

From Small Chocolatiers to Multinationals to Sustainable Sourcing:

A Historical Review of the Swiss Chocolate Industry

Ingrid Fromm

Introduction

The food industry is currently focusing on increasing transparency along the entire chain, from production to consumption. Consumers are demanding that the food they put on their tables is sustainably produced, sourced and consumed. Having information about the origin of products will, in the future, become the norm rather than the exception. Transparency in the food chain has many dimensions and although consumers might be motivated to buy products that are sustainably produced, these decisions can potentially have a positive impact for farmers – be it within national boundaries or abroad – as well as for the environment. One example is represented by the chocolate industry. Chocolate is produced and consumed across multiple borders. Having a transparent chain is a tremendous challenge. Cocoa beans come mostly from developing countries, where small-scale farmers are responsible for most of the global production. However, it is big players who dominate this industry and they are also the ones who are transforming it.

Switzerland is long known as a leader in chocolate production. Swiss chocolates are recognized around the world as high-quality products and the demand is growing. The Swiss chocolate industry reported an increase in sales of almost 4% in 2013. Switzerland exports over 60% of the chocolate it produces. The foreign sales of Swiss chocolate remained strong, with an increase of 5.6%. Although the main export market for Swiss chocolate is the European Union, Switzerland exports chocolate to 150 countries. According to the latest report by Chocosuisse (2014), Germany was the largest market for Swiss chocolate (24.7 % share of exports), followed by the United Kingdom (12.8 %), France (8.0 %) and Canada (6.3

%). In 2013, an increase in export sales was seen outside the EU, particularly in China, the Russian Federation, Saudi Arabia, Turkey and the United Arab Emirates. In terms of global sales, two Swiss companies are among the top ten global confectionery companies manufacturing chocolate: Nestlé, which reported sales of close to US\$ 12 billion and Lindt and Sprüngli with sales of US\$ 3 billion in 2013. These companies, global players in the industry themselves, are competing in an industry which is expected to expand in the next decade. As the chocolate market in Asia, and particularly in China starts acquiring a taste for chocolate, there is prospect of growth.

However, the expansion of the chocolate industry has already great challenges ahead, despite the prospect of growth. On the supply side, the industry would expand on an already frail cocoa sector, afflicted by poor agronomic practices (such as poor soil management and the use (often no use) of farm inputs) and by the high incidence of pest and diseases. Particularly in West Africa, the ageing plantations and lack of access to improved planting materials (i.e. hybrids) pose a great risk for farmers who already struggle to make an income from cocoa farming. A basic infrastructure in the farm, which would allow farmers to properly dry and ferment the cocoa beans and maintain the bean quality is often lacking. Furthermore, reaching markets can be a daunting challenge for farmers, especially when the only access is through difficult roads in remote areas.

Cocoa production takes place mostly in small farms in developing countries and more than half of the world production of cocoa comes from two countries: Ivory Coast and Ghana, (KPMG, 2012). The incidence of poverty in the cocoa sector worldwide is high. The market information systems often don't work in favor of the farmer. Farm gate prices are low in comparison to the world market prices, impeding farmers from reaching a break-even point. The prospects of growth in the sector hardly reach the farmers, who are as vulnerable as ever at the other end of the chain. In many countries they have little access to credit. If they do not belong to some form of farmers' association or cooperative, the chances of accessing credit

are low. Moreover, climate change, problems associated with monoculture and lack of diversification, eroded soils, deforestation and water stress also contribute to put the already vulnerable cocoa farmers at risk. For the sector to grow sustainably, much change is needed. The good news is that the big industry players are increasingly working towards improving the cocoa sector and making all the operations, from the farm all the way to the consumer, more sustainable. This chapter will present the historical development of the Swiss industry from the 19th century till recent years and it will examine how the Swiss chocolate industry is reacting to the new challenges and what initiatives it is taking in order to make chocolate production more sustainable throughout the entire chain.

The 19th Century: The Roots of the Chocolate Industry in Switzerland

Cocoa can trace its origins to the Mesoamerican region. Historians have found traces of cocoa consumption in the Ulúa valley in Honduras and traced cocoa consumption as far back as 1150 BC (Joyce and Henderson, 2010). Cocoa was of great importance in Toltec, Mayan and Aztec cultures. For the Mayas, the cocoa bean was of great value and was also used as a form of currency. Cocoa was consumed as a thick and bitter beverage, known as *xocolatl*, made from ground cocoa beans mixed with water, black pepper, vanilla and spices. When the Spanish conquistadors arrived in the 16th century, they took interest in this exotic drink and brought it to Spain where it became popular in the Spanish court. Because sugar was rare and expensive at the time, it was first sweetened with honey. The bitterness of chocolate did not suit the taste buds of Europeans, but once it was sweetened it gained popularity (Bensen, 2008). The European aristocracy quickly developed a taste for chocolate, which was at this time consumed mainly as a beverage. In Paris, chocolate was regarded as a drink of the aristocracy and it was almost exclusively consumed by the privileged class until the invention in 1828 of the Van Houten press, a hydraulic machine which enabled the pulverization of the cocoa “cake” into cocoa powder. To improve this powder’s ability to mix with liquid, Van

Houten treated it with alkaline salts, which reduces the bitterness of the cocoa. This process is known as “Dutching.” This invention revolutionized chocolate production and the era of mass production of chocolate began.

Already in the 18th century, Italy had made its mark in the chocolate industry by becoming the first center of confectionary. Many pioneers in the industry traveled to Italy to learn the art of chocolate-making (Wey, 2006). The Swiss François-Louis Cailler was one of these industrial pioneers who first developed and interest in chocolate production at a local fair in Italy. He subsequently spent four years in Turin learning the art of chocolate making. In 1819 he returned to Switzerland, where he set up the first Swiss chocolate factory in Corsier, near Vevey. It is the oldest Swiss chocolate brand and still exists today.

A few years later, in 1825 Philippe Suchard opened a confiserie in Neuchâtel and a year later set up a chocolate factory nearby. By the 1880s Suchard employed over 200 people and was the largest Swiss chocolate producer. Charles-Amédée Kohler, a wholesale grocer in Lausanne trading ready-made chocolate, opened a factory in 1830, and created nut chocolate – an important contribution for the Swiss chocolate industry. Moreover the Kohler family also trained several famous apprentices, including Rudolf Lindt (in 1872-1875) and Robert Frey (in 1880-1883) that would then become major players in the chocolate industry themselves, creating some of the most recognizable and successful Swiss chocolate brands.

Another important innovator of the chocolate industry is Daniel Peter. Son-in-law of François-Louis Cailler, he established the famous firm “Peter-Cailler et Compagnie” in 1867 and he was the first one to combine milk with chocolate in 1875 (Chocosuisse, 2001). Perhaps thanks to the proximity with Henri Nestlé, this young food producer had the idea of combining powdered milk to chocolate. He had tried for many years to add milk to chocolate, but mildew always formed. By removing the water content in the milk, this problem was solved.

In the early years of the Swiss chocolate industry, proximity between the chocolate pioneers played an important role in the success and innovation of the industry. For instance, if Daniel Peter had not been in contact with Henri Nestlé in Vevey, the invention of milk chocolate using condensed milk (a method developed by Nestlé), would have not been possible. Similarly Kohler, by training innovators such as Lindt and Frey – who would later move on to establish their own brands – made a great contribution to the industry.

The Swiss chocolate industry was initially located in the area around Lake Geneva in the western part of Switzerland. By the 1870s, chocolate factories were found in Zurich and Bern. In 1845 Rudolph Sprüngli-Ammann first started producing chocolate in Zurich and in 1874 Johann Georg Munz established a chocolate factory in Flawil, close to St. Gallen. Aquilino Maestrani, who originally opened his chocolate factory in Lucerne in 1852, relocated to St. Gallen seven years later.

Towards the last quarter of the 19th century, two firms established in Bern would start producing arguably the most famous Swiss chocolate brands to this day. In 1879, Rodolphe Lindt, a young apprentice who had been training at *Amédée Kohler & fils* in Lausanne opened a chocolate factory in Bern. The son of a pharmacist, Lindt succeeded in improving quality of chocolate by developing a conching machine. His ingenuity resulted in the addition of cocoa butter to the chocolate mass. This is now a standard procedure in chocolate production, but back in his day, it was not done. Lindt sought to improve the quality with a machine that is in essence a surface scraping mixer and agitator that evenly distributes cocoa butter within the mass. The texture is smoother and the aroma improves after three days of uninterrupted mixing. The result was a chocolate liquid that could easily be poured in molds, rather than the tough mass that had to be knocked and pressed into molds. Thus, by creating the first “chocolate fondant” or melting chocolate Lindt greatly contributed to the improvement of quality in the chocolate industry.

By 1899, Lindt was unable to meet all the demand, so he sold his company to Rudolph Sprüngli. He kept working in the factory in Bern until his retirement in 1905. This same year, Theodor Tobler founded the “Fabrique de Chocolat de Berne, Tobler & Cie”. Jean Tobler, his father, opened a Confiserie Speciale in 1868, where he sold among other products, chocolates produced by Rudolph Lindt. Son Theodor, true to his entrepreneurial spirit, always had plans for growth and expansion. Just eight years later he introduced a very well-known Swiss chocolate: Toblerone, the triangular milk chocolate bar with honey and nougat.

The 20th Century: From Small Scale Chocolate Producers to Multinationals

The turn of the 20th century brought about many changes in the Swiss chocolate industry, that went through periods of crisis but also through years of sustained growth. It is during the 20th century that Switzerland gained its international reputation as one of the best chocolate producers in the world. The consolidation of Lindt and Sprüngli marked the beginning of an era of industrial consolidation and growth. Shortly afterwards, in 1904, Peter and Kohler merged under the name “Peter et Kohler Chocolats Suisses S.A.”. The company had a contract to produce a sweet milk chocolate for Nestlé. By 1911, they merged with Cailler to form “Peter, Cailler, Kohler Chocolats Suisses S.A.” In 1929 they were taken over by Nestlé and Anglo-Swiss Condensed Milk Co., becoming the largest food company and chocolate producer in Switzerland. Nestlé, already an international company by then, had focused on the production of infant food and milk.

According to Chocosuisse (2001), in 1905 Switzerland produced 13,000 tons of chocolate. By 1918 the production was 40,000 tons. Switzerland, with a population of roughly 3.5 million (Swiss Federal Office of Statistics, 2009) at the turn of the 20th century, was hardly able to consume all the chocolate it produced and these chocolate firms had to adopt an internationalization strategy in order to sell their output. What were born as small chocolatiers in Switzerland soon took the challenge and expanded beyond the Swiss borders. For

example, in 1915 Lindt and Sprüngli exported around three quarters of its chocolate production to about 20 countries around the world.

The two world wars and the economic crises in the 1920s and 1930s brought many challenges to the Swiss chocolate industry, which had to deal with an almost complete loss of international markets. In 1937, for example, the total exports shrank to CHF 1.9 million, down from CHF 106 million in 1919. In order to survive, companies in neutral Switzerland had to be completely reorganized. The Second World War resulted in tough import restrictions on sugar and cocoa posing further risks for the industry. Tough economic times, rationing of raw materials and protectionism truly tested the resilience of the Swiss chocolate industry, but it was exactly during these hardships that it became more innovative. A clear example of the innovative spirit of the Swiss chocolate industry is Camille Bloch. After a few years of apprenticeship at Chocolat Tobler AG in Bern, Camille Bloch founded “Chocolats et Bonbons fins Camille Bloch” in 1929 in Bern. In 1935 the firm moved to Courtelary in the Bernese Jura. Because of the shortage of cocoa and sugar and the blocked transport routes for raw materials, in 1942 Camille Bloch came up with the idea of processing ground hazelnuts from Turkey into a paste and adding whole hazelnuts. By spreading this paste in flat molds and covering them on both sides with a thin layer of chocolate which would then be cut them into rectangular 50 gr bars, cocoa was economized. Ragusa chocolate, a Swiss favorite, was born.

The development of the local demand also came hand-in-hand with the economic crisis that the industry experienced until the end of the Second World War. At the beginning of the 20th century chocolate was rather a luxury good enjoyed by the privileged. However, between 1940 and 1950, the annual per capita chocolate consumption in Switzerland rose from 3.5 kg to 6.2 kg. In 1960, Switzerland consumed 6.9 kg and by 1970 9 kg a year. The rapid automation of the industry and the increased economic growth of the country made it possible for most citizens to be able to consume chocolate. By the mid-20th century, it was no longer a good exclusively of the privileged class.

The rapid consolidation and industrial growth of chocolate production in Switzerland meant that chocolate could be widely consumed by the entire population. However, all the structural changes in the industry also had an effect on small-scale, artisanal production. Chocolate production for mass consumption and export markets by the end of the 20th century was in the hands of big multinational or large local retailers. To this day, they maintain a central role in the governance of the cocoa and chocolate chain. Small scale production has been somewhat limited to local *chocolatiers* in larger towns and cities in Switzerland. Their market segment is a small and specific catering to consumers willing to buy artisanal or handmade products rather than mass produced chocolates. The price for handmade chocolate in a smaller *chocolatier* or *confiserie* is normally higher than the mass produced chocolate. It is interesting to note that despite the fact these small-scale businesses face strong competition from large multinationals, they are well-established in their market niche. Their success has much to do with the consumers, who value artisanal production and are willing to pay a higher price for it.

The 21st Century: Sustainable Sourcing

The Swiss chocolate industry reported an increase in sales over the last years. Export sales have grown in the EU, traditionally the main market for Swiss chocolate. However, markets such as China, the Russian Federation, Saudi Arabia, Turkey and the United Arab Emirates provide an opportunity for further sales growth. It is expected that these markets will expand and demand more Swiss chocolate in the near future. When compared to the main industry players worldwide, two Swiss companies still maintain their position in the top ten global confectionery companies (Table 3.1): Nestlé, which reported sales of close to US\$ 12 billion and Lindt and Sprüngli with sales of US\$ 3 billion in 2013 (Chocosuisse, 2014).

Consumers in Europe and especially in Switzerland are increasingly demanding more information on the products they buy, thus motivating corporations to find alternative ways to

fulfill these demands. In response to the changing market trends and consumer concerns, chocolate manufacturers in Switzerland are engaging in projects and partnerships to improve the transparency of the cocoa chain. They are responding to this drive for sustainable sourcing through different initiatives that range from certifications and labeling to producing “carbon neutral” chocolate.

<Insert Table 4.1. here>

In the latest State of Sustainability Initiatives Review (IISD, 2014), the compliance of cocoa production with global sustainability standards was examined. According to this report, in 2012, 22% (an estimated 899,000 metric tons) of the world’s cocoa was produced in compliance with a global sustainability standard. The sustainability standards commonly used in the sector include Organic, Fairtrade, UTZ Certified and Rainforest Alliance. The premiums at the first point of sale (typically farmers and/or cooperatives) for standard compliant cocoa ranged from 5% to 18% or more in recent years. The highest premiums were observed for organic cocoa and the lowest premiums were for UTZ cocoa (IISD, 2014).

One of the drivers for cocoa production to become more sustainable has been the increasing scrutiny since the end of the 1990s on child labor. By 2002 the International Cocoa Initiative was established “*as a result of a groundswell of opinion urging the chocolate industry to ensure child and forced labor were not used in the production of their products* (ICI, 2014)”. The ICI Secretariat is located in Geneva, Switzerland, but offices in Abidjan, Ivory Coast and Accra, Ghana have been opened to implement different projects.

Similarly, the World Cocoa Foundation, established in 2000, is an international membership organization representing more than 100 companies which account for 80% of the global corporate market. They are committed to create a sustainable cocoa economy by taking into account farmers’ needs, promoting agricultural & environmental stewardship, and

strengthening development in cocoa-growing communities (WCF, 2014). The creation of these organizations has brought about major changes in the industry, as member companies officially manifested their commitments to source cocoa sustainably. The drive for sustainable sourcing in the case of the cocoa value chain started as an industry effort in order to respond to major issues affecting cocoa production. Although much work needs to be done, steps towards sustainability have been taken by the industry leaders (CAOBISCO, 2012).

Transparency Initiatives in the Swiss Chocolate Industry

The Swiss chocolate industry is comprised by big multinationals (such as Nestlé and Lindt & Sprüngli), but also by numerous retailers, both large and small. In most towns in Switzerland it is common to find *chocolatiers* and artisans offering consumers a wide range of chocolates, truffles, pralines, and seasonal chocolate creations. Other corporations such as Barry Callebaut produce diverse chocolate products for manufacturers and artisans. All of these companies respond in one way or another to different consumer demands. For many, buying from local artisans is important to help small-scale businesses. These consumers also appreciate the craftsmanship of hand-made chocolate truffles or pralines. Locally, retailers offer a wide variety of products at all price ranges. For Swiss chocolate consumed internally, retailers such as Migros and Coop play an important role in responding to consumers' concerns. Migros and Coop are the largest retailers in Switzerland and both companies produce chocolate through subsidiary companies. These companies all have specific work areas and programs they have implemented in order to increase transparency in their operations and produce in a more sustainable way.

Transparency Assessment of the Industry

An analysis of the Swiss chocolate industry conducted in 2013¹ reveals how the sector is moving towards more transparency and corporate social responsibility (CSR). The study focused on the initiatives that the various companies are taking in different aspects of sustainable production, how these initiatives were benefiting stakeholders in the chain and finally, how these actions were reported in the companies' Corporate Social Responsibility statements. To be able to understand the practices implemented by the industry, four companies were studied in detail. The specific initiatives related to transparency and sustainability will be compared and discussed.

Out of the 18 companies which belong to Chocosuisse, the main association representing chocolate producers, 16 were contacted by telephone or e-mail to request an interview to collect data for this study. Leading chocolate producers in Switzerland, like "Chocolats Halba" and "Frey" were interviewed face to face and via email. Other companies like "Nestle", "Lindt & Sprüngli", "Chocolates Bernrain" and "Camille Bloch" responded to the interview request by referring to their companies' specialized web pages for CSR, transparency activities or specialized programs such as the "Nestle Cocoa Plan". Finally, some companies were not willing to be a part of research or did not respond at all. The information collected was complemented by data from the companies' websites, annual reports and CSR statements.

A comparative analysis of the industry as a whole was conducted. Using dichotomous variables based on a scale of 0-1, where 0 equals no activities on a specific issue and 1 equals the presence of activities, a comparison between the companies was established. In the case of transparency issues, aspects such as the recognition of companies of issues such as child labor, social issues, ethical sourcing, safety, and quality were examined. If companies reported to work on these issues, the score assigned was 1. The absence of this sort of activities was given a score of 0. For the other variables such as sustainability, the scoring was

¹ Master's thesis conducted at the Bern University of Applied Sciences, School of Agricultural, Forest and Food Sciences HAFL. Submitted by Milojevic, M. in 2013.

done in the same way. For the certification variable, 4 different certifications were taken into account: Fair Trade, UTZ Certified, Rainforest Alliance and Organic certification. The same comparative analysis was conducted and a score was assigned. The other variables studied were child labor (if companies are working in this field or not), CSR Strategy (if companies have a clear and defined CSR strategy) and Transparency and CSR reporting (whether or not they clearly report their commitment to the issues they undertake and work towards). A final score (not weighed) was assigned in order to have an idea of which companies are at the forefront and which are still lagging behind in the issues mentioned above.

<Insert Table 4.2 here>

The results of this investigation show that larger companies (“Chocolates Halba”, “Frey”, “Nestle”, “Lindt and Sprüngli”) are more likely to be involved in transparency and CSR activities than smaller and medium sized enterprises. One possible explanation could be the lack of knowledge and of a clear understanding of transparency and CSR. It could also be an issue of big corporations such as Nestlé coming more “under fire” from the consumer side for issues such as child labor than smaller chocolatiers. Another explanation can be the lack of money to invest in transparency activities, especially in an uncertain economic scenario where SMEs are more prone to be affected than large corporations.

Why are bigger companies better positioned to be “more transparent” than SMEs? In the case of Barry Callebaut, which according to the results of the investigation ranks among the top companies in transparency practices, they have clearly addressed in their CSR statements their work regarding child labor, sustainability, the environment, safety standards. The company has released statements where it explicitly mentions its commitment to sustainability, encompassing sustainable production in the field, in sourcing and in manufacturing. However, Barry Callebaut has taken a leading role among the industry by organizing events such as CHOCOVISION, a conference which brings together key

stakeholders in the cocoa and chocolate industry from around the world. Top executives representing the large chocolate manufacturers are present, as well as influential politicians and key representatives of NGOs.

To have a better understanding of the transparency initiatives undertaken by the chocolate industry in Switzerland, let us now examine four companies. Two of them are big retailers (Nestlé and Lindt) and two of them are subsidiaries of the biggest retailers in Switzerland (Coop and Migros). The main reason these companies were selected was the fact that they represent the chocolate industry as a whole. Nestlé and Lindt are two of the oldest and most established manufacturers in Switzerland. On the other hand, Coop and Migros, as the largest Swiss retailers, also play a major role in the industry. Although they sell a wide variety of chocolates from several different brands (particularly in the case of Coop) they also have subsidiary companies producing chocolate under their own brand names. In the case of Coop, the subsidiary company is Chocolats Halba; in the case of Migros it is Frey AG.

The Nestlé Cocoa Plan

Nestlé, in its 2013 Nestlé in Society report states that: *“Responsible sourcing is an investment in our future and the future of the farmers and producers on whom we depend. It calls for continuous improvement that goes far beyond a simple exchange of goods and money, placing shared responsibility on all parties in the supply chain to address social and environmental issues that can affect supply, livelihoods and sustainability”* (Nestlé, 2013b). In fact, Nestlé has been an industry leader in sustainability and in making its operations more sustainable, both in the chocolate sector and other products. In 2002 Nestlé, Unilever and Danone created the Sustainable Agriculture Initiative (SAI) Platform with the aim to facilitate sharing of knowledge and initiatives to support the development and implementation of sustainable agriculture practices involving the different stakeholders of the food chain. The SAI Platform has over 50 members. According to SAI Platform (2014), it is the only global food industry

initiative for sustainable agriculture which develops knowledge on sustainable agriculture. It developed, among other instruments, the principles and practices for sustainable water management at farm level, recommendations for Sustainability Performance Assessment (SPA) and the Executives Training on Sustainable Sourcing. Specifically through the Nestlé Cocoa Plan, the most relevant sustainability issues in the cocoa sector addressed.

The Nestlé Cocoa Plan was officially launched in 2009. Currently, the cocoa plan is active in the world's largest cocoa origins, Cote d'Ivoire, Ghana and Indonesia, but also in the world's largest fine cocoa origins, Ecuador and Venezuela. Nestlé intends to invest CHF 110 million on cocoa creating shared value initiatives over the next decade, almost twice as much as was spent over the past 15 years (Nestlé, 2013b).

According to Nestlé (2013), it uses an estimated 10% of the total world cocoa production. By 2013, Nestlé purchased over 62,000 tons of cocoa – 14.5% of the total – through the Cocoa Plan, a 34% increase over 2012 (2014 target: 80,000 tons). The specific aims of the Nestlé Cocoa Plan are (Nestlé, 2013):

- For farmers to choose cocoa farming, rather than enter it by default
- For cocoa farmers to improve their lives and those of their families
- For local communities to be empowered and thrive through the cocoa economy

The Cocoa Plan has three main action pillars:

- Enabling farmers to run profitable farms
- Improving social conditions
- Sourcing good quality, sustainable cocoa

The Lindt & Sprüngli Promise

One of the most recognized Swiss chocolate brands is Lindt. Lindt & Sprüngli was founded in 1845 and in the more than 160 years of existence, it has become a brand found in more than

100 countries worldwide. It is one of the leaders in the market for premium quality chocolate. Its origins were simple—in their small pastry shop in Zurich, confectioner David Sprüngli-Schwarz and his 29 year old son Rudolf Sprüngli-Ammann decided to make chocolate in solid bars. One of the great contributions of Lindt to the industry has been the creation of the first truly melting chocolate. With sales of over US\$ 3 billion in 2013 (ICCO, 2014), Lindt & Sprüngli has become one of the leading chocolate brands worldwide.

Lindt and Sprüngli is engaged in continuously improving sustainability in most aspects of their operations. In order to live up to the company's commitment to be sustainable along the entire supply chain, the "Lindt Promise" was launched as their official pledge. It is a set of commitments and policies related to their sustainable actions along the chain. There are three sustainability aspects which are taken into close consideration: sustainably sourced, sustainably produced and sustainably consumed. Under their sustainably sourced pledge, for example, Lindt & Sprüngli guarantees the sustainable, long-term supply of essential resources. They are committed to establishing the traceability of all their raw materials and building partnerships with all their suppliers, ensuring an equivalent treatment. The Lindt & Sprüngli Supplier Code of Conduct sets out the requirements expected of the suppliers and vendors regarding compliance with laws and regulations, corruption and bribery, social and working conditions, child labor, and the outside environment.

Ghana is the only country in West Africa where Lindt & Sprüngli sources cocoa beans. Thus, they started in 2008 a pilot project called 'Ghana Traceable' together Cocobod, the Ghanaian Cocoa Board and an NGO named Source Trust. The aim of the project is to trace the origin of the cocoa beans to the communities, allowing for quality control all the way back to the source and ensuring the best quality of the raw material. Quality checks to monitor fermentation, moisture, and size of beans take place at the collection points. Lindt & Sprüngli works directly with the local licensed buying company which buys the beans, where they also have shares. Complete transparency and traceability is therefore guaranteed for each and

every bag of cocoa beans purchased. On the other hand, Source Trust, a British NGO, works to promote traceability in farming practices. They collect traceability premiums for the Cocobod Armajaro Traceable Foundation (CAFT) and distribute them between the CAFT members. The aim of this partnership is to improve the livelihoods of farmers. Furthermore, over US\$7 million have been invested in regional infrastructure. Warehouses have been built and traceability documents improved. Although these types of improvements are necessary to make sure the cocoa beans are traceable to the communities where they originate, other investments in the communities have been made (such as the construction of wells for clean and safe water supply, of new schools where students could also study mathematics, natural and agricultural sciences, and the provision of mosquito nets (close to 40,000 delivered) to prevent malaria).

With the funds received from the premiums, Village Resource Centers (VRC) have been set up near schools. These are structures, usually prefabricated which are equipped with computers and internet access. In the daytime, school children can visit them as a regular part of their education. In the evenings and weekends, VRCs are open for farmers who can use them to access internet or complete training modules on cocoa production, which helps them have a better understanding on sustainable production practices.

Migros and Chocolat Frey AG

Migros, Switzerland's largest retail company and employer, is also one of the forty largest retailers in the world. Founded in 1925 in Zürich as a private enterprise by Gottlieb Duttweiler, it evolved in its early years from a private company to a cooperative with about 2 million members (Migros, 2014). Migros sold only a few basic products at low prices -- coffee, rice, sugar, noodles, oil and soap, from trucks that went from one village or hamlet to another. The intermediaries were cut and Migros started creating its own lines of products

such as meat, milk and chocolate. Today, the concept of having its own assortment of goods is still valid. Over 90% of the goods sold are produced by Migros subsidiaries.

Chocolat Frey AG is one of these subsidiaries owned entirely by Migros Group. They manufacture chocolate and chewing gum and have a market share of 36.8%, thus making them the main manufacturer of chocolate for the Swiss market. Frey has a foreign market share of 10.9% (Frey, 2014a). Because of issues such as degradation of forests in West Africa, child labor and poor productivity in the cocoa sector, the Migros Group started to focus on improving sustainability along the cocoa value chain. By working together with Max Havelaar and UTZ Certified, the entire assortment of chocolate sold at Migros (over 500 products) was sold with a label. Sustainable development is a main concern for Chocolat Frey AG and the company has the goal of achieving the best possible solution by considering economic, social and ecological criteria, focusing on three areas: procurement, transport and production.

Coop and Chocolats Halba

Coop is a cooperative and the second largest retailer in Switzerland after Migros. In 2001, Coop merged with 11 cooperative federations which had been its main suppliers for over 100 years. According to Bio Suisse, the Swiss organic producers' association, Coop accounts for half of all the organic food sold in Switzerland. Coop has three primary brands with a sustainability selling proposition: Coop Oecoplan (various daily life products), Coop Naturaline (textile products) and Coop Naturaplan (food) are brands focusing on lowering environmental impacts and optimizing social outcomes in the supply chain. However, the company also sells a considerable amount of products bearing the Max Havelaar Fairtrade label (Coop, 2014). Chocolats Halba, a division of Coop, produces chocolate and chocolate specialty products for retailers (mainly Coop) and the industry. They produce over 12,000

tons chocolate per year. The company was founded in 1933 but was merged to the Coop Group in 1972.

Chocolats Halba has been addressing sustainability issues for a long time and the company has developed one of the most comprehensive approaches to incorporate sustainability in most aspects of production, starting from the farmers. It has also launched its “Better Chocolate” initiative, which generates added value all along the value chain: for customers, consumers, cocoa farmers, the environment and climate and for Chocolats Halba itself. The company’s sustainability work is taken into account in these areas (Chocolats Halba, 2014): purchasing, origin, climate neutrality, packaging and employees.

Chocolats Halba has demonstrated its commitment to sustainability through a pilot project in Honduras, where together Helvetas Swiss Intercooperation, a private NGO, and a local farmers’ cooperative, they have joined forces to create a new and sustainable supply chain. This led to Chocolats Halba and Helvetas joining forces to construct a completely new and sustainable supply chain. Through this project, a direct link between cocoa farmers in Honduras and the Swiss company was established. Chocolats Halba has trained farmers in improved, organic farming practices and fermenting and drying procedures. They have received financial assistance and training to plant high value hardwood trees with the cocoa. In turn, Chocolats Halba buys their entire production to produce organic chocolate, Fairtrade and organic labelled, which is also labelled as Honduran cocoa. In fact, the packaging holds information on the farmers who have produced the cocoa. Chocolats Halba prides itself in having established a supply chain where the cocoa can be traced back to the farm where it came from (Chocolats Halba, 2014).

Conclusion

Although Switzerland’s chocolate industry is cemented on tradition, craftsmanship and quality, it has been resilient and flexible enough to weather several storms. Market forces

drove the industry to consolidate in the late 19th century and early 20th century. It was a survival strategy in the wake of wars, financial crisis and other external shocks taking place in Europe at the time. Yet the chocolate industry survived these crises and thrived. It is the most unlikely of success stories: a small alpine country, itself fragmented according to language and religion, and isolated from its bigger and stronger neighbors; and an industry that relies exclusively on the import of its very basic raw material. Even in the war years, with shortages and irregular flow of raw materials it relied on innovativeness to survive. In more recent times, consumer concerns on issues such as child labor in cocoa production has challenged the industry, that once again, has responded.

Food chains are rapidly evolving and serious actions towards making food production, logistics, processing and consumption more transparent and sustainable are taking place in the Swiss chocolate industry. The complex network of farmers, cooperatives, intermediaries, traders, exporters, buyers, processors, manufacturers, retailers, consumers and related service providers makes achieving transparency a real challenge. For a chocolate bar to be produced, hundreds of people across multiple national borders have been involved. Yet consumers are increasingly aware of the importance of being able to trace their products back to the farm, whether it's for their own consumer safety or to make sure that the cocoa beans are being produced in a sustainable and fair way. The demand for information about the origin of cocoa beans will only continue to increase in the next years.

The chocolate industry in Switzerland is clearly taking the necessary steps to increase transparency. Only a decade or so ago, these very same actors were coming under serious scrutiny because of lack of transparency in their operations. Consumers cringed at the thought of child labor in cocoa plantations while large corporations kept buying beans without taking serious measures to improve the living conditions in cocoa producing countries. "Business as usual" was no longer an option and the Swiss chocolate industry, that together with local partners, NGOs, governments, cooperatives, academics, and international bodies worked to

address these issues. Although there is still much to be accomplished, the first steps in the right direction have been taken.

Sustainability is however, an issue that requires concerted action to be achieved. In face of the great challenges in the cocoa sector in most producing countries, the sector is as vulnerable as it has ever been. The market prices for chocolate remain stable and demand is increasing – certainly good news for the chocolate industry, even though the increase in market prices hardly reaches small-scale farmers. Even with all the certification schemes out there nowadays, their situation improves only marginally. If they do not belong to some form of farmers' association or cooperative, the chances of becoming certified farmers is low. Problems associated with monoculture and lack of diversification, eroded soils, deforestation and water stress all affect yields. If farmers are unable to access new hybrids, their yields will continue to remain low while their plantations get older. Sustainable production methods need to be promoted along with certification efforts. Each one of the initiatives presented addresses one or several issues related to sustainability. Whether it's by building a Village Resource Center in Ghana to give farmers a better training or by promoting the use of mahogany in agroforestry systems in Honduras, all of these initiatives are favorably contributing to increased sustainability in the cocoa value chain. However, given the prospects of increased demand in the future, one thing remains certain—a lot more work needs to be done.

References

Bensen, A. 2008. 'A Brief History of Chocolate'. *Smithsonian Magazine*, March 1. Retrieved from: <http://www.smithsonianmag.com/arts-culture/a-brief-history-of-chocolate-21860917/>.

BSCI. 2014. 'The Business Social Compliance Initiative Code of Conduct'. Retrieved from: <http://www.bsci-intl.org/our-work/bsci-code-conduct>.

Candy Industry. 2014.

CAOBISCO. 2012. '2012 Annual Report of the Chocolate, Biscuits and Confectionary of Europe'. Retrieved from: http://caobisco.eu/public/images/page/caobisco-25062013115711-caobisco_annual_report_2012.pdf.

Chocolats Halba. 2012. 'Chocolats Halba Sustainability Report: Added Value through Sustainability'. Wallisellen, Switzerland.

Chocolats Halba. 2014. 'Chocolats Halba Sustainability'. Retrieved from: <http://chocolatshalba.ch/en/sustainability.html>

Chocosuisse. 2001. *Chocology: The Swiss Chocolate Industry Past and Present*. Berne: Vögel AG.

Chocosuisse. 2014. 'The Swiss Chocolate Industry in 2013' [Press Release]. Retrieved from: http://www.chocosuisse.ch/web/chocosuisse/en/documentation/press_release.html.

FLA. 2012. 'Sustainable Management of Nestlé's Cocoa Supply Chain in the Ivory Coast—Focus on Labor Standards'.

Retrieved from: http://www.fairlabor.org/sites/default/files/documents/reports/cocoa-report-final_0.pdf.

Frey. 2014a. 'About Frey: Facts and Figures'.

Retrieved from: <http://www.chocolatfrey.com/about-frey-w/facts-and-figures/>.

Frey. 2014b. 'Sustainability at Frey'. Retrieved from: <http://www.chocolatfrey.com/about-frey-w/sustainability-at-chocolat-frey/>.

Fromm, I. 2014. 'Organic Chocolate for the Swiss Market: The case of contract farming in the cocoa sector in Honduras'. In *Contract Farming for Inclusive Market Access*, Rome: FAO.

Hoffmann, B. 2013. 'Love Chocolate? 4 Reasons Why Nestlé's Cocoa Plan Is Not Enough', *Forbes*, May 22. Retrieved from: <http://www.forbes.com/sites/bethhoffman/2013/05/22/4-reasons-why-nestles-cocoa-plan-is-not-enough/>.

ICCO. 2012. 'The World Cocoa Economy: Past and Present'. Retrieved from: http://www.icco.org/about-us/international-cocoa-agreements/cat_view/30-related-documents/45-statistics-other-statistics.html.

ICCO. 2014. 'The Chocolate Industry: Who are the main manufacturers of chocolate in the world?'. Retrieved from: <http://www.icco.org/about-cocoa/chocolate-industry.html>.

ICI. 2014. 'International Cocoa Initiative, History and Mission'. Retrieved from: <http://www.cocoainitiative.org/en/about-ici/history-and-mission>.

IISD. 2014. 'The State of Sustainability Initiatives Review 2014: Standards and the Green Economy'. Retrieved from: http://www.iisd.org/pdf/2014/ssi_2014.pdf.

Joyce, R. A., and J. S. Henderson. 2010. 'Forming Mesoamerican Taste: Cacao Consumption in Formative Period Contexts'. In *Pre-Columbian Foodways Interdisciplinary Approaches to Food, Culture, and Markets in Ancient Mesoamerica*, edited by J. E. Staller, and M. Carrasco, pp. 157–173. New York: Springer Science and Business Media.

KPMG. 2012. 'Cocoa Certification: Study on the costs, advantages and disadvantages of cocoa certification' commissioned by The International Cocoa Organization (ICCO). The Netherlands: KPMG Advisory N.V.

Lindt & Sprüngli. 2014. 'Lindt & Sprüngli Corporate and Social Responsibility'. Retrieved from: <http://www.lindt.com/swf/eng/company/corporate-sustainability/>

Milojevic, M. 2013. *Evaluation of Transparency Practices in the Swiss Chocolate Industry*. Master's Thesis. Bern University of Applied Sciences.

Nestlé. 2013a. 'Nestlé Action Plan on Women in the Cocoa Supply Chain'. Retrieved from: <http://www.nestle.com/asset-library/documents/creating-shared-value/responsible-sourcing/action-plan-women-in-cocoa-supply-chain.pdf>.

Nestlé. 2013b. 'Nestlé in Society: Creating Shared Value and Meeting our Commitments 2013'. Vevey, Switzerland.

Nestlé. 2013c. 'Nestlé Responsible Sourcing Guideline'. Retrieved from: http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-responsible-sourcing-guidelines.pdf

Migros. 2014. 'Migros: Geschichte'. Retrieved from: <http://www.migros.ch/de/ueber-die-migros/geschichte/geschichte-slider.html>.

SAI. 2014. 'Sustainable Agriculture Initiative Platform'. Retrieved from: <http://www.saipatform.org/>

Schmid, H. R. 1985. 'Lindt, Rudolf, Neue Deutsche Biographie' 14: pp. 616–617. Retrieved from: <http://www.deutsche-biographie.de/pnd129429929.html>.

UTZ Certified. 2014. 'About UTZ Certified: Here's how UTZ Certified Works'. Retrieved from: <https://www.utzcertified.org/en/aboututzcertified/how-utz-works>.

Wey, A. 2006. 'How Swiss Chocolate Conquered the World'. *Swiss Review* 6: pp. 8–10.

WCF. 2014. 'World Cocoa Foundation: Our Approach'. Retrieved from: <http://worldcocoafoundation.org/our-work/our-approach/>.