

## New Theme for Shareholder Activism: Policing Genetically Modified Food

By Jennifer Friedlin  
TheStreet.com/NYTimes.com Staff Reporter  
5/4/00 3:08 PM ET

A growing global backlash against gene-altered food has found a new battleground: the annual corporate shareholder meeting.

Twenty-one resolutions calling for restraints on the use of genetically modified ingredients are on the annual meeting agendas at some of America's leading food and seed manufacturers this year, up from zero a year ago.

The resolutions vary in severity, but many call for more long-term research before genetically altered animals and plants are used in food. Others propose mandatory labeling of any products with genetically altered ingredients.

None of the resolutions are expected to pass, and the few that have been put to a vote so far have been overwhelmingly defeated. But even in defeat, all of the resolutions have garnered the minimum 3% of the shareholder vote required to automatically reappear on the annual meeting agenda next year, under Securities and Exchange Commission rules.

Moreover, experts in shareholder activism say the resolutions are already making an impact by putting a sensitive consumer issue squarely in the faces of American corporate executives.

Some activists draw a parallel to the initially slow momentum of the anti-apartheid shareholder resolution movement 30 years ago, which pressured American companies to quit doing business with South Africa. That movement ultimately played an important role in the downfall of South Africa's white minority racist regime.

"The goal of shareholder resolutions is to move a company in a certain direction. At 6% to 8% you're getting the company's attention. At 10% you are getting action," said **Michael Passoff**, associate director of the corporate accountability program of the **As You Sow Foundation**, a shareholder advocacy organization. "At 15% of anti-apartheid votes, companies were making decisions, but it took a few years."

Although genetically modified foods have been declared safe by the food industry and the government, activists say no issue has drawn as much shareholder attention since the anti-apartheid movement. As a result, they say, some companies are likely to be more inclined to revisit their policies as a result of the resolutions and the support they are mustering. Shareholders at Coca Cola (KO:NYSE), Kellogg (K:NYSE), Phillip Morris

(MO:NYSE) and PepsiCo (PEP:NYSE) have already voted on the resolutions, which garnered a respective 8.3%, 5.6%, 4% and 3.2% of the support of voting shares.

Advocates of more testing and labeling of genetically modified foods call the shareholder resolution effort an important part of a broader international outcry against such products.

"Change will come because of a synergy of factors," said Tim Smith, executive director of the Interfaith Center on Corporate Responsibility, which has coordinated the resolutions on behalf of 300 religious and socially concerned investor groups that have more than \$100 million in investments.

Some recent steps taken by the federal government, companies and farmers show they already are sensitive to consumer concerns.

On Wednesday, the Clinton administration announced it would require biotechnology companies to notify the Food and Drug Administration 120 days before introducing any new genetically engineered ingredients for food and animal feed. The FDA will then post its conclusions as well as product safety data regarding these products on the Internet.

Until now, biotechnology companies had not been required to notify the FDA before selling modified products.

The administration also said it would set standards for companies that want to voluntarily label products in order to indicate whether they contain genetically altered substances.

Although critics of the biotechnology industry said the moves fell short of their demands, these steps could provide some momentum for the movement against genetically modified food. Manufacturers who want to allay consumer concerns may have a hard time using labels to their advantage since genetically modified products pervade many everyday grocery staples in America.

About half of U.S. soybean and about a quarter of corn crops are grown from genetically modified seeds, which farmers like because they are more pest resistant. Even when conventional seeds are used, the crops tend to get mixed together during the manufacturing process.

This will make it difficult for many suppliers and manufacturers to assure that their foods are free of genetically modified ingredients.

Take Coca-Cola. The company says it does not use any genetically modified ingredients in its soft drinks since the corn protein that is altered in the modification process never makes it into the final product. But they cannot necessarily guarantee that the corn used to make the corn syrup did not come from a genetically modified seed.

"Attempting to stamp our product biotech or non-biotech would be misleading," said Trey Paris, Coke's manager for global communications.

Some companies are starting to ask suppliers to provide them with non-genetically modified products while others are declaring that certain of their products do not contain genetically modified ingredients. But understanding whether a company is making substantial efforts to rid its products of such ingredients is not necessarily easy.

McDonald's (MCD:NYSE) has requested that its potato supplier, J.R. Simplot, provide it with conventional potatoes. But genetically modified potatoes account for only 4% of the potatoes grown in the U.S., according to a McDonald's spokesman, making the move

relatively painless. Meanwhile, Heinz (HNZ:NYSE) and Gerber said they were eliminating genetically modified ingredients from their baby foods. Infant foods, however, are pretty much derived from pure fruits and vegetables, such as carrots and peas, which are not genetically modified.

The big problem lies with more complex processed foods that use ingredients derived from corn and soybean byproducts. In response to the growing concerns, particularly overseas, suppliers such as Archer Daniels Midland (ADM:NYSE - news - boards) are asking farmers to keep conventional crops and genetically modified crops separate during the entire growing and harvesting cycle.

"We are encouraging farmers to segregate crops," said Larry Cunningham, senior vice president for corporate affairs at Archer Daniels Midland. "And we have an opportunity to also benefit from it. In Europe and Japan some people are willing to pay a premium for segregated crops."

A survey of 1,200 U.S. processors conducted by the Pioneer Hi-Bred unit of DuPont (DD:NYSE) indicated that 24% intended to segregate corn crops this year and 20% would segregate soybean crops. Those data suggest a rise from 1999, when a Sparks Cos. study of 100 Midwestern grain elevators indicated that 11% of corn and 8% of soybean crops were segregated.

Segregation at the processing stage depends on farmers' ability to guarantee that the conventionally grown crops they are selling have not been tainted by residue in the combines and augers, or by cross pollination in the case of corn. Farmers, who currently reap most of the benefits from genetically modified foods in the form of heartier crops, must now decide whether to make the investment needed to guarantee segregation.

Farmers are already starting to scale back the acreage dedicated to genetically modified varieties of soybeans. A U.S. Department of Agriculture survey of 63,400 soybean farmers showed that 52% of their acreage would be dedicated to genetically modified soybeans, down from 57% in 1999.

Some corn growers said they also expected a partial return to conventional seeds until U.S., European and Japanese consumers were convinced that genetically modified foods do not pose a health or environmental risk.

Gary Goldberg, president of the American Corn Growers Association, said farmers were currently doing the math to evaluate whether it would pay to clean out their combines and augers every time they switched crops, a process that could take up to three hours.

Goldberg said such a decision had nothing to do with whether farmers like genetically modified crops. Rather, he said, "It's an issue of what they can afford."