



COLUMBAN MISSION INSTITUTE



Centre for Peace Ecology and Justice

“Going Fair”: A Report Into Implications of Fair Trade Cadbury Dairy Milk Chocolate.

In 2009, Cadbury announced that their flagship brand, Dairy Milk, would switch to Fairtrade certification right across the British, Irish, Canadian, New Zealand, Japanese and Australian markets beginning in Easter 2010.¹ Cadbury has been praised by many as being the first mainstream, multinational chocolate company to have taken a step in the right direction towards ensuring that farmers receive a fair price for their work as well as eradicating the instances of child slavery and trafficking associated with the cocoa industry in the West African region. However skeptics question the true motives of the company and whether the Fair Trade organisation has relaxed its core principles as a tradeoff for gaining greater access to the broader chocolate buying consumer base.

What does this announcement actually mean?

For the Australian and New Zealand market alone, Cadbury agreed to purchase 3900 tonnes of fair trade Ghanaian cocoa beans. Worldwide Ghana’s export of fair trade beans will quadruple from 5000 to 20000 tonnes annually². This represents the *equivalent* total amount of cocoa used to create Dairy Milk.

A spokesperson for the company said "The fair trade cocoa is hard to separate once it gets into the supply chain because of the way production occurs in the factory". Therefore because the chocolate that is actually used to make all the Dairy Milk products is not made from 100% Fair Trade cocoa beans, the “Fair Trade” claim to the range is inaccurate.

Cadbury’s reason for the adoption of Fairtrade certification

Cadbury unveiled the new plan to incorporate the use of Fairtrade cocoa beans for their Dairy Milk amidst rising dissatisfaction with the response of the world’s major chocolate confectioners to the problem of the poor treatment of workers, particularly children and the use of child slaves on West African cocoa farms.

Harkin-Engel Protocol

In 2001, a legislative amendment was introduced through the US congress by two senators, Tom Harkin and Eliot Engel, with the intention of eliminating the use of child slavery within the chocolate industry. Eight of the major American confectioner companies all signed the agreement, which came to be known as the “Harkin-Engel Protocol”, thereby agreeing to establish standards which would work towards removing the “worst forms of child labour” in cocoa farming.

¹ <http://www.fta.org.au/cadbury-announcement>

² <http://www.smh.com.au/entertainment/restaurants-and-bars/cadbury-introduces-fair-trade-chocolate-bar-20100510-uoua.html>

International Cocoa Initiative

One of the steps that followed the signing of the protocol by these members was the establishment of the International Cocoa Initiative (ICI) which works with chocolate manufacturers as well as various other stakeholders such as NGOs and labour unions, together with the local farmers and communities themselves to address the issue. *While Cadbury, or its current owner Kraft, was not a signatory of the original Harkin-Engel Protocol in 2001, they are both members of the ICI.*

Furthermore over the past decade, there has been a significant increase in the public awareness and subsequent overall sales of green and ethical products across Western nations as a whole. In the UK, spending on so called “ethical goods” rose by 17% in 2005 whereas sales of Fair Trade Certified products rose 72% in Australia over 2008.³ This trend towards greater demand for these products has given rise to the concept of the “conscience consumer” who is able to increasingly flex their influence and year by year the niche market is expanding.

Ethical or business decision?

Since Cadbury is first and foremost a business, it might be assumed that they most likely would not voluntarily become the first large chocolate manufacturer to use fair trade if there was nothing in it for them.

Corporate Australia increasingly views Fairtrade as a cost-effective way to promote its ethical credentials since at the present moment it is progressively more what the people want. Since Fairtrade only requires a social premium of \$US150 a tonne above the market price, it is beneficial for these companies to take advantage of Fairtrade when commodity prices are high, as they are currently.

However cocoa prices are extremely volatile and prices fluctuate greatly. If the global price were to fall below Fairtrade’s guaranteed floor price of \$US1600 per tonne, these large corporations may no longer see Fairtrade as a cost-effective option and pull out altogether.

Kraft buyout of Cadbury

In 2010, the American super-giant Kraft succeeded in its repeated attempt at buying out Cadbury. As a result of this takeover, Kraft overtook Mars as having the largest market share of the global confectionary market with 14.7%. There had long been fears that Kraft would renege on Cadbury’s prior Fair Trade commitments since Kraft have not had a history of favouring green or ethical practice. Their history includes breaking promises made during negotiations⁴.

Although Kraft have agreed to honour Cadbury’s previous Fair Trade promises, there still remains an unknown time limit placed upon the deal and it is unknown whether Kraft will want to renew it once it expires. In addition, Kraft has yet to confirm whether they would continue Cadbury’s ongoing talks to expand its use of Fair Trade cocoa beans into other brands.

³ [Wake Up and Smell the Coffee – The Tablet 4 March 2006](#)

⁴ <http://d6.iiedlist.org/sustainable-markets/blog/still-sweet-fairtrade-kraftcadbury-and-beyond>

Implications of Cadbury's announcement of Fairtrade Dairy Milk

1. Impact on other Fairtrade Certified Chocolate Makers

Complaints have emerged from these smaller Fairtrade businesses that Cadbury is using its market share to undercut other Fairtrade sellers by subsidizing their ethical products with money saved on non-Fairtrade supplies. By offering a product that is cheaper than the alternatives yet still claiming to be Fairtrade, consumers are naturally going to prefer Cadbury over the alternatives.

Impact on Cocoa farmers

Fair Trade and Cadbury proudly claim that over 45,000 cocoa growers in Ghana will benefit from the increased order of the fair trade beans. In addition to the floor price for the beans, a premium has to be paid on top of this in order to develop social, economic and environmental programs in the wider community. From Australian and New Zealand fair trade Dairy Milk sales alone, it is expected that this will total AUD \$500,000 in the first year of its introduction.

While Cadbury have bought significant amounts of fair trade cocoa from Ghana, the fact remains that the majority of the world's cocoa comes from the neighbouring Cote D'Ivoire. When announcing their adoption of Fairtrade certification, Cadbury have often boasted that the Dairy Milk brand is their flagship product and the highest selling bar in their range. Yet it still only accounts for 20% of their entire sales⁵. That means that for the equivalent 3,900 tonnes of Fairtrade beans that Cadbury has agreed to purchase from Kuapa Kokoo, there are still at least four times that amount being sourced unethically. Cadbury pat themselves on the back for their work within Ghana to promote Fairtrade cocoa farms⁶, but the fact still remains that even within Ghana, Kuapa Kokoo's annual production of beans is only 5% of the total national export. This shows that Cadbury have neglected to acknowledge that only a small part of their total cocoa needs are made up of Fairtrade beans.

Has the Fairtrade Association lowered their standards to attract larger companies?

There has long been a divide amongst those within the Fairtrade movement as to whether approaching larger companies is the best course of action due to their greater capacity to purchase or if they should concentrate on smaller sellers who are more committed to the FairTrade philosophy. In the end, the advocates for embracing big business won out. Critics have argued that FairTrade has now lost its soul since these large companies only incorporate a small amount of fair trade to evade attention but on the whole their practices remain as exploitative as ever.

Critics of FairTrade have argued that the integrity of the movement has been diluted and standards lowered in order to get a greater variety of products on the shelf. One of the founding members of the FairTrade system in 1988, Frans Van Der Hoff, even went so far as to describe the entry of big corporate players as "miserable... FairTrade is established by small farmers. But they [the certifiers] forgot the basic goal of providing new channels and a new possibility

⁵ <http://www.tradingvisions.org/content/dairy-milk-goes-fairtrade>

⁶ <http://michael-niemann.com/blog/2010/03/03/cadbury-announces-plans-for-first-social-premium-disbursement/>

and new markets for small farmers letting in the big shots ... they were interested in having more and more and more margins. Starbucks got in. Nestle got in. Sarah Lee got in. We are yelling from the fields that they shouldn't be in..."⁷

Whether Cadbury Dairy Milk going FairTrade will truly benefit the small cocoa farmers in West Africa will be played out over time. Meanwhile, chocolate consumers continue to become more aware of the issues associated with cocoa farms, and will continue asking questions to keep chocolate producers ethically accountable.

Jonathan Avis, October 5, 2010

<http://smallfarmersbigchange.coop/2009/11/03/fair-trade-in-crisis>

Wake Up and Smell the Coffee – The Tablet 4 March 2006 - <http://www.thetablet.co.uk/article/355>

<http://www.tradingvisions.org/content/dairy-milk-goes-fairtrade>

<http://michael-niemann.com/blog/2010/03/03/cadbury-announces-plans-for-first-social-premium-disbursement/>

http://www.worldvision.com.au/media/pressreleases/09-08-26/World_Vision_Cadbury_Fairtrade_deal_will_transform_lives_of_West_African_children.aspx

http://www.actnow.com.au/Opinion/How_Fair_is_Fair_Trade.aspx

<http://webcache.googleusercontent.com/search?q=cache:O3mGRUPLWjYJ:www.sussex.ac.uk/Units/PRU/wps/wp11.pdf+effect+of+fair+trade&hl=en&gl=au>

<http://d6.iiedlist.org/sustainable-markets/blog/still-sweet-fairtrade-kraftcadbury-and-beyond>

<http://www.smh.com.au/entertainment/restaurants-and-bars/cadbury-introduces-fair-trade-chocolate-bar-20100510-uoua.html>

⁷ <http://smallfarmersbigchange.coop/2009/11/03/fair-trade-in-crisis/>