



Hon. Anna Caballero  
Chairperson  
Senate Appropriations Committee  
California State Capitol  
Room 412  
Sacramento, California 95814

**Re: AB381 (Stefani) – State Contracts: certification and process - SUPPORT**

Dear Chairperson Caballero:

Tony's Chocolonely, an international chocolate brand with operations in the United States and sales in more than sixty countries, supports passage of AB381, now before your committee. We believe it should be considered and passed by the Senate and forwarded to the governor for signature as quickly as possible.

This is legislation with a mission; to use the purchasing power of the state of California to combat human trafficking, forced and child labor. Likewise, we are a corporation with a mission; to end abuses in the cocoa supply chain including utilization of exploited child labor in Ghana and Côte d'Ivoire where more than 60% of the world's cocoa is produced.

Founded only in 2005, we have made it a core part of our work to identify and eliminate child labor in our supply chain. Because child labor in the world of cocoa is an economic response to the poverty born by cocoa farmers in West Africa, we have invested millions of dollars in eradicating cocoa farmer poverty and eliminating the lure of resorting to child labor through paying higher prices to farmers, signing long-term contracts with them, improving the quality and productivity of their farms and the cooperatives to which they belong and tracing all the beans they produce. Our due diligence system is second to none.

Our efforts have paid off. The industry average for child labor in the supply chain is 46 percent; at Tony's it is often below four percent at the cooperatives which have been

with us the longest. At the same, we actively seek to discover if there is also forced labor in our supply chain and to date, we have found none, although we spend resources in this area of inquiry as well.

Despite the costs associated with these efforts, we have expanded greatly over the past two decades. We have expanded our supply chain from just above 9,000 farmers a few years ago to over 34,000 today. We have achieved double digit growth over the past five years with our sales in the United States leading the way. Globally we have grown from just over \$2 million in revenue twelve years ago to over \$200 million today. Our global share of the chocolate market is rising.

Clearly, having a mission orientation is no bar to commercial success and making investments in this area is no bar to economic growth. For all these actions, *Time Magazine* just named Tony's one of the world's 100 most influential companies.

That is why we feel especially qualified to support AB381. Our business trajectory and our success is a real-world response to some of the arguments you might hear as to why the state should not update its own law. Among the arguments that might be raised with you but our example refutes are:

- **Cost** – Simply put, the cost of due-diligence is nominal. In our case, the cost of traceability/due diligence of the input product (cocoa beans) amounts to about \$0.00019 per ounce of chocolate; a rounding error not affecting the price of the final product. While other end products might have different supply chain complexities, the result will be the same when it comes to adding cost to the product purchased and cost to the state for purchasing.
- **Scalability** – Due diligence systems are based on technology which makes them eminently scalable. In our case, we have rapidly grown our supply chain in the past few years, adding cooperatives, purchasing companies, local processors, international exporters, international processors and co-manufacturers to our system. In each case, the technology-based product we use scales up to accommodate the growth.
- **Never Been Done** – While it is true that no governmental entity has enacted legislation like this (although AB381 simply expands existing law), the fact is that due diligence is being conducted every day. There are numerous NGOs that engage in this area. There is an ecosystem of consultants and technology providers assisting with certification of product globally. Most large manufacturers already have in place programs to track their purchasing focusing on identifying supply chain abuses such as deforestation or exploitative labor. To the extent that these manufacturers are currently supplying goods to the state, California is

paying already for the costs associated with these contracts whether it has realized it or not. Due diligence is currently being done and the state can build on the work now being performed.

There are also a number of other good reasons to enact this legislation. If signed into law, the legislation evens the playing field for companies who already undertake due diligence in their supply chain versus those that do not and who may therefore have an undue economic advantage in the state marketplace. The bill also subtly shifts the procurement system toward local producers and away from non-California ones as the kinds of wrongs identified in the bill are less likely to exist in-state than out. Finally, the bill has economic development attributes as studies show that local procurement benefits in-state communities predominately via increased employment, higher wages and greater tax revenue.

For all of the above, we urge swift consideration and enactment of the bill.

Sincerely,

Barry Schumacher  
Public Policy Lead, U.S.