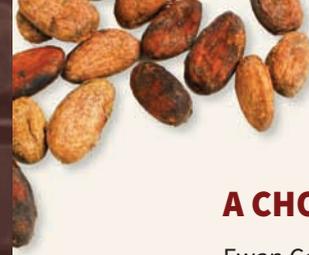


Fair Chocolate

by Renata Hopkins



There's a buzz of activity inside a warehouse in the Christchurch suburb of Sydenham. Metres of shining silver pipes are being used to connect equipment: gauges, pistons, conveyor belts, and steel tanks. But what's all this equipment for? Take a closer look, and you'll spot a major clue on one of the tanks – "Milk chocolate only". This warehouse will soon become one of the few places in New Zealand where fair-trade organic chocolate is manufactured.



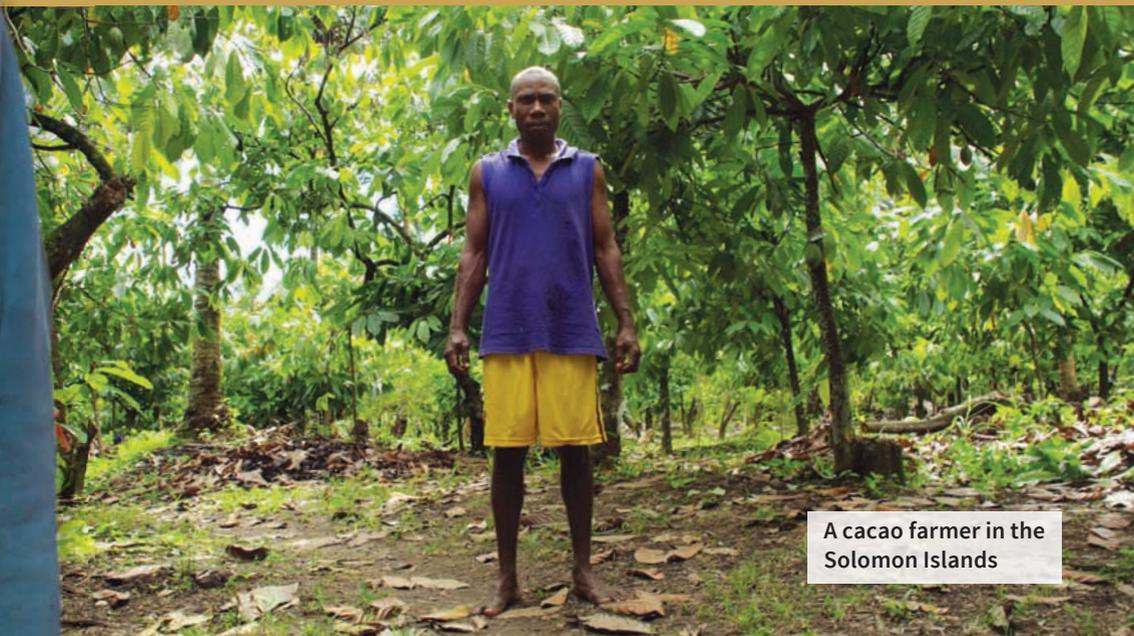
A CHOCOLATE FACTORY WITH A DIFFERENCE

Ewan Cameron works for a fair-trade company that started in Christchurch in 1973. He's part of a project team responsible for setting up the company's new chocolate factory and managing its budget. The team has the same financial aim as any other business: to make more money than it spends – in other words, a profit. However, the company Ewan works for is not for profit. This means that instead of using any profit to reward owners or **shareholders**, the company has a very different purpose: using its money to improve the lives of the people it trades with, all of whom live in developing countries.

FAIR TRADE

Caring about the welfare of the people you trade with is at the heart of the fair-trade movement. This is why fair-trade companies pay their trading partners the full cost of making or growing something rather than trying to bargain the price down to make a bigger profit. Matt Lamason, who runs a fair-trade company in Wellington, says, "Very high profits always come at the expense of someone else."

"Very high profits always come at the expense of someone else."



A cacao farmer in the Solomon Islands



“People need to understand the real cost of things.”

Ewan agrees. “It isn’t always good to get what you want for the cheapest price.” Fair-trade companies know this, but he thinks it’s something **consumers** need to be aware of, too. “People need to understand the real cost of things,” Ewan says. “If we’re going to eat chocolate, we need to pay enough for the cacao farmers to have sustainable farms and a decent life. If the farmers can’t survive on what they earn, they might walk off their land. And that’s not good for anyone.”

As well as paying a higher purchasing price, fair-trade companies pay their trading partners (who are usually in a **collective**) a share of the profits. They believe that redistributing wealth is another way of making the trade fairer. This money might be used to set up a school or a health centre, to build a central water supply, or to develop local businesses – all things that benefit an entire community. Ewan’s company also looks for ways to trade more directly with the farmers. This means that **commodity brokers** don’t take a cut. Instead, a much greater share of the profit stays with the farmers and their wider communities.

How Is Chocolate Made?

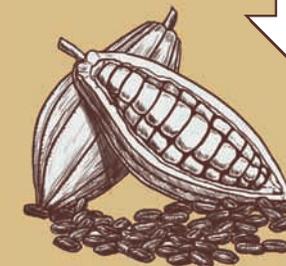
Your chocolate bar begins with a small tropical tree, *Theobroma cacao* (pronounced ka-KOW). The plant is native to Central and South America, although today, around 70 percent of the world’s cacao is actually grown in Africa, mostly in Côte d’Ivoire and Ghana. Cacao is also grown in large amounts in Indonesia, South America, and the Dominican Republic.

The fruit of the cacao tree is a ridged pod, shaped like a rugby ball. Inside this pod, thirty to forty seeds (or beans) are encased in a sticky pulp. After the fruit is harvested, the cacao beans are fermented and dried in the sun. Next, they are shipped to a factory to be processed into cocoa butter, cocoa liquor, or cocoa powder. These first two things are mixed with other ingredients – including milk, sugar, and vanilla – to make chocolate.

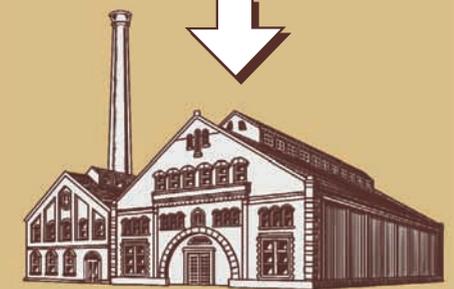
Chocolate is always conched and tempered. The conching process makes the chocolate so smooth that your tongue can’t detect any graininess. Tempering involves stirring, cooling, and slowly reheating the chocolate several times. This gives chocolate its attractive glossiness. When these steps are followed correctly, you can see how the cacao tree got its name. In Greek, “theobroma” means “food of the Gods”.



The fruit of the cacao tree (*Theobroma cacao*)



The cacao beans are fermented and dried in the sun.



The cacao beans are processed in a factory.





FAIR TRADE AND NEW ZEALAND MADE

Until 2012, all of the fair-trade company’s chocolate was made in a huge factory in Europe – by one of the largest chocolate manufacturers in the world. This made it difficult for the company back in New Zealand to keep track of where and how the cacao (the main ingredient of chocolate) was bought. Because direct trade with suppliers is an important principle of fair trade, the company was keen to develop a closer relationship with a cacao-farming collective in the Dominican Republic.

So the **board** began to look at a different way of working.

After researching costs, they estimated that chocolate could be made in New Zealand for 15–20 percent less. It all stacked up, and the move to New Zealand was made. Initially, the company contracted another factory to produce the chocolate for them. This decision quickly paid off. Because the chocolate was cheaper to make here, small bars could be sold for around a dollar less. Sales increased by 60 percent. Things were looking good ... but then there was a problem. Ewan explains: “Basically, the factory couldn’t keep up with demand.” Very few companies in New Zealand actually make chocolate from scratch. So finding another factory that could keep up wasn’t an option. This was when the fair-trade company began to consider a radical new possibility: opening its own chocolate factory.

“Basically, the factory couldn’t keep up with demand.”

NUMBER CRUNCHING

A project team investigated what it would cost to open a chocolate factory. The main start-up cost would be buying the plant (or equipment) for the factory. This equipment could be brand new or second-hand. Buying new would cost at least three times as much as used equipment. But buying used equipment came with a risk: how well did it work – and how could you ever know?

At just the right time, the project team had some luck. “We heard there was a chocolate factory for sale in Sydney and it was still being used,” Ewan says. “That meant we could check it out, which kicked us into action.” There was another bonus to this option. “Chocolate-manufacturing equipment is very specialised,” Ewan explains. “The machines that make solid chocolate bars are different from the ones that make bars with a filling.” The Australian factory had both. For Ewan, this meant the company could look at increasing income by increasing the range of products it sold.

Ewan travelled to Australia with a specialist engineer who checked the equipment and gave it the thumbs up. The project team then estimated the cost of breaking down the factory, shipping it to Christchurch, and setting it up. The figure wouldn’t blow the start-up budget, so a decision was made to buy the equipment.

The next task was to create an operational budget. This meant estimating all the expenses related to running the factory, like rent, power, maintenance, wages, and the cost of ingredients. The team balanced these expenses against a **sales forecast**. “We were lucky,” Ewan says, “because we could look at our sales history to see how things like price affected how much chocolate we sold.” This information helped the team to set targets. How much chocolate did they need to sell before they started to cover their costs – and make a profit?





A SWEETER RECIPE

Ewan and the team have done all their sums, but as opening day draws closer, they need to stay focused on the start-up budget, especially when money is being spent but none is being made. Inevitably, some costs have been higher than estimated, so Ewan's always looking for other places to make savings to ensure they keep within budget. And of course, he's looking forward to that magic time when the chocolate starts selling and the company starts to make money.

The chocolate bars, when they finally roll off the production line, will be the result of a truly international effort. For the farmers, the partnership with a company in far-off New Zealand represents a more hopeful future. The higher prices they receive for their cacao will allow them to plan more effectively for their farms, their families, and their communities.

For Ewan and the people he works with, this exchange goes beyond dollars and cents. They believe chocolate tastes a lot sweeter when the recipe includes a commitment to fairness, with fewer people losing out along the way. They also feel good about spreading the idea of fair trade and creating informed consumers.

"... we can make some amazing chocolate."

Ewan is excited about seeing the first chocolate bars – and not for the usual reasons. Every day brings them one step closer to production. "We're moving out of the assembly stage and can really see the final shape of the factory." He's confident that the end result will make all their effort worthwhile. "The farmers we work with produce quality ingredients. That means we can make some amazing chocolate." It's almost as simple as that!

GLOSSARY

board: a group of people who help to run a company

collective: a group of people who work together with the same aim

commodity broker: a person who buys and sells raw materials

consumer: a person who buys goods or services for their own use

sales forecast: an estimate of how much product will sell in a certain period of time

shareholder: a person who owns shares in a company and receives a part of the profit

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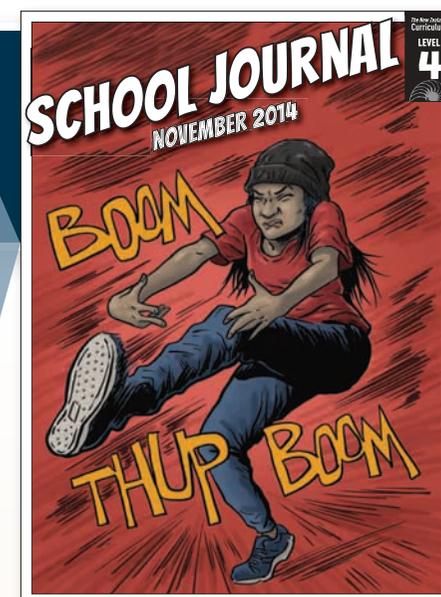
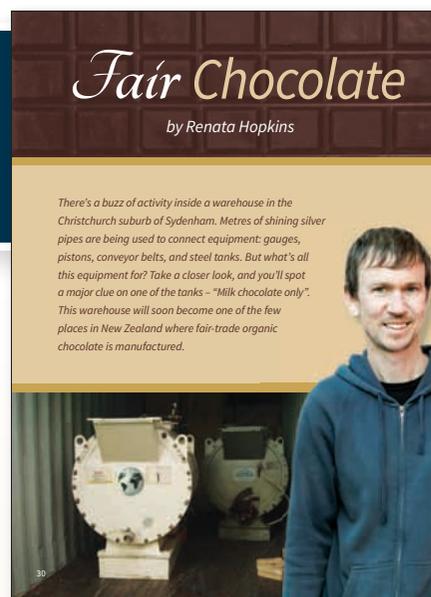
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