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“SLAVE LABOR IN THE BRAZILIAN COCOA”

The sixth issue of Monitor – a newsletter that publishes Repórter Brasil’s studies on supply chains – assesses farmers and workers rights in the Brazilian cocoa industry

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"Slave labor in the Brazilian cocoa"

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AN OVERVIEW OF THE INDUSTRY

BACKGROUND

Native to tropical forests in the Amazon, cocoa used to be cultivated by indigenous people before the arrival of Spanish colonists. In Brazil, the first known commercial plantations date back to the 17th century. The crop was originally established in the state of Pará, where modest production remained throughout the first centuries of colonization.

The great leap took place in 1746, when cocoa was introduced in Southern Bahia. Since then, Brazil has established itself as the world's largest producer and remained so until the 1920s. Virtually all the product used to be exported to the US and Europe.

The country is no longer a leader but remained a heavyweight in the cocoa industry until the 1980s, when a series of factors virtually caused it to collapse, especially increased production in Africa, lower international prices, and the arrival of witch's broom—

a pest that devastated plantations in Bahia.

After experiencing its worst days in the 1990s, cocoa cultivation started increasing again in the 21st century – not only in Bahia but also in the Amazon. Even so, current production does not reach 70 percent of the record harvests seen the 1980s.

PRODUCTION HUBS

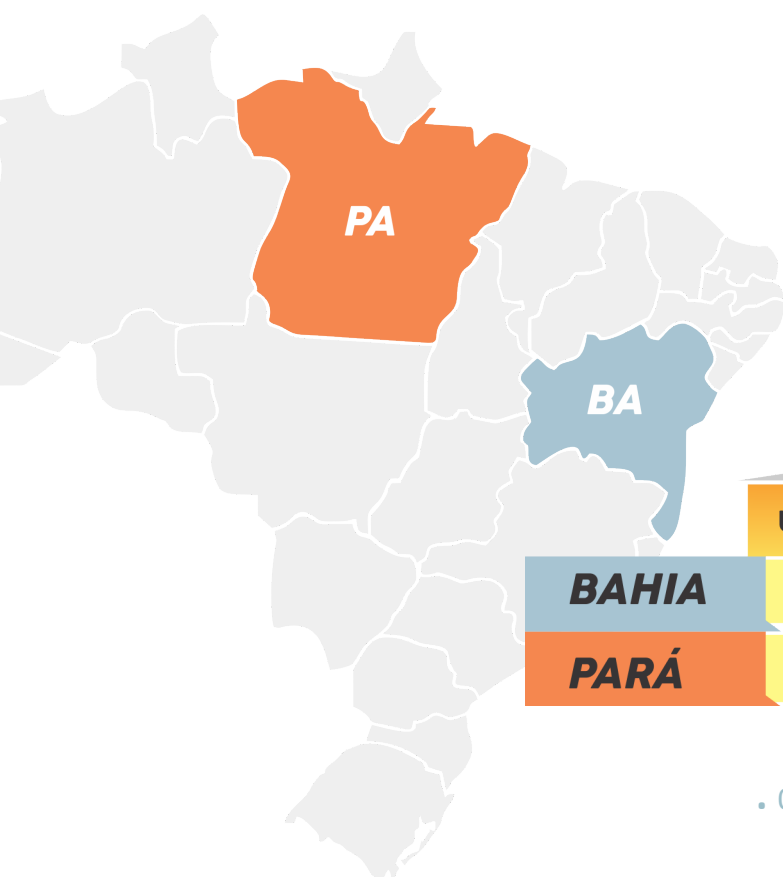
Currently, plantations in Pará and Bahia produce 95 percent of the cocoa harvested in Brazil. In 2017, the increase in the former state supplanted the latter's historical leadership. In the 2020 harvest, production in Pará reached 50 percent of the Brazilian total output while 45 percent came from Bahia.¹

All that occurs despite the fact that the area planted with cocoa in Bahia – 450,000 hectares – is three times larger than Pará's.² However, productivity

is now much higher in Pará, largely due to the local climate and lower incidence of pests.³

According to the last Agricultural Census, in 2017, Brazil had 93,000 rural properties dedicated to cocoa, the vast majority of which (74%) were located in Bahia's traditional production hub. Pará comes second with 18,000 farms planting cocoa trees.⁴

Data from the last Census did not include updated information on the sector's land profile. The previous Agricultural Census (2006), however, had already showed that the predominance of large rural estates and cocoa barons (known locally as 'colonels'), famous in Brazilian literature, were a thing of the past. Family farming has a significant share of cocoa farming in Brazil, especially in the Amazon. It accounts for 71 percent of the total production in Pará, compared to 33 percent in Bahia. Small and medium-sized properties prevail in the segment nowadays.



LAND PROFILE – COCOA PRODUCTION (2006)

	Up to 100 ha	100 a 500 ha	More than 500 ha
BAHIA	57%	35%	8%
PARÁ	63%	32%	5%

WORKING CONDITIONS AT PLANTATIONS

SHARECROPPERS AND PARTNERS

After the huge crisis that hit cocoa fields in the 1990s, a new way of managing labour gained momentum: the so-called partnership contracts.

Basically, they are arrangements where landowners grant the management of the cocoa trees in all or part of their property to landless farmers who will be in charge of all stages of cultivation. That includes preparing new areas for planting, seedling formation, pruning, fertilization, pest control, harvesting, separating beans, and primary processing, i.e. fermentation and drying.

The job requires hard work, virtually all year round. Partners do not receive any money; rather, they are entitled to sell part of the cocoa they harvest – usually around 50 percent. The rest must be handed over to the farm owner. Therefore, their income is variable and subject to business risks.

Partnership contracts are regulated by Brazil's 1964 Land Statute, which establishes that farm owners will provide partners residing in their rural properties with clean housing and areas for subsistence crops. In addition, partners are free to trade their share of production.

Owners' shares, in turn, depend on investments and inputs they provide. According to the law, to be entitled to the 50 percent usually practiced in cocoa, land owners must provide partners with prepared land and a basic set of facilities – for example, warehouses

– as well as seeds, machines, and agricultural implements.

But, in the actual rural world, there are many cases of non-compliance with these rules. One of the most common problems is landowners' imposing trading conditions and buyers with whom partners must negotiate the cocoa they harvest. Unhealthy housing is also common.

These are fraudulent partnerships, according to labour inspectors and members of the Labour Prosecution Service (MPT) who carried out several inspections and investigations. In these cases, partnership contracts would be only a way to mask partners' status as rural employees in everyday farming work. The arrangement is advantageous for employers as it reduces labour costs. In addition, the farm workers recruited by landowners bear a major share of the business's costs and risks.

Ultimately, cocoa maintains a large contingent of partner farmers, as well as their families, in situations of poverty and social vulnerability.

SLAVERY

In the most precarious situations, there are even cases of so-called 'partners' subjected to contemporary slavery.

A survey conducted by Repórter Brasil found that, between 2005 and 2019, at least 148 workers were rescued from cocoa plantations during federal inspections. The cases refer to eight different operations, four of them in Pará – in the municipalities of Brasil Novo, Placa, and Uruará – three in Bahia – in Uruçuca and Una – and one in Linhares, in Northern Espírito Santo state.

That is an insignificant share of the huge universe of 55,000 workers rescued in the country in the last 25 years. However, these cases may indicate a bigger problem. A joint study conducted by the International Labour Organization (ILO), the Labour Prosecution Service, and the research organization Papel Social shows that cocoa production in Brazil is poorly controlled. And, when labour inspectors actually go to the field, they find high rates of that crime.⁵

Slave labour cannot be seen as a mere violation of labour law. It is a crime that offends human dignity above all. According to Article 149 of Brazil's Penal Code – which provides for a penalty of two to eight years in prison in addition to fines – any of the following four elements is enough to configure exploitation of labour "in conditions analogous to those of a slave":



Forced labour:

People forced to work under threats of physical, psychological or geographical isolation;



Exhausting working hours:

Workers doing long hours that go far beyond overtime and endanger their physical health;



Degrading conditions:

People living in unhealthy housing, without access to PPE, decent food, or drinking water;



Debt bondage:

Workers tied to their jobs by illegal debts related to expenses on transportation, food, accommodation, and others.

Therefore, it is not defined only by restricted freedom. Slave labour is also employed by those who subject workers to conditions that harm basic dignity— including risks to life due to overexploitation or degrading conditions in terms of work, housing or food.

Degrading labour, in this context, has been the main element to characterize cases of contemporary slavery found in cocoa plantations. However, workers' reports also include debt bondage, coercion, violence, and torture.

CHILD LABOUR

The ILO, the Prosecution Service and Papel Social also say that child labour is a common practice in the industry, with research pointing to 8,000 children and adolescents still working in cocoa plantations all over Brazil⁶.

Parents often see the job as 'necessary' to meet their families' production and income needs. In this context, low prices paid by the buyer network is one of the causes of employment of children and adolescents. There is not enough money to hire temporary workers during harvest season – the

most labour-intensive stage.⁷

Young children are often found in plantations removing cocoa beans from fruits. Older children and teenagers also cut the fruit from the branches of cocoa trees, using machetes and straw baskets of up to 20 kilograms to carry what they have harvested on their backs.⁸

Unsurprisingly, school attendance and performance are affected in areas with strong presence of cocoa farming. Isolation of children on farms that are difficult to access, without public transport and served by poor roads, also contributes to school dropout.

ACCIDENTS, DISEASES, THREATS, AND TORTURE

A case of slave and child labour in cocoa plantations



"Sanitary facilities" available for workers



In 2008, a federal inspection on a large plantation in the town of Placa (PA) resulted in dozens of workers rescued. They all used to live within the plantation, in straw and tarpaulin shacks built by themselves – extremely precarious dwellings with dirt floors and no side protection. In addition to the workers, entire families lived there, including babies still in their parents' arms.

The farmers lived in those places and used to work without protective equipment, and many of them told labour inspectors about accidents caused by snakes, spiders, and scorpions. Others suffered from infections and leishmaniasis. There were no bathroom facilities on the premises. Drinking water was taken from completely murky streams and wells.

The inspectors found 30 children and adolescents aged 5-13 working on the farm. Their tasks included planting, pruning, harvesting and even pesticide application. A boy was permanently blinded in one eye after he stumbled and fell while carrying a 40-kg bag of cocoa. The owners of the property refused to provide any medical assistance, according to the boy's father.

Hired on a partnership basis, the farmers needed to bear all the costs of work equipment. To buy them, they took loans from a middleman with monthly interest of 6%. "The debt is to be paid in kilograms of cocoa, and workers often get indebted to buyers, going as far as compromising the production of the next harvest," says the inspection report. In addition, several partners described a climate of real terror imposed by the landowner. One

of them was said to have been threatened with a machete and expelled from his plot. According to him, the owner accused him of damaging the cacao trees with improper pruning.

Another partner was reportedly tortured for allegedly stealing 20 kilograms of cocoa. "Three gunmen brought him to the farm's headquarters and threw him into a room. They closed the door and put a 12-gauge shotgun in his mouth," according to the report.

During the inspection, two shotguns were seized at the farm's headquarters.

THE COCOA SUPPLY CHAIN

GLOBAL PRODUCTION

Brazil is a second-rate player in the global agricultural cocoa market. In estimates for the 2019/2020 harvest, the country appears as the world's 7th largest producer, accounting for only 4 percent

of the total output.⁹

Africa is the world's cocoa breadbasket. The continent accounts for three out of every four kilograms harvested annually. At the top of the list of producing countries, Côte d'Ivoire, with an area equivalent to 4 percent of Brazil's territory, produces more than 40 percent

of all the cocoa grown on the planet.

Brazil and Ecuador keep major shares of the Latin American regional market, which occupies a distant second place among the main producing hubs (18%).

PRODUCTION OF COCOA BEANS

(thousand tonnes)

	2017/18		* 2018/19		** 2019/20	
Africa	3496	75.2%	3624	76.4%	3693	76.6%
Cameroon	250		280		290	
Côte d'Ivoire	1964		2154		2180	
Ghana	905		812		850	
Nigeria	250		250		250	
Others	127		128		123	
America	836	18.0%	838	17.7%	853	17.7%
Brazil	204		176		190	
Ecuador	287		322		325	
Others	345		340		338	
Asia & Oceania	319	6.9%	283	6.0%	277	5.7%
Indonesia	240		200		200	
Papua New Guinea	36		40		35	
Others	43		43		42	
World Total	4651	100.0%	4745	100.0%	4824	100.0%

*Estimates; **Forecasts

"Source: ICCO Quarterly Bulletin of Cocoa Statistics, Vol. XLVI, N. 1, Cocoa. Year 2019/20"

BRAZILIAN EXPORTS¹⁰

Exports of cocoa and its products generated US\$ 305 million in Brazil in 2019. These are very low values compared to the ‘heavyweights’ of national agribusiness such as the Brazilian ‘soy complex’ (US\$ 34.8 billion exported in 2019), animal protein (US\$ 16.1 billion), corn (US\$ 7.3 billion), sugar (US\$ 5.2 billion), and coffee (US\$ 4.6 billion).

Only a tiny portion of the ‘cocoa

complex’— less than 1 percent— is exported in its raw form (beans). The largest share of foreign sales comes from semi-processed products, which are raw materials to manufacture chocolate and other products.

In 2019, semi-processed cocoa products accounted for 65.4 percent of the segment’s exports in terms of sales value. The main buyers were Argentina (39%), the United States (33%), Chile (11%), the Netherlands (8%), and Uruguay (3%).

Chocolates and other prepared foods, in turn, accounted for 34 per-

cent of exports. The main market for Brazil is Latin America —89 percent of foreign sales. Once again, Argentina appears as the largest destination (24%).

Bahia produces almost all of the cocoa products exported by Brazil — 98 percent of the sales. Chocolates distributed in the foreign market, on the other hand, have varied origins, especially São Paulo (35%), Minas Gerais (23%), Paraná (22%), and Espírito Santo (16%).

EXPORTS IN 2019 – PRODUCT TYPE	US\$	KG
Cocoa butter, fat, and oil	119.965.42	620.603.040
Chocolate and other food preparations containing cocoa	103.671.958	27.776.278
Cocoa powder, with no sugar or other sweeteners added	54.783.821	21.961.905
Cocoa paste, even defatted	24.981.842	8.157.664
Whole or broken cocoa, whether raw or roasted	1.860.857	490.843
Cocoa shell, husk, and other wastes	120.121	9.900

THE DOMESTIC MARKET

Despite the huge figures, sales abroad represent a minor share of business in the sector. The Brazilian Association of Cocoa Processing Industries (AIPC) estimates the product’s market generates R\$ 23 billion annually in revenues for the country,¹¹ most of which is related to domestic consumption.

In recent years, the domestic market has captured more than 95 percent of Brazil’s chocolate production, according to the most recent data compiled by the Brazilian Association of the Chocolate, Peanut and Candy Industry (Abicab).¹²

Brazilian cocoa plantations can-

not even supply the full capacity of local industries, which in 2019 imported 21 percent of processed beans.¹³

FROM CROPS TO SUPERMARKET

Cocoa goes a long way between farms and final consumers. After harvesting, beans are removed from fruits and, still in the rural properties, undergo fermentation and drying. After that, they are sent to mills.

However, middlemen are common between farms and mills. They buy beans from several small and medium-sized farms and sto-

re them. With raw material from different sources, they form larger batches that are later sold to the industry. In many cases, that trade involves more than one middleman and is informal, contributing to the lack of information about the origin of the grains crushed by the industry.

In the grinding stage, beans are crushed and transformed into a series of products —cocoa butter, powder, and liquor, among others. They are sold to food industries, where they are used to make chocolates and sweets. To a lesser extent, cosmetics and pharmaceutical items also use cocoa products.

Currently, only three multinational companies— Cargill, Olam,

and Barry Callebaut – control 97 percent of the purchase of beans and the grinding industry in Brazil.¹⁴ The factories are mainly concentrated in Ilhéus (BA).

Although more scattered, chocolate and sweet production leaders in Brazil are also multinational companies – Mondelez and Nestlé.¹⁵

CERTIFIED MARKET

A considerable portion of the cocoa produced globally comes from farms with good socio-environmental practice seals. Private certifications ceased to be a small niche for this market years ago. According to UTZ – the chief certifier in the sector – global cocoa sales approved by the organization reached 966,000 tonnes in 2018 – or 21 percent of the world's production for that year.¹⁶

Also in 2018, UTZ began merging its operations with Rainforest

Alliance, another leading certifier in the segment. Last year, Rainforest Alliance's and UTZ's programs, combined, covered more than 900,000 cocoa producers in 21 countries. In addition, they also involved 30,000 seasonal and permanent workers.¹⁷

The presence of certifiers in Brazil, however, remains low. Rainforest Alliance does not certify cocoa on Brazilian farms. UTZ certified only an estimated 7,000 tonnes in Brazil in 2019,¹⁸ or 4 percent of the country's production in the 2018/2019 harvest season and a very small portion – 0.6 percent – of the total certified globally by UTZ.

RIGHTS VIOLATIONS ON FARMS

This chapter describes three real cases of irregularities and labour conflicts found on cocoa farms – including an operation rescuing workers found by federal inspectors in conditions similar to slavery.

Repórter Brasil looked into the connections between those farms and the networks that supply the largest cocoa processors operating in Brazil. In addition, the fact that one of these properties is certified by UTZ is another topic addressed.



THE FARMS

Operating in several segments, including commerce and construction, the Chaves Group is also one of the most traditional cocoa producers in southern Bahia. Its subsidiary company Chaves Agrícola e Pastoril Ltda controls dozens of rural properties producing cocoa in municipalities such as Pau Brasil, Itajuípe, Itabuna and Ilhéus.

THE PROBLEMS

In September 2017, a federal government inspection rescued nine slave workers at the Diana Farm, one of the properties controlled by Chaves Agrícola e Pastoril Ltda in Uruçuca (BA).

According to the inspectors, they used to work in degrading conditions due to poor hygiene in dormitories and houses. The precarious facilities did not even have bathrooms. Workers had to relieve themselves in the open air and bathe in a pond with still and murky water. For cooking, they used water from a well with fish and tadpoles that did not undergo any treatment before consumption.

The workers never had employ-

ment contracts with the company or receive protective equipment. As reported, their earnings were proportional to what they produced –R\$ 350.00 per month on average. When there was no harvest, they were left without any pay.

These farmers worked under partnership contracts signed with the company. To tend the plantation, they received, in addition to housing, 45 percent of the sales of cocoa from the areas under their care. But they were not free to sell their shares. According to the inspectors, they had to trade the beans exclusively with a person appointed by the Chaves Group, for prices that were below market values.

Once a week, partners had to provide free services in the owner's exclusive area as a counterpart contribution to pay for electricity in their homes.

As a result of the rescue operation, in April 2020, Chaves Agrícola e Pastoril Ltda was included in the 'dirty list' of slave labour – the federal government register that lists employers caught perpetrating that crime.

This was not the only case where the company was blamed for poor conditions in its plantations. In 2016, another lawsuit filed by the Labour Prosecution Service had already pointed out a degrading situation in terms of housing and

working, involving 120 workers on farms that belonged to Chaves Agrícola and Pastoril.¹⁹

Repórter Brasil tried to contact the Chaves Group, unsuccessfully.

SUPPLY CHAIN

According to inspectors that found slave labour at the Diana Farm, plantation management through partnership contracts was also common practice in other properties of the group. Partners' products were traded with various middlemen in the municipalities where the company owned farms.

Repórter Brasil had access to documents and testimonials about the business of these intermediaries. They confirm that, at the time of the rescue operation at the Diana Farm, at least two large multinational mills – Barry Callebaut and Olam – bought cocoa from a middleman supplied by the Chaves Group's farms.

CERTIFICATION

The investigation also found that several properties belonging to the Chaves Group – including the Diana Farm, where the slave labour case was found – received the UTZ seal of good practice. According to

UTZ, these farms were certified in 2018, that is, months after the problem was found. The organization also said that there are no property of the Chaves Group holds the seal nowadays. UTZ did not say when they ceased to be covered by the certification, nor did it mention the reasons that led to the loss of the certificate.

Repórter Brasil also asked whether the Diana Farm or any other property belonging to the Chaves group was audited by UTZ, whether or not they found labour irregularities. "Due to the Certification Protocol, of all the information requested we can confirm only the name of the farms and their certification status, which is currently inactive," the organization said.

In addition to granting the seal to individual farms, UTZ also adopts a different type of certification known as 'group certification.' Under this model, a company, cooperative or association that does business with a group of farms is responsible for ensuring that good practice standards are enforced in those properties.

The Diana Farm, like the other farms of the Chaves Group, received the UTZ seal as part of a group managed by Olam Agrícola.



THE SETE VOLTAS AND BOA UNIÃO FARMS



Workers' place of residence

Water tank used by workers

THE FARMS

Both farms are located in Ilhéus (BA). The 200-hectare Boa União Farm is owned by Mário Raymundo Nascimento Reis, while the Sete Voltas Farm belongs to Margaret Victoria de Castro.

THE PROBLEMS

In December 2018, a team of labour inspectors and prosecutors inspected both farms. They did not define the situation as slave labour, but they did identify a number of other irregularities, including workers subjected to poor housing conditions, being paid below the minimum wage, without access to mandatory protective equipment or drinking water.

The Sete Voltas Farm employed two workers without regular contracts. They worked on an informal partnership regime, giving the owner 50 percent of the production under their care. In the house where they

lived, inside the farm, there were no showers or toilets. When questioned, the workers reported that they used to relieve themselves in the bush, bathed in the river, and drank muddy water from a well.

The scene was similar at the Boa União Farm. Farmers did not have access to protective equipment – not even for applying pesticides – and sanitary conditions were classified as ‘inhuman’ by the inspection. They had also established partnership contracts, receiving half of the production.

However, they were not free to trade their cocoa to any buyer they chose. They had to do it with a middleman appointed by the farm’s owner, even though, according to the inspection, some of the workers resisted this arrangement and questioned the prices paid by the buyer imposed on them.

In a statement to Prosecutors, the farm owner confirmed that his partners had to sell cocoa to the middleman of his choice in order to

avoid stealing. He also stated that he did not authorize workers to plant other crops to avoid diverting attention from cocoa – and did not allow them to work in other places during the off-season – as they had activities to do such as clearing and pruning cacao trees.

Repórter Brasil was unable to contact the owners of the Sete Voltas and Boa União farms.

SUPPLY CHAIN

Workers from both farms sold the cocoa they harvested to the same middlemen. In a testimony to the Prosecutors in the month of the inspection, that middleman confirmed that he sold the product directly to the three largest mills with industrial-scale operations in Brazil: Barry Callebaut, Cargill, and Olam.

THE MILLS

The country's three largest cocoa processing companies were asked about their views on the labour problems found on the farms mentioned in the previous chapter. **Their answers were as follows:**



THE COMPANY

Founded in 1989 and based in Singapore, Olam is one of the largest global traders of agricultural products. It has a major presence in cocoa, coffee, cotton, nuts, and spices trade. In Brazil, it buys cocoa in Pará and Bahia. Since 2015, it has controlled an important bean processing plant in Ilhéus (BA)

THE COMPANY'S STANCE

Repórter Brasil asked Olam about its connections with the Chaves Group. It also questioned the company about its relationship with middlemen linked to the Boa União and Sete Voltas farms. In addition, questions were also sent about cocoa's traceability – for example, if the company knows the origin of the production traded through middlemen.

The company did not answer the questions directly but it sent the

following statement:

“As detailed in our Cocoa Compass strategy,²⁰ we are committed to a supply chain in which producers can earn their income and in which children are protected. We have robust policies and monitoring systems to safeguard human rights and work closely with our suppliers to ensure they comply with the Olam Supplier Code. If we find any evidence that a supplier is not complying, we take it very seriously and investigate it thoroughly.”



THE COMPANY

Swiss multinational company Barry Callebaut is a world leader in the manufacture of cocoa and chocolate products. It operates in more than 140 countries and has 62 industrial plants. Two mills are located in the state of Bahia – in Ilhéus and Itabuna. It also operates a chocolate factory in Extrema (MG) that makes ‘Sicao’ – the group’s regional brand.

THE COMPANY’S STANCE

Barry Callebaut has informed Repórter Brasil that it has not received cocoa from the Chaves Group since July 2019, that is, their business relationship was interrupted two years after the slave labour case. The company said that termination occurred after violations of its supplier Code of Conduct were found.

Regarding its commercial relationship with middlemen, the company stated that, for competitive reasons, it does not publicly disclose its suppliers.

We also asked if Barry Callebaut is

aware of all farms that supply cocoa through middlemen. The company answered that it is setting a traceability system to identify the source of the beans purchased through this route. It also said that its plans for Brazil include expanding direct purchases from farmers.

In addition, the company described other actions taken to prevent violations of human and labour rights in its supply chain. For example, all suppliers need to sign a Code of Conduct providing for good practices. Barry Callebaut also reported restricting business with employers on the ‘dirty list’ of slave labour.



THE COMPANY

One of the largest global agribusiness conglomerates, Cargill operates in the trade and processing of several commodities. It is one of the world leaders in the cocoa and chocolate segments. It has controlled a mill in Ilhéus (BA) since the 1980s and it purchases beans at production hubs in Pará and Bahia, in addition to buying part of the raw material processed in Brazil.

THE COMPANY'S STANCE

Cargill informed that the Boa União and Sete Voltas farms are not among its direct suppliers, and that "it is not aware of how these farms market their products."

The company did not say whether it knew the origin of the cocoa purchased through middlemen. In the past two years, however, it claims to have opened four new warehouses to expand direct purchases. "Today, more than 20 percent of what Cargill buys comes directly from producers, and our goal is

to close this fiscal year (May/21) with 30 percent of direct purchases," says the company.

The multinational also said it was committed to achieving zero child labour in its cocoa supply chain by 2025. It also said that, when its suppliers are identified as being in the 'dirty list' of slave labour or charged in lawsuits filed by the Prosecution Service, the company takes measures to suspend them immediately.

"We demand that our suppliers and partners join us and consider people's safety, well-being and dignity as their top priorities," says Cargill.

CHOCOLATE MULTINATIONALS

As leaders in the Brazilian chocolate market, multinational companies Nestlé and Mondelez are key buyers of cocoa products manufactured by Cargill, Olam and Barry Callebaut. As a result, Repórter Brasil also asked both of them about the cases found on the farms, and about their policies regarding product origin.



THE COMPANY

Nestlé is one of the world's largest food and beverage companies. It operates in 191 countries where it sells its products under more than 2,000 brands. Nestlé do Brasil's chocolate product portfolio includes market leaders such as Alpine, Batom, Prestige, and KitKat. The company also owns Garoto Chocolates, a Brazilian brand that merged its operations with Nestlé.

THE COMPANY'S STANCE

Nestlé claims to have a strict traceability process to exclude non-compliant suppliers. According to the multinational, this was effectively done in the case of the Chaves Group. "We no longer receive cocoa products made with beans from properties of that group," the company says.

Nestlé sustains that all properties sanctioned for employing slave-like labour are excluded from the global

program Nestlé Cocoa Plan (NCP). This would be a responsible farming initiative. It covers farmers, cooperatives and agricultural partners. "Applicants undergo checking on official databases, which include clearing labour-related debts," says the multinational.

The company also says that inspections are conducted in its supply chain by its own staff as well as independent auditors. Finally, it stressed that it does not buy cocoa beans from farmers or middlemen, but rather products such as liquor, powder, and butter from mills.

THE COMPANY

Mondelez is a US-based multinational company operating in more than 150 countries. Its Brazilian operation is the fourth largest in global terms. It has two industrial parks producing chocolate in the country – one in Curitiba (PR) and the other in Vitória de Santo Antão (PE). Mondelez's Brazilian line of chocolates includes brands such as Bis, Diamante Negro, Ouro Branco, Sonho de Valsa, and Toblerone.

THE COMPANY'S STANCE

Mondelez did not answer Repórter Brasil's questions about the possible acquisition of inputs coming – even if indirectly – from the Chaves group or from the Boa União and Sete Léguas farms. Nor did it answer the question about the percentage of cocoa purchases of which it knows the original farm.

However, it sent a note stating that “together with partners, government and other companies in the sector, Mondelez International has been working on

the sustainability of supply chains of different inputs, particularly cocoa.”

According to the company, supplier contracts prohibit purchasing cocoa from farms that employ slave or child labour. “The traceability of beans is intended to ensure compliance with the respective codes of conduct, and non-compliance may lead to contract termination. With our global cocoa sustainability program – Cocoa Life – we aim to expand the network of producers in Brazil to ensure more assertive monitoring of the entire chain,” says the multinational company.

CONCLUSIONS

WORKING CONDITIONS

Violations of basic labour rights are still common in Brazilian cocoa plantations. In more serious cases, contemporary slavery – mainly due to degrading housing and hygiene conditions – and child labour can also be found.

It is true that cases of child or slave labour are less frequent in cocoa in comparison with other agricultural segments such as livestock and coffee. However, cocoa is also under less supervision. Increase in inspections advocated by agencies such as the ILO and the Labour Prosecution Service may change perceptions about the magnitude of the problem.

In this invisibility scenario, massive dissemination of partnership contracts helps to mask poor conditions imposed on workers. In many cases, fraudulent use of the system is evident. Those contracts are used to cover up what, in farms' everyday life, are typical employer-employee relationships.

Several examples show 'partners' who lack autonomy and other legal safeguards under this system while earning incomes below the minimum wage and being excluded from labour protection rules provided by formal contracts.

TRACEABILITY

In Brazil, the worst forms of labour exploitation in rural areas are associated with long supply chains, where raw materials pass through several owners and industrial processes between farms and final consumers. Cocoa is no exception.

Between farms and mills, a key figure emerges in the cocoa supply chain: middlemen. Most of the beans harvested in Brazil pass through them on their way to the three multinationals that control grinding.

It is a very scattered and regionalized market. It includes even small buyers who sell their cocoa to larger traders before the product reaches the industries.

Part of this trade occurs informally, without any official registered transaction. In this scenario, it is safe to say that a large part of today's cocoa production reaches industries without any information of origin – and, therefore, without any kind of effective monitoring of labour conditions in plantations.

CORPORATE POLICIES

The cases found by Repórter Brasil show that the three large cocoa processing industries – Barry Callebaut, Cargill, and Olam – are exposed to violations of labour rights and even to cases of slave labour in their business chains. Especially, of course, in supply chains that involve middlemen.

Among other prevention and monitoring measures, Barry Callebaut and Cargill said they consulted the 'dirty list' of slave labour to restrict business with employers caught perpetrating that crime. The practice is largely ineffective when there is no information about indirect suppliers – that is, those who supply the company through middlemen.

None of the companies provided effective evidence of the traceability of cocoa coming from middlemen. And only Cargill disclosed data on the percentage acquired directly from farms – between 20 and 30 percent, according to the company.

Consequently, in addition to the mills, the lack of traceability also exposes the other links in the supply chain to the various violations found in the sector, including chocolate manufacturers, food retail, and final consumers.

CERTIFICATION

One of the cases of slave labour described in this report – the Chaves Group – occurred precisely on a farm that, according to Repórter Brasil's findings, obtained the seal of good practice from UTZ, the world's largest cocoa certifier.

It was not the first time that landowners linked to UTZ were held responsible for employing slave labour in Brazil. In recent years, similar cases have already occurred in coffee plantations in southern Minas Gerais.²¹

The seal was granted to the Chaves Group months after the slavery case was found. Asked about it, UTZ stated that the group's certification was no longer active but did not provide any answer about the date of its cancellation, the reasons involved or possible labour irregularities found by its internal audits.

In addition, there is still general lack of transparency on UTZ certified farms – a problem already addressed by Repórter Brasil in other reports.²² The company does not disclose the list of all rural properties covered by its certification.



NOTES

AN OVERVIEW OF THE INDUSTRY

1 IBGE, Systematic Survey of Agricultural Production: <https://sidra.ibge.gov.br/>

2 Ibid

3 Globo Rural, “Pará retoma liderança na produção brasileira de cacau, com a união de agricultores”: <https://g1.globo.com/economia/agronegocios/globo-rural/noticia/2019/11/03/lideranca-na-producao-brasileira-de-cacau-volta-para-casa-no-para-com-a-uniao-de-agricultores.ghtml>

4 IBGE, 2017 Agricultural Census: <https://www.ibge.gov.br/estatisticas/economicas/agricultura-e-pecuaria.html>

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5 “Cadeia Produtiva do Cacau - Avanços e desafios rumo à promoção do trabalho decente: análise situacional”: https://www.ilo.org/brasil/publicacoes/WCMS_748400/lang--pt/index.htm

6 Ibid

7 Ibid

8 Ibid

THE COCOA SUPPLY CHAIN

9 ICCO Quarterly Bulletin of Cocoa Statistics, Vol. XLVI, No.1: https://www.icco.org/about-us/international-cocoa-agreements/doc_download/4566-production-qbcs-xlvi-no-1.html

10 <http://comexstat.mdic.gov.br/>

11 AIPC, Quem Somos: <http://www.aipc.com.br/>

12 Abicab, Statistics: <http://www.abicab.org.br/paginas/estatisticas/chocolate/>

13 AIPC, Monthly received cocoa: <http://www.aipc.com.br/site/wp-content/uploads/2020/01/Recebimento-Cacau-2019-JANEIRO-a-DEZEMBRO.pdf>

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15 Euromonitor, “Chocolate Confectionery in Brazil”: <https://www.euromonitor.com/chocolate-confectionery-in-brazil/report>

16 Cocoa Annual Report 2018, UTZ Program: https://utz.org/wp-content/uploads/2019/06/Cocoa-Annual-Report-2018_UTZ_EXTERNAL.pdf

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18 Ibid

RIGHTS VIOLATIONS ON FARMS

19 <https://agenciabrasil.ebc.com.br/geral/noticia/2016-05/mpt-bloqueia-fazenda-que-mantinha-120-trabalhadores-em-condicoes-degradantes>

THE MILLS

20 Cocoa Compass is the Olam's group sustainability program: : <https://www.olamgroup.com/products-services/olam-food-ingredients/cocoa/sustainability-in-cocoa.html>

CONCLUSIONS

21 Two examples published by Repórter : “Fazenda de café certificada pela Starbucks é flagrada com trabalho escravo”: <https://reporterbrasil.org.br/2018/08/fazenda-de-cafe-certificada-pela-starbucks-e-flagrada-com-trabalho-escravo/> e “Nespresso e Starbucks compraram café de fazenda flagrada com trabalho escravo”: <https://reporterbrasil.org.br/2019/04/nespresso-e-starbucks-compraram-cafe-de-fazenda-flagrada-com-trabalho-escravo/>

22 Repórter Brasil, “Café Certificado, Trabalhador sem direitos”: https://reporterbrasil.org.br/wp-content/uploads/2016/12/Cafe_PT_Web.pdf