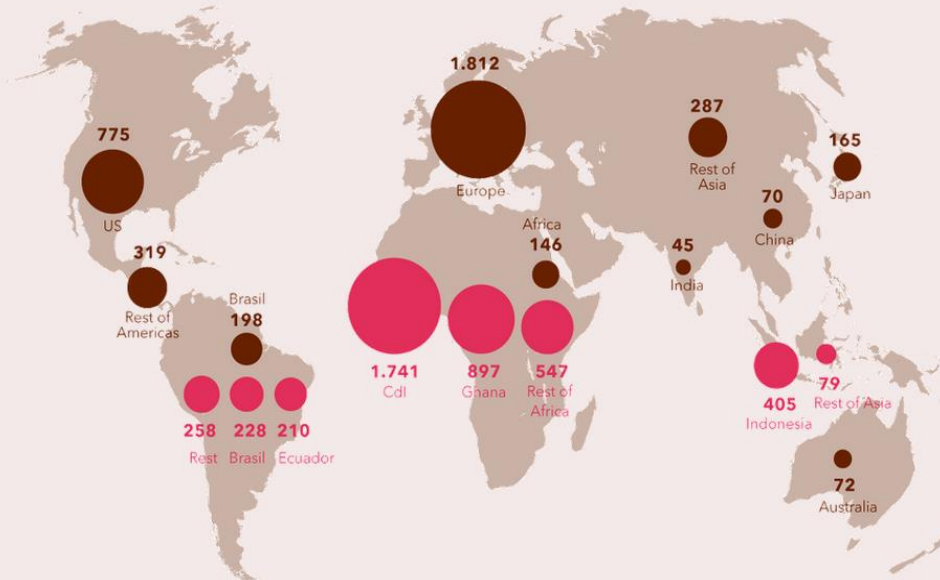
The cocoa bean is the main ingredient in chocolate. Chocolate manufacturing is a thriving business, in which big companies like Hershey, Nestlé, MARS and Mondelez International make high profits. (European Campaign for Fair Chocolate, n.d.)



HERSHEY: COCOA SUSTAINABILITY STRATEGY

OVERVIEW OF COCOA SUPPLY AND DEMAND

Production / Consumption



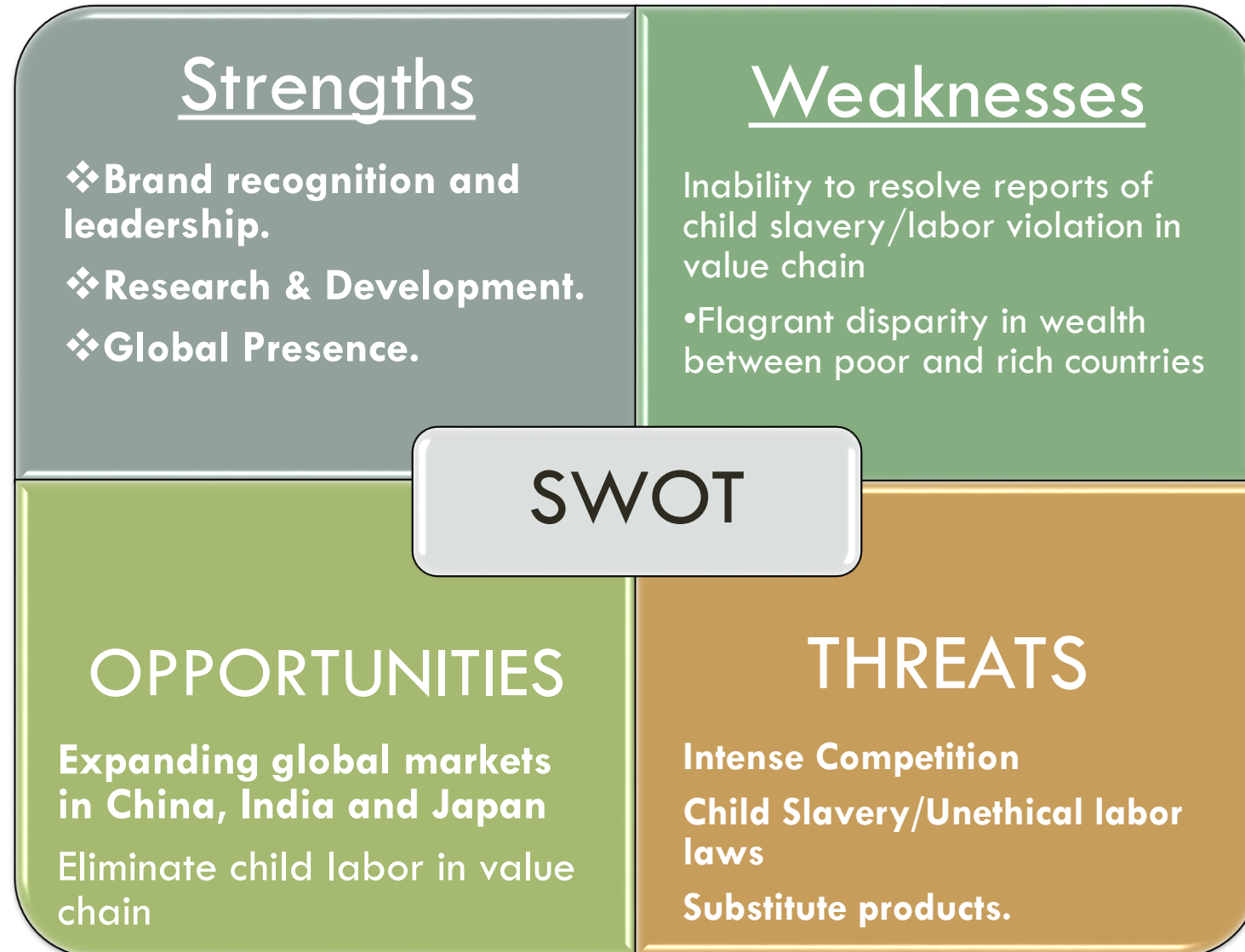
Source: The Cocoa Barometer Published under Creative Commons License Attribution-ShareAlike 4.0 International

Cocoa is produced primarily by smallholder farmers, mostly men, who live on less than \$2 a day and rely on cocoa for the majority of their income

Top Cocoa Consuming Countries
North America, Europe, China, Japan.

Top Cocoa Producing Countries
(Africa, South America, Indonesia)

Cocoa typically grows within 10° north and south of the equator. The world's leading producers are Côte d'Ivoire, Ghana, and Indonesia. Côte d'Ivoire and Ghana produce over half of the world's chocolate. (Scott, 2016)





HERSHEY: COCOA SUSTAINABILITY STRATEGY

Strengths

The Hershey Company (HSY) is a leader in the US confectionery market (XLP) (IYK), with a marketing strategy focused on strong brand equity, product innovation, and consistently superior product quality (Key, 2015). The Hershey Company is resilient among competitors in the confectionery industry. Its products are known all around the world and Hershey remains committed to the sustaining a strong value chain

Weaknesses

Hershey chocolate consumers are conscientiously objecting to purchasing chocolate products from trafficked or exploited children. Hershey's inability to eradicate slavery from its value chain affects brand image and reputation.

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Opportunities for Growth

Hershey has a loyal customer base which is expanding in China, India and Japan. Certification is an opportunity to minimize slavery in the value chain. Hershey is committed to sourcing 100% certified cocoa by 2020. The company is also investing in research and development to improve technology for farmers to produce better and higher yields of cocoa. The opportunity to integrate more healthy snacks in its portfolio is increasing as consumers become health-conscious. Hershey must put incentives in place to encourage more cocoa farmers to continue growing cocoa.

Challenges and Threats

Aging cocoa farmers employing ancient farming methods cannot continue to meet the growing demand of cocoa. Hershey faces strong competition from other manufactures like Nestlé, MARS, Cadbury and Mondelez International. Hershey is unceasingly criticized for its inaction or nominal action concerning unethical labor practices and child slavery.



Macro-environmental Factors affecting Hershey's Cocoa Supply

POLITICAL

Some of the laws, global issues, legislation and regulations which affect Hershey are corruption and regulatory mismanagement in cocoa producing nations.

ECONOMIC

Hershey must consider taxes, tariffs, interest rates, inflation, the stock markets and consumer confidence within its value chain.

SOCIAL

Ensure its brand image aligns with ethics, advertising and publicity factors especially in regard to child slavery on cocoa farms.

TECHNOLOGICAL

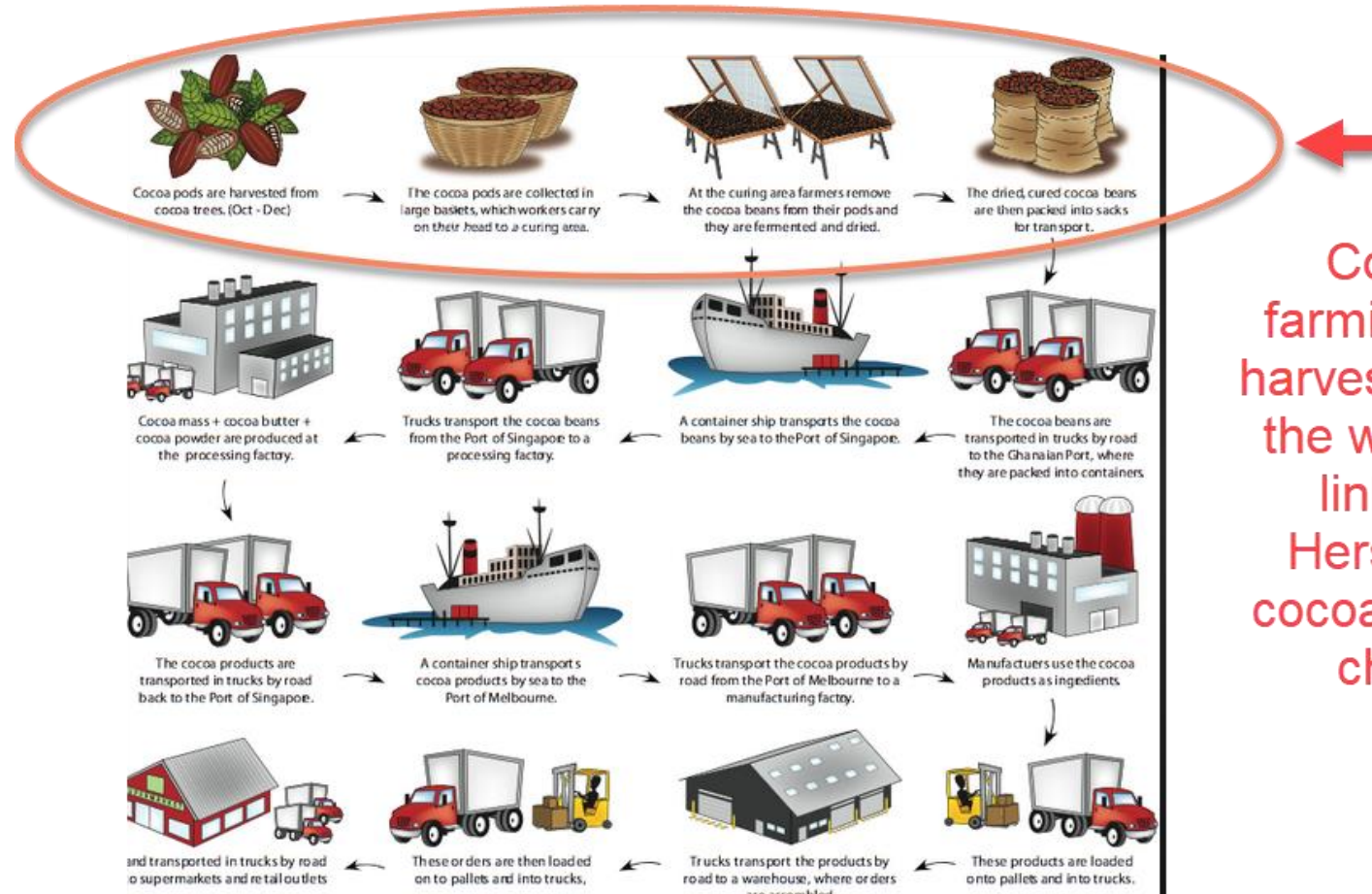
Innovation/technology
-Modernizing Cocoa Farming)
innovative projects to restore the disease-ravaged cocoa crop



The inconvenient truth is that the small cocoa farmers -who are responsible for the labor-intensive process growing cocoa, the main ingredient in chocolate, are the most poverty-stricken and disenfranchised in this multibillion dollar global industry. Unethical labor practices and child slavery are rampant in these farming communities.



HERSHEY: COCOA SUSTAINABILITY STRATEGY OVERVIEW OF HERSHEY COCOA VALUE CHAIN



Cocoa farming and harvesting are the weakest links in Hershey's cocoa supply chain

THE PROBLEM 1

CHILD SLAVERY

Stakeholder	Problem
Plantation Farmers	Low price for cocoa compels them to obtain cheap/slave labor
Government (Cocoa producing countries)	Blame foreign countries like Mali and Burkina Faso which supply slave labor.
Chocolate Manufacturer (Hershey)	Claim they rely on suppliers to provide Slave-free cocoa
Suppliers	Claim they have no control over farmers. The governments are unstable. No regulation
Consumer	Demand accountability from Hershey. Refusing to buy "Slavery" Chocolate



THE PROBLEM 2

POOR AGING FARMERS AND FARMS

Most of the cocoa throughout the region is grown by smallholder farmers who struggle not only with economic hardship, outdated methods with no real access to information but also with the effects of climate change—hotter temperatures, unpredictable rainfall, and a shift in growing seasons (Rainforest Alliance, n.d.).



THE PROBLEM 3

CORRUPTION AND MISMANAGEMENT



Corruption and regulatory mismanagement are rampant in many cocoa-producing countries.

These unethical practices have adverse effects on cocoa supply and harm farmers, underlining the need for reform (Kpodo, 2017).



ETHICS- HARKIN-ENGEL PROTOCOL- COCOA SUSTAINABILITY

In 2001 Congressman Eliot Engel (D-NY) introduced legislative amendment to fund the development of a **"No child slavery"** label for chocolate products sold in the U.S. Tom Harkin (D-IA) became involved and essentially the amendment was watered down to create the "Protocol for the growing and processing of cocoa beans and their derivative products in a manner that complies with ILO Convention 182 concerning the prohibition and immediate action for the elimination of the worst forms of child labor" and adult forced labor on cocoa farms in West Africa. (Slave Free Chocolate, n.d.).



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Best Practices In The Cocoa Industry

- Fairtrade
- Shared Value Initiatives
- Transparency
- Accountability of Foreign Government
- Research and Development

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Best Practices In The Cocoa Industry

- End deforestation and forest degradation.

Hershey along with other major cocoa and chocolate companies, have committed to work with each other, alongside governments and NGOs, to end deforestation and forest degradation in the global cocoa supply chain (Hardcastle, 2017).



RECOMMENDATIONS

COCOA SUSTAINABILITY

Ethics-eliminate Child Slavery and Unethical Labor Practices from Hershey's Value Chain

Partner-With farmers, modernize farms, expand agriculture training to improve and increase Cocoa yields

Work on improving its brand image as it relates to its relationship with farmers.



RECOMMENDATIONS

COCOA SUSTAINABILITY

Meet commitment to source 100% certified cocoa by 2020

Continue to collaborate with local and international organizations that are working towards sustainable and thriving cocoa sector.

Work with the World Bank to minimize Corruption and regulatory mismanagement and stabilize farmgate prices in cocoa producing countries.



Concluding Points

- Chocolate comes from cocoa-Chocolate cannot be manufactured without cocoa
- Protect the cocoa farmers-They are the “Root” of Hershey’s value chain
- The Hershey consumer today plays an important role in keeping the company honest.

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