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A Sweet Dilemma: Sourcing Palm Oil with Ferrero SpA and Nestlé

There were not enough Nestlé Laffy Taffy candies in the world to put a smile on Zeta Farini'sⁱ face after seeing this headline: *Nestlé suspended from sustainable palm oil group following conduct breaches*.¹ Less than two months previously, in May 2018, Farini, as head of the acquisitions due diligence team of Ferrero SpA, had helped the Ferrero Group purchase Nestlé's U.S. confectionery brands. She was devastated to see the company's newest purchase becoming a magnet of unfavorable media. Ferrero was a family company that touted its strong values of integrity and protecting human rights, and it was committed to sourcing 100% sustainable palm oil, an important ingredient in many of its confectionery treats. So, Nestlé's alleged inability to source palm oil sustainably called into question how true to its values Ferrero really was. Whether the removal of Nestlé from the Roundtable on Sustainable Palm Oil (RSPO)ⁱⁱ was initiated for valid reasons or not, it had happened in Ferrero's backyard.

Farini had worked with Giovanni Ferrero, the executive chairman of the Ferrero Group, to take over the U.S. brands. The two assured the board that this acquisition would give Ferrero a fighting chance in the American markets. What they had not thoroughly acknowledged was the degree to which Nestlé was constantly facing scrutiny from environmentalists around the world about its palm oil, a major ingredient in candy-making.

Now, in a matter of minutes, Giovanni Ferrero himself would be ringing Farini's line, expecting an explanation about why this two-month-old acquisition was tainting the image of the Ferrero family. The acquisition strategy had already been contentious, as Giovanni's late father, who previously ran the company, was opposed to focusing on acquisition rather than native brand development to build Ferrero. Now the acquisition strategy, and therefore the leaders' reputations, were at great risk.

ⁱ Zeta Farini is a fictional character.

ⁱⁱ The RSPO is a not-for-profit group that develops and implements global standards for sustainable palm oil. It includes stakeholders from the seven sectors of the palm oil industry: oil palm producers, processors, and traders, plus consumer goods manufacturers, retailers, banks/investors, and environmental and social non-governmental organizations.

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