

ABSTRACT

Title of thesis: SUGAR ALLIES: HOW HERSHEY AND COCA-COLA USED GOVERNMENT CONTRACTS AND SUGAR EXEMPTIONS TO ELUDE SUGAR RATIONING REGULATIONS

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In 1927, Hershey Chocolate Corporation and Coca-Cola struck up a business relationship based on sugar sales. Hershey Corporation supplied Coca-Cola and Hershey Chocolate Corporation with sugar through a common broker. During World War II, companies such as Hershey and Coca-Cola faced severe sugar shortages that could potentially ruin their companies. Both companies used their ability to influence government policies in order to receive the goods they needed to maintain production levels while increasing profits. Through their corporate connections and strong lobbying efforts, Coca-Cola and Hershey used the government's willingness to write contracts to ensure that they did not suffer a loss in profits or lower production levels due to the war. This government aid provided both companies with a chance to expand on a global scale in the post-war years. Coca-Cola took advantage of the opportunity by expanding worldwide, while Hershey chose to expand within the domestic market.

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CONTRACTS AND SUGAR EXEMPTIONS TO ELUDE SUGAR RATIONING
REGULATIONS

by

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Preface:
The Rise of Corporate Influence on the United States Government 1900-1950

At the beginning of the twentieth century, big business had already established itself as a major player in the creation of United States government policy. Throughout the early part of the twentieth century, big business continued to influence government policy, particularly in times of national crisis. Hershey Chocolate Corporation and Coca-Cola Company were no exception. Both companies displayed their ability to influence government policies in order to receive the goods they needed to maintain and increase production levels during a time of sugar shortages while increasing their profits and influence worldwide. Through their corporate connections and strong lobbying efforts, Coca-Cola and Hershey used the government's willingness to write contracts to ensure that they did not suffer a loss in profits or lower production levels due to the war.

Before Hershey or Coca-Cola became key players in U.S. government policy, J.P. Morgan forged the "golden age of business autonomy" where CEOs proved themselves as great builders and leaders within American communities while the government stood by waiting to either squelch or embrace such corporations. Firms such as J.P. Morgan encompassed a series of corporate networks that pervaded American business throughout the late nineteenth and early twentieth centuries. These networks included three key components: 1) several competing firms merged into a single company or a trust; 2) out of this trust a new company formed via an equity market; 3) the degree of responsibility for the credit worthiness of financial transactions relied on the number of seats on the board of directors held by members of other organizations to exert control over the

company.¹ This system, however, became the target of government investigation. In 1912, the Pujo Commission investigated the interlocking directorates within Morgan's Trusts. It revealed that the three large banks under Morgan's control held a total of 341 positions on the boards of directors of 112 other companies. Out of these positions, 118 were in other financial institutions, 105 were in 32 railway lines, 30 positions in 10 insurance companies, 63 positions in 24 industrial companies and 25 positions in utility companies.² Morgan continued to deny that he controlled his competition arguing that one cannot control money. The Pujo Committee dismissed these arguments, prompting the government to extinguish such elaborate efforts to control various companies and influence on public officials, thus bringing about an era of trust busting.³

During the Pujo hearings, Samuel Untermyer asserted that concentration and combination of board members for different companies and organizations resulted in a single companies control over several other companies and organizations, including the government. Such networks resulted in a lack of competition for any company engaging in such activities.⁴ If nothing else the Pujo committee revealed the extensive influence of corporations on other businesses as well as the government. The results of the Pujo committee forced government officials to take a long hard look at the influence of corporations on public policy and many called for more government regulation of businesses.

¹ Paul Windolf, *Corporate Networks in Europe and the United States*. (New York: Oxford University Press, 2002), 27.

² Ibid, 28.

³ Vincent P. Carosso, *The Morgans: Private International Bankers 1854-1913*.(Cambridge, MA: Harvard University Press, 1987), 633.

⁴ Ibid, 630-633.

Despite the government's efforts to control big business, the early twentieth century saw big business play a prominent role in making central economic decisions. American business had been deeply scarred by the Great Depression but by World War II both big government and big labor became partners in this enterprise.⁵ It was the small and middle-sized corporations that suffered the most in the 1930s and it was the officers from these firms that played a significant part in forming the public policies that provided the setting for orderly growth in the postwar era. The war itself introduced prosperity and eased political tensions while focusing on the need for efficiency in mass production. Defense spending alone spawned a significant new government directed sector that functioned under policies unlike those governing business activity in the rest of the economy. In other sectors, the government came to play a far more direct and significant role in the development of businesses and the context in which businesses operated.⁶ This refurbished corporate commonwealth provided the framework for orderly growth, which enabled the U.S. to lead the way in supplying the Allied forces during World War II and rehabilitating the international economy after the war.⁷

After a decade of debate over government's role in managing the economy, World War II created a temporary suspension of these practices by placing effective control over many business activities in the hands of public officials. Government agencies such as the War Production Board (WPB) coordinated this hastily conceived government designed planning system to control most of the important sectors of the economy with the assistance of business committees. By mobilizing the economy for

⁵ Louis Galambos and Joseph Pratt, *The Rise of The Corporate Commonwealth*. (New York: Basic Books, Inc., 1988), 39-40, 127.

⁶ Ibid, 130.

⁷ Ibid, 129.

war, the government attempted to fill the needs of the military with minimum disruption to business and maintain the lowest possible level of inflation. In order to achieve this goal, the government focused on rationing to allocate scarce materials. In order to ration the appropriate materials, the government targeted public and private investments needed to supply the war machine that generally progressed in an atmosphere of cooperation between government, business, labor, and consumers.⁸

In order to encourage continued prosperity and increase production by American corporations, the government issued numerous contracts to companies to ensure that these firms would not suffer a loss due to wartime restrictions and essential supply shortages. This enabled businesses that were hard pressed to produce all the goods and services needed by the military and civilians to acquire exemptions and additional help from the government in order to keep up with production. This was a shift from the New Deal's anti-business sentiment to a more cooperative attitude by the government. The government's new position allowed businesses to accommodate the newly enlarged national state, particularly the heads of large companies who took leadership in organizations such as the Committee for Economic Development and the Business Advisory Council. By joining these organizations, CEOs developed ways of protecting the United States from a postwar economic collapse. These fears were unfounded due to pent-up consumer demand, fueled by wartime savings, which kept businesses prosperous in the immediate postwar years.⁹

With most American companies eager to supply the war machine, government agencies such as the WPB and the Office of Price Administration (OPA) played a

⁸ Ibid, 131.

⁹ Ibid, 156-158.

significant and sometimes overlapping role in the mobilization for war. In most cases, rigid or formal controls were not necessary due to the fact that the largest and most significant war-related businesses readily cooperated with the government. Some critics, however, disagreed citing that the considerable organizational confusion and bureaucratic infighting created lax control over big businesses. Despite the criticism, American businesses produced unprecedented quantities of war materials while essential civilian needs continued to be met. All the while prices and wages remained constant. Galambos and Pratt contended that this was all due in part to the nation's giant corporations.¹⁰

During World War II, a puzzling array of interest groups competed for the right to shape public policy and influence business behavior. Among those interest groups lay the Chocolate and Cocoa Manufacturers Association and other sugar interest groups that Hershey and Coca-Cola relied on to influence government regulations on sugar. The president of Hershey Chocolate Corporation, William Murrie, also acted as president of the Chocolate and Cocoa Manufacturers Association, allowing him to influence the Association, as well as government policy. Large sugar brokers, such as H.H. Pike, who supplied both Hershey and Coca-Cola with sugar, also worked together to increase sugar imports and convinced the government not to restrict refined sugar imports any further.

The corporate style of control appeared to be more of a boon than a social problem in the thriving postwar economy. American businesses enjoyed strong public acceptance allowing these businesses to experience a long phase of sustained expansion and international preeminence.¹¹ A strong corporate commonwealth also allowed the United States to emerge as a world leader after the war as American businesses

¹⁰ Ibid, 132.

¹¹ Ibid, 128.

proliferated within international markets. This unique opportunity, not available to most other nations after the war, allowed American companies the ability to expand overseas effortlessly. Numerous corporations, such as Coca-Cola, took advantage of this opportunity, however, not all companies wished to expand their markets in a potentially volatile postwar economy. Those that did take advantage became representatives of the “free world” to countries such as Japan, where American products such as Coca-Cola represented economic development and the promise of capitalism.¹²

¹² Ibid, 186.

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Chapter 1: The Early Years and Relationship of Hershey Chocolate Corporation, Hershey Corporation and Coca-Cola

"We are now in this War. We are all in it - all the way. Every single man, woman and child is partner in the most tremendous undertaking of our American History.... Ahead there lies sacrifice for all of us. But it is not correct to use that word. The United States does not consider it a sacrifice to do all one can, to give one's best to our Nation, when the Nation is fighting for its existence and its future life."¹³ With these words President Roosevelt brought the nation to its feet causing Americans to put forth every effort to fight this war. When war came to the United States on December 7, 1941, the country began mobilization and prepared for a wartime economy. Without exception, Hershey and Coca-Cola joined the war efforts. Before the war both companies maintained high production levels. During the war they had to fight to maintain their domestic public sales while cooperating fully with government demands on their sugar supplies. Long before the war, Hershey and Coca-Cola forged a relationship involving the most important commodity in their production, sugar.

I: Hershey Chocolate Corporation and The Hershey Corporation

Originally based in Lancaster, Pennsylvania, the Hershey Chocolate Company (later Hershey Chocolate Corporation) founded by Milton S. Hershey in 1894 quickly outgrew its space as part of Milton Hershey's caramel business. In 1903 Milton Hershey built a new, larger factory in rural Pennsylvania. Shortly thereafter Milton Hershey founded the town of Hershey, Pennsylvania. In 1909 Milton and Catherine Hershey

¹³ FDR's Address over the radio following the declaration of a state of war with the Japanese Empire, December 9, 1941.

established a deed of trust to create the Hershey Industrial School as a boarding school dedicated to teaching trade skills to orphaned white boys. The deed of trust granted 486 acres of farmland solely for the school. Since Milton and Catherine could not have children of their own they decided to create the school in the hopes that less fortunate boys could receive a good education while learning family values by living with foster families. Girls were not admitted to the school as Mr. Hershey felt that girls could be taken in by other family members and then passed on to husbands while boys were less fortunate and cast aside to face the perils of life alone. On September 3, 1910 the first four boys enrolled at the school, which held classes at the Homestead where Hershey was born.¹⁴

In 1918, Milton Hershey wrote a living will setting up a trust fund dedicated solely for the Hershey Industrial School. This trust fund essentially declared that all profits from the Hershey Chocolate Company be placed in the trust which funded all of the schools expenses. The endowment for the Hershey Industrial School eluded major newspapers until 1923, when word spread that Milton Hershey signed over \$60,000,000 of his fortune to the school. Many businessmen and economists believed this gesture to be foolish and caused quite a stir once it became public knowledge. The increased fervor even prompted the *New York Times* to publish an article on the front page. Headlines read, “Secret of a Millionaire’s Vanished Fortune,” “Hershey’s \$60,000,000 Gift Amazes the World.”¹⁵ To Milton Hershey, these headlines seemed ridiculous. In fact, his true intention when signing the deed of trust was to see his will become a reality before his

¹⁴ Hershey Community Archives Timeline found at <http://www.hersheyarchives.org> accessed September 30, 2003.

¹⁵ Joseph Richard Snavely, *The Story of Hershey, the Chocolate Town; Commemorating the 50th Anniversary of Hershey*. (Hershey, PA: n.p., 1953), 22.

death. By this time, the school had over 150 boys enrolled and by 1939 the school increased its enrollment to over 1,000. During the war student enrollment continued to increase as the Industrial School played a major role in aiding the war efforts on the homefront.

As the company grew, Milton Hershey sought to find his own sugar supply in Cuba so that the Great War raging in Europe would not interrupt his supply of sugar. In 1916, Hershey purchased land approximately 40 miles east of Havana, Cuba where he established another town called Central Hershey. Central Hershey began to take shape almost immediately after the purchase. In the meantime, Hershey took control of San Juan Bautista, a small existing mill, which operated until 1918, when the mill in Central Hershey began operations. Once the mill in Central Hershey commenced operations, Milton Hershey started construction on one of the first American sugar refineries in Cuba, which opened in 1926. In 1927, Hershey decided to go public which prompted the reorganization of the company and created the Hershey Chocolate Corporation to handle the business affairs associated with the chocolate factory, Hershey Estates to deal with properties and utilities owned and operated by Hershey, and Hershey Corporation, which handled all of the Cuban matters. In the reorganization process, Milton Hershey appointed William Murrie as President of the Hershey Chocolate Corporation and Percy Alexander Staples to control the Cuban operations under Hershey Corporation.

By the 1940s Hershey had expanded his Cuban operations to include 65,000 acres of land and employed 12,000 people.¹⁶ In order to keep its workers from falling on hard times during the off seasons, Hershey built a henequen plant and peanut oil mill in

¹⁶ Greeves-Carpenter, C.F. "Milton S. Hershey: A Vignette," *Forbes* p. 18. Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files, Box 128, Folder 4.

addition to sugar mills, sugar refineries, railroad systems, and the entire town of Central Hershey. All of these assets became known as the Hershey Corporation. Operations grew continuously since Milton Hershey's first purchases in Cuba. The company had its ups and downs including a loss in profits of seven million dollars in seven days in 1921 causing Milton Hershey to mortgage both his chocolate factory in Pennsylvania and his properties in Cuba. By the late 1930s, profits increased only slightly and continued to fluctuate between profits and losses and it wouldn't be until the 1940s that profits increased significantly. In 1938, the company operated in the red but pulled itself out by 1939, earning only \$107,920. By the time war broke out in 1941 the company only succeeded in increasing its profits to \$827,422. Previous to the war Hershey Corporation sold sugar to foreign markets only minimally adding to its growing profits. It wouldn't be until 1942 that the company began earning in the millions of dollars due in part to the higher demand of sugar caused by the disruption in sugar production in Southeast Asia.¹⁷

After going public, the Hershey Chocolate Company increased profits and continued its growth in the interwar years all without any advertisement. Although profits did not increase by large increments during the Great Depression, Hershey bars became popular items, as a five cent chocolate bar was more affordable than many other foods. Many people bought Hershey products as a substitute for other snacks since bars advertised on the label, "A Nourishing Food," and boxes of kisses proudly displayed the NRA blue eagle in the top left hand corner.¹⁸ Business increased not only in the manufacture of their regular line of products but Hershey also made chocolate coatings for many other companies including Mars. The volume of demand caused workers to

¹⁷ SEC form for 1946 sale of the Hershey Corporation. Hershey Community Archives, Hershey Trust Company Papers, Series 5: P.A. Staples, Box 81, Folder 6, 6.

¹⁸ James McMahon, *Built on Chocolate*. (Los Angeles: General Publishing Group, 1998), 152.

work 24 hours a day 7 days a week in two shifts of 11 hours and 13 hours to keep up with the demand. By December 31, 1938, Hershey Chocolate Corporation earned a total of \$14,534,128.98, and by December of 1940 Hershey's profits rose to \$18,272,545.53, a number that would increase greatly throughout the duration of the war with the help of the United States government.¹⁹ Even though production of Army field rations had not increased dramatically in the last month of 1941, net profits continued to rise higher than 1940 levels bringing Hershey's total profits to \$20,890,003.90 for 1941.

II: Coca-Cola

Unlike Hershey Chocolate Corporation, Coca-Cola had an earlier and more controversial start. In 1886, Coca-Cola got its start in Atlanta, Georgia when a druggist named John Pemberton marketed his drink as a "nerve tonic" that was supposed to relieve fatigue and cure headaches. The presence of cocaine in the original formula became the most notable and short-lived ingredient in this new drink. As the future of Pemberton's creation seemed uncertain, Asa Candler acquired the drink. On March 24, 1888 Asa Candler along with Charley Pemberton and Woolfolk Walker, filed for incorporation of the Coca-Cola Company. Candler, convinced he had a winning drink, launched a great advertising and marketing campaign, bringing Coca-Cola to soda fountains across the country. Candler's hunch was right and Coca-Cola sales skyrocketed through the late 19th century and switched its image from medicine to refreshing beverage.

In 1916 the Coca-Cola empire switched hands from Asa Candler to his son Howard Candler. Just two years later, Howard Candler had to deal with the problem of acquiring enough sugar to continue production of Coca-Cola as the Great War in Europe

¹⁹ Hershey Chocolate Corporation Annual Reports, 1939 Box 15, Folder 17 and 1940 Box 15, Folder 18.

brought about sugar rationing. The lack of sugar slowed the growth of Coca-Cola until the government lifted ration regulations in 1919. That same year Candler sold his company to Ernest Woodruff, the president of the Trust Company of Georgia. Ernest Woodruff controlled Coca-Cola from 1919 to 1923 when his son, Robert W. Woodruff took over upon his father's retirement. Under Robert Woodruff the company expanded and opened more bottling plants across the country and looked to the international market by the end of the 1930s. Ironically, the one international market secured by Coca-Cola during the 1930s was Nazi Germany that later turned on Coca-Cola and tried to eradicate the company from German soil. Back on the homefront Coca-Cola successfully navigated the Great Depression gaining free advertising from billboard owners who couldn't sell their space and from novels such as *Ann Vickers* by Sinclair Lewis.²⁰ During this time Coca-Cola sold for the same price as a Hershey bar at 5 cents and thrived during the depression as an affordable luxury for all Americans.

Coca-Cola, although it was only a few years older than Hershey Chocolate Corporation, had grown at a faster rate and by the end of 1938 earned \$33,734,971.95 in profits, which would continue to increase in larger increments than Hershey, jumping to \$41,005,846.68 in 1939, 48,131,098.88 in 1940 and up to \$55,239,473.00 in 1941.²¹ The profits shown in the annual reports reflect only domestic sales of Coca-Cola and do not include German sales. This increase in sales in the interwar years continued as profits grew tremendously throughout the war and into the post-war years.

²⁰ Frederick Allen, *Secret Formula*. (New York: Harper Business, 1994), 206.

²¹ Coca-Cola Annual Report to Stockholders 1938-1941. Emory University Special Collections, Robert Woodruff Papers MSS 10 Coca-Cola Collection Box 3, Folders 3, 4, and 5.

III: The Corporate Relationship Between Hershey and Coca-Cola

Long before World War II began, Hershey Corporation, an affiliate of the Hershey Chocolate Corporation, solicited Coca-Cola in a business proposition that would aid both companies. In 1927, Percy Alexander Staples, or P.A. Staples, the President of Hershey Corporation in Cuba, wrote a memo to Robert W. Woodruff, President of Coca-Cola stating that, “We have been experimenting here at Hershey and have finally made a sugar by a slightly different process, which we would like very much to have the opinion of your Chemist on as to whether it would be suitable for your use in coca-cola [sic] or not.”²² Woodruff accepted the proposal and Hershey Corporation began selling sugar to Coca-Cola by 1928. Sugar, however, was not the only product that Hershey provided for Coca-Cola. Following Milton Hershey’s desire not to waste any materials, the Hershey Chocolate Corporation began selling cocoa cakes and shells for Coca-Cola to make theobromine once Hershey was able to extract theobromine on their own, however, he simply sold the theobromine directly to Coca-Cola.²³ The partnership of the two companies, although logical, highlighted their differences in production and business methods.

In the pre-war years, Hershey Corporation sold large amounts of sugar to Coca-Cola, making it the second largest consumer of Hershey’s sugar, second only to Hershey Chocolate Corporation. Between 1937 and 1939, Coca-Cola purchased 870,509 100-pound bags of refined sugar from the Hershey Corporation.²⁴ Coca-Cola purchased sugar

²² Staples, P.A. to Robert W. Woodruff, August 12, 1927. Hershey Community Archives, Hershey Trust Company Papers, Series 5: P.A. Staples Box 116, Folder 26.

²³ Memo from Ralph Hayes, Vice President of Coca-Cola, Atlanta, GA to Milton S. Hershey, Hershey, PA, February 4, 1942. Hershey Community Archives, Hershey Trust Company Papers, Series 3: Ezra F. Hershey, Box 38, Folder 26.

²⁴ Hershey Community Archives, “Hershey Corporation Refined Sugar Shipped to the United States During the Years 1936-1940.” Hershey Trust Company Records, Series 5: P.A. Staples, Box 44, Folder 11.

in large quantities in any given year and stored it in warehouses across the country, allowing them to keep a surplus available should there be a bad crop year or a hike in sugar prices. For example, Coca-Cola did not purchase any sugar during 1935, 1936, or 1939. By purchasing during good years in large quantities, Coca-Cola could opt not to purchase any sugar during certain years while still maintaining their daily operations.

Early in their relationship Coca-Cola and Hershey worked together in lobbying the government on issues related to sugar, specifically coming from Cuba. Coca-Cola realized that any government restrictions, taxes or price fixing would not only affect the Hershey Corporation but also their sugar supply. In 1929 the government attempted to put a tariff on refined sugar, which would cause both Hershey and Coca-Cola to face increased costs of materials and in turn lessening their profit margins. In order to curb this tariff the two companies worked together to lobby the government using figures gathered by the chairman of the tariff commission to plead their case in front of the U.S. Sugar Association.²⁵ Like other businesses affected by tariff schedules, Hershey and Coca-Cola inundated the government with appeals. Congress was often guided by intense lobbying efforts by industries affected by such tariff schedules.²⁶

The relationship between the two companies, however, was not always so cordial. An infestation of a weevil type insect in Coca-Cola's sugar supply in New Orleans tested the relationship between Hershey and Coca-Cola. In November of 1931, Graham Granger of the Coca-Cola Company sent a memo to P.A. Staples informing him that five thousand bags of sugar imported from the Hershey Corporation in Cuba were infested

²⁵ Memo from H.H. Pike, Jr., President of H.H. Pike and Co. Sugar Brokers, New York, NY to P.A. Staples, Central Hershey, Cuba, February 1, 1929. Hershey Community Archives, Hershey Trust Company Papers, Series 5: P.A. Staples, Box 116, Folder 17.

²⁶ Galambos and Pratt, *The Rise of the Corporate Commonwealth*, 64.

with insects and that the company would not accept them. Granger concluded that the insects might have come from other shipments received at the warehouse as he acknowledged its unclean conditions but suspected that the insects actually came from the shipping cars. In order to resolve the situation, Granger proposed that the five thousand bags be discarded without payment to Hershey Corporation.²⁷ In a return memo, P.A. Staples stated that the Sea-Train cars were to be fumigated prior to shipping but that the warehouse should be at fault and incur the same loss as Hershey Corporation.²⁸ In a follow up memo, P.A. Staples declared that all parties take responsibility and that all five thousand bags be checked to verify any infestation, the Coca-Cola Company should accept any bags not infested.²⁹ It is unclear how the matter was resolved but Hershey Corporation continued its sales to Coca-Cola with only one more incident.

A second incident occurred in 1934 when Coca-Cola contacted Hershey Corporation and their joint sugar broker H.H. Pike to inform them that some of the Hershey sugar stored in a warehouse in New Orleans had developed some sort of bacterial growth and was unfit for use. Both companies brought in chemists to test the sugar to determine the origins of the bacteria and whether it was the fault of Hershey for bad processing practices or Coca-Cola for storing the sugar too long. Early on it was discovered that Coca-Cola had been storing large quantities of sugar in warehouses along

²⁷ Memo from Graham Granger, Coca-Cola Company, Atlanta, GA to P.A. Staples, President of the Hershey Corporation, Central Hershey, Cuba, November 25, 1931. Hershey Community Archives, Hershey Trust Company Papers, Series 5: P.A. Staples, Box 116, Folder 15.

²⁸ Memo from P.A. Staples, President of the Hershey Corporation, Central Hershey, Cuba to H.H. Pike and Co., November 27, 1931. Hershey Community Archives, Hershey Trust Company Papers, Series 5: P.A. Staples, Box 116, Folder 15.

²⁹ Memo from P.A. Staples, President of the Hershey Corporation, Central Hershey, Cuba to H.H. Pike and Co., November 28, 1931. Hershey Community Archives, Hershey Trust Company Papers, Series 5: P.A. Staples, Box 116, Folder 17.

the Gulf Coast and the East Coast where some of the sugar remained untouched for several years before usage. Coca-Cola determined that the infected sugar had been stored for approximately five years before it was discovered. Hershey then found a small supply of sugar stored in the basement of the Hershey Bank from the same batch of sugar that Coca-Cola held. Chemists tested the sugar and determined that it had to do with the processing of that particular batch of sugar, however, aging contributed to the bacterial growth.

On September 23, 1935, P.A. Staples sent a memo to Harold Hirsch of the Coca-Cola Company acknowledging a proposition made by Coca-Cola to accept replacement sugar for the 402 bags that spoiled. Staples called for H.H. Pike to take the 402 damaged bags of sugar in New Orleans and replace that sugar. The letter concluded cordially stating, "We certainly appreciate all the efforts you have made and the cooperation you have shown in straightening this whole matter out and I am looking forward to time when I can sit down with you and go over in detail such information and facts as we were able to accumulate on this whole situation."³⁰ After resolving this situation, Hershey Corporation continued selling sugar to Coca-Cola but with caution. Realizing that Coca-Cola was hoarding sugar in its warehouses, Hershey reluctantly sold sugar to Coca-Cola throughout the remaining years of their working relationship.

After chemists determined the cause of the bacterial growth, Staples became unwilling to sell large quantities to Coca-Cola. He believed that the length of time the sugar sat in the warehouse was the true cause of the problem. Staples declared in a letter to Milton Hershey that:

³⁰ Memo from P.A. Staples, President of Hershey Corporation, Central Hershey, Cuba to Harold Hirsch, Legal Council for Coca-Cola, Atlanta, GA, September 23, 1935. Hershey Community Archives, Hershey Trust Company Papers, Series 5: P.A. Staples, Box 44, Folder 6.

I do not like to sell sugar to anyone who holds it as long as they do, as I am more of the opinion, as I go into this matter, that refined sugar, except under perfect warehouse conditions, should not be stored for such long periods and that ultimately it will give us trouble, either from the standpoint of the purchaser, or having sugar condemned as unfit for use.³¹

Sugar sales to Coca-Cola became disproportionate as some years saw no sales and other saw large quantities sold. In 1941 Coca-Cola did not purchase any sugar from Hershey and shortly after Pearl Harbor found themselves forced to sell some of their surplus to the government to be redistributed to other areas with less sugar.

Despite their disagreements over spoiled sugar, the two companies continued to benefit from each other. Coca-Cola purchased more sugar on average from Hershey Corporation than did the Hershey Chocolate Corporation in a given year. As a major procurer of Hershey's sugar, Coca-Cola received a lower rate per bag and lower shipping rates. In 1938, Coca-Cola paid \$1.25 less per bag than other Hershey customers.³² Coca-Cola also received a better shipping rate. All sugar to be imported into the southern states had a shipping brokerage of six cents per one hundred pounds, while Coca-Cola received brokerage of five cents per one hundred pounds, the same rate as the northeastern states.³³

A few days after Pearl Harbor, Hershey and Coca-Cola once again worked together to lobby the government when executives at Coca-Cola brought a proposed new

³¹ Memo from P.A. Staples, Central Hershey, Cuba to Milton S. Hershey, Hershey, PA February 28, 1936. . Hershey Community Archives, Hershey Trust Company Papers, Series 5: P.A. Staples, Box 44, Folder 7.

³² Sales figures and memos. . Hershey Community Archives, Hershey Trust Company Papers, Series 5: P.A. Staples, Box 44, Folder 9.

³³ Memo March 9, 1928. Hershey Community Archives, Hershey Trust Company Papers, Series 5: P.A. Staples, Box 116, Folder 28.

bill to the attention of Robert Woodruff that could potentially destroy Hershey's business in Cuba. The bill called for the reduction in the quota of refined sugar coming from Cuba.³⁴ To many beet sugar and other cane growers, the bill helped rather than hindered their production. Hershey and a few other American businesses in Cuba, however, could be put out of business, which in turn would eradicate a large portion of Coca-Cola's sugar supply.

³⁴ Memo from Arthur Acklin to Robert Woodruff, December 11, 1941. Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 3, Folder 4.

CHAPTER 2 – Pre-War Through 1941:

The Beginnings of the Office of Price Administration, Sugar Regulations and the Race for Government Contracts

As the Lend Lease program began and increased defense spending strained some aspects of the economy, the United States created the Office of Price Administration (OPA) in April 1941. Concern increased, of course, once the United States entered the war in December 1941. Beginning on January 25, 1942 the United States started to ration sugar, among other commodities. Sugar rationing regulations affected all Americans, both individuals and businesses cutting sugar consumption below 1940 levels. Under sugar rationing regulations, many companies struggled to continue operations at pre-war levels, however, with special exemptions and government contracts, Hershey and Coca-Cola managed to not only survive the war but profits for both companies grew throughout the war and into the post-war years establishing both companies as leaders in their industries.

As the war approached both Hershey and Coca-Cola could feel the onset of a new era in business. The U.S. Army began soliciting Hershey to make a new field ration for troops and Coca-Cola felt the pressures of Nazi Germany on their foreign sales. Although sugar regulations did not take affect until 1942, both companies prepared for sugar shortages as the European countries began looking toward America for war supplies. Coca-Cola had large quantities of sugar stocked in several warehouses in anticipation. By the time the Japanese planes arrived at Pearl Harbor both companies

were prepared for the war in many ways but had not anticipated the government restrictions on sugar.

Coca-Cola's German operations faced fierce scrutiny and false claims that the company was an American Jewish firm. Germans from the Afri-cola company toured the New York Coca-Cola bottling plant before the war and found a billing form with Hebrew lettering. After stealing the form executives from the company made copies and distributed it to tavern and restaurant owners across Germany, hurting sales. The German government also limited the imported supply of syrup causing Max Keith, the head of German operations for Coca-Cola, to create a new drink in 1940 from readily available ingredients. Keith called the drink *Fanta*. In order to keep the Germans from becoming suspicious, Keith attempted to keep sales at a reasonable level with fair profits despite some of his factories being destroyed. During the war, one factory had to be rebuilt three times.

Back in the United States, the Ordnance Department of the United States Army approached the Coca-Cola Company in January of 1941 requesting that they undertake the operations of a munitions plant in Alabama. Coca-Cola accepted and negotiated a contract with Major General C.T. Harris and Brigadier General L.H. Campbell, Jr. Under-Secretary of War Robert P. Patterson later signed the contract. Patterson characterized this agreement as “an example of the Government’s policy to use in national defense the managerial ability of successful industrial organizations.”³⁵ In order to carry out the contract, the Brecon Loading Company was organized and a site quickly selected. Construction began immediately, with completion of the plant months ahead of

³⁵ Coca-Cola Company Memo. Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 39, Folder 11.

schedule. Production began January 1, 1942 and continued throughout the war. The government approached several other companies to undertake similar operations reversing the pre-war trend of corporate controls.

Throughout the war Benjamin Oehlert, Vice President and Assistant to the President of the Coca-Cola Company, played a major role in the development and growth of the company. Although acting as assistant to Robert Woodruff, Oehlert was responsible for the day-to-day operations of the company as well as many other aspects. His day to day responsibilities included the purchase of all ingredients, materials and supplies needed to continue and expand operations; the construction or purchase of all plants and equipment; the transportation of goods to and from plants; and the active productive operations of all plants including manufacture, chemical control, sanitary control, packaging and shipment. As chairman of the Company's Production Committee, Oehlert shared responsibility for the production activities of the Company's subsidiary, The Brecon Loading Company.³⁶ In order for any change or addition to become official, however, Oehlert passed on memos and orders to Woodruff for approval. Despite this stipulation, Oehlert became the most influential and outspoken advocate for Coca-Cola during the war.

The war forced Coca-Cola to re-adjust their sales marketing. Along with the many casualties at Pearl Harbor, the Japanese destroyed four Coca-Cola coolers at Hickam Field. Although Coca-Cola would not become a major player in the war until 1943, the demand for Coca-Cola by troops at home and abroad continued while Robert Woodruff, President of the Coca-Cola Company lobbied the government for a contract to

³⁶ Memo from S.F. Boykin to the Local Board No. 1 16 November 1943. Emory University Special Collections, Robert W. Woodruff Papers MSS10, Alphabetical Files Box 214, Folder 8.

allow them to distribute Coca-Cola on the front lines. Although Woodruff had a long battle ahead of him he did have Coca-Cola's reputation on his side. In the pre-war years, Coca-Cola became the most widely distributed mass-produced item in the United States. By 1941 Coca-Cola was also the largest soft drink manufacturer in the United States and Woodruff meant to not only keep that record but surpass it. Coca-Cola took advantage of the governments willingness to grant war contracts to American corporations in order to ensure that those corporations would not suffer losses due to war related restrictions on goods. Once Coca-Cola established a contract with the government, Woodruff focused on Coca-Cola's expansion into the postwar future.³⁷

Meanwhile, even before Hitler's troops stormed into Poland, the Hershey Chocolate Corporation began working with the U.S. Army in developing Army Field Rations. In 1937, Army Quartermaster Captain Paul Logan met with Hershey's President William Murrie and chief chemist Sam Hinkle to discuss the experimental production of a ration bar to meet the needs of soldiers in a global war.³⁸ Hershey filled a contract for 100,000 bars before the war making each bar by hand. Once Hershey was awarded a defense contract it became evident that machinery had to be created to handle the large output. On November 29, 1941, Hershey Chocolate Company received the tentative specifications for the U.S. Army Field Ration K confection and gum component from the Army Quartermaster. Less than a week after the attack on Pearl Harbor Hershey received the specifications for the Army Field Ration D from the Quartermaster Corps.³⁹

³⁷ John Morton Blum. *V was for Victory: Politics and American Culture During World War II*. (New York: Harcourt Brace Jovanovich, 1976), 107.

³⁸ Hershey Foods Publications 1984-1996, Folder Avenues 12/1990 Hershey Foods Corporation, "Avenues" December 1990, 2.

³⁹ Hershey Trust Company Records, Series 4: William S. Crouse, Memos from Chicago Quartermaster Depot. Box 7, Folder 16

Hershey did not wait long before the Quartermaster General placed its first wartime order of 300,000 U.S. Army Emergency Ration D bars on January 2, 1942.⁴⁰ At the Hershey Chocolate Corporation the transition from peacetime to wartime was easily achieved by obtaining large government contracts for its products and securing high priorities for special machinery and materials allowing them to gain a head start over its competitors.⁴¹ On January 15, 1942, Hershey Chocolate Corporation shipped out its first wartime rations. One day later, a second order for 750,000 bars arrived. In August of 1942, Under Secretary Robert P. Patterson wrote to William Murrie informing him that the Army and Navy were conferring upon them the Army-Navy “E” Production Award. This award became the first among five awards received by the Hershey Chocolate Corporation.

In addition to the contract for Army Ration D bars, the government called on Hershey to produce a two-ounce Ration D bar for the Army K Ration and a heat-sealed cellophane packet of Cocoa Beverage Powder as part of the Army C Ration. Special production lines were built to produce the Ration D bars and all company resources worked together to produce the millions of ration components demanded by the government for instant delivery.⁴²

The U.S. Army called for four components to make up the K rations. These components included, malted milk and dextrose tablets, dextrose tablets (flavored), U.S. Army Field Ration D, and Chewing Gum.⁴³ Hershey received the contract for the Field

⁴⁰ Samuel Hinkle, “Hershey Chocolate Corporation,” Unpublished Manuscript, 1968. Hershey Community Archives, 413.

⁴¹ Ibid, 411.

⁴² Ibid, 419.

⁴³ Hershey Trust Company Records, Series 4: William S. Crouse, Memos from Chicago Quartermaster Depot. Box 7, Folder 16, 1.

Ration D bar since they had already developed a special formula for chocolate that would not melt in a soldier's pocket. The U.S. Army required that the Ration D bars be four ounces and contain thiamine hydrochloride, a source of Vitamin B1 to prevent beriberi, a disease that soldiers encountered in tropical areas. Although the Army Ration D bar was the most widely produced product for the troops, Hershey also produced Emergency Accessory Packet, 10-in-1 Ration, Field Ration K, Field Ration C, Life Boat Ration, Air Craft Ration, and Prisoner of War Package. By 1939, Hershey produced 100,000 units per day and by 1945 production lines on three floors of the plant were producing a weekly output of approximately 24 million units. Throughout the war factory employees worked in three shifts 24 hours 7 days a week producing approximately half a million bars per shift. It is estimated that between 1940 and 1945, Hershey Chocolate Corporation produced an excess of three billion ration units.⁴⁴

The Army Field Ration D became Hershey's number one priority during the war, as it required the most output of any product leaving the Hershey plant. The ingredient-mixing units in the discontinued Kisses molding department were used during the war for tempering military ration bar chocolate paste.⁴⁵ The Army gave specific directions on ingredients, sampling methods, packaging and marking so that the product was uniform and easy to identify. The ingredients and proportions specified by the army called for 160 parts of plain chocolate adjusted to 54 percent cacao fat, 160 parts sucrose, 70 parts milk, 30 parts added cacao fat, 20 parts raw oat flour, ½ part vanillin crystals, and thiamin hydrochloride at the equivalent of 333,000 international units per gram. Each unwrapped bar was to weigh no more than four ounces and conform to a specific shape

⁴⁴ Hershey Foods Publications 1984-1996, Folder Avenues 12/1990 Hershey Foods Corporation, "Avenues" December 1990, 2 and 12.

⁴⁵ James McMahon, *Built on Chocolate*, 156.

designated by the army. Once the completed bar left the plant it was subject to random sampling by a government inspector in order to determine whether the company manufactured the bar in accordance with the above specifications. Government inspectors also reserved the right to inspect any materials throughout the entire process of manufacture.⁴⁶

Once the bar itself rolled off the line, it had to be wrapped according to army regulations into three separate wrappers. An inner wrapper of aluminum foil not less than .0004 gauge and cover the bar so as to contact the entire surface at every point excluding the grooves. A second wrapper of vegetable parchment paper superimposed on the first wrapper had to have its folded edges sealed with dextrine glue. Finally, the outer wrapper consisted of a strip of olive drab or olive green Kraft paper to be wrapped around and securely glued to the second wrapper at all points. Once wrapped the following print appeared on the outside wrapper:

U.S. Army Field Ration D

To be eaten slowly (in about a half hour).
Can be dissolved by crumbling into a cup of
Boiling water, if desired as a beverage.
Ingredients: (In compliance with Federal Pure Food,
Drug and Cosmetic Act of June 25, 1938.)
4 Ounces net – 600 calories.

The army ordered that all type be bold with the first line printed in 14-point font, all capitals and the remainder of the text to be in 10-point font.⁴⁷

Once completed the bars were packaged two different ways. One type of packaging was to place the bars in moisture proof cardboard boxes, with each box

⁴⁶ Memo from the Quartermaster Corps entitled “United States Army Field Ration D” December 13, 1941. Hershey Community Archives, Hershey Trust Company Papers, Series 4: William S. Crouse, Box 7, Folder 16, 2.

⁴⁷ Ibid, 4.

containing twelve bars and with each box then being wrapped in heavy Kraft paper with all folds sealed with glue. The second option included twelve bars in commercial key-opening rectangular cans with round corners. Each can would then be wrapped with a label showing the same text that appears on the outside of both types of packaging to identify the contents. Once completed, the company packed the individual boxes in standard commercial fiberboard or wooden shipping cases.⁴⁸

Just prior to America's entry into World War II, employees and citizens of Hershey began to aid in the war effort for America's European allies. Many enlisted in the armed forces or joined programs such as the National Defense Program where local and out of state residents trained in sheet metalworking and other skills for armament making at the Derry Township Vocational School. Women joined the Red Cross to sew and knit for those in war torn Europe. Fund drives for British war relief efforts were abundant and the local bank began selling U.S. Defense Savings Bonds and Stamps in May of 1941. In the summer of 1941, the town set up scrap drives to collect essential materials needed for the war effort.⁴⁹

On December 13, 1941, just six days after the Japanese bombed Pearl Harbor, the Office of Production Management (OPM) issued General Preference Order M-55 to conserve supplies and control the distribution of direct consumption and refined sugars. By issuing such an order the OPM sought to reduce sugar consumption to 1940 levels or at least ten percent below 1941 levels.⁵⁰ Once the OPM issued M-55 it took effect immediately and continued through December 1942. Under M-55 manufacturers could

⁴⁸ Ibid, 5.

⁴⁹ Mary Davidoff Houts and Pamela Cassidy Whitnack, *Images of America: Hershey*. (Charleston, SC: Arcadia Publishing, 2001), 88.

⁵⁰ "Sugar Market" Farr & Co. Brokers in Raw and Refined Sugar. 17 December 1941. Hershey Community Archives. Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 12.

not accept deliveries in 1942 exceeding the amount from the corresponding month in 1940. These regulations, for example, required that any deliveries in December 1941 not exceed December 1940 deliveries. The order also forced manufacturers to accept only the amount used or resold in the thirty-day period beginning two years before the date of the acceptance of any delivery.⁵¹ Within the first few days, the new regulations caused great confusion among manufacturers. In order to reduce the level of confusion and prevent needless inconvenience, the OPM issued revisions to M-55.⁵²

The United States Government continued to have an affect on both companies leading up to and through out the war as a new agency formed. The OPA began in 1941 to administer price controls as established in a presidential decree in April of that year. Just four months afterwards, the Emergency Price Control Act was introduced and later approved by both the House and Senate by January of 1942. These acts established price controls and price ceilings for wholesale and retail goods in order to keep wartime costs from falling victim to high inflation rates. The General Maximum Price Regulation (GMPR), instituted by the OPA, instructed sellers to take the highest price, which the sellers had charged for the same item in March of 1942, and take it as the ceiling price. In creating the GMPR the OPA desired to avoid price freezing because of the difficulties of enforcement and opportunities for evasion.⁵³

Due to emergency government regulations beginning immediately in the days after Pearl Harbor, Hershey Chocolate Corporation began placing requests to the

⁵¹ "Sugar Review" Lowry & Co., Inc. 18 December 1941. Hershey Community Archives. Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 12.

⁵² "Sugar Market" Farr & Co. Brokers in Raw and Refined Sugar. 17 December 1941. Hershey Community Archives. Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 12.

⁵³ *Wage-Price Controls in World War II, United States and Germany: Reports by Persons Who Observed and Participated in the Programs*. Colin D. Campbell, ed. (DC: American Enterprise Institute, 1972), 7-10.

government for sugar relief. As of December 13, 1941, Hershey had 50,000 bags of sugar in excess of a sixty-day supply. On January 14, 1942 Hershey Chocolate Corporation had 46,000 bags of sugar in stock, however, the company required 96,000 bags to complete a month's supply. Hershey, therefore, requested that the OPM release the 50,000 bags of frozen sugar and that they disregard it as excessive use during December 1941 and January 1942.⁵⁴ The government granted this particular request, however, when other companies made several similar requests, the government granted few exceptions.

Once sugar regulations became evident, Hershey Chocolate Corporation faced the challenge of providing chocolate for both civilian and military demand. The U.S. Government curtailed sugar supplies for domestic use and for the production of civilian chocolate, however, chocolate for military purposes received an exemption. Army priorities allowed Hershey to take care of its sugar needs for military production with an unlimited supply of sugar for the purpose of fulfilling government contracts.⁵⁵ Even with government contracts, Hershey faced the same problems as other corporations in trying to produce adequate supplies to meet the demands of both civilians and military populations. This coupled with a continued labor shortage made production more complex and complete than during the First World War.⁵⁶

Coca-Cola found itself in a similar situation. Restrictions from the OPM forced Coca-Cola to cut its sugar usage to eighty percent of 1940 levels in order to prevent hoarding by the company. Since the company had stockpiled sugar over the years, the

⁵⁴ Hershey Community Archives, Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 12.

⁵⁵ Samuel Hinkle, "Hershey Chocolate Corporation," Unpublished Manuscript, 1968, 425.

⁵⁶ Galambos and Pratt, *The Rise of the Corporate Commonwealth*, 156.

government asked Coca-Cola to sell a million 100-pound bags back to the U.S. Government for redistribution. Although standard for any company with large stocks of sugar, Coca-Cola predicted the loss of profits from the sugar sale after their most successful year of sales in 1941. With demand up sharply, 1942 looked bleak for sales since the quota would force the company to lose one sale for every sale it made. After the sugar order took effect on January 1, 1942, Coca-Cola began rationing its syrup and almost immediately the public began to notice the shortage of the beverage.⁵⁷

In order to curtail the shortage of Coca-Cola, Robert Woodruff, along with other executives at Coca-Cola, set out on a campaign to convince the government that Coca-Cola was essential to the war effort. Robert Woodruff declared that Coca-Cola's official wartime policy would be, "we will see that every man in uniform gets a bottle of Coca-Cola for five cents wherever he is and whatever it costs." This new campaign led to lobbying efforts toward the government to allow Coca-Cola on the front lines with soldiers. Ralph Hayes, Robert Woodruff's right hand man, argued that Coca-Cola was nothing less than "a part and symbol of a way of life for which a war is being waged."⁵⁸ None of the rhetoric thrown out by the company effected its position with the government forcing the company to seek other measures. Using its political clout, Coca-Cola lobbied Congress to dismiss a proposed national sales tax on soft drinks. Coca-Cola succeeded in its efforts and the sales tax failed to pass through Congress amending the Roosevelt administration's wartime excess-profits tax, thus saving Coca-Cola eight million dollars per year. After achieving such a victory, Coca-Cola placed one of its executives, Ed

⁵⁷ Frederick Allen, *Secret Formula*, 251.

⁵⁸ *Ibid*, 251.

Forio, with the War Production Board (WPB). This maneuver, however, did not produce the results the company had hoped for in relieving themselves from the sugar quotas.⁵⁹

Coca-Cola achieved success with its final campaign to obtain military exemptions by selling their product to military installations. Benjamin Oehlert, Coca-Cola's legal council and top executive, argued for further inclusion of sales at such places as post exchanges (PXs), National Guard units, USO clubs, Red Cross sites, arsenals, ordinance plants, navy shipyards, Veterans Administration hospitals, troop trains, and any plant or office building designated as part of the defense industry. The main goal of the company was to serve the growing number of large training camps which provided booming business and allowed Coca-Cola unlimited sugar to supply syrup to the bases and surrounding areas. Despite the fear that Coca-Cola could not keep up with sales from 1941, sales continued to be brisk allowing only a slight drop in revenue. Even with a boom in military sales, complaints of shortages from the civilian population continued to flood the company's mailroom.⁶⁰

Coca-Cola's ultimate goal, however, was to join the troops overseas. It would be a long road but by 1942 Coca-Cola entered the war alongside American GIs in limited quantities. In its success to obtain wartime contracts, Coca-Cola also received permission to purchase an unlimited supply of sugar for Coca-Cola syrup going overseas, while sugar supplies for domestic consumption remained severely rationed to fifty percent of the pre-war average. It wouldn't be until 1943, however, when Coca-Cola saw the government grant sugar exemptions and government contracts to its product. With Coca-

⁵⁹ Ibid, 252.

⁶⁰ Ibid.

Cola's undoubted cooperation the government felt confident that no further regulations or controls were necessary.

In order to keep up sales on the homefront Coca-Cola began a massive advertising and promotional campaign to ward off the troubles of a reduced civilian supply. A landmark year, 1941, saw the first annual advertising budget exceed \$10,000,000 as part of Coca-Cola's push to enter the hearts and minds of Americans. Just three days after Pearl Harbor, in another marketing strategy the company began printing the trademark and common slang name "Coke" on its bottles.⁶¹ Soon Coca-Cola began sponsoring Spotlight bands on radio shows in November of 1941 and after the war started, sent the bands to military installations, which continued through 1946. Ads revealing slogans such as "Work Refreshed" rang out through radios across the country and posters displayed headlines that read, "Again Sugar Enlists for Victory, Our volume had been reduced. But this we pledge: The character of Coca-Cola will be unimpaired."⁶²

As the United States continued to escalate its war efforts into 1942, Hershey and Coca-Cola faced increased sugar shortages forcing both companies to find alternative ways to obtain the sugar needed to continue production at their high pre-war levels. The establishment of the OPA allowed the government to regulate the amount of sugar consumption by civilians and industries. By securing a government contract for Ration bars Hershey protected its sugar supply for the entirety of the war. Coca-Cola, however, continued to lobby the government in order to receive the sugar exemptions it needed to continue the same level of production while gaining an increased consumer base.

⁶¹ "Chronological History of the Coca-Cola Company, 1886-1969." Emory University Special Collections, Coca-Cola Collection MSS 620, Box 2, Folder 1.

⁶² Pat Watters, *Coca-Cola: An Illustrated History*. (New York: Doubleday & Company, Inc., 1978), 173.

Chapter 3 - 1942:

Sugar Regulations, Shortages and the Search for Loopholes

At the beginning of 1942, sugar rationing became a major concern for the U.S. Government. Although ration orders such as General Preference Order M-55 appeared shortly after the U.S. entered the war, 1942 became the year when rationing of all types began to take effect. Initially, the War Production Board's Food Supply Branch took over the responsibilities for rationing sugar to industrial users but by the end of March 1942, the OPA assumed the responsibility. Once the OPA took charge, industrial users had to comply with new regulations and continue to follow the existing regulations.

In order to regulate the amount of sugar going to businesses and civilians, the OPA established inventory control at the onset of the rationing program. The purpose of such a program was to redistribute supplies of sugar to areas that were under stocked to even the amount of sugar available across the United States. In order to do this each member of a trade was required to register with the OPA. Once registered, the supplier received allowable inventory, which granted enough sugar for that business to operate as usual. If supplies exceeded "normal" inventory, determined by the OPA, the OPA required that the supplier pay over the amount of the difference in ration currency. If the amount totaled less than normal inventories, then the OPA issued ration currency in the amount of that difference.⁶³ Under government expansion, businesses came to accept this increased role that government played in a time of crisis. This wartime crisis helped to

⁶³ *Wage-Price Controls in World War II, United States and Germany: Reports by Persons Who Observed and Participated in the Programs.* Colin D. Campbell, ed., 28.

ease business toward accommodation of new governing agencies such as the OPA and WPB.

In order to further reinforce the new rationing regulations, the OPA and the WPB monitored the number of appeals presented to the Sugar Section of the Food Supply Branch. By March 4, 1942 over one hundred appeals flooded the Sugar Section offices. The WPB denied most of these claims and granted exceptions only to those users who faced a marked shift in population, to wholesalers in areas where many others had gone out of business and where milk products might spoil unless converted into milk chocolate or condensed milk, both requiring sugar. The total amount granted by these exceptional cases equaled approximately 15,000 tons of sugar, a small amount considering the number of appeals. Although the WPB sought to reduce the number of appeals, those in charge of the Sugar Section felt that the appeals system did not cover essential hardship cases, which would create a more equitable sugar distribution among manufacturers.⁶⁴

With sugar rationing being controlled by two agencies, confusion over regulations grew and created problems. In a memo from Philip Nichols, Jr. at the WPB to Milton Katz, Assistant General Counsel, Nichols proposed that the allocation of authority for the distribution of sugar be combined into one agency rather than split between the WPB and the OPA. This particularly affected industrial users. Nichols argued that the system set in place was already broken and failing before it could work. Concluding the memo, Nichols asked that sugar-rationing fall under the WPB only as a division, bureau or an

⁶⁴ "Handling of Sugar Appeals by Food Supply Branch" memo from Sidney N. Gubin to Roland S. Vaile 4 March 1942. National Archives and Records Administration, RG 179 Box 2002, Folder 596.1513.

independent industry branch.⁶⁵ The United States government, however, did not agree, and by the end of March 1942 the OPA took over responsibility for all industrial user rationing.

Under OPA regulations industrial sugar use became uniform and rules for appeals changed. With these new rules it became more difficult for manufacturers to appeal for extra sugar unless a shift in population occurred. In May 1942 the OPA proposed the elimination of exemptions in the sugar quota. By instituting this proposal soft drink bottlers who used forty percent of its sugar quota at PXs, for example, would have that amount subtracted from the original seventy percent allotment for the year.⁶⁶ Further discussion and debate over the status of PXs and other quasi-military institutions continued throughout 1942 with no clear definition of what constituted an exempt status.

Along with many other industries, the confectionary businesses and soft drink companies stood to lose quite a bit of business under all of these new regulations. Those involved in the confectionary business received only seventy percent of their previous years' sugar usage. Meanwhile the soft drink industry took a forty percent cut, allowing them to use only sixty percent of what they used in the previous year.⁶⁷ Throughout 1942 both Hershey and Coca-Cola fought to survive the cuts while seeking ways to improve their situations.

⁶⁵ "Proposed Allocation of Authority of Distribution of Sugar Between War Production Board and Office of Price Administration" memo from Philip Nichols, Jr. to Milton Katz. National Archives and Records Administration, RG 179 Box 2002, Folder 596.19.

⁶⁶ Meeting of the representatives of the various governmental agencies to discuss a proposed sugar rationing amendment. 18 May 1942. National Archives and Records Administration. RG 179 Box 2002, Folder 596.19.

⁶⁷ "Food Drug and Cosmetic Reports" Wallace Werble 28 March 1942. Hershey Community Archives. Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 12.

I: Rationing Regulations and M-55

The U.S. Government realized that the sugar situation was far more complicated than the rationing of other commodities especially for industrial users. Because of their mass consumption, industrial users such as soft-drink bottlers, bakers, and candy manufacturers all considered their claims essential and formed lobbying groups. Coca-Cola and Hershey were no exception. Both found themselves actively involved in either organized groups such as the Chocolate and Cocoa Manufacturers Association or took on the role as an individual company such as Coca-Cola to lobby the government for sugar exemptions. In order to deal with this the government attempted to reduce the amount of sugar going to each of the types of claimants in an equitable manner and then within each group provide equitable distribution. This solution did not work as planned since those that received government contracts for their products also received sugar exemptions for those products. This, however, existed only for those products being shipped overseas to American troops and not for domestic consumption.

On December 13, 1941 the OPM issued General Preference Order M-55, requiring all companies to report on their purchases of sugar, its use and where it was delivered. M-55 required that any individual, association, business trust, corporation or government agency comply with strict sugar regulations and that no wholesaler, retailer, or distributor can supply direct-consumption sugar without the proper OPM forms. The order also gave authority to the OPM to freeze sugar assets, not allowing the holding company to sell or use said sugar.⁶⁸ Designed to prevent excessive or abnormal sugar

⁶⁸ *Title 32 – National Defense, Chapter IX – Office of Production Management, Subchapter B – Priorities Division. Part 1032 – Direct-Consumption Sugar, General Preference Order no. M-55 as Amended January 24, 1942.* Hershey Community Archives, Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 12.

inventories, M-55 sought to insure normal supplies for direct home consumption and industrial usage. The order also stated that no receiver could accept delivery of more sugar during any month than received during the corresponding month in 1940 and prevent any acceptance of deliveries resulting in excess of a thirty-day supply.⁶⁹

Under M-55 businesses such as Coca-Cola and Hershey faced drastic changes in their sugar consumption. In order to control the price and sales of sugar, M-55 required that all sugar users register with either the WPB or the OPA. M-55 required that institutions such as Coca-Cola who purchased sugar from secondary distributors, register with the local OPA Ration Board, which would supply sugar in accordance with the forms provided. Once the companies filled out the forms, the OPA issued stamps authorizing them to purchase a stated amount of sugar. For a company such as Hershey Chocolate Corporation who received their sugar directly from Hershey Corporation, under M-55 they were required to register with the local Social Security Board using a form provided by the WPB. This form determined the amount of sugar the WPB allowed the Hershey Chocolate Corporation to purchase in a three-month period. All sales by Hershey Corporation to Coca-Cola Company were subject to the necessary stamps and paperwork. In order for Hershey Corporation to sell to Coca-Cola, Coca-Cola had to tender ration stamps or certificates to purchase the necessary quantity of sugar. The WPB required that they authorized all sales.⁷⁰

The government's issuance of M-55 created problems for Hershey Corporation. In January of 1942, H.H. Pike and Co., sugar brokers for Hershey Corporation,

⁶⁹ Coca-Cola Company Memorandum, January 3, 1942. Emory University Special Collections, R.W. Woodruff Collection MSS 10, Box 265, Folder 11.

⁷⁰ *Title 32 – National Defense, Chapter IX – War Production Board, Subchapter B – Priorities Division, Part 1032 – Sugar, General Preference Order No. 55 as amended February 1942.* National Archives and Records Administration. RG 179, Box 2002, Folder 596.19.

announced changes in sugar distribution from Hershey Corporation. H.H. Pike announced that Hershey's sugar would be distributed strictly in accordance with all OPM regulations. In complying with these regulations, H.H. Pike required that no sugar be released from warehouses until the respective broker had in his possession a signed representation. These requirements took effect on January 16, 1942 and were necessary regardless of when the order was placed. H.H. Pike and its brokers did not accept blanket orders, therefore, any order placed for Hershey's sugar had to be a specific order,. In regards to specific orders, H.H. Pike demanded that the number of bags of sugar on the order match the number of bags shipped.⁷¹ By issuing this memo to all of its brokers, H.H. Pike protected Hershey Corporation from fraudulent requests and orders for their sugar. This protection, in turn, helped the Hershey Chocolate Corporation in keeping its promise to comply with M-55.

The Hershey Corporation faced one more challenge under the new wave of sugar regulations, the Sugar Bill, passed by Congress in January of 1942. President Roosevelt approved the Sugar Bill placing a quota on refined sugar entering the United States. By restricting the amount of refined sugar entering the United States, sugar refineries within the U.S. would not lose further business due to the limited supply of raw sugar entering the country. Hershey Corporation attempted to lobby the government to eliminate the sugar quota entirely, however, being one of the only sugar refiners in Cuba, Hershey had little help in its lobbying efforts. Despite not being able to eliminate the sugar quota, Hershey secured shipments of 375,000 tons of refined sugar in the revised bill signed by Roosevelt, approximately 75,000 more tons than stated in the bill passed by the House of

⁷¹ "Important Notice to Brokers" H.H. Pike & Co., Inc. 8 January 1942. Hershey Community Archives. Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 12.

Representatives.⁷² With the ability to ship larger amounts of refined sugar to the U.S., Hershey sacrificed only a minor portion of their crop for the year, using the remaining cane to produce molasses and raw sugars. The U.S. Government purchased the remaining 1942 crop at the minimum ceiling price allowing Hershey to sell its crop while not losing any profits. In effect, the Sugar Bill proved less detrimental to the Hershey Corporation than M-55.

The debate over whether chocolate was essential or not, raged through the early years of rationing. Confectionary manufacturers, including chocolate and cocoa, saw a cut of thirty percent to their sugar supplies in March of 1942. In an early memo issued by William K. Wallbridge, Vice President of the Cocoa and Chocolate Manufacturers Association, to Clive C. Day, Vice President of Peter Cailler Kohler Swiss Chocolates, Wallbridge argued that the Chocolate Association should make efforts to have the chocolate industry classified with foods rather than with confectionary. Previous attempts with the Ways and Means Committee proved somewhat successful leading them to pursue the same avenues as well as new arguments to make the distinction between chocolate and confections. The author stated, “It seems...too bad to let somebody in Washington discriminate against us if it comes to rationing sugar simply because he has some preconceived idea that chocolate is a luxury.”⁷³ The memo presented four key arguments with four additional points penciled in at the bottom. Essentially, all eight arguments focus on the fact that U.S. and British governments used chocolate in some

⁷² Memo from P.A. Staples to M.S. Hershey 10 January 1942. Hershey Community Archives. Hershey Trust Company Records, Series 5: P.A. Staples, Box 44, Folder 13.

⁷³ Memo from William K. Wallbridge, Vice President of the Cocoa and Chocolate Manufacturers of the United States to Clive C. Day, Vice President, Peter Cailler Kohler Swiss Chocolates. January 12, 1942. Hershey Community Archives. Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 12.

form as military or emergency rations and determined at one time or another that cocoa was an important food. The U.S. Government, for instance, issued statements asking that all families keep chocolate in stock during wartime and declared cocoa an indispensable food for both National Defense and the civilian economy. It also became evident that the government considered chocolate a food simply because it received an excise tax for food value that other confectionary items did not.⁷⁴ This case presented to the Cocoa and Chocolate Manufacturers Association, eventually proved successful as the organization began lobbying efforts by mid-1942.

In accordance with these efforts, the Cocoa and Chocolate Manufacturers Association, headed by William F. Murrie of Hershey Chocolate Corporation, created a document entitled “Food Value – And War,” which laid out many of the issues discussed in William K. Walbridge’s memo. The document presented evidence to reinforce the claim that chocolate was a valuable food source that the American public could not live without. Testimony by chemists, lists of nutritional and dietary facts, and even promoting the argument as a life and death decision demanded the attention of Congress. Described as a versatile, yet affordable food, the Cocoa and Chocolate Manufacturers Association presented chocolate as the most important food product on the market.⁷⁵

The Cocoa and Chocolate Manufacturers Association continued to lobby Congress to emphasize the importance of chocolate in American daily life. In a letter from Clive C. Day, Vice President of Peter Cailler Kohler Swiss Chocolates, to A.M. Ferry of the Cocoa and Chocolate Manufacturers Association, Day pointed out that under

⁷⁴ Memo from William K. Walbridge, Vice President of Cocoa and Chocolate Manufacturers of the United States to Clive C. Day, Vice President of Peter Cailler Kohler Swiss Chocolates, 12 January 1942. Hershey Community Archives. Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 12.

⁷⁵ “Food Value – And War.” Hershey Community Archives. Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 12.

the latest OPA statement on price ceilings it recognized that candy was a food and if prepared by a candy store and sold at that very store that its sugar consumption was exempt. As Day points out, this statement by the OPA clearly indicates that the government did in fact consider chocolate a food.⁷⁶ The Cocoa and Chocolate Manufacturers Association also issued a pamphlet entitled “Chocolate is a Necessary and Valuable Food,” in which it declared:

Chocolate is a concentrated food of high food value and cannot be replaced by any other known product.... Britain at war recognizes this fact. It was recognized in the last war as an essential concentrated food. It would be unthinkable to deprive our armed forces of chocolate in its various forms. It would be equally dangerous to the morale if not the well being of the civilian population.⁷⁷

The Association continued its campaign until Congress finally relented in 1943, allowing chocolate to receive the status of an essential food.

Although Congress gave in to demands in 1943, the battle could not have been won without extra support. The fact remained that throughout 1942 Congress still deemed chocolate and the entire confectionary industry “non-essential” to the war effort. William Murrie and the National Confectioners Association worked around the clock to fight this designation. The government’s decision to accept the confectionary industry’s argument stemmed from an ease in political tensions between business and government due to war-induced prosperity.⁷⁸ By successfully declaring that chocolate was a vital source of nutrition for troops, items like sugar, corn syrup, and cocoa beans were not

⁷⁶ Hershey Community Archives, Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 15.

⁷⁷ Hershey Community Archives, Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 15.

⁷⁸ Galambos and Pratt, *The Rise of the Corporate Commonwealth*, 128.

rationed further. Once Hershey further secured its position with the government as a vital source of nutrition more than seventy percent of their production went to U.S. soldiers overseas with Hershey being the chief supplier for military rations.

In February of 1942 Hershey Chocolate Corporation received additional lobbying power in their campaign to ease sugar rationing. The National Confectioners' Association of the United States offered to provide its services to further the war program while representing industries producing wholesome and nutritious foods. According to the Association, this included industrial groups using sugar for dairy products, canning and preserving, bread and bakery goods, and confectionary products. The National Confectioners' Association then joined the battle against sugar allocations for industrial users, proving that industrial sugar consumption paled in comparison to civilian consumption. In proving this, the Association asked for no preferential treatment from the government. Just as the Chocolate and Cocoa Manufacturers Association sought to prove confections essential, the National Confectioners' Association argued that if military forces and thousands of other defense workers consumed such products that confectionary products were essential to the war effort thus proving the need for a greater allotment. In order to convince the WPB that more sugar could be allotted to the confectionary industry, the Association argued that households and restaurants consumed approximately sixty-five percent of the total production of sugar while bread, bakery and confectionary products consumed only twenty-five percent of the remaining thirty-five

percent.⁷⁹ By re-allocating sugar from the larger users to confectionary products the government would see less waste and a more economical use of sugar.

After demanding that the government reallocate sugar distribution the National Confectioners Association joined the Chocolate and Cocoa Manufacturers' Association in disputing the provision that confections were not a nutritious food. According to the National Confectioners Association, the confectionary industry used sugar in combination with several helpful foods including chocolate, fruits, nuts, dairy products, eggs, gelatin, corn syrup and other sweeteners making candy a nutritious food. By combining several ingredients containing proteins, fats, minerals, carbohydrates and essential vitamins, the Association felt that a five-cent candy bar gave the consumer more for their dollar compared to other foods. Candy also provided a quick boost for workers suffering from fatigue in war production plants. By incorporating candy in vending machines at war production plants throughout the United States, the Association deduced that workers would work more efficiently and produce higher quality goods.⁸⁰

Concern over sugar supplies grew in 1942 causing the government to request that the WPB take control of regulating sugar imports and supplies. Before any final decisions could be made to price ceilings and the institution of rationing, the WPB needed to determine allotments for sugar by reviewing past usage by the industrial user. When the user registered with the WPB the amount of past sugar use allowed the WPB to determine percentages for various classes of users. In some cases the government restricted sugar consumption by non-essential users while those deemed essential users

⁷⁹ "Allocation of Sugar to Industrial Groups" memo from the National Confectioners' Association of the United States to Mr. A.E. Bowman, Chief Sugar Section, Food Supply Branch, War Production Board. National Archives and Records Administration. RG 179 Box 2001, Folder 596.13.

⁸⁰ Ibid.

received unrestricted supplies, especially those industrial users with government contracts.⁸¹

Beginning in January 1942, just one month into U.S. operations in World War II, the WPB and the OPA instituted new ration regulations. On February 10, 1942 the OPA issued a memo stating the activities of the WPB in relation to sugar imports and allotments to U.S. industrial users. These two orders, M-55 and M-98, allowed the U.S. Government to control the amount of sugar being imported and consumed by industrial users. General Preference Order M-55 sought to conserve the supply and direct the distribution of direct-consumption sugar. The order defined sugar as any type of saccharine product derived from sugarcane or sugar beets.⁸² In order to carry out these orders and accommodate the needs of industrial users in both the U.S. and Europe, the WPB worked in conjunction with the Maritime Commission to determine how to alleviate the world-shipping problem. Based on the findings of the WPB and the Maritime Commission, the WPB and the OPA worked together to determine what the weekly ration of sugar would be. The WPB worked to conserve the supply of sugar while giving the military priority use.⁸³

II: Rationing Regulations M-98 and M-55

On February 15, 1942 the WPB released General Preference Order M-98 announcing its intention to take control of raw cane sugar supplies. The order provided that no person “may purchase, import or accept delivery of raw sugar during 1942” and

⁸¹ *Wage-Price Controls in World War II, United States and Germany: Reports by Persons Who Observed and Participated in the Programs.* Colin D. Campbell, ed., 30.

⁸² “Title 32-National Defense/ Chapter IX – War Production Board /Subchapter B – Priorities Division /Part 1032 – Sugar/General Preference Order No. 55.” National Archives and Records Administration. RG 179, Box 2002, Folder 596.19.

⁸³ Memo from A.E. Bowman to Edwin George, “Activities of governmental agencies re sugar.” 10 February 1942. National Archives and Records Administration. RG 179, Box 2000, Folder 596.107.

no refiner could “import or accept delivery of more raw sugar than is allotted by the WPB.” In addition no manufacturer could “import or accept delivery of more raw sugar than permitted under General Preference Order M-55.”⁸⁴ Even with these regulations in place, the government designated allotments by company; for example, the American Sugar Refining Company was allowed 688,723 short tons of sugar. The government continued to update and change such ration regulations to allow for exceptions and allowance for increased or decreased sugar availability throughout the war.

Under Order M-98 the government allowed the forced sale of sugar from companies holding excess stock to the WPB. Early in 1942, the WPB, under M-98, requested that the Defense Supplies Corporation purchase 40,000 tons of sugar from Pepsi-Cola Company and 50,000 tons of sugar from Coca-Cola Company in order to avoid a sugar shortage in the Northeast. In conjunction with this buying plan, the WPB developed conservation programs in cooperation with other branches of the WPB to keep manufacturers from using excess sugar and to maximize use of sugar in the United States.⁸⁵

At the same time the WPB released M-98, they also issued General Preference Order M-63 calling for the setting of quotas for all imported commodities, in particular, sugar. Sugar imports were to be governed by the WPB under a priority concept. The WPB regulated sugar imports from several sugar producing countries and apportioned

⁸⁴ Hershey Community Archives, Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 12.

⁸⁵ “Responsibilities of the War Production Board and the Department of Agriculture in the Administration of Sugar.” National Archives and Records Administration. RG 179, Box 2000, Folder 596.107.

according to the available shipping tonnage. The Sugar section of the WPB also administered the general requirements of stockpile and shipping in the U.S.⁸⁶

In March of 1942 the WPB's Food Supply Branch issued the Werble Report establishing sugar quotas based on its use in several products. Both Coca-Cola and Hershey's chocolate found themselves in class three along with other soft drinks and candies. This allocation allowed them to consume only seventy percent of their 1941 usage.⁸⁷ In that same month, a new OPM order revised the sugar limitations allowing deliveries to sugar to commercial and industrial users throughout 1942 to receive the corresponding amount of sugar they received in the same period during 1941. The order sought to compensate for the population shifts to defense areas since 1940. The order, however, did not provide for an increase in total supplies available but merely to change the basis for distributing sugar.⁸⁸

On December 16, 1941, Hershey received its first OPM form, which required that any company accepting delivery of direct-consumption sugar had to fill out the form and submit it back to the OPM. The forms served two purposes, one, to track the compliance of companies, and two, to determine if regulations and pricing needed to be modified to keep the companies from failing. By filing out the forms, companies disclosed their sugar delivery points, the primary distributor, quantities and dates of delivery, current inventory, and any sugar that the company resold.⁸⁹ The OPM sent out an additional form in January 1942, form PD-206, which included a requirement to list any excess

⁸⁶ "Responsibilities of the War Production Board and the Department of Agriculture in the Administration of Sugar." National Archives and Records Administration. RG 179, Box 2000, Folder 596.107.

⁸⁷ Hershey Community Archives, Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 12.

⁸⁸ Hershey Community Archives, Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 15.

⁸⁹ Hershey Community Archives, Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 12.

sugar a company might have on hand. The OPM included this new step in order to determine sugar surpluses and sugar deficits. The information received allowed the OPM to require companies with excess sugar to sell it to the U.S. government who would then redistribute it to areas lacking sugar.⁹⁰ After completing PD-206, the government determined that the Hershey Chocolate Corporation had an excess of sugar on hand allowing the government to freeze the use of approximately 70,000 bags but not forcing the company to sell its excess back to the government.⁹¹ Ultimately Hershey Chocolate Corporation received 118,083,449 pounds of sugar in 1941 prior to M-55, and used only 116,360,449 pounds through November of that year.⁹²

Shortly after the OPM issued order M-55, Hershey Chocolate Corporation responded with justification for its sugar consumption. The company declared that production in December of 1941 lagged behind its usual production creating little inventory of finished goods. After the OPM issued M-55, Hershey argued that it made an attempt to curtail their scheduled deliveries for December and January but that the ...response from customers was almost unanimous and to the effect that goods which they intended to manufacture out of the material supplied by us had already been sold in many instances that they were unable to get supplies elsewhere, and that they would be forced to shut down with resulting financial loss and distress to their employees.⁹³

⁹⁰ Hershey Community Archives, Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 12.

⁹¹ Hershey Community Archives, Form PD-206 completed by the Hershey Chocolate Company. Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 12.

⁹² Hershey Community Archives, "Hershey Chocolate Corporation Sugar Received and Used Eleven Months 1941." Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 12.

⁹³ Hershey Community Archives, Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 15.

In conjunction with this threatened loss of business from its customers, Hershey opted to limit their use of sugar in some of their packaged goods and thus use less sugar in 1942 than in 1940. Despite this offer to comply with the new sugar rationing regulations, Hershey complained that by restricting its sugar use, the result would be hardship to the company and to its employees. They maintained that in five days during December 1941, the production of chocolate consumed 80,164 bags of sugar,⁹⁴ the same amount used throughout the entire month of December in 1940 making it impossible to comply with order M-55. In a hypothetical scenario, Hershey argued that if the company had complied in December of 1941 and used the equivalent amount from 1940, the end result would have been a two week closure of the plant and resulting in enormous financial loss and distress to over 4,000 employees during the holiday season.⁹⁵

Continuing to struggle with M-55 regulations, the Hershey Chocolate Corporation sought to settle their outstanding contracts to distribute sugar to fulfill contracts agreed upon previous to M-55. Hershey requested that it be able to fulfill a contract for 140,000 bags of sugar at a price under the ceiling price, otherwise Hershey would suffer exceptional hardship by losing the contract. Furthermore, Hershey asked to complete contracts for delivery to primary distributors as long as they complied with M-55 regulations.⁹⁶ Whether the OPA allowed Hershey to fulfill their contracts or not seems unclear, regardless, Hershey continued to comply with M-55 regulations.

⁹⁴ Hershey Community Archives, Form PD-206 completed by the Hershey Chocolate Company. Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 12.

⁹⁵ Hershey Community Archives, Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 15.

⁹⁶ Letter from William Crouse to A.E. Bowman, Chief Sugar Section, War Production Board 14 February 1942. Hershey Community Archives, Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 15.

The Hershey Corporation in Cuba faced a different challenge. As sugar rationing took affect in the United States, production remained constant while shipments decreased. In March of 1942 the OPA considered raising the ceiling price on sales of refined sugar produced in the United States to offset the reduction in volume due to rationing. Since Hershey Corporation was not located in the United States, H.H. Pike and Company, brokers for Hershey Corporation, requested that the government consider Hershey Corporation in any decision due to its rising business costs. H.H. Pike, Jr. argued that Hershey Corporation's costs increased at the same rate as U.S. sugar refiners and used the same supplies from the same suppliers. The company requested that it receive the increase only if granted to the other sugar refiners.⁹⁷ The OPA ultimately chose not to raise the ceiling price on refined sugar making the issue moot.

General Preference Order M-55 caused further confusion in its description of what constituted a military installation. With sugar rationing in place, companies selling goods to Army or Navy installations were allowed to use as much sugar as needed to fulfill the government contracts or requests from military bases. After requesting clarification, Hershey received word from the WPB further clarifying sugar exempt military reservations. The WPB defined any arsenal, ordinance plants, and navy yards, as sugar exempt military reservations while USO centers, Veterans Administration Hospitals, and war or Navy Department office buildings did not qualify as reservations. Some Army or Navy defense projects, however, did qualify if they met certain specifications defined in M-55. The WPB did qualify its statements by saying:

⁹⁷ Hershey Community Archives, Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 15.

It should be noted, that even though a certain area or plant may qualify as a military or naval reservation, the exemption would still apply only as to sales to military or naval personnel on the reservation. Sales to civilian personnel on a reservation would not be entitled to exemption. Where the same establishment serves both Service and civilian personnel, the distinction may present a problem. You may find that in certain such cases, the clientele is primarily Service and only incidentally civilian. If such a finding were made, it would appear proper to allow the exemption.⁹⁸

Coca-Cola had its own reaction to the M-55 as their stock of sugar exceeded the limit of a sixty-day supply. Due to their practice of storing excess amounts of sugar, the Government froze any amount that exceeded their sixty-day limit but allowed shipments for their thirty-day supply. Fearing that the Government would seize large amounts of their frozen stock, Coca-Cola opted to contact A.E. Bowman Chief of the Sugar Division for the Food Supply Branch of the OPM. Executives at the company looked for loopholes to avoid the freezing of their sugar supplies and found it in their sales to the Army and Navy. They felt that sales to the Army and Navy would offset any difference between their 1940 basis of use and their 1941/1942 rate of use. On December 31, 1941, Coca-Cola addressed its bottlers with information regarding the new order announcing that they would receive amounts of syrup sold to them only in the corresponding month of 1940.⁹⁹ Coca-Cola would not be so fortunate to receive an explanation.

⁹⁸ Letter from the War Production Board to the Hershey Chocolate Corporation 14 February 1942. Hershey Community Archives, Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 15.

⁹⁹ Coca-Cola Company Memorandum, January 3, 1942. Emory University Special Collections, R.W. Woodruff Collection MSS 10, Box 265, Folder 11.

Looking for the light at the end of the tunnel, executives at Coca-Cola suggested several options to prevent a sugar shortage, thus freeing supplies for increased production. A list of sixteen proposed alternatives appeared in a company memo and it is not clear whether they were taken up with the OPM or the OPA. These suggestions included the possibility of an increase in the sugar allowance from the 1940 levels to the 1941 levels of use, the switch from using sugar to corn for alcohol production or, the possibility of increasing the production and use of beat sugar as well as increased imports of sugar. In looking at its own problems, Coca-Cola sought to persuade the Government to make certain changes that would allow them to continue operations as normal. Plans for making appeals to the Government for those bottling plants hardest hit by the limitations got underway as well as their crusade to convince the Government that Coca-Cola was essential to the morale of U.S. civilians and military personnel alike. The issues of government take over of sugar supplies also arose as a problem to discuss with authorities from the OPM. Benjamin Oehlert, Coca-Cola's legal council, suggested that an offer be made to the OPM allowing them to be placed on a replacement basis rather than a purchase-and-sale basis for excess sugar supplies.¹⁰⁰

Despite its motives to seek loopholes in M-55, Coca-Cola continued to vow its loyalty to the United States. On several occasions, the Coca-Cola Company issued statements both internally and publicly announcing that because the company depended on sugar, they intended to cooperate with the government to the fullest extent to avoid a real shortage of sugar. The Coca-Cola Company suggested that the OPM should carefully and actively police the sugar situation forcing all companies to comply to the

¹⁰⁰ Coca-Cola Company Memorandum, January 3, 1942. Emory University Special Collections, R.W. Woodruff Collection MSS 10, Box 265, Folder 11.

full extent.¹⁰¹ It was this vowed loyalty that Coca-Cola and other businesses demonstrated that prompted the government to refrain from rigid and formal controls over American businesses during the war.¹⁰²

It was this continuous campaign of loyalty that Coca-Cola cited as the basis for their complaints against the government's regulations. In February of 1942, upon learning the proposed changes to the rationing orders, Coca-Cola sent a memo to A.E. Bowman protesting their categorization in Class E with the rest of the beverages that received the largest cut of forty percent from their sugar consumption from 1940. In the memo, Benjamin Oehlert argues that the Government did not consult members of the industries affected by the change regarding the classifications or specifications of sugar consumption. Oehlert acknowledges that the use of sugar for Coca-Cola may not be as essential as other uses, however, the company stated that they believe and had proof that the use of sugar for soft drink use was infinitely more important to the national economy, health, morale and efficiency than use by other industries classified on a higher basis than the soft drink industry.¹⁰³ Based on such statements, Oehlert requested that the WPB consider the status of the industry before finalizing the sugar quotas. Ultimately, this argument became the basis of Coca-Cola's continuous lobbying efforts throughout 1942.

Realizing that manufacturers needed special exemptions for government contracts, the OPA issued an amendment on September 17, 1942 announcing the details on who qualifies for such exemptions. The press release announced that any

¹⁰¹ Coca-Cola Company Memorandum, January 3, 1942. Emory University Special Collections, R.W. Woodruff Collection MSS 10, Box 265, Folder 11.

¹⁰² Galambos and Pratt, *The Rise of the Corporate Commonwealth*, 132.

¹⁰³ Memorandum from Benjamin Oehlert, Coca-Cola Company, Atlanta, GA to A.E. Bowman, War Production Board, Washington D.C. February 19, 1942. Emory University Special Collections, R.W. Woodruff Collection MSS 10, Box 265, Folder 11.

manufacturers that use sugar in a finished product delivered to the United States Army or Navy qualified for the replacement of sugar used in the process of making said product. These terms included those products manufactured by one company and delivered by another. The exemption mainly applied to those companies who produced items packaged in ration kits for the Army or Navy. This replaced the original amendment, which allowed sugar reimbursements only to manufacturers delivering goods directly to the Army or Navy. In order to apply for this exemption, manufacturers had to contact the Local War Price and Rationing Board with which they were registered and fill out an application.¹⁰⁴ Both Hershey and Coca-Cola qualified for such an exemption and most likely filed applications, which in turn allowed some of their sugar exemptions.

In October of 1942, the OPA issued a press release revealing its plan to deal with sugar surplus in warehouses and deficits in other areas of the country. The OPA declared new regulations for warehouse conditions to avoid deterioration of sugar in unsatisfactory storage facilities. The new regulations sought to move idle supplies back into consumption by providing conditions that allowed certain individual consumers and registered industrial users to legally dispose of excess stocks. The OPA allowed registered industrial users to dispose of sugar after gaining consent from the local board and turn in its sugar certificates. The industrial users also had to agree that there would be no use of that sugar in the succeeding four months.¹⁰⁵ Since Coca-Cola always had excess stock in warehouses across the country, Woodruff ordered that a large amount be

¹⁰⁴ Press Release, Office of War Information, Office of Price Administration, Thursday, September 17, 1942. National Archives and Records Administration, RG 188, Box 943, Folder R.O. no. 3 adeut 1-111.

¹⁰⁵ Press Release, Office of War Information, Office of Price Administration, Monday, October 26, 1942. National Archives and Records Administration, RG 188, Box 943, Folder R.O. no. 3 adeut 1-111.

handed over to the government for redistribution to other companies or areas needing sugar.

With the new sugar regulations in place, Hershey and Coca-Cola found their sugar supplies reduced making their supply level equal to its competitors. Facing further sugar restrictions it became essential that both companies look for loopholes and exemptions in order to continue their high production levels and to stay ahead of the competition. Unfortunately, in the coming months both companies faced further shortages and restrictions on other supplies essential for production.

III: General Supply Shortages

Coca-Cola and Hershey also faced shortages at the beginning of 1942, a lack of aluminum and other metals needed for use in bottle caps and wrappers as well as shortages of nuts and cocoa beans. On January 27th, the WPB issued a press release stating that Production Chief Donald M. Nelson marshaled the nation's entire supply of aluminum for war.¹⁰⁶ Shortly after this announcement, Hershey Chocolate Corporation began using wax paper wrappers for their chocolate bars and cardboard containers for their cocoa products. Other products such as Hershey's Kisses, which required aluminum foil wrappers, were discontinued altogether. Coca-Cola faced shortages for bottle caps but managed to escape regulations claiming that no other bottling method sufficed.

Hershey also could not escape regulations on other important ingredients such as cocoa beans. The government restricted the importing of cocoa beans allowing the Hershey Chocolate Company to consume only sixty percent of their consumption from the period July 1, 1941 to September 30, 1941 during that same period of 1942. Again,

¹⁰⁶ Hershey Community Archives, Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 12.

the government exempted the use of cocoa beans in products sold and shipped to the armed forces. The combination of the cocoa, sugar and wrapping material restrictions placed a heavy burden on the company, which tried to balance sales to their customer base at home and abroad while maintaining a quality product.¹⁰⁷

On top of the cocoa bean regulations, the OPA issued a statement on October 1, 1942 announcing restrictions on the use of shelled nuts for chocolate coating or chocolate bars. Manufacturers of chocolate almond bars saw their ability to produce large quantities reduced to sixty percent of their normal production from previous years with the possibility of reducing production to fifty percent. The OPA threatened to prohibit or decrease sales of chocolate covered nuts while restricting the manufacture of miniature chocolate containing nuts to forty percent from the previous year. The OPA also considered controlling bulk chocolates including the production of such things as Easter novelties and chocolate rabbits both solid and hollow. All decorations on chocolate had to be eliminated.¹⁰⁸

Adding to the list of wartime shortages, the government also restricted cocoa bean imports due to a world shortage. This shortage of cocoa beans and restrictions on grinding them placed Hershey Chocolate Corporation in a bind. The combination of a cocoa bean shortage and the institution of price ceilings led the corporation to declare that they could not take on any new contracts, except for government business. Hershey's business as of 1942 centered around their plant in Hershey, Pennsylvania where they

¹⁰⁷ Hershey Community Archives, Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 15.

¹⁰⁸ Memo from the Office of Price Administration "Re: Contemplated Restrictions by the Office Of Price Administration on the Usage of Shelled Nuts for Chocolate Coating or Chocolate Bar Work" 1 October 1942. Hershey Community Archives, Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 15.

shipped fifty percent of their products directly to customers leaving the balance to be shipped to thirteen stateside branches owned by Hershey and reshipped to customers within those branch territories. About fifteen percent of their production was contracted in advance and the balance distributed out of inventory.¹⁰⁹ The combination of sugar and cocoa bean shortages forced Hershey to reduce drastically domestic production.

Sugar regulations quickly became a concern for executives at Hershey Chocolate Corporation and the Hershey Corporation. In a company memo from July 10, 1942, William Murrie and other top officials hashed out the particulars of government regulations and how it would affect production. For the months of July and August, Hershey Chocolate Corporation could receive only seventy percent of the quantity used in July and August of 1941. The government did, however, grant an exception to that rule. Any chocolate produced and shipped to the Army, Navy, United States Maritime Commission, Panama Canal, Coast and Geodetic Survey, Coast Guard, Civil Aeronautics Authority, National Advisory Commission for Aeronautics, Office of Scientific Research and Development, and any government agency or person acquiring products for export for consumption or use in a foreign country were exempt from Hershey's seventy percent restriction.¹¹⁰

IV: Wartime Production in Hershey

As Hershey struggled with the new sugar regulations, their wartime production levels continued to rise. By the summer of 1942 the Hershey factory was in full wartime production mode producing one and a half times its usual output as government orders

¹⁰⁹ *United States of America, Office of Price Administration, Washington, DC. Form A – Annual Financial Report. Hershey Chocolate Corporation, December 31, 1942.* National Archives and Records Administration. RG 188, Accounting Records, Box 595, Folder “Hershey Chocolate Corporation.”

¹¹⁰ Hershey Community Archives, Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 15.

rolled in. Factory workers put forth a tremendous effort to meet the demand but more workers were needed. As men went off to war, women, already a large percentage of the workforce grew into a larger percentage taking over many traditional men's roles. Workers also put in overtime to keep up with the wartime demands.¹¹¹ Because of the frantic pace of production during the war and by government order for security reasons, all factory tours were suspended in July of 1942 for the duration of the war. Milton Hershey encouraged the men and women of Hershey to join the armed forces during the war and offered his employees a bonus of two weeks' salary to anyone who enlisted. All told, 1,200 men and women from Hershey served during the war and of those service men and women, 46 died or were killed in action.¹¹²

As men marched off to war, the Hershey Chocolate Corporation employed more women and increased factory hours to three shifts a day, seven days a week. The change from two to three shifts marked a first in company history. Many workers also opted to work double shifts in order to earn extra money or to help when there was a shortage of workers. In order for employees to work under such conditions the Hershey Chocolate Corporation received special permission from the Department of Labor and Industry of the Commonwealth of Pennsylvania. Married women often chose to work the third shift or night shift. The need for extra female employment, however, decreased when the production of Hershey's Kisses ceased in January of 1942 when metal foil became unavailable for wrapping. This marked the first time since its original production in 1909

¹¹¹ Mary Davidoff Houts and Pamela Cassidy Whitnack, *Images of America: Hershey*, 88.

¹¹² *Ibid*, 92.

that the line was interrupted. For the duration of the war, Hershey's Kisses remained off the market.¹¹³

On August 27, 1942, the U.S. Government awarded Hershey Chocolate Corporation with the Army-Navy E Production Award to honor its outstanding war effort. The Corporation received a flag to fly over the chocolate factory and a lapel pin for every employee. Such an award was not easily won and recognized those companies that consistently met high standards of quality and quantity during a time of limited resources.¹¹⁴ By 1945 Hershey had received five Army-Navy E Awards during the war, a number surpassed only by Bosch and Lomb who received six Army-Navy E Awards.

As further proof of demand among troops, Hershey easily cited the demand for its products by soldiers everywhere. Whether they were on training bases in the U.S. or overseas, soldiers requested Hershey's by name rather than make due with the many substitutes available. As demand continued, Hershey soon saw an expansion of government orders for chocolate bars for Army PXs, Navy Ship Service Stores, and other military outlets. Company executives speculated that ten million men could not possibly have consumed the mass quantities shipped, making it obvious that generous American soldiers were sharing their chocolate with foreign allies both military and civilian. This unsolicited proliferation of Hershey's products across the globe undoubtedly increased demand for its products in the post-war years.¹¹⁵

With production continuing to grow, the Hershey Chocolate Company saw an increase in their profits from previous years. By the end of 1942, Hershey earned

¹¹³ Samuel Hinkle, "Hershey Chocolate Corporation," Unpublished Manuscript, 1968, 419-420.

¹¹⁴ Hershey Foods Publications 1984-1996, Folder Avenues 12/1990. Hershey Foods Corporation, "Avenues" December 1990, p. 12.

¹¹⁵ Samuel Hinkle, "Hershey Chocolate Corporation," Unpublished Manuscript, 1968, 424-425.

\$22,689,651.58 in profits, off setting the losses the Hershey Corporation endured during the late 1930s and early 1940s.¹¹⁶ Although the Hershey Chocolate Corporation received several government contracts, the government did not pay on any of its obligations for that year even though they owed \$4,504,109. Hershey would not receive any money from the government until after the war. The Corporation did, however, secure \$60,969,666 in sales making a gross profit of \$16,137,969.¹¹⁷ The Hershey Corporation with its fluctuating profit margin earned its second largest profit in 1942 receiving \$1,615,266 for the year.¹¹⁸ A contributing factor to the increase in profits came from the government declaring an unrestricted crop for 1942 early in the year allowing the company to ship as much sugar as it could produce from Cuba to its wholesalers. Once the government realized that world sugar supplies were not as readily available, crop restrictions ensued in 1943.

V: Coca-Cola's Campaign for Government Contracts

Seeing a loophole created in the M-55 amendment, Coca-Cola quickly took aim at the War and Navy departments by January 1942 in order to solve their sugar problems. With the entrance into the war, Robert Woodruff aimed to make Coca-Cola available to every serviceman throughout the war as a way to boost morale. Behind these thoughts, however, the idealism revealed a more shrewd business sense. During 1942, 437 bottlers in the United States served approximately 1,800 military installations. By sending Coca-Cola overseas, an order by the government could relieve the company of sugar rationing

¹¹⁶ Hershey Chocolate Corporation Annual Reports, 1942 Box 15, Folder 20.

¹¹⁷ *United States of America, Office of Price Administration, Washington, DC. Form A – Annual Financial Report. Hershey Chocolate Corporation, December 31, 1942.* National Archives and Records Administration. RG 188, Accounting Records, Box 595, Folder “Hershey Chocolate Corporation.”

¹¹⁸ SEC form for 1946 sale of the Hershey Corporation. Hershey Community Archives, Hershey Trust Company Papers, Series 5: P.A. Staples, Box 81, Folder 6, 6.

that hindered its business during World War I. Keeping this in mind, Woodruff set out on a campaign to lobby the government to prove the importance of Coca-Cola in the war effort on both the homefront and overseas.

In a letter sent to all branch managers at Coca-Cola, the company explained that the OPM, using monthly shipments from 1940, determined the amount of syrup that could be shipped for any orders received during the corresponding month in 1942. The company also mentioned, however, that there was an exception allowing Coca-Cola to ship unlimited amounts of syrup to bottlers or wholesalers to fill orders from the Army, Navy, or Marine Corps. Only orders received with an official certificate from the military fell into this category. The company also required that all branches use special forms generated by Coca-Cola's Statistical Department to track such orders for the company's records. Realizing the consequences of disobeying these regulations, the Coca-Cola Company gave instructions not to deviate from the directions given in the memo without authority.¹¹⁹

Subsequently, Coca-Cola issued a broad statement declaring its position and intent to comply with the new Federal regulations on sugar. Coca-Cola stated that they cooperated with the program and conformed to the government order by supplying bottlers throughout the country with the same volume of syrup each received in the corresponding month of 1940, allowing extra syrup to be shipped for goods supplied to the War and Navy Departments. Recognizing the urgency placed on these regulations, Coca-Cola accepted that the regulations put in place assured the supply of sugar in the United States by not creating a sugar shortage due to excessive consumption of sugar. It

¹¹⁹ Letter sent from Coca-Cola Company, Atlanta, GA to All Branch Managers, January 2, 1942. Coca-Cola Company Archives.

was essential to strictly enforce sugar regulations as supplies dwindled after the loss of shipments from the Philippines and Hawaii. In this memo, Coca-Cola acknowledged that their substantial stocks of sugar acquired over the years gave them an advantage over most companies facing these new restrictions. These extra supplies, however, were subject to government restrictions and freezing, not to mention increased demand for Coca-Cola by the American public. Despite these challenges, Coca-Cola vowed not to compromise the integrity of its product, thus maintaining the trust of the American people even if this meant a shortage of Coca-Cola for the masses.¹²⁰

Coca-Cola continued to protest its allocation in the same group as fruit and vegetable preservation uses of sugar. Company executives argued that they did not want preferential treatment but rather wished to be reallocated to another group facing less sugar restrictions. Afraid that sugar would be “unnecessarily used” in canning fruits and vegetables, Coca-Cola asked the Government to consider decreasing sugar allowances for canners and instead, increase Coca-Cola’s allowance. Coca-Cola requested that the government give the soft drink industry equal treatment to other food industries in the matter of sugar allocations.¹²¹ Questioning sugar allocations, Coca Cola stated, “The American People have decided in what proportions they choose to drink soft drinks, eat candy, consume fancy bakery products, chew gum, etc.” They then declared that the supply of sugar allocated for these industries did not match the American public demand.¹²² After making this statement Benjamin Oehlert, legal council for Coca-Cola, continued to argue that Coca-Cola did not want preferential treatment and that their

¹²⁰ “Statement by the Coca-Cola Company” 1942. Coca-Cola Company Archives.

¹²¹ Memo from Benjamin Oehlert to Harold Rowe. Emory University Special Collections. Robert Woodruff Papers MSS 10 Alphabetical Files Box 265, Folder 11.

¹²² Ibid.

disagreement with their placement in the same category as canning was not derogatory towards the industry. He did, however, indicate that the soft drink industry occupied a more important and predominant role in American society. His reasoning being that a soft drink could not be compared to food and that Americans consumed too little liquid. By reducing sugar supplies, the government would reduce the available amount of liquids for consumption. Oehlert argued that soft drinks allow Americans to be individual while deriving personal satisfaction from a drink that has energizing effects due to its sugar content. Adding to his argument, Oehlert included pamphlets on the importance of soft drinks along with quotes from letters written to the Coca-Cola Company by the public stating the impact Coca-Cola had on their lives. In his conclusion, Oehlert requested once more that the government not give Coca-Cola preferential treatment but to consider giving less sugar to industries such as candy and baked goods and divert the stock to the soft drink industry instead.¹²³

While Coca-Cola attempted to receive more sugar by requesting a new allocation, the government did not respond or give the company what they wanted. Coca-Cola continued to receive the same amount of sugar as the canning industry and took a forty percent cut in their sugar consumption from their 1940 totals. Just one month after his first appeal, Benjamin Oehlert made his case to the OPA. In the memo he blamed M-55 for the problems of soft drink competitors using all of their sugar for substitutes or imitations of Coca-Cola. Due to this “victimization,” Oehlert requested that the government step in to resolve the problem. In further presenting the problem, Oehlert contends that the Coca-Cola imposters were urging retailers to purchase their “Kola

¹²³ Memo from Benjamin Oehlert to Harold Rowe. Emory University Special Collections. Robert Woodruff Papers MSS 10 Alphabetical Files Box 265, Folder 11.

Extract” and add their own sugar thus fulfilling the unsatisfied demand for Coca-Cola. Such ads specifically targeted the shortage of Coca-Cola due to the new sugar regulations under M-55. In order to combat any further defamation of Coca-Cola by its competitors, Oehlert suggested that the government strongly enforce the consumption of sugar for soft drinks, syrups or extracts by reviewing Sugar Purchase receipts revealing the true use of sugar by the retailer. Retailers must then certify their intent, he continued, by affidavit and submitting it to the Local Rationing Board not allowing retailers to process sugar for the production of soft drinks until approved by the OPA. Oehlert maintained that this would eliminate any further imitation of Coca-Cola products.¹²⁴

As Coca-Cola continued its battle for re-allocation, Benjamin Oehlert sent out a request to Arthur Acklin to contact all Coca-Cola distributors, retailers, and bottlers to provide proof of illegal practices by other cola companies. According to Oehlert, such actions by competitors proved that they intentionally took advantage of the lack of Coca-Cola available to the public. Oehlert announced that complaints from their competitors as well as from Coca-Cola reached the OPA. Because of this it was imperative that Coca-Cola document and show evidence from dealers, the public, bottlers and drivers that these competitors stole their business. Once Coca-Cola gathered the information, Oehlert presented it in several letters to the OPA documenting location, time, and date of the occurrences.¹²⁵

Despite Oehlert’s initial attempts to control Coca-Cola’s new competitors, the OPA did not budge. Shortly thereafter, executives at the Coca-Cola Company created a

¹²⁴ Memo from Benjamin Oehlert to Milton Socolof, Chief of Counsel Sugar Rationing Unit. Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 265, Folder 11.

¹²⁵ Memo from Benjamin Oehlert to Arthur Acklin 16 January 1942. Emory University Special Collections. Robert Woodruff Papers MSS 10 Alphabetical Files Box 214, Folder 8.

“memorandum for discussion with Mr. Leon Henderson” in order to talk about the disadvantage M-55 created. According to Coca-Cola the order drastically restricted delivery and use of sugar by industrial users who had normally purchased their sugar from refiners while those who received deliveries of sugar for use by any other industrial user was not restricted even if they used the sugar for similar purposes.¹²⁶ Under M-55 Coca-Cola, Dr. Pepper, and Nu-Grape suffered from the restrictions, while all other soft drinks thrived because of the new niche created by rationing of the other three soft drinks, particularly Coca-Cola.¹²⁷ In their memo to Leon Henderson, director of the OPA, Coca-Cola stated that they did not believe that the government intentionally discriminated against their company but by administering sugar rationing duties between two different agencies the inequity was unavoidable.¹²⁸ In June 1942, Coca-Cola requested that the OPA provide a favorable ruling for the other soft drink companies to comply with the same regulations as Coca-Cola or allow Coca-Cola the same exemptions.¹²⁹

Further describing their woes, Coca-Cola continued to present the OPA with examples, testimony, and statistics proving their disadvantages caused by M-55. According to Coca-Cola, M-55 curtailed their production allowing other smaller soft drink industries or new companies to pour into the market opened by the rationing of Coca-Cola. Since the other companies were not defined as “receivers” of sugar under M-55 they could increase their sales because of the competitive absence of Coca-Cola.

¹²⁶ “Memorandum for discussion with Mr. Leon Henderson.” Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 265, Folder 11, p. 1.

¹²⁷ Memo from Benjamin Oehlert to Dr. John Sly, Regional Regional Price Director, Office of Price Administration. Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 265, Folder 11.

¹²⁸ “Memorandum for discussion with Mr. Leon Henderson.” Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 265, Folder 11, p. 1.

¹²⁹ Memo from Benjamin Oehlert to Dr. John Sly, Regional Regional Price Director, Office Of Price Administration. Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 265, Folder 11.

During the months of February and March 1942, sales of Coca-Cola declined sixteen percent from the corresponding period 1941, while sales of Pepsi increased thirty-four percent and sales of other colas increased forty-nine percent. Not only did sales of other colas increase, but also during the first three months after issuing M-55, fifty-three new cola drinks hit the market.¹³⁰ Coca-Cola objected to the fact that companies such as Pepsi diverted sugar from use in general beverage flavors to the production of soft drink products directly competing with Coca-Cola. The Coca-Cola Company argued that it never sold a concentrate or extract in order to preserve the quality of its product and protect the consumer. With all of these imposters, however, Coca-Cola could no longer protect the consumer from colas falsely advertised as Coca-Cola.¹³¹

Because of this increase in competition Coca-Cola complained that it lost millions of dollars of sales taken by government fiat and given to new and existing competitors. Meanwhile, Coca-Cola estimated that soft drink companies exempt from M-55 used 20,000,000 pounds of sugar, which exceeded the amount of sugar consumed several fold if all soft drink companies were subjected to the same regulations.¹³² Coca-Cola therefore concluded that the government require all soft drink companies be subject to the same sugar regulations. While waiting for a ruling, however, Coca-Cola requested to change the way in which they process sugar in order to increase production. Under its suggested new plan, Coca-Cola would not use any extra sugar or any sugar not specifically allotted for the production of soft drinks, while producing three major results in favor of Coca-Cola. First the American public would have a better chance of obtaining

¹³⁰ "Memorandum for discussion with Mr. Leon Henderson." Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 265, Folder 11, p. 2.

¹³¹ Ibid.

¹³² Ibid.

Coca-Cola for consumption. Second, the public would experience a decrease in deception and defrauding through imposter products. Finally, the public would benefit from a lessened chance for profit in black market sugar sales to fill the gap between consumer supply and demand of Coca-Cola. In essence Coca-Cola sought to regain their place in the soft drink market by doing whatever it took to overcome the competition.

VI: The Rationing of Coca-Cola on the Homefront

In the meantime, as early as January 1942, sugar ration regulations forced Coca-Cola to begin rationing its products to civilians. The main goal of the company became the troops headed overseas and the possibilities of gaining sugar exemptions through war contracts. In a statement issued by the Coca-Cola Company, the company acknowledged that the need for sugar rationing would cause a shortage of Coca-Cola to the masses but that quality would not be sacrificed.¹³³ In order to deal with these changes in supply, Coca-Cola began issuing ration cards. Civilians received ration cards from the company just as they received ration books and coupons from the government for items such as sugar, gasoline, and meat. The cards allowed the holder to obtain three bottles per week. As consumers purchased bottles, the store clerk circled the number for the week. A disclaimer at the top read: “This card must be presented for purchase of Coca-Cola beverage. Ration may vary from week to week according to amount of supply.”¹³⁴

The rationing of Coca-Cola was not limited to civilians alone. The U.S. Government did not consider PXs to be true military facilities, therefore, Coca-Cola had to ration its product to those who received goods from their local PX. In a memo to Milton Socolof, Chief Counsel of the Sugar Rationing Unit, Benjamin Oehlert attached a

¹³³ “Sugar, Too, Enlists for Victory” written by the Coca-Cola Company. Emory University Special Collections. Robert Woodruff Papers MSS 10 Alphabetical Files Box 265, Folder 11.

¹³⁴ Coca-Cola Ration Card, photocopy provided by the Coca-Cola Company Archives.

memo stating that section 1407.184 of the M-55 sugar rationing order was not clear in regards to the types of military exchanges that were exempt from sugar rationing regulations. Oehlert argued that Army personnel ran PXs, that any profits from the PX went to recreational and morale purposes for Army personnel and that there is a tremendous demand for Coca-Cola at these exchanges. Further documentation submitted by the Coca-Cola Company suggested that in locations with a PX the majority of the bottler's sales came from military personnel at the local PX.¹³⁵

Regarding the confusion surrounding PXs, Coca-Cola requested that rulings or interpretations on the definition of a PX be clarified so that the company could proceed legally when distributing their product. Coca-Cola also requested clarification in one specific case. On April 4, 1942, Captain R.E. Shepherd asked executives at Coca-Cola to supply three thousand extra cases of Coca-Cola each week to concessions at Camp Butner in Durham, North Carolina which did not have any readily available drinking water.¹³⁶ According to Coca-Cola, the Army requested that they provide specified amounts of soft drinks per week. In order to fulfill this request Coca-Cola approached the WPB seeking a quota exemption. The Board ruled favorably and Coca-Cola fulfilled the order. This particular case, according to Coca-Cola, signified that an Army PX, indeed constituted a military installation.¹³⁷ Therefore, shouldn't Coca-Cola receive sugar exemptions for product orders to PXs? Coca-Cola repeatedly presented this question to OPA officials demanding a clear-cut answer.

¹³⁵ Memo from Benjamin Oehlert to Milton Socolof, Chief of Counsel Sugar Rationing Unit. Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 265, Folder 11.

¹³⁶ Letter from Captain R.E. Shepherd to the Coca-Cola Company 4 April 1942. Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 265, Folder 11.

¹³⁷ Memo from Benjamin Oehlert to Milton Socolof, Chief of Counsel Sugar Rationing Unit. Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 265, Folder 11.

While the debate raged on whether PXs could receive sugar exemptions through the War Department, the WPB and OPA did allow for some exceptions. Since the government forced Coca-Cola to provide PXs with civilian supplies, demand outweighed the supply. Exemptions occurred only when military officers requested extra supplies. After receiving the order from Camp Butner, Coca-Cola contacted A.E. Bowman of the WPB who approved usage of the amount of sugar needed to fulfill the order.¹³⁸ Bowman requested that Shepherd notify the WPB when drinking facilities became available in order to reduce the amount of sugar granted to the Coca-Cola Company.¹³⁹

After requesting clarification or a court ruling on the issue of PXs, Coca-Cola received an answer on June 14, 1942. A Supreme Court ruling declared PXs as separate facilities from Army and government functions. Coca-Cola, on the other hand, concluded that because a commanding officer and other military personnel ran PXs, therefore, they were integral parts of the War Department. Thus allowing shipments of Coca-Cola to those posts to use unrestricted sugar. Verifying Coca-Cola's conclusion, Lieutenant General Brehon Somervell, Chief of the Services of Supply of the Army of the United States wrote to Donald Nelson and Leon Henderson on June 14, 1942 and stated, "The War Department holds that Post Exchanges are in fact an integral part of the Army."¹⁴⁰ Coca-Cola argued that if Army PXs were exempt from sugar rationing the amount of sugar used nationally would not rise more than one percent. Allowing a sugar exemption for PXs, therefore, would not drain the nation's sugar supply. Coca-Cola

¹³⁸ Letter to the Coca-Cola Company from A.E. Bowman 9 April 1942. Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 265, Folder 11.

¹³⁹ Letter to Captain R.E. Shepherd from A.E. Bowman 9 April 1942. Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 265, Folder 11.

¹⁴⁰ "Memorandum for discussion with Mr. Leon Henderson." Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 265, Folder 11, p. 9.

concluded that unless the OPA declared PXs exempt from sugar rationing regulations, there will be several consequences such as: troops being denied products deemed important for morale by their commanding officers; civilians near large Army camps would be deprived of soft drinks and confections for the duration of the war; manufacturers of candy and soft drink bottlers being run out of business in the civilian market; and finally, penalization of industrial users of sugar who used unrestricted amounts of sugar in the production of goods for Army PXs without an official ruling on their status.¹⁴¹

In April 1942 Coca-Cola submitted a separate request to Thomas E. Harris, Assistant General Council of the OPA, with several questions regarding what the government considered a military installation. On July 6, 1942 Harris finally returned a memo purportedly answering these questions. Coca-Cola shot back at the OPA complaining that the answers to their questions at best were ambiguous if not evasive. In a memo to Leon Henderson, executives at Coca-Cola strongly accused the government of failing to clarify legal and illegal interpretation of sugar exemptions. As a consequence they declared that the company must renounce many of its established methods of doing business while sacrificing "...considerable business to which it is entitled and to which the public is entitled... or it must proceed on its own best interpretations with constant fear and risk of being penalized and even persecuted for some technical and unintentional violation."¹⁴² Coca-Cola received no further clarification as requested and continued their operations as they had in the past, interpreting government regulations as they wished without any serious penalties.

¹⁴¹ "Memorandum for discussion with Mr. Leon Henderson." Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 265, Folder 11, 11-12.

¹⁴² Ibid, 3.

Despite the dispute over PXs in the United States, the demand for Coca-Cola overseas at PXs grew exponentially as soldiers flooded Europe and the Middle East. In March of 1942 the Army PX in the United Kingdom requested that Coca-Cola send approximately one thousand barrels of syrup. The PX offered to pay for the syrup and then deduct the price from the price charged to them by bottlers in the United Kingdom where they delivered the syrup. The Coca-Cola Company, however, felt that sending so much syrup was too rash and suggested that they send gradual shipments of a few hundred barrels rather than all one thousand barrels at once. That same month an order from a PX requested that Coca-Cola set up a bottling plant in the Middle East in order to accommodate a large number of troops. Although Coca-Cola considered the request they deemed it too expensive to take the risk considering the desolate nature of the land and the uncertainties involving troop movements.¹⁴³

Shipments and business in other parts of the world became disrupted and slow. Shipping space came at a premium not allowing shipments of concentrate to reach Hawaii as well as other destinations in the Atlantic and Pacific. Any shipments to Australia or New Zealand ground to a halt immediately following the bombing of Pearl Harbor, while contact with the Manila plants ceased, costing the company over \$100,000 in property. European operations, although small, saw little drop in sales but eventually found themselves out of business because of the war with the exception of Swiss operations. The war also eliminated all Far Eastern markets. Even with this drop in U.S. exports 1942 brought an increase in exports to Coca-Cola.¹⁴⁴ Seeing that expansion in

¹⁴³ Memo to R.W. Woodruff from the Coca-Cola Export Sales Company 13 March 1942. Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 212, Folder 1.

¹⁴⁴ Memo to R.W. Woodruff from Benjamin Oehlert 1 June 1942. Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 214, Folder 8.

Europe or Asia seemed impossible during the war, Coca-Cola aimed its expansion towards South America and Mexico. Some small plants had already been established but operations were insignificant. Coca-Cola felt that one plant in each country was not enough and sought to establish multiple plants to distribute Coca-Cola to a larger population.¹⁴⁵

Realizing the loss of the European and Far Eastern markets for the duration of the war and with only a small hope of expanding further in other parts of the world, Coca-Cola strengthened its campaign to supply American troops overseas. American troops were one of the largest and most reliable markets for Coca-Cola. Benjamin Oehlert added that, “A proper attitude toward supplying Coca-Cola to those troops wherever they go can do us more good, both domestically and abroad, than could a generation of effort and millions spent in advertising and merchandising.”¹⁴⁶ Oehlert continued arguing that those men who return from the war will return with conscious and unconscious memories of the war and their experiences abroad. If Coca-Cola became part of those memories it would be seared into their minds becoming inseparable in their thoughts, therefore securing the future of the product in the United States and giving it an unprecedented stimulus in sales to carry through the lives of the soldiers and other generations to come. Oehlert also saw the impact of Coca-Cola abroad as troops exposed the civilian populations in the countries where they fought. Oehlert couldn't have been more accurate. From this point forward Coca-Cola focused all of its energies into using every resource to get and keep its military business for the entirety of the war. Oehlert hoped

¹⁴⁵ Memo to R.W. Woodruff from the Coca-Cola Export Sales Company 13 March 1942. Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 212, Folder 1.

¹⁴⁶ Memo to R.W. Woodruff from Benjamin Oehlert 1 June 1942. Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 214, Folder 8.

that by doing this the government would forget all questions of immediate profits and see to it that Coca-Cola was supplied to the troops regardless of cost.¹⁴⁷ Coca-Cola relentlessly pursued this opportunity until the government finally allowed them to follow the troops behind the front lines.

Coca-Cola continued to question the regulations issued by the OPA and presented another set of general questions related to the use of sugar for civilian consumption. Conferences with the Sugar Rationing Unit of the OPA raised questions in regard to the usage, availability and paperwork surrounding sugar. Following the frustrating correspondence with the OPA on PXs, the Coca-Cola Company continued to face problems in clarification on regulations for civilian supplies. On behalf of the Coca-Cola Company, Benjamin Oehlert composed a list of general questions to present to the OPA requesting explanations regarding forms and receipts required for sugar purchase and consumption as well as permission to use additional amounts of sugar for use at three bottling plants whose operations were disrupted by abnormal dislocations caused by strikes in those three locations.¹⁴⁸ It is unclear whether the OPA responded to these questions. Coca-Cola, however, found itself in legal trouble with the OPA two years later.

Retailers also felt the pinch from sugar regulations. As civilians received ration cards, retailers received rationed cases of Coca-Cola from bottlers. According to the *Journal of Commerce* other soft drink manufacturers were expected to do the same as the allotment system of sugar limited the companies. Sam Connelly, manager of the

¹⁴⁷ Memo to R.W. Woodruff from Benjamin Oehlert 1 June 1942. Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 214, Folder 8.

¹⁴⁸ "Memorandum of General Questions." Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 265, Folder 11.

Chattanooga Coca-Cola Bottling Co., predicted sales to drop thirty five percent. Letters from bottlers to customers explained the situation as the government continued to place limits on sugar consumption, therefore curtailing production.¹⁴⁹

VII: Coca-Cola's Appeal to the Government

In 1942, Coca-Cola executives issued a booklet entitled “Importance of the Rest-Pause in Maximum War Effort” to illustrate the point that workers in the factories as well as soldiers needed Coca-Cola to fulfill the human need for energy and rest. The target audience for the publication being the United States Government, particularly the War and Navy Departments, as well as the OPA. Images and famous quotes appeared throughout the booklet to inspire the reader to consider the importance of Coca-Cola. The opening segments reveal how fatigue hinders war efforts making such statements as, “Fatigue’s effect in lowering production and morale has long been scientifically established. So, too, industrial research has demonstrated and documented the plus-factor inherent in organized rest-pause for food and refreshment.”¹⁵⁰ Several graphs and charts accompanied the many testimonies by researchers, doctors and scientists to prove that workers need to rest and gain energy during that rest period. The company touted “In times like these Coca-Cola is doing a necessary job for workers – putting its shoulder to the wheel in factory, farm, workshop, office and at home – bringing welcome refreshment to the doers of things.”¹⁵¹

By the early 1940s several manufacturing plants had Coca-Cola coolers located in break areas next to the snack machines. For companies such installations took up floor

¹⁴⁹ Journal of Commerce, January 6, 1942. Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 265, Folder 11.

¹⁵⁰ Coca-Cola Company, *Importance of the Rest-Pause in Maximum War Effort*. Promotional publication, 1942.

¹⁵¹ Ibid.

space and took time away from production for Coca-Cola breaks, however, the installations increased profits for Coca-Cola and could potentially win an increase in sugar supplies if they could prove that the product was essential to wartime production. Coca-Cola cited an article from *Modern Industry* July 15, 1941 that stated, “If a man can leave his work for a minute or two, smoke a cigarette, drink a bottle of ‘Coke’ or eat a candy bar, relax – he’ll go back to work refreshed, more alert. He’ll do a better job, run less risk of accidents.”¹⁵²

Coca-Cola used not only references from outside sources to make their point but also used letters from companies complaining about the lack of Coca-Cola available for their employees. On January 7, 1942 a letter from Dupont arrived making the following request, “The operation of this plant is devoted entirely to defense production and, since such a large number of our employees purchase your product daily, we feel that, in the interests of morale and efficiency, some plan should be worked out whereby our requirements could be supplied.”¹⁵³ Such letters were placed strategically throughout the booklet as to catch the attention of both the government and the public making them aware of the impact Coca-Cola had on the war.

In order to get the government’s attention in relation to the men overseas, Coca-Cola added pages displaying letters written by GIs to the company for requests for the beverage noting that its presence gives men a morale booster. Several of the letters were published for the review of readers. These letters came from PXs, air bases, military medical institutions, United States Maritime Commission, and the Coast Guard. The letters testified that Coca-Cola was essential to the war effort and boosted morale among

¹⁵² Ibid.

¹⁵³ Ibid.

troops and that more was needed. One letter dated January 16, 1942 from the U.S. Destroyer Base in San Diego mentions the fact that rationing regulations have cut their supply and that the War and Navy Departments could secure additional Coca-Cola for them with a signed order. Their reasoning for needing more Coca-Cola can be summed up in the following line “The benefits derived by the men of the armed forces from the serving of your product are many, and such as sustaining morale, raising of funds for welfare, recreational facilities and refreshment in these busy times, is appreciated by all the officers and men of this station.”¹⁵⁴

In addition, letter testimonials on the importance of sugar as an energy source appeared throughout the booklet including several from doctors. One of the testimonials included an article from the *New York Times* and the *Washington Post* about the use of hard candy and chocolate, which was being used in rations, both of which used sugar as the energy source. The booklet ended with the following quote to sum up the point of the campaign:

In these days of all-out war effort, Americans turn to their sparkling beverages as naturally as the English turn to their cup of tea and the South Americans to their coffee. They have found that relaxation plus a refreshing drink doubles the value of a rest-pause...sends them back to work cheered and strengthened.¹⁵⁵

The booklet itself was not the only testimonial for Coca-Cola’s popularity among the troops. Early on General Brehon Somervell, a high ranking officer commanding the Army’s Service of Supply, appealed to Donald Nelson, WPB Chairman, and Leon

¹⁵⁴ Coca-Cola Company, *Importance of the Rest-Pause in Maximum War Effort*. Promotional publication, 1942.

¹⁵⁵ Coca-Cola Company, *Importance of the Rest-Pause in Maximum War Effort*. Promotional publication, 1942.

Henderson, head of the OPA in a memorandum seeking a sufficient allowance of free sugar for the manufacture of Coca-Cola.¹⁵⁶

About the same time as its publication *Importance of the Rest-Pause in Maximum War Effort*, Coca-Cola distributed a ten-page memo regarding the importance of soft drinks in war. The memo continued the incessant campaign to prove the importance of Coca-Cola in war production. Using examples from other countries, the memo outlined how Canadian and British workers received adequate breaks with facilities to purchase refreshments, such as soft drinks, to restore their physical and mental vigor. Coca-Cola contended that if workers did not receive refreshments such as Coca-Cola, then the war was as good as lost due to lack of morale and energy. The memo featured some of the same arguments as their publications including articles from *Modern Industry* and articles written in medical journals. The main focus of the article centered on the need to boost morale and efficiency among war workers by keeping them motivated to work through breaks and refreshments. Coca-Cola continued to concentrate its efforts toward convincing the government of the need for more sugar in order to produce the necessary supplies of Coca-Cola to win the war.¹⁵⁷

Before completing the memo on “Soft Drinks in War,” several executives at Coca-Cola reviewed the memo and submitted suggestions to Robert Woodruff. One of the most significant contributions asked that the company spend a million and a half dollars in newspaper advertisements to disseminate the main points of the document. In addition others commented on the importance of soliciting further insight by authorities, health officials and even other executives at the company to incorporate those ideas and

¹⁵⁶ Jim Kahn, *Coca-Cola in World War II*. Unpublished Manuscript. Coca-Cola Archives, p. 9.

¹⁵⁷ “Memorandum Re: Soft Drinks in War” Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 39, Folder 9.

build a stronger argument to both the public and the government regarding the importance of Coca-Cola both at home and at war. Concepts such as the industry's tax contributions and their importance to the defense effort through munitions factories also factored into the discussion. An outcry for the exclusion of the word "luxury" came from all parties requesting that it be removed for fear of it disproving their argument as an essential wartime commodity. The final document captured these changes and evolved into documents such as *Importance of the Rest-Pause in Maximum War Effort* distributed by the Coca-Cola Company during the war.¹⁵⁸

VIII: Summary of Coca-Cola's Activities in 1942

By late 1942, Coca-Cola had gained permission to distribute their product to military installations and bases. Even before the war, when the War Department requested Coca-Cola be sent to troops stationed in Iceland, the Coca-Cola Company realized that materials needed to be shipped using as little space as possible. In order to relieve already overburdened ships Coca-Cola sent only necessary raw materials sufficient to produce approximately three months' supply.¹⁵⁹ It wouldn't be until 1943, however, when General George C. Marshall signed a War Department Circular allowing theater and area commanders to order permanent bottling plants.¹⁶⁰ In the first year of the war, fronts moved so quickly that portable dispensers and small portable bottling units hauled behind jeeps served the troops. In the Pacific theater, the Coca-Cola Export Corporation created a more durable "jungle" dispenser used until the first Pacific war plant was opened in Manila. Designed by the Liquid Carbonic Company of Chicago, the

¹⁵⁸ Memo to R.W. Woodruff from Benjamin Oehlert 24 September 1941. Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 39, Folder 9.

¹⁵⁹ Jim Kahn, *Coca-Cola in World War II*. Unpublished Manuscript. Coca-Cola Archives, 7-8.

¹⁶⁰ Pat Watters, *Coca-Cola: An Illustrated History*, 164.

small dispensers, capable of producing seventy to seventy-five gallons of drink an hour could be operated by just two people.¹⁶¹ These bottling plants became a necessity, as supplies of Coca-Cola could not be shipped in cases.¹⁶²

Bottling plants were not easily set up as Coca-Cola executives insisted that the plants produce the same high quality products as the plants back in the United States. When the bottling plants arrived at their assigned location for assembly they needed to be as complete and self-sustaining as possible. The plants also were to be assembled and maintained without the necessary buying, borrowing or obtaining of a single component. All plants arrived with the essential supplies and parts, which included not only Coca-Cola syrup, gas and caustic but also sanitary supplies, lubrications, and an eighteen months' supply of spare parts for all machinery.¹⁶³

Back on the homefront, Coca-Cola entered war production by opening the Brecon Loading Company, a subsidiary of the Coosa River Ordnance Plant to produce munitions and other military parts for the war effort. Brecon Loading Company was put up in a hurry starting in 1941.¹⁶⁴ Located at a large site just north of Talladega, Alabama, the Brecon Loading Company engaged in the loading of powder into artillery charges and adding finishing touches to the raw explosives. In addition to loading powder for artillery charges, workers loaded bags of powder for a variety of military uses, artillery shells and other ammunition.¹⁶⁵ All work was done under contract by the War Department. Thousands came to Talladega to make their fortunes at the Brecon Loading

¹⁶¹ Ibid, 165.

¹⁶² Jim Kahn, *Coca-Cola in World War II*. Unpublished Manuscript. Coca-Cola Archives, 8.

¹⁶³ Ibid, 11.

¹⁶⁴ Rob Strickland, "Plenty of Growth to go Around" located at: <http://www.dailyhome.com/news/2003/dh-localnews-0601-rstrickland-3e30v3311.htm> accessed January 21, 2004.

¹⁶⁵ Ibid.

Company as little work could be found in that region before the war. In order for workers to move closer to the jobs, the federal government began putting up whole communities of new houses, such as Coosa Court, Minor Terrace, and Pinecrest, for the masses of workers.¹⁶⁶ The Coca-Cola Company guaranteed the performance of that contract.¹⁶⁷ The War Department recognized the hard work and high production levels and awarded the Brecon Loading Company the Army-Navy “E” Production Award.¹⁶⁸

Regardless of its continuing uphill battles with the government, Coca-Cola’s profits continued to increase during 1942. This illustrated sustained growth despite operating under governmental limitations on production, the decrease of inventories and increase in production costs. Coca-Cola’s total profits for 1942 amounted to \$60,725,668.83.¹⁶⁹

Throughout 1942 both Hershey and Coca-Cola faced unexpected challenges forcing them to take immediate action in order to keep their production levels high in the face of shortages and a wartime economy. General Preference Orders M-98 and M-55 strained sugar supplies for both companies compelling them to lobby for government contracts. Shortages of other supplies forced Coca-Cola to begin rationing their product, while Hershey ceased or decreased production on certain products. In order to successfully convince the government of their needs, Hershey and Coca-Cola sought to convince the government that their products were essential to the war effort as a morale booster for troops overseas. War production also led to increased production at the

¹⁶⁶ Rob Strickland, “A look back: Alabama Army Ammunition Plant” located at: <http://www.dailyhome.com/news/2003/dh-localnews-0601-rstrickland-3e30v2748.htm> accessed January 21, 2004.

¹⁶⁷ Memo from S.F. Boykin to the Local Board No. 1 16 November 1943. Emory University Special Collections, Robert W. Woodruff Papers MSS10, Alphabetical Files Box 214, Folder 8.

¹⁶⁸ Coca-Cola Annual Report to Stockholders 1942. Emory University Special Collections, Robert Woodruff Papers MSS 10 Coca-Cola Collection Box 3, Folder 4.

¹⁶⁹ Ibid.

Hershey Chocolate Factory, while Coca-Cola accepted an offer from the government to begin operations at the Brecon Loading Company. With all of these challenges behind them, Hershey and Coca-Cola faced increased sugar shortages while production increased to meet war demands.

Chapter 4 - 1943:

Increased Shortages vs. Increased Production Due to Government Contracts

On the homefront, Coca-Cola and Hershey products rarely appeared on shelves as sugar supplies for domestic production were greatly reduced through ration regulations. By 1943, however, both companies reached peak production due to wartime contracts. In some locations ration cards were issued in order for customers to purchase Coca-Cola and consumers faced a shortage of Hershey products as the Hershey Chocolate Company rationed supplies to retailers. As more troops left American soil the demand for both Coca-Cola and Hershey decreased domestically as demand increased for military purposes. On top of these demands came a cut in supplies. The government cut imports drastically due to the increase of German U-boats lurking off shore sinking any ships in sight. In lieu of these difficulties a flood of imitation products hit the domestic market to take the place of Hershey and Coca-Cola as they marched off to war.

During 1943, the U.S. government began a campaign to promote production, sharing and proper use of food through rationing. The campaign set out to explain the basic objectives behind rationing and the need for rationing. Many citizens could not see the need for rationing forcing the government to target six specific issues that would inspire the public to cooperate. The public had to understand that food was a weapon used to save lives and shorten the war and that even though the United States produced more food than before the war, the need for food increased faster than production. Food essential to keep the troops fit and fighting causing fruits and vegetables to be rationed so that they could be canned and sent overseas. The most important points, however,

expressed the need for citizens to purchase only the food that they needed and to teach the public that rationing allowed everyone an equal opportunity to purchase scarce items. This campaign and others like it continued to appeal to the American public for their cooperation allowing items such as sugar to be redistributed to industries producing essential war items.¹⁷⁰

In an effort to curtail sugar shortages, the United States made an agreement with the Cuban government in 1942 to secure sugar supplies for 1943. The U.S. Government approached Cuba to purchase its entire crop in order to secure a reserve supply of sugar for 1943 and beyond at the lowest cost.¹⁷¹ Cuba agreed and sold its entire crop to the United States; however, the crop could not produce all the sugar the United States needed. Although the Cuban government set aside all of the sugar produced for 1943, weather and war prevented the crop from yielding the amount of sugar necessary for U.S. consumption.

As the war continued to rage in Europe and the Pacific, sugar supplies dwindled as enemy submarines challenged unarmed cargo ships. Although the U.S. Government determined that there was no sugar shortage in 1942 and rationing efforts were put in place to thwart any shortages, the U.S. faced shortages as early as 1943. In an effort to relieve this problem, the WPB asked the Department of Agriculture to create a complete survey of world sugar production and supplies to consider new import prices, new sources and the shipping situation. The survey considered factors such as a price increase or revision on import duties to result in larger exports of sugar from foreign areas and the ability to ship items to Russia and Great Britain. The WPB intended to find out how to

¹⁷⁰ "Objectives of the Campaign" page 7. Hershey Community Archives.

¹⁷¹ "War Production Board Sugar Policy Committee Recommendations" memo from A.E. Bowman. National Archives and Records Administration, RG 179 Box 2001, Folder 596.116.

regulate sugar for the remaining part of 1943 and 1944 and to allow an increase for retail and industrial use. The biggest problem faced by the government was the lack of shipping space.¹⁷² Despite these efforts 1943 saw an increased shortage with only little relief in 1944.

While the Department of Agriculture struggled with sugar shortages, the OPA decided to shift the responsibility of regulating industrial sugar use to regional boards rather than local boards. In 1942 when the U.S. Government decided to give responsibility of industrial sugar regulation to the OPA, every industrial user reported to the local board to receive and present paperwork relating to their rationed sugar. By 1943, this paperwork and responsibility had become a burden to local boards as more goods became rationed throughout 1942 and 1943. It was at this time that Chester Bowles, head of the OPA, suggested that responsibility for industrial users be turned over to District boards, freeing up the local boards to deal with small and individual users.¹⁷³ Once the responsibilities came under the District offices industrial users once again had to deal with new people, offices, and paperwork causing further confusion. In order to transfer responsibilities all files for each industrial user had to be moved to the proper District office. While transferring the files, the OPA required that District offices inform industrial users of the name and location of the board to reduce any confusion. The OPA

¹⁷² “World Sugar Survey Requested by War Production Board To Relieve Shortage” The Wall Street Journal. n.d. Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 265, Folder 11.

¹⁷³ “Transfer of Industrial User Program” Chester Bowles. National Archives and Records Administration, Rationing Department/Records Relating to Rationing Policy and Administration 1940-1946, RG 188 Box 1, Folder Alpha A Administration.

issued form letters for district offices to use for notifying industrial users of these changes and distributed letters explaining the changes within the administration.¹⁷⁴

The year 1943 proved to be a boom year for Coca-Cola as bottling plants, shipped from the United States, began to open across Europe and Asia. Seeking to provide his troops with an uplifting non-alcoholic beverage, General Dwight D. Eisenhower sent a request from Allied Headquarters in North Africa on June 29 to Coca-Cola stating: “On early convoy request shipment three million bottled Coca-Cola (filled) and complete equipment for bottling, washing, capping same quantity twice monthly.”¹⁷⁵ The order also called for, “ten separate machines for installation in different localities, each complete for bottling twenty thousand bottles per day.”¹⁷⁶ These shipments, however, were not to displace any military cargo. This order placed Coca-Cola even closer to the front lines and proved its importance to the morale of American troops. No other company ever matched such an unprecedented move by the Coca-Cola Company in military and commercial history. By August approximately eight million cases went to the military with a total of seventy five million for the year.

By allowing troops to request soft drinks by name, Coca-Cola quickly took over as the most popular drink among the GIs. Focusing on the postwar years, Woodruff moved his management units from Atlanta to New York, anticipating that the coming decade would be the greatest in company history.¹⁷⁷ Meanwhile, Pepsi-Cola Company decided to fight back to save their sales. Pepsi filed a complaint with the Office of the

¹⁷⁴ “Suggested Instructional Material to be Sent by District Offices to Boards.” National Archives and Records Administration, Rationing Department/Records Relating to Rationing Policy and Administration 1940-1946, RG 188 Box 1, Folder Alpha A Administration.

¹⁷⁵ Pat Watters, *Coca-Cola: An Illustrated History*, 162.

¹⁷⁶ *Ibid.*, 164.

¹⁷⁷ John Morton Blum, *V was for Victory*, 108.

Quartermaster General arguing that by allowing the military to request soft drinks by name the government permitted Coca-Cola to build a monopoly. Regardless, Pepsi's argument failed to change policy. General George C. Marshall stood by Eisenhower's decision to request brand names in the interest of morale giving full discretion to set up bottling plants dispensing whatever brand specified.¹⁷⁸

In addition to sending the equipment overseas for bottling plants, Coca-Cola also sent TOs, or Technical Observers, Coca-Cola company men attached to the Army with officer rank and pay but not commissions. These TOs were to be in charge of setting up and running overseas bottling plants on or near the front lines of combat. The Navy and Army accredited every TO as part of the military assigned to a specific front. This meant that all TOs endured the same conditions as combatants with non-combatant status.¹⁷⁹ As the war continued, Coca-Cola bottling plants followed battlefronts and in some cases moved along with the fronts. Bottling plants could be found on every continent spanning from Africa, through Europe, India, the Philippines, and even Australia. TOs constructed plants quickly with one appearing in Brussels just six weeks after D-Day. In all, sixty-three full-size plants were built around the globe during the war by a total of 148 TOs. Two of those TOs, Turk Beard and Jake Sutton, ultimately lost their lives in plane crashes as part of their quest to provide American troops with Coca-Cola.¹⁸⁰

With the widespread use of dispensers such as the Jungle dispenser, the Coca-Cola Company TOs set up a syrup plant in Finschaven, New Guinea to supply troops in the Pacific. Equipment and sugar sent from Australia as well as concentrate from the United States supplied the plant. During the peak of its operation the Finschaven plant

¹⁷⁸ Frederick Allen, *Secret Formula*, 255-256.

¹⁷⁹ Jim Kahn, *Coca-Cola in World War II*. Unpublished Manuscript. Coca-Cola Archives, 12.

¹⁸⁰ Pat Watters, *Coca-Cola: An Illustrated History*, 164-165.

produced 1,760 gallons of Coca-Cola per day and in one month could turn out 37,000 gallons. The plant operated throughout the war until July of 1945 when it outlived its usefulness as troops moved further north and could receive supplies from the United States easily.¹⁸¹

In a memo from S.F. Boykin to the local rationing board in Wilmington, Delaware, Boykin illustrated the true depth of Coca-Cola's reach by November of 1943. In the memo he states that approximately thirty percent of the Company's product was supplied directly to the military at home and abroad. For the year 1943 this represented approximately 25,000,000 gallons of Coca-Cola syrup or enough for three billion individual drinks. This close working relationship with the military also allowed Coca-Cola to have one of its employees receive the first passport to Iceland after U.S. military occupation in order to establish a plant for the production of goods for military use. Subsequently, this opened the door for scores of other plants to open worldwide on military bases and fighting zones.¹⁸²

By 1943 Coca-Cola played a prominent role in daily life around the world. Soldiers appreciated the efforts of the TOs and eagerly awaited their rations of Coca-Cola. Each soldier received two Coca-Colas per week as part of their rations, however, this ration and desire for more than their fair share led to a black market causing the price of Coca-Cola to soar well above the 5 cent price. Despite the black market, efforts Coca-Cola continued to follow American troops throughout Europe and Asia. With Coca-Cola so close to the front lines, reporters often mentioned Coca-Cola in their stories.

American troops in the Pacific faced constant torment by Tokyo Rose who broadcast:

¹⁸¹ Jim Kahn, *Coca-Cola in World War II*. Unpublished Manuscript. Coca-Cola Archives, 20.

¹⁸² Memo from S.F. Boykin to Local Board No. 1 16 November 1943. Emory University Special Collections, Robert W. Woodruff Papers MSS10, Alphabetical Files Box 214, Folder 8.

“Wouldn’t it be nice to have an ice-cold Coca-Cola! Can’t you just hear the ice tinkling in the glass?”¹⁸³ The Germans also targeted Coca-Cola. Otto Dietrich, German press chief, pointed to America as a cultural menace by saying, “America never contributed anything to world civilization but chewing gum and Coca-Cola.”¹⁸⁴

Soldiers, grateful for a little piece of home, risked punishment just to get their hands on a Coca-Cola. In a letter written in March of 1943, an army soldier desperate to get his hands on some Coca-Cola for himself and his buddies described how he managed to find out through “the grapevine” that a ship containing a surplus of Coca-Cola needed to unload with one of the PXs. This particular soldier, being the PX officer and Morale officer for his unit contacted the parties necessary to make the deal. Unfortunately there was a Port Regulation prohibiting the purchase and removal of goods from ships unless authorized by a requisition to the Port Quarter Master. The officer violated the regulations and obtained the Coca-Cola without authorization. He made sure that every soldier in his unit received five bottles of Coca-Cola. Some men in the unit, discovering the violation, turned him in. The officer admitted that this was his first punishment since entering the Army and received punishment just before he was to be promoted. He added, “I’m still enjoying the remaining Coca-Colas, nevertheless, during these long restricted nights.”¹⁸⁵

On the homefront Coca-Cola continued its ad campaign to keep its customers loyal despite the lack of Coke available to the public. The company also wanted citizens to realize that as the war raged overseas that Coca-Cola was available to not only

¹⁸³ Frederick Allen, *Secret Formula*, 258.

¹⁸⁴ *Ibid*, 258.

¹⁸⁵ Letter from an unknown Army soldier to the Coca-Cola Company 31 March 1943. Emory University Special Collections, Robert W. Woodruff Papers MSS10, Alphabetical Files Box 214, Folder 8.

Americans but to other countries. One advertisement read, “Despite the fact that many bottling plants are cut off in many occupied lands, Coca-Cola is still being bottled in over thirty-five allied and neutral nations. So our fighting men can still enjoy it many places overseas.”¹⁸⁶ At the same time Coca-Cola expressed its patriotism by featuring war bonds in its advertising in magazines, newspapers and on posters.

Despite of Coca-Cola’s efforts to portray itself as patriotic, they continued to use methods and practices that constituted illegal acquisitions of sugar. In a memo discussing the sale of sugar to Mars Incorporated, the San Francisco Regional Office of the OPA indicated that both Mars and Coca-Cola used certificates for replacement sugar for products not being sold to the U.S. Government. The subject line of the memo read, “Method being used by Mars, Incorporated of Chicago, Illinois, to obtain signed certificates which would enable them to obtain replacement of sugar contained in candy sold to civilian buyers.” Within the text of the memo it was revealed that Coca-Cola Company followed the same practice as Mars by taking certificates to manufacturers or local boards to obtain replacement sugar.¹⁸⁷ Although it seems the OPA did not pursue further legal action, this discovery caused the OPA to keep a closer eye on Coca-Cola’s sugar transactions.

In an effort to promote further Coca-Cola and its patriotic efforts, Coca-Cola executives put together an ad campaign representing their war efforts in supplying the troops overseas. The ad featured four Coca-Cola bottles fashioned to represent a soldier, sailor, marine, and a defense worker marching arm in arm, presenting the service men with arms on shoulders and defense workers with a saw or tool marching out towards the

¹⁸⁶ Pat Watters, *Coca-Cola: An Illustrated History*, 173.

¹⁸⁷ “Regional Office, Office of Price Administration, San Francisco, California.” National Archives and Records Administration RG 188 PI 120, Entry 145, Box 1167, Folder Mars, Inc.

consumer as the headline read “Coca-Cola Has Gone To War.” The ad convinced Americans that Coca-Cola set out to comfort those overseas by bringing a bit of home to them in a time of war. In the meantime those left on the homefront had to sacrifice their supply of Coca-Cola to those overseas. In ending the company went one step further in showing their patriotism by announcing that they built and operated a munitions plant to fuel the war efforts.¹⁸⁸ By producing this ad, Coca-Cola struck at the hearts of many Americans who saw their loved ones march off to war.

On March 23, 1943, the Brecon Loading Company received the Army-Navy “E” Production Award for a second year in a row because of its “meritous service on the production front.”¹⁸⁹ The company’s excellence in production merited the award and the workers of Brecon showed pride in their achievement. The company regarded the award as a challenge rather than an honor as the award motivated them to increase excellence in the production of material for victory.¹⁹⁰ Shortly after receiving the award, the Brecon Loading Company renewed its contract with the U.S. government allowing them to operate through 1944 providing much needed armaments.

At the beginning of 1943, Coca-Cola suffered some complications as they faced rationing of materials such as steel, copper, and aluminum, which were required for bottle caps. Coca-Cola anticipated these changes in their 1942 Fourth Quarter Report. In the report it stated that under the Controlled Materials Plan all types of metal and other items in shortage were subject to rationing as domestic supplies dwindled. In order to protect

¹⁸⁸ Coca-Cola ad to be read by announcer. Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 265, Folder 11.

¹⁸⁹ Coca-Cola Annual Report to Stockholders 1943. Emory University Special Collections, Robert Woodruff Papers MSS 10 Coca-Cola Collection Box 3, Folder 4.

¹⁹⁰ Coca-Cola Company internal memo. Emory University Special Collections. Robert Woodruff Paper MSS 10. Alphabetical Files, Box 39, Folder 3.

their interests, Coca-Cola and other industries placed people on Industry Councils to stand between the manufacturer and the Claimant Agency, which claimed the same on behalf of the industry. The Claimant Agency for the soft drink industry fell under the Office of Civilian Supply.¹⁹¹ Through this line of councils and agencies Coca-Cola was able to secure the metal needed for bottle caps but not for coolers and vending machines.

Bottle caps seemed the least of Coca-Cola's problems once the production of vending machines became prohibited as of April 30, 1942. Although production of new vending machines stopped, those that had already been produced went into service by the end of 1942. By 1943, however, Coca-Cola faced a limited number of vending machines as well as a limited amount of Coca-Cola to be distributed. Complicating the matter further, rationing of gasoline, tires, and other transportation limitations reduced the delivery routes and locations. This caused a situation where more soft drinks were being sold in urban areas rather than in rural areas. Some areas no longer received Coca-Cola until after the war. Due to the concentration of sales in certain areas more soft drinks were sold from vending machines. Without new machines, however, Coca-Cola could not keep up with demand and few soft drinks were sold. Many of the last vending machines to go into service opened on military bases due to the expected increase in sales during the war.¹⁹² Such a heavy hit to civilian sales forced Coca-Cola to rely heavily on military and governmental sales.

Rationing not only affected distribution but also limited the amount of Coca-Cola available to the American public. Despite Coca-Cola's large stock of sugar accumulated

¹⁹¹ Fourth Quarter Report 1942: Miscellaneous, p. 48. Emory University Special Collections, Robert W. Woodruff Papers MSS10, Alphabetical Files Box 50, Folder 12.

¹⁹² Letter from Benjamin Oehlert to Fred Morrison U.S. Treasury Department 9 June 1942. Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 214, Folder 8.

and exemptions for War and Navy Departments, the small amount of sugar for civilian production of Coca-Cola forced the company to reduce the amount of Coca-Cola available to the civilian population. Due to the decrease in homefront supplies, the U.S. government began issuing ration cards to civilians and those who purchased Coca-Cola at PXs. The government issued such cards to allow everyone an opportunity to purchase Coca-Cola and prevent hoarding.¹⁹³ As early as 1942, Coca-Cola began rationing the number of cases retailers received from the Chattanooga bottling plant, reducing sales by thirty-five percent. In order to determine how much each retailer received, Coca-Cola limited purchases based on the retailers past purchases. After Coca-Cola announced its intentions to ration, voluntary rationing by other soft drink companies began.¹⁹⁴

After Coca-Cola began rationing the amount of Coca-Cola distributed, the company issued a statement in response to the flood of demand for more Coca-Cola. In a public statement, Coca-Cola acknowledged that the shortage of Coca-Cola was not a choice but a necessity in unusual times. They warned that consumers might not always be able to obtain the soft drink and to expect it on occasion. If consumers could not find Coca-Cola, the company pleaded with the public not to blame the dealer as every effort was made to distribute all the Coca-Cola available. Coca-Cola appealed to the public for their patience as it continued to cope with sugar rationing. The announcement ended saying “after all, these are the days when all of us must pull together all of the time – help things to go farther and make the best of everything that comes up.”¹⁹⁵ This message

¹⁹³ Letter from the Coca-Cola Company to Martin E. Baker 27 January 1997. The Coca-Cola Company Archives Atlanta, GA.

¹⁹⁴ Newspaper clippings from the Wall Street Journal 6 January 1942. Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 265, Folder 11.

¹⁹⁵ “About the Soft Drink Most Everybody Seems to Want.” Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 265, Folder 11.

echoed across the airwaves in radio announcements as well, appealing to women especially. The ad campaigns reminded women of the sugar shortage and asked them to be patient until sugar rationing ended.¹⁹⁶

Even with the war still raging, Coca-Cola looked to squelch any efforts by competitors to gain the upper hand in the soft drink industry. After learning that Pepsi Cola purchased its own sugar plantation in Cuba, Coca-Cola looked toward H. H. Pike and the Hershey Corporation for its own sugar supply. In a memo from H.H. Pike to Robert Woodruff in September of 1943, Pike attached a listing of Hershey Corporations assets but noted that the scope of the corporation would be broader than what Coca-Cola needed and that there was little possibility of dividing its assets.¹⁹⁷ Coca-Cola decided against purchasing any mills in Cuba during the war but kept its eye on Hershey's Cuban assets. In the early 1950s, Coca-Cola again looked at acquiring Cuban holdings, however, after seeing Pepsi's ventures fail, they opted not to buy.

As production at both companies continued to increase, Hershey Corporation petitioned the government to allow the sale of sugar to Coca-Cola to fulfill Army and Navy Contracts. In order to provide sugar to Coca-Cola for government contracts, Hershey Corporation was required to complete a "Certificate on Orders by War and Navy Departments" certifying that because of an attached order for Coca-Cola syrup the company could provide sugar to fulfill the actual contract or order with the War and Navy Departments. The form also required Hershey Corporation to name the specific

¹⁹⁶ "Program No. B-1362" Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 214, Folder 8.

¹⁹⁷ Letter from H.H. Pike, New York, to Robert W. Woodruff, Atlanta, Georgia, September 21, 1943. Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files, Box 224, Folder 9.

government agency for which the contract was being filled so as to verify that a contract existed.¹⁹⁸

With increased production Coca-Cola continued to see significant increases in profits despite the decrease in sugar shipments. In many ways 1943 was a landmark year as the company saw a shift in Coca-Cola sales from domestic sales to overseas sales. The company also saw sixty percent of its total permanent personnel in the armed forces by 1943. Despite these changes sales continued to increase bringing Coca-Cola's total profits for 1943 to \$68,471,090.83 nearly eight million more than the previous year.¹⁹⁹

Both companies also aided in the war effort by fulfilling war contracts producing military weapons. In the Hershey factory machine shop workers produced parts for the U.S. Navy's 40-millimeter antiaircraft guns.²⁰⁰ At the Hershey Industrial School, National Defense Program Trainees from Hershey and surrounding areas were taught industrial skills. Boys at the Industrial School also aided by working for the Farm Defense Program producing prize crops and livestock to "aid the winning of the war."²⁰¹ Government spending on contracts for military weapons shaped the expansion of entire sections of the economy. Most of the spending focused on private corporations providing employment for thousands of workers. Wartime expenditures on national defense not only helped companies like Hershey and Coca-Cola but also brought the country out of the Great Depression.²⁰²

¹⁹⁸ Hershey Community Archives, "Certificate on Orders by War and Navy Departments." Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 12.

¹⁹⁹ Coca-Cola Annual Report to Stockholders 1943. Emory University Special Collections, Robert Woodruff Papers MSS 10 Coca-Cola Collection Box 3, Folder 4.

²⁰⁰ Mary Davidoff Houts and Pamela Cassidy Whitnack, *Images of America: Hershey*, 88.

²⁰¹ *Ibid*, 96-97.

²⁰² Galambos and Pratt, *The Rise of the Corporate Commonwealth*, 137.

The town of Hershey was a buzz of activity as many continued to volunteer, this time for their own troops overseas. War-related groups such as the Council of Defense and the Farm Defense Program benefited from countless volunteer hours from local residents. Other popular activities included growing victory gardens, buying war bonds (since many could not spend their money on big ticket items such as cars, major appliances, etc.), donated blood and collected items for the war effort such as metal, rubber, fat, rags, and paper.²⁰³ The towns daily activities were affected not only by the number of war related drives but also by the U.S. Government. As the number of tourists dropped due to rationing, the U.S. Government took over the Hotel Hershey and placed the French Vichy government diplomats and their families at the Hotel from November 1942 to October of 1943.²⁰⁴

While debate over the status of PXs continued throughout 1942, by 1943 it was ruled that PXs were considered military installations, therefore extending sugar exemptions to both Hershey and Coca-Cola. The ruling considered candies, soft drinks and other previously deemed luxuries as necessities for normal camp life for a soldier in the U.S. Army.²⁰⁵ By opening up PXs as sugar exempt, the U.S. government provided Coca-Cola and Hershey another outlet to sell their products to not only military but also a small civilian population outside of the regular retail outlets.

By 1943 the distinction between civilian and military quotas subdivided even further, creating a hierarchy of Army-Navy, War Workers, then ‘non-essential’ civilians in the chain of production for candy manufacturers. In an article published by the *Wall*

²⁰³ Mary Davidoff Houts and Pamela Cassidy Whitnack, *Images of America: Hershey*, 89.

²⁰⁴ *Ibid.*

²⁰⁵ “Army Post Exchanges in U.S. Give Up High Priority Ratings” Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 214, Folder 8.

Street Journal on February 5, 1943, it was announced that the Department of Agriculture and the National Confectioners Association worked together to allow an increased allotment for war plant workers who clamored for more candy to eat on the job. Under this new plan no further sugar supplies were available for producing more candy for war workers but rather the plan stretched the limited supplies of candy-making ingredients as far as possible to make more candy available for those workers. By doing this, the war plants received first claim after the fulfillment of Army-Navy contracts on the amount of candy needed to supply war workers. This unfortunately meant less chocolate and candy for civilian consumption. Previous to this plan candy manufacturers distributed their products to wholesalers and retailers on the basis of their sales volume from the pre-war years. Reducing sales to civilians created further problems among the American public as many consumers had more money to spend on candy with fewer choices. Previous to this change normal marketing schedules had already been upset, but with the change, civilians faced further disappointment when purchasing candies. This forced many to chose another confection or suffer without until the end of the war.²⁰⁶

In early 1943, the U.S. Army again approached Hershey Chocolate Corporation about the possibility of creating a better tasting heat resistant chocolate bar. It was not difficult to formulate the desired variation and after a bit of experimentation, Hershey's Tropical Chocolate Bar emerged in both one and two ounce sizes.²⁰⁷ The company received the first order on May 25, 1943 and exceeded all other items in the tonnage

²⁰⁶ "Candy Quotas: Army-Navy First, War Workers Next, Then 'Non-Essential' Civilians" *The Wall Street Journal*. 5 February 1943. Hershey Community Archives, Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 14.

²⁰⁷ Hershey Foods Publications 1984-1996, Folder Avenues 12/1990. Hershey Foods Corporation, "Avenues" December 1990, 12.

produced throughout the war.²⁰⁸ With its new formula, the Tropical Bar became more appealing to the troops and continued in production long after World War II.

Despite a sharp decrease in sugar shipments due to government regulations, Hershey Chocolate Company continued to see its profits rise while increasing production to some of its highest levels. By the end of 1943 the Hershey Chocolate Corporation earned \$24,652,130.86 nearly two million dollars more than the previous year.²⁰⁹ Total sales to the government for 1943 equaled \$912,735.75 a dramatic increase from the previous year.²¹⁰

Hershey Corporation, however, suffered a dramatic decrease in profits due to the restrictions on shipments from Cuba. According to the Cuban Atlantic Sugar Company, the 1943 restriction was due to a shipping shortage and restrictions due to an increase in German submarines off the eastern seaboard of the United States.²¹¹ Another problem for sugar mills and refineries came from an increase in production costs and a price freeze at pre-Pearl Harbor rates, so little profit could be gained. The year 1943, however, was a boom year for sugar in Cuba but with such tight restrictions most of the crop went to waste causing the company to earn only \$611,906 for the year, losing over a million dollars in sales from the previous year.²¹² Regardless of the loss, Hershey Corporation

²⁰⁸ Samuel Hinkle, "Hershey Chocolate Corporation," Unpublished Manuscript, 1968, 421.

²⁰⁹ Hershey Chocolate Corporation Annual Reports. Hershey Community Archives, Box 15, Folder 21.

²¹⁰ *United States of America, Office of Price Administration, Washington, DC. Form A – Annual Financial Report. Hershey Chocolate Corporation, December 31, 1943.* National Archives and Records Administration. RG 188, Accounting Records, Box 595, Folder "Hershey Chocolate Corporation."

²¹¹ Cuban Atlantic Sugar Company Annual Report 1944. Hershey Community Archives, Hershey Trust Company Papers, Series 5: P.A. Staples, Box 82, Folder 4.

²¹² SEC form for 1946 sale of the Hershey Corporation. Hershey Community Archives, Hershey Trust Company Papers, Series 5: P.A. Staples, Box 81, Folder 6, 6.

was able to gain some financial compensation through purchase contracts with the government equaling \$397,085 for the year 1943.²¹³

Throughout 1943 the civilian population on the homefront continued to see a decline in Coca-Cola and Hershey's products on store shelves. Despite the drop in civilian production, both companies reached peak production due to their government contracts. Keeping up with production became difficult, however, due to a decreased sugar supply. Each company fared the sugar crisis well with their sugar exemptions, which allowed them to increase production and profits. In the coming years, Coca-Cola and Hershey saw an escalation in war production to fulfill their government contracts. With an expansion in production came increased profits. Both companies sought to continue their high production levels and a rise in profits in the coming years. With what looked to be the end of the war, both companies prepared for the post-war economy.

²¹³ *United States of America, Office of Price Administration, Washington, DC. Form A – Annual Financial Report. Hershey Chocolate Corporation, December 31, 1943.* National Archives and Records Administration. RG 188, Accounting Records, Box 595, Folder “Hershey Corporation.”

Chapter 5 - 1944 Through 1945:

High Production, Legal Troubles, and Post-War Preparations

Those left on the homefront during World War II endured their own sacrifices. Although nothing like the soldiers overseas, Americans saw few luxuries as items such as gasoline, tires, metal, sugar, meat, clothing, and durable goods were limited. The lack of gasoline, tires, and new automobiles and trucks curtailed mobility in the United States. Not only were there fewer products being made for civilian use at home, it was difficult to ship items across the country. Hershey's chocolate and Coca-Cola were no exception. Limited amounts of sugar for domestic production, lack of gas and rubber for transportation, cardboard for cartons, and tin for bottle caps and wrappers caused product shortages or in some cases products were unavailable for the duration of the war. Supplying civilians, however, became a low priority as production levels continued to rise in order to meet the demand of government contracts. By 1945 both companies faced the inevitable end of the war, forcing them to consider post-war strategies to maintain their production levels.

I: Hershey on the Homefront

Hershey tried to keep up morale on the homefront despite the lack of chocolate products available to the public. In an issue of *Home Defense Foods* published by the Hershey Department Store in 1944, the company alluded to the need for cooperation and patience from the public as Hershey products continued to be scarce. The company stated:

When we are not able to supply all your wants, remember, there's satisfaction in knowing the chocolate bars you can't get are going to your fighting men at home and abroad "on the double." You can be sure Hershey chocolate bars will be opened by our men on every fighting front around the world!²¹⁴

These statements provided an introduction into an essay written by a fourteen-year-old girl in New York City entitled "The Troublesome Hershey Bar." The girl, Miss Jean Krotzer, received an "A" for her essay, which captured the mood of children facing candy shortages. She begins her essay:

This candy shortage is driving me crazy. All the good candy is limited; and the tasteless, gooey substitutes are being sold in their places. I especially miss Hershey bars. Every time I think of those sweet, chocolate bars, filled with crunchy nuts my mouth nearly waters to a flood.²¹⁵

The essay continues as Jean described how she gained possession of a Hershey bar, "It was honestly and truly a real Hershey bar, and filled with nuts."²¹⁶ The Hershey Department Store released the story after Jean's father submitted the essay as a tribute to Hershey chocolate. In appreciation for the essay, the Hershey Department Store sent Jean a thank you note along with an "unrationed" chocolate bar for her to enjoy.

Regardless of the notoriety brought about from the American public, Hershey received a memo from the OPA reprimanding them for referring other chocolate manufacturers to the OPA seeking sugar exemption petitions. Before the war Hershey supplied several chocolate companies with chocolate coatings. Once the war broke out and sugar rationing took effect they could no longer provide coatings. Unable to obtain

²¹⁴ Hershey Department Store, *Home Defense Foods*. "Chocolate, Too, Has Gone to War!" 1944

²¹⁵ Ibid.

²¹⁶ Ibid.

coatings from Hershey, many companies sought to make their own coatings, which required sugar. In order to understand the means for obtaining and consuming sugar under the new OPA regulations many of these companies contacted Hershey, which in turn, sent them directly to the OPA. In a letter dated 27 March 1944, W.F. Straub, Director of the Food Rationing Division of the OPA, confronted Hershey on this matter. The OPA argued that by supplying individuals or firms with sugar coating products in the past indicated that these users helped Hershey to establish its sugar base for the 1941 period and by allowing these former customers to consume additional sugar would be a duplication of sugar allotments. Because of this duplication the OPA requested that Hershey refrain from referring these coating users from contacting the OPA for additional allotments of sugar.²¹⁷

One problem that persisted throughout the war was the constant patrol of German Submarines off the coasts of North America and Africa. Convoys of merchant ships guarded by destroyers sailed from South America and Africa in order to protect themselves from the German subs. The strategy worked and sugar shipments continued to enter the United States allowing uninterrupted production at the Hershey Chocolate Corporation. Some sugar shipments, however, received less protection and in some cases whole shipments were lost.²¹⁸

During 1944, sugar imports again increased allowing production to resume at a more normal pace. The Hershey Chocolate Corporation continued its high volume production throughout 1944 allowing their profits to increase another two million dollars

²¹⁷ Letter from W.F. Straub, Director of the Food Rationing Division of the Office Of Price Administration to Hershey Chocolate Company 27 March 1944. Hershey Community Archives, Hershey Trust Company Records, Series 4: William S. Crouse, Box 7, Folder 14.

²¹⁸ Samuel Hinkle, "Hershey Chocolate Corporation," Unpublished Manuscript, 1968, 427-428.

putting their total profits at \$26,738,722.67 for the year.²¹⁹ Sales for 1944 also revealed that total net sales exceeded every other year during the war, topping out at \$80,161,000.²²⁰ The allowance of increased sugar imports due to an unrestricted crop benefited the Hershey Corporation as well allowing their profits to jump to their highest level in the history of the company. Without restrictions the 1944 crop became the third largest crop produced. Also, Cuban sugar succeeded in increasing production to meet wartime needs. Profits for the year soared dramatically putting their profits at \$1,809,058, a total not to be surpassed in the forthcoming years until its sale in 1946.²²¹ Adding to its success in 1944, the Hershey Chocolate Corporation received \$1,949,833.44 in purchase contracts from the U.S. Government a remarkable increase from the previous year.²²²

Both Hershey and Coca-Cola recognized the affect of shortages on the public and came up with slogans to make customers aware of the situation as well as to plug patriotic war bond drives. One of Hershey's advertisements featuring three widely used products by housewives and featuring the Army-Navy "E" Production Award emblem stated, "Supplying our armed forces limits the quantity for you...Buy War Bonds and Stamps." Rationing regulations also affected packaging of products, for example, Hershey's Breakfast Cocoa from 1942 to 1946 could no longer be packaged in aluminum

²¹⁹ Hershey Chocolate Corporation Annual Reports, 1943 Box 15, Folder 22.

²²⁰ Samuel Hinkle, "Hershey Chocolate Corporation," Unpublished Manuscript, 1968, 433.

²²¹ SEC form for 1946 sale of the Hershey Corporation. Hershey Community Archives, Hershey Trust Company Papers, Series 5: P.A. Staples, Box 81, Folder 6, 6.

²²² *United States of America, Office of Price Administration, Washington, DC. Form A – Annual Financial Report. Hershey Chocolate Corporation, December 31, 1944.* National Archives and Records Administration. RG 188, Accounting Records, Box 595, Folder Hershey Chocolate Corporation.

cans and was placed in cardboard boxes with metal tops with lettering around the opening reading, "Emergency Pack to Save Tin."²²³

II: Coca-Cola's Post-War Plans

Coca-Cola, in conjunction with the Soft Drink Industry Advisory Committee, contacted the chairman of the WPB as early as 1944 to discuss the post-war status of sugar consumption by soft drink companies. The soft drink industry wished to receive cooperation from the U.S. government in order to help not only themselves but considered the economic ramifications of a change over between a wartime economy to a peacetime economy. The Soft Drink Industry Advisory Committee contended that it employed over 100,000 persons and supplied over 1.5 million retail outlets making it an important economic factor in post-war America. According to the Committee, any serious dislocations in the industry would result in direct unemployment in both manufacturing and distribution but also curtail production in other fields. These concerns by both the government and the Committee resulted from their knowledge of post-war problems following World War I when sugar markets hit bottom due to an influx of sugar flooding the market. The condition worsened as a result of the dislocation of the world's transportation and distribution systems following the war. In order to avoid this same situation it was proposed that full sugar production not resume until two to three years after hostilities ceased.²²⁴ The U.S. Government took measures similar to those suggested by the Committee allowing production to continue as normal until companies converted from wartime to peacetime operations while stabilizing the sugar market.

²²³ James McMahon, *Built on Chocolate*, 157.

²²⁴ Report sent to J.A. Krug, Chairman of the War Production Board from Benjamin Oehlert, Jr. 18 October 1944. National Archives and Records Administration. RG 179, Box 2001, Folder 596.14.

By 1944, Coca-Cola flowed regularly among the troops and boosted morale around the world. Coca-Cola claimed that the fighting men, not sales promotions, prompted the overseas programs. Many soldiers wrote home about receiving Coca-Cola referring to it as “a little piece of home.” Others wrote about “red letter days” when a soldier received two letters and six bottles of Coca-Cola at mail call. Letters home revealed, “it is surprising what just a little thing like a Coca-Cola means to a man in the army over here.”²²⁵ Another story circulated that a soldier in Italy raffled off a single bottle of Coca-Cola to raise money for a fund to aid survivors of slain buddies. The soldier raised \$4,000 for one bottle of Coke. One GI wrote:

You can believe me or not, but when these boys come down for a rest, and they can have anything they desire to drink, their first wish is for Coca-Cola.... The reason for this is that the boys are craving something typically American. And what is more typical than Coca-Cola, hamburger, hot dogs, and fried chicken.²²⁶

With the loss of shipments and an increase needs for munitions and other fighting equipment for the war, the War Department issued a memo to Coca-Cola regarding its new policies in delivering supplies and equipment for overseas commands. On February 4, 1944, the War Department declared that in order to provide an adequate supply of soft drinks to overseas commands using the least amount of shipping space, arrangements were made whenever possible to have soft drinks bottled by local establishments. In places where local bottling facilities did not exist a requisition was submitted through the appropriate port of embarkation to the Quartermaster General for the necessary equipment and supplies. The operation of the bottling plants could only be done by the

²²⁵ Pat Watters, *Coca-Cola: An Illustrated History*, 174.

²²⁶ Jim Kahn, *Coca-Cola in World War II*. Unpublished Manuscript. Coca-Cola Archives, 28.

manufacturer of the soft drink, a local firm, or by the Army exchanges. The War Department also stipulated that whomever operated the plant it had the responsibility to ensure that all personnel must be trained and available to maintain efficient operation and to prevent damage to equipment or loss of supplies.²²⁷

Regardless of their high production levels and successful sales to the government, Coca-Cola found itself in legal trouble on September 23, 1944. The Maryland OPA filed a suit in Federal Court against Eastern Sugar Associates, one of Coca-Cola's suppliers. The OPA demanded more than \$1,000,000 in damages regarding the sale of sugar to Coca-Cola at above-ceiling prices. The suit sought to restrain Eastern Sugar Associates and Coca-Cola from buying or selling sugar in violation of price ceiling regulations and from charging or paying excessive prices for storage and service. Although the claim was brought only against Eastern Sugar Associates, the injunction action was brought against both defendants.²²⁸ In a letter to Robert Woodruff, Benjamin Oehlert brought the article to Woodruff's attention reassuring him that it was doubtful that any other paper carried a worse story. In order to prepare for questions Coca-Cola issued the following statement: "The policy of the Coca-Cola Company has been to comply and cooperate with all wartime regulations, without exception. The allegations of the suit appear to be quite technical and they are now being studied by our Counsel."²²⁹ Regardless of this statement, Oehlert anticipated that the OPA would not ask Coca-Cola for a statement and requested that no one volunteer a statement. In the meantime, Coca-Cola sent lawyers to

²²⁷ Circular No. 1 from G.C. Marshall Chief of Staff of the War Department 4 February 1944. Emory University Special Collections, Robert W. Woodruff Papers MSS10, Alphabetical Files Box 214, Folder 8.

²²⁸ "OPA Sues Sugar Firm On Sales to Coca-Cola" *Atlanta Journal* 28 September 1944.

²²⁹ Letter from Benjamin Oehlert to Robert Woodruff 29 September 1944. Emory University Special Collections, Robert Woodruff Papers MSS 10 Alphabetical Files Box 214, Folder 8.

New York to discuss the matter. No further legal action resulted from this incident leaving Coca-Cola to deal with other matters.

III: War Profits, Production Levels, and a Return to a Peacetime Economy

In its annual report to stockholders, Coca-Cola noted a substantial increase in material costs as well as restrictions on ingredients; equipment, and manpower caused problems for the company. The company also announced its plans to extend the post-war distribution of Coca-Cola. Such problems did not decrease or hinder sales of the product as profits continued to climb to \$75,427,573.65 an increase of nearly seven million dollars. Although profits continued to rise, the numbers indicate that costs inhibited a more substantial growth in profits.²³⁰

In 1945, production levels for both Coca-Cola and Hershey hit maximum capacity and efficiency as America's troops rolled towards victory. By this time both companies earned Army-Navy "E" Production Awards for their services and Hershey maintained a nearly perfect record of production. Hershey proved its worth by receiving no rejections of any manufactured products by the official inspectors of the Army and Navy Departments.²³¹ Coca-Cola achieved a different goal by sending Technical Observers out to set up sixty-three Coca-Cola plants for GIs around the world.²³²

On the heels of American troops, Coca-Cola TOs began setting up bottling plants throughout Europe. With one plant operating just six months after allied troops stormed the beaches of Normandy, another plant opened the following month in Belgium. One week after the Germans surrendered, a bottling plant appeared in Niedermendig,

²³⁰ Coca-Cola Annual Report to Stockholders 1944. Emory University Special Collections, Robert Woodruff Papers MSS 10 Coca-Cola Collection Box 3, Folder 5.

²³¹ Samuel Hinkle, "Hershey Chocolate Corporation," Unpublished Manuscript, 1968, 422.

²³² Jim Kahn, *Coca-Cola in World War II*. Unpublished Manuscript. Coca-Cola Archives, 13.

Germany. By the end of the summer, TOs had twelve more plants in operation including one in Berlin. In the Pacific, five plants were in operation by V-J day. In Guam, U.S. troops celebrated the victory over Japan with free Coca-Cola, while TOs followed occupying troops into Japan. At the end of 1945 bottling plants began operation in Okinawa, Kobe, and Yokahama.²³³ Overall, however, Coca-Cola established fewer permanent bottling plants throughout the Pacific due to the fact that war in that theater was largely a naval and air war with few land fronts. In fact, no bottling plants could be fully established until 1945 when occupying troops moved into previously held territories.

By the end of 1945 returning troops came home to find the comforts of their own homes with only limited supplies of Hershey and Coca-Cola products. During the war GIs consumed over a billion ration bars produced by Hershey and five billion bottles of Coca-Cola provided for them on the front lines of combat. One public relations man wrote of Coca-Cola, “what was once in far places a reminder of home is now again the happy symbol of a friendly way of life.”²³⁴ Those familiar comforts from home that helped soldiers survive the terrors of war were in high demand with limited supplies due to the continued rationing of sugar supplies by the OPA.

With the end of the war came the end of war contracts and the end of unlimited sugar for production at both Hershey Chocolate Company and Coca-Cola. Despite the limited amount of sugar in the post-war years, the war allowed both companies to increase efficiency in their factories and, unlike most of the manufacturing sector, did not have to readjust their production lines drastically to return to peacetime operations. The

²³³ Jim Kahn, *Coca-Cola in World War II*. Unpublished Manuscript. Coca-Cola Archives, 15.

²³⁴ Pat Watters, *Coca-Cola: An Illustrated History*, 164.

American economy invigorated by companies like Hershey and Coca-Cola, provided the structure for continued growth that enabled the U.S. to rehabilitate the international economy after the war. The strength of American companies combined with wartime losses throughout much of the war ushered in an American era of business.²³⁵

At the Hershey Chocolate Corporation, the switch from wartime to peacetime production came easily. Just after V-J day, the government abruptly terminated its defense contracts with Hershey causing the company to disassemble its war production lines quickly in order to resume its normal output of chocolate products for the general public. The summation of contracts reveals that the largest single contract for the four-ounce Ration D bar amounted to 34,655,000 units sold with a total in excess of eighty million bars delivered to fulfill government contracts. As for the two ounce Ration D bar for the Army K ration the largest contract called for 4,489,000 units with a total of over twenty seven million bars produced. The two-ounce Tropical bars outsold the other two ration bars combined. The Hershey Chocolate Corporation obtained three contracts in the hundred million range with the largest amounting to 144,000,000 units. At the end of the war the total approached seven hundred million bars. By far the Tropical bar saw the largest total sales to the U.S. Government with a total of three hundred eighty million bars sold. All ration items, including Cocoa Beverage Powder, sent to the troops surpassed domestic shipments and exceeded one billion one hundred and sixty-four million bars.²³⁶

The year 1945 saw no decline in production as allied commanders declared victory in Europe in May and victory over Japan in August. Troops still remained

²³⁵ Galambos and Pratt, *The Rise of the Corporate Commonwealth*, 129.

²³⁶ Samuel Hinkle, "Hershey Chocolate Corporation," Unpublished Manuscript, 1968, 422-423.

overseas as peacekeeping forces, however, and sugar rationing continued. The Hershey Chocolate Corporation did not see a slip in sales and continued to hold consistent profit increases as it did throughout the war. By the end of the year the Hershey Chocolate Corporation brought in \$28,520,971.63 in sales for the year, another rise of nearly two million dollars.²³⁷ The year 1945 saw no income from the purchase of chocolate through government contracts,²³⁸ however, the final termination of war contracts in 1946 led the company to a gross sales income of \$50,891,151.49 allowing Hershey to move even further ahead of its competition.²³⁹

The same could not be said about Hershey Corporation, which suffered a loss in profit despite an unrestricted crop of sugar in 1945. The loss however, could be attributed to an increase in the fixed price from \$2.65, in the previous three years to \$3.10 per pound in 1945.²⁴⁰ Although sales did not fall dramatically as they did in 1943, they did decrease by approximately two hundred thousand dollars bringing its total revenue for the year to \$1,608,225.²⁴¹

Despite the minimal five-cent cost of Coca-Cola, soldiers and civilians alike, pilfered Coca-Cola from the temporary bottling plants set up behind the front lines. Although this practice contributed to a higher production cost for Coca-Cola and a loss in profits, Coca-Cola gained a loyal consumer base. While Coca-Cola saw losses in profits

²³⁷ Hershey Chocolate Corporation Annual Reports, 1943 Box 15, Folder 23.

²³⁸ *United States of America, Office of Price Administration, Washington, DC – Form A, Annual Financial Report. Hershey Chocolate Corporation, January 1, 1945 to December 31, 1945.* National Archives and Records Administration, RG 188, Accounting Records, Box 595, Folder “Hershey Chocolate Corporation.”

²³⁹ *United States of America, Office of Price Administration, Washington, DC – Form B, Interim Financial Report. Hershey Chocolate Corporation, January 1, 1946 to September 30, 1946.* National Archives and Records Administration. RG 188, Accounting Records, Box 595, Folder “Hershey Chocolate Corporation.”

²⁴⁰ Cuban Atlantic Sugar Company Annual Report 1945. Hershey Community Archives, Hershey Trust Company Papers, Series 5: P.A. Staples, Box 82, Folder 4.

²⁴¹ SEC form for 1946 sale of the Hershey Corporation. Hershey Community Archives, Hershey Trust Company Papers, Series 5: P.A. Staples, Box 81, Folder 6, 6.

in order to gain additional consumers, Hershey maintained their profit margin while still gaining worldwide notoriety. Soldiers overseas often used their Hershey bars as bartering tools to gain needed supplies or even a safe place to hide from the enemy. Soldiers also handed their chocolate rations to children as they passed through liberated territories in Western Europe and Asia.

The end of war did not cause any slow down in profits for Coca-Cola, although increased production costs did hold back profits. Even with two-thirds of their workforce serving in military operations, the company managed to earn nearly seven million dollars more than the previous year. Profits for 1945 reached \$82,316,843.45, the highest total the company earned up until that point.²⁴²

Although Hershey and Coca-Cola saw some of their largest profits and highest production levels, the post-war shift in the economy caused both companies to quickly switch their production to meet domestic needs rather than government needs. The move to peacetime production allowed Coca-Cola to establish permanent bottling plants around the world while Hershey simply gained notoriety throughout Western Europe and Asia from American troops setting up peacekeeping operations. Meanwhile, Americans continued to experience a shortage of both Coca-Cola and Hershey's products through the end of 1945. By 1946, however, things would change. Both companies emerged from the war with higher profits and a loyal consumer base allowing them to expand in the post-war years.

²⁴² Coca-Cola Annual Report to Stockholders 1945. Emory University Special Collections, Robert Woodruff Papers MSS 10 Coca-Cola Collection Box 3, Folder 5.

Epilogue

As the war in Europe and Asia came to a close, Americans on the homefront and returning soldiers faced the daunting task of switching from a war economy to a civilian economy. The OPA saw its demise, as sugar rationing became the duty of the Department of Agriculture until rationing was no longer necessary. Sugar rationing continued into 1947 temporarily holding back production of goods requiring real sugar as a main ingredient. Companies such as Hershey Chocolate Corporation and the Coca-Cola Company lost their war contracts while facing an increased sugar shortage. These setbacks, however, were short lived as both Hershey and Coca-Cola set out to conquer new markets and emerge from the war as key players in the chocolate and soft drink industry.

Even after the war the need for sugar rationing and price controls continued in order to stabilize the market. In 1946 the U.S. Department of Agriculture released a booklet entitled *Sugar During World War II* outlining the reasons for rationing, the wartime sugar situation, and the postwar sugar situation. According to the Department of Agriculture world supplies of sugar fell to an all time low since the outbreak of war in 1941 creating the smallest sugar rations in the United States since the beginning of rationing. Loss of production in the Philippines and Java contributed to the shortage along with reduced production of sugar beets in the United States and Europe. Adding to this shortage was an unusually small Cuban crop in 1944.²⁴³ This lack of supplies coupled with increased production at the end of the war caused the sharp decline in sugar

²⁴³ Roy Arthur Ballinger, *Sugar During World War II*. [Washington] 1946, 22.

supplies. Despite this immediate outlook, the Department of Agriculture correctly predicted a sugar surplus by 1948.²⁴⁴

On June 14, 1946, the OPA issued a press release stating that industrial sugar allotments would remain unchanged between July and September of 1946. This announcement meant manufacturers of ice cream, candy, and carbonated beverages would continue to receive only sixty percent of their sugar base. The sugar base for those users, however, increased one hundred and twenty percent during 1946 due to an increase in sugar imports since the end of the war. Civilian rationing continued as well creating a second home canning stamp for Americans wishing to purchase more sugar for the purpose of canning fruits and vegetables.²⁴⁵

Shortly after the OPA announced in early 1946 that it would continue sugar rationing, it released a statement concerning the status of veterans returning to the United States and looking to establish businesses. On July 9, 1946 the OPA declared that veterans wishing to re-establish a food producing business that they had sold before the war could obtain industrial and institutional sugar allotments as if they had not sold their businesses. Under previously established OPA regulations no new sugar users could be established. Veterans, however, were asked to contact their local rationing officer before purchasing plants or equipment. This announcement also allowed formerly restricted American citizens who entered the armed forces and members of allied armed forces both, to apply for new user status. Only those veterans who operated under the old maximum sugar bases were eligible for an increase up to the new maximums set in

²⁴⁴ U.S. Department of Agriculture, *Sugar During World War II*. Government Printing Office, 1946.

²⁴⁵ "Office of Price Administration, For Immediate Release: Friday, June 14, 1946" National Archives and Records Administration. RG 188, Box 943, Folder Office of Price Administration Press Releases, Sugar.

1946.²⁴⁶ All of these provisions became effective on July 12, 1946, therefore increasing competition among manufacturers struggling to emerge from wartime restrictions.

Due to the postwar sugar situation, the OPA continued to track sugar consumption and exemptions through the immediate post-war years. By late 1946, the remains of the OPA distributed an urgent message to companies who received sugar exemptions during the war. The memo sent on October 28, 1946 stated that the OPA could no longer provide companies with exemptions due to an increased shortage in sugar supplies.

According to the OPA, many companies continued to receive replacement sugar long after their contracts expired. To prevent further deception, the OPA attached questionnaires to obtain information to determine the feasibility of granting some sugar adjustments to a limited number of industrial users as long as supplies remained available.²⁴⁷ Hershey completed the forms required by the OPA stating that their total sugar consumption for the years 1944 through July 1, 1946 equaled 114,966,268 pounds, proving that the amount of sugar used remained below their 1941 base period use.²⁴⁸

Coca-Cola's bottling plants, on the other hand, received a different type of notification from the OPA. Rather than requesting proof of sugar consumption from individual bottlers, OPA exempted Coca-Cola from form R-376 due to the fixed price of their product throughout the war and continued fixed price set for the post-war years.

One of the last items to remain rationed, sugar caused continuous woes for industrial manufacturers. As of February 1947, manufacturers of products containing

²⁴⁶ Office of Price Administration Press Release, 9 July 1946. National Archives and Records Administration. RG 188, Box 943, Folder Office of Price Administration Press Releases, Sugar.

²⁴⁷ Office of Price Administration Memo, October 28, 1946. National Archives and Records Administration, RG 188, Box 981, Folder R376 Misc.

²⁴⁸ OPA Form R-376 for Hershey Chocolate Corporation. National Archives and Records Administration, RG 188, Box 981, Folder R376 Candy.

sugar for government contracts did find some relief. Those manufacturers qualified for adjustment in sugar base allowing those manufacturers to apply for larger sugar allotments. The reason for this further exemption came as a means to prevent companies from failing after the termination of their war contracts. Because the government found that sugar rationing must be extended, these exceptions permitted manufacturers to continue their production levels and provide supplies for civilian use rather than military use. The methods of assessment for adjustments were determined by an increased capacity basis.²⁴⁹ The OPA set the allocations so that manufacturers could begin receiving extra sugar as of April 1, 1947.²⁵⁰ Once the adjustments were made, manufacturers could increase their production and wait patiently for any remaining rationing to cease.

Once companies received an increase in sugar quotas, adjustments in sugar prices ensued. In a statement to the committee on rationing and price control of sugar Gordon P. Peyton, Counsel for the Association of Cocoa and Chocolate Manufacturers of the United States, argued that members of the Association recommended that sugar allocations and control of sugar prices be extended until March 31, 1948. According to the Association, if the Government relinquished sugar controls any sooner, prospective demand would be inadvisable resulting in higher sugar prices, inequitable distribution, unwarranted economic disturbances among industrial users, unnecessary increased consumer costs for sugar-containing products, a collapse of the U.S. purchase agreement

²⁴⁹ Office of Price Administration Press Release, 14 February 1947. National Archives and Records Administration. RG 188, Box 943, Folder Office of Price Administration Press Releases, Sugar.

²⁵⁰ Office of Price Administration Press Release, 23 January 1947. National Archives and Records Administration. RG 188, Box 943, Folder Office of Price Administration Press Releases, Sugar.

with Cuba, disruptive speculative operations, and unfair competition for the housewife in obtaining her needs.²⁵¹

After giving his statement, Mr. Peyton faced intense questioning by the committee. He was asked if he could give an estimate of the number of companies, which he represented that grew their own sugar or were controlled by affiliated companies. Peyton replied, “They grow none, sir. I can tell you that. They grow none and control none by affiliated companies.”²⁵² Unfortunately Mr. Peyton’s statement was incorrect, as Hershey still retained their rights on the ownership of the trademark and trade name “Hershey’s” for all sugar grown and shipped from their former assets in Cuba. Regardless of this misstep, the Association of Cocoa and Chocolate Manufacturers of the United States lost the argument and sugar price controls and rationing ended June 11, 1947.

Regardless of the termination of price controls, the Hershey Chocolate Corporation continued to be successful after the war as sales climbed during the post-war economic boom. Demand for its products increased steadily while post-war inflation and increased manufacturing costs kept profits from soaring.²⁵³ In the post-war years, soldiers came home with their affection for Hershey’s chocolate and those who could not find Hershey bars during the war swarmed stores to get their hands on the elusive product. With cocoa bean prices increasing greatly after the war, Hershey continued to ration its supply to distributors causing a backlog in demand.²⁵⁴

²⁵¹ United States. Congress. House. Committee on Banking and Currency, *Rationing and Price Control of Sugar*. Washington, U. S. Government Printing Office, 1947, 226.

²⁵² *Ibid*, 230.

²⁵³ Mary Davidoff Houts and Pamela Cassidy Whitnack, *Images of America: Hershey*, 102.

²⁵⁴ Joël Glenn Brenner, *The Emperors of Chocolate*. (New York: Broadway Books, 2000), 199.

With the death of Milton Hershey in September of 1945 and the failing health of William Murrie, P.A. Staples, President of Hershey Corporation, assumed the presidency at Hershey Chocolate Corporation. Hershey's Cuban assets became leaderless with the absence of Staples prompting him to sell Hershey Corporation to Cuban Atlantic Sugar Company. Such a decision came easily to Staples who wished to sell the Corporation in the prewar years due to low profits and high operating costs. Milton Hershey refused to sell, so with his death, Staples began preparing for the sale by the end of 1945. On January 1, 1946 the Cuban Atlantic Sugar Company or CASCO took over all shares of stock in Hershey Cuban Enterprises from the Hershey Trust Company. Despite the sale, Hershey maintained the trademark of Hershey on all products produced by its assets in Cuba.²⁵⁵

Not expanding the company and its markets after World War II became Hershey's biggest mistake. P.A. Staples, being fiscally conservative and uninterested in foreign markets, chose to focus on U.S. sales and distribution. By the end of the war the name Hershey was well known from Japan to North Africa and Europe making the post-war years an opportune time to enter the world market. In 1945, Hershey had one of the only fully operational chocolate factories in the world, as many European manufacturers could no longer operate after the war.²⁵⁶ Despite all of these factors, Staples refused to expand into foreign markets, going against the government's push to expand American businesses abroad.

In the immediate postwar years the relationship between Coca-Cola and Hershey continued to flourish. Although Hershey sold its Cuban assets in 1946 it still maintained

²⁵⁵ Terms of Sale for Hershey Corporation. Hershey Community Archives, Hershey Trust Company Papers, Series 5: P.A. Staples, Box 76, Folder 20

²⁵⁶ Joël Glenn Brenner, *The Emperors of Chocolate*, 294.

the Hershey trademark on all sugar sold from its former properties. In 1948 H.H. Pike, sugar broker for both Coca-Cola and Hershey published an article for Coca-Cola Overseas describing the type of sugar that Coca-Cola used and how and where it was processed. The article included pictures and descriptions of Central Hershey, Cuba, relaying the importance of Hershey's sugar refining process. The article also stressed the significance of sugar in overseas production of Coca-Cola.²⁵⁷ Coca-Cola continued to buy Hershey's sugar until Fidel Castro took control of Cuba, seizing Central Hershey from the Cuban Atlantic Sugar Company.

Before all Cuban sugar exports ceased in 1960, H. H. Pike and Coca-Cola discussed the possibility of Coca-Cola purchasing some of Hershey's assets in Cuba in 1955. H. Harvey Pike suggested that in the postwar years stockpiling refined sugar, as Coca-Cola did in the prewar years, was expensive and ineffective. Pike felt that by establishing part ownership in a sugar property would be a good hedge against advancing prices. With Hershey Corporation under the control of Cuban Atlantic Sugar Company, Coca-Cola had a good chance at owning sugar property, something that they sought during the war to keep up with Pepsi.²⁵⁸ Coca-Cola, however, chose not to purchase any property after realizing the potential for financial disaster due to any number of uncontrollable factors.

Leaving behind the potential acquisition of sugar mills, Robert Woodruff's shrewd business sense in sending Coca-Cola overseas and Ben Oehlert's post-war predictions, allowed the company to break into the international market immediately after

²⁵⁷ Pike, H. Harvey, "Speaking of Sugar" prepared especially for publication in Coca-Cola Overseas. Hershey Community Archives, Accession # 86023.

²⁵⁸ Letter from H. Harvey Pike to R.W. Woodruff, 13 April 1955. Hershey Community Archives, Hershey Trust Company Papers, Series 5: P.A. Staples, Box 80, Folder 23.

the war overshadowing several pre-war attempts. Coca-Cola's deal with the U.S. military provided ninety-five percent of all soft drinks served on American bases virtually eliminating its competitors in the minds of GIs. An American Legion survey on soft drink preferences revealed that two-thirds of five thousand veterans chose Coca-Cola with a higher percentage among those who served overseas.²⁵⁹ These surveys confirmed Oehlert's earlier predictions therefore allowing him to see his wartime marketing strategy come to life.

Coca-Cola continued its campaign by sending TOs behind the front lines and setting up temporary and sometimes permanent bottling plants, not only supplying the troops but also locals who received the beverage from thankful soldiers. Those locals in turn acquired a taste for the beverage causing Coca-Cola to make some of the temporary bottling plants permanent. By providing locals with Coca-Cola, U.S. troops conducted one of the greatest word of mouth free advertising campaigns that most companies could only dream about. By the end of the war more than 155 Coca-Cola bottling plants operated worldwide in the six former theaters of military operations. Sixty-four of those plants were sent from the United States and put into operation between 1943 and 1946. Out of those plants established during the war, fifty-nine were installed at U.S. government expense.²⁶⁰ Once the troops left many of those bottling plants stayed and became permanent fixtures supplying Coca-Cola to a new market and establishing the company as an international giant.

Overseas the "wine of the GI" proved to be a success in many of the nations where American soldiers stepped foot. Coca-Cola viewed each soldier as a consumer,

²⁵⁹ J.C. Louis and Harvey Z. Yazijian, *The Cola Wars*. (New York: Everest House Publishers, 1980), 61.

²⁶⁰ *Ibid*, 61.

and those consumers got what they wished for, Coca-Cola. It was Eisenhower's cable from North Africa requesting Coca-Cola that allowed the product to follow the soldiers wherever they roamed. The contagion soon fell upon the liberated and conquered people who grew into a new consumer market. In Japan, MacArthur Americanized not only its government but its culture as well by introducing Coca-Cola and in Belgium and Italy, Coca-Cola gained a strong following after the war with over 12,000 retailers selling Coca-Cola in the immediate post-war years.²⁶¹ From the Indies, to Africa and the Middle Eastern nations, Coca-Cola made its reach around the world well before 1950.

Coca-Cola Export Corporation borrowed \$5.5 million to pay for its venture during the war, which allowed Coca-Cola not only to establish but also continue operations in the post-war period. This investment, which seemed large at the time, became one of the most important business investments that the company made since its beginning. Not only did the company benefit from the establishment of plants but also it allowed for the continued thirst for Coca-Cola by both soldiers and civilians alike.²⁶²

Not only were new plants established but Coca-Cola's German operation survived as well. Max Keith telegraphed Robert Woodruff immediately after allied victory stating "Coca-Cola GMBH survives. Please send the auditors."²⁶³ Although this core supply of Coca-Cola in Germany remained, the company could not establish itself fully in the international markets until the early 1950s. With Germany split between east and west, Coca-Cola could be supplied only to those in allied occupied territory.

²⁶¹ Publicity manuscript "The Greatest Commercial Mystery of the Century." Emory University Special Collections, Robert Woodruff Papers MSS 10 Personal Files Box 1, Folder 11.

²⁶² Frederick Allen, *Secret Formula*, 265.

²⁶³ Pat Watters, *Coca-Cola: An Illustrated History*, 176.

The return of over fifteen million GIs from the war, many of whom acquired a taste for Coca-Cola, encouraged Coca-Cola to expand in a new domestic market. Coca-Cola's rival Pepsi, who was selling twelve ounces for the same price as Coca-Cola's six ounces, proved stiff competition for Coca-Cola. New slogans such as Pepsi's "More Bounce to the Ounce" prompted a sharp "no comment" from Coca-Cola executives who believed that if the public wanted more sugar they would reach for a candy bar before a Pepsi. Coca-Cola's instinct to keep its product and price consistent paid off. Pepsi lost ground against Coca-Cola due to the demand from returning soldiers and their families and more importantly the increase in sugar prices after the government removed wartime price regulations. Shortly after these exchanges took place in the immediate post-war period Coca-Cola and Pepsi engaged in the Cola Wars, which continue through to the twenty-first century.

Heightened production levels between 1939 and 1945 greatly expanded profits for both Hershey and Coca-Cola. Just as the war began in Europe in 1939, Hershey Chocolate Corporation reported earnings of \$17,440,966.06 a figure that increased to \$20,890,003.90 by December of 1941. During the war Hershey's profits continued to climb, although at a steady to slow rate. By December of 1945, the company earned \$28,520,971.63, approximately \$10,000 more than in its pre-war years. Hershey's continuous increase in profits, however, came to an abrupt halt when profits tumbled to \$23,691,370.65 in 1946. The termination of war contracts and a continued shortage of sugar coupled with increasing inflation after the war caused this temporary decrease in profits. Although Hershey saw a relatively small increase in wartime profits compared to Coca-Cola, it is fair to say that Hershey's profits grew at a comparable rate since Hershey

considered a medium sized corporation compared to Coca-Cola who had become a large corporation by the late 1930s. Coca-Cola on the other hand started with a much larger profit margin, which expanded at a faster rate than Hershey. In 1939, Coca-Cola earned \$41,005,846.68, nearly double the amount that Hershey made in 1941. By 1945 Coca-Cola's profits doubled to a whopping \$82,316,843.45. Coca-Cola's profits took a small hit in 1946 for the same reasons as Hershey. The fact that both companies earned higher profits each year throughout the war demonstrates their continuous growth and increased production levels which can be attributed to government assistance.

In the immediate post-war years, the United States emerged as the world's unchallenged economic leader due to its government private relationships established during the war. This alliance helped to establish America's corporate commonwealth on a worldwide scale with American businesses reaching the apex of efficiency and mass production. Companies such as Hershey and Coca-Cola embraced the government's support in order to grow into larger, more viable companies, which in turn stimulated international economic growth.

The end of the war provided new markets for both Coca-Cola and Hershey as they established themselves as leaders in the soft drink and confectionary industries. Through its mobilization and set up of bottling plants world wide throughout World War II, Coca-Cola established an economic coup over its competition. Robert Woodruff and Benjamin Oehlert saw their efforts become reality when soldiers returning from war chose Coca-Cola over its competitors and international demand skyrocketed. Hershey, on the other hand, did not take advantage of the post-war world market, but rather expanded their domestic markets gaining profits from chocolate starved Americans eager to spend their

wartime savings. By successfully negotiating government contracts and securing large supplies of sugar both companies grew continuously through the war unlike other companies that fell stagnant due to lack of sugar and other supplies. By securing contracts both Coca-Cola and Hershey beat the competition allowing them to grow into the billion dollar corporations that they are today.

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