

# The Seattle Times

## Starbucks shareholders reject recycling initiative; company declares first dividend

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In the world of coffee, a shot in the dark is a shot of espresso in brewed coffee. It gets your attention.

A Starbucks shareholder took another kind of shot in the dark recently, proposing the company recycle more.

The measure lost, as expected, but about 11 percent of Starbucks shareholders voted in favor, which activists hope will get the company's attention.

"I don't understand why they wouldn't make every effort to recycle. Why not?" investor Gail Trezise, of Seattle, said after Starbucks' annual shareholders meeting at McCaw Hall.

Sheryl Crow — who confessed to being a "Starbucks groupie" — performed three songs near the end of the meeting, which focused heavily on how important employees are to Starbucks, particularly after painful job losses and other cuts in recent years.

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"The lens in which we see the world is based on this deep sense of humanity and trying to build the kind of company that makes our people proud," CEO Howard Schultz told an auditorium of nearly 2,000 investors, roughly half of them Starbucks employees.

He did not discuss the recycling proposal.

Conrad MacKerron, who helped write the measure for the As You Sow Foundation in San Francisco, said he was "happily surprised" at the 11 percent vote.

Similar proposals that the nonprofit put before Coca-Cola and PepsiCo won less than 10 percent. Both companies started negotiations with the group as a result, and have announced major recycling initiatives.

MacKerron wants Starbucks to do the same.

In many ways, he said, Starbucks is "ahead of the game, like paying benefits even to part-time workers, but they're really not in a leadership position on this issue."

A couple of Starbucks officials told him Wednesday they want to keep talking, but were not specific. MacKerron hopes they will, and said, "One incentive is they wouldn't like this to be repeated next year on their proxy statement."

In recommending that shareholders vote against the measure, Starbucks said it already has a recycling strategy. It focuses on cups, because they represent the largest share of its containers, and they already contain 10 percent post-consumer recycled fiber.

The cups also are recyclable and compostable in some parts of the country, and Starbucks is working to expand that footprint.

Still, many of its stores do not have recycle and compost bins even where waste companies offer those services.

Starbucks said in an e-mail Wednesday that it talked to As You Sow by phone and e-mail, and that it will "continue to work with a variety of stakeholders on this issue and are open to any suggestions from As You Sow or others."

Schultz told shareholders people should not interpret the announcement of a dividend as a sign Starbucks is no longer growing.

"The growth of the company is at an inflection point," he said.

After the meeting, Chief Financial Officer Troy Alstead said Starbucks plans to focus more on businesses that do not require the huge investments that new stores do.

At its peak growth a few years ago, when Starbucks opened an average of seven stores a day, it was spending about \$1 billion annually on growth and improvements.

Capital spending has slowed to about \$500 million a year, which is part of the reason Starbucks has cash for a dividend.

It will open new stores — including 300 this fiscal year — but also plans lower-cost initiatives, such as expanding its instant-coffee program and partnering with chains like Burger King and Subway to sell drinks from its Seattle's Best Coffee brand.

The lower-capital growth strategy, improved revenues and massive cost cuts last year have led to fatter profits. In the first quarter, Starbucks' net income more than tripled, to \$242 million.

Those factors also helped boost Starbucks' cash position to \$1.3 billion at the end of 2009, part of the reason for a dividend.

Starbucks will pay a dividend of 10 cents a share on April 23 to shareholders of record April 7. It expects to pay 35 to 40 percent of its per-share profit each quarter in dividends.

The board also authorized the repurchase of 15 million shares, on top of 6.3 million shares available for repurchase under previous authorizations.

The news sent Starbucks stock to a new 52-week high during the day of \$26 a share, before closing at \$25.29, down 12 cents from Tuesday.

The issue of Starbucks allowing guns in stores came up repeatedly during a question-and-answer session.

Like many companies, including McDonald's, Starbucks abides by local gun laws and does not ban guns in stores. It has said it does not want employees to have to monitor customers for any policy that differs from local law.

In answering questions, however, Schultz made a critical mistake.

"I do want to clarify something you said that is not right," he told one shareholder. "You can't walk into Starbucks with a loaded gun. So that's not the issue. The issue is, the law allows you to walk in with a weapon that people can see that is unloaded."

In California, openly carried guns must be unloaded. In Washington and many other states, people can walk into Starbucks stores openly carrying loaded weapons, because the law allows it.