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Kellogg and Wilmar International: A Partnership Under Fire

It was a chilly morning in December when Diane Holdorf awoke with a start. She exhaled a sigh of relief as she realized that it was Saturday morning, and she was quietly tucked away in the respite of her Michigan home. Her nightmares about work could be laid to rest for a moment at least. The past few months had been rocky for the Kellogg Company, and Holdorf, as Kellogg's chief sustainability officer, had been suffering from restless sleep. Building its brand on a wholesome reputation, the Kellogg Company had been producing cereal and snack foods for the past 100 years. The company did not want to lose its dominant market position due to the controversies surrounding its joint venture partner Wilmar International.

In June 2013, the World Wildlife Fund had released a report charging Wilmar with processing palm oil illegally grown in Indonesia's Tesso Nilo National Park.[1] Shortly after the report was published, Wilmar was slammed with another accusation. It was allegedly connected with huge slash and burn fires, a practice of burning down forests to make room for new palm oil plantations. The Roundtable on Sustainable Palm Oil discouraged such practices, and as a member Wilmar was in hot water.

Momentum behind the Kellogg-Wilmar criticisms was building. The month before, protestors rallied against the Kellogg-Wilmar partnership outside Kellogg's headquarters in Battle Creek, Michigan. Wilmar's reputation was not in line with Kellogg's social responsibility goals. Yet the partnership with Wilmar, which was formed in September 2012, provided important access to the profitable Chinese market.

Just a few weeks before Christmas, CEO John Bryant requested updates from several Kellogg departments on the issue. Holdorf would be speaking with Bryant Monday morning, and she was expected to advise him on the current situation. Her suggestions would help guide Kellogg's strategy surrounding the Wilmar partnership in the new year.

In addition to its problematic connection with Wilmar, Kellogg had hit a bout of bad luck in recent years. The recession of 2008 had forced the company to downsize. The cereal business seemed threatened; sales were slumping in North America, and although Kellogg recently invested in "on the go" breakfast products, traction was gaining only slowly.

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