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Shareholders Educate Management on Genetically Engineered Products

Although shareholder support on GE resolutions has been lukewarm, progress is measured through dialogue with management on the issue.

SocialFunds.com -- Genetically engineered seeds and food products, those with extra genes spliced in to make them herbicide resistant or have other properties, have been at the center of the largest shareholder movement since Apartheid. But despite the rapid emergence of genetically engineered (GE) products shareholder resolutions this year, and the high level of public concern on the issue, shareholder support has been marginal.

In a matter of six months, 22 shareholder resolutions came out of the woodwork this year at food manufacturing companies, supermarkets, and "life science" companies, asking them to halt GE products until long-term environmental and health testing finds them safe. But the fastest growing shareholder initiative in history may have been too fast to garner shareholder support, resulting in an average 4 percent support so far.

"Such a low vote is not unexpected for a first year vote on an issue that's never come up before," said Michael Passoff, Associate Director of the corporate accountability program at As You Sow, the San Francisco-based shareholder advocacy organization. "One of the reasons is that companies are going to need to spend a year or so developing policies on this. They're automatically voting against it until they've had a chance to look at it."

Of the 22 resolutions this year, eight have come to a vote so far, with support ranging from 2.2 percent at McDonalds to 8.5 percent at Coca-Cola, and six votes are still pending at annual meetings this fall. Five of the votes so far have exceeded the 3 percent necessary to be resubmitted next year, at Coca-Cola, Kroger, Pepsico, Philip Morris, and Quaker Oats.

But gaining shareholder support is only part of the battle, with the ultimate goal being moving a corporation in positive direction on this issue. The GE product shareholder movement has been significant in that, in almost every case, the urgency of public concern and shareholder interest has expedited dialogue with company management.

"What's been really successful about this campaign is the access we're getting to a very high level of management," said Passoff. "Almost all of the information they've had

before has been from Monsanto (now part of Pharmacia, Inc) or food industry lobby organizations. We're able to present to them a whole other side of the facts about genetically engineered products that they haven't seen before, whether it's scientific facts on health and environmental risks or financial facts."

For instance, 19 opinion polls found that between 80-90 percent of the U.S. public is concerned about GE products in their food, want GE food labeled, or would pay more for non-GE food. Consumer backlash is one of the most compelling financial reasons for companies to pay attention to the GE issue, on top of the well-publicized concerns about the impacts on public health and the environment.

A measure of the impact shareholder concern has had on company management, seven of the original resolutions were withdrawn by the proponents, including Heinz, Bestfoods, and Dupont. In most cases, these withdrawals indicate that the company has initiated a task force to investigate the issue, or has entered into dialogue in good faith, and shareholders expect positive movement on the issue.

Of the seven votes still pending on GE products this year, proponents do not expect any significantly different level of shareholder support because the resolution has the same strong wording as those earlier this year. But a second generation of resolutions asking for labeling or feasibility reports is in the works, and shareholder proponents have already committed to at least 23 resolutions next year.

"Some companies have taken action already, like Frito-Lay (part of PepsiCo), Gerber, and McDonalds," said Passoff. "Others, such as Safeway and Kellogg, think they're removed from the issue, and argue that it's the government's job to regulate GEs and Monsanto's or Dupont's problem because they make the products. All they have to do look at Ford. The government regulated the auto industry, Firestone made the tires, and Ford's going down with them."

GE products will continue to be an important and high profile issue for shareholders who are concerned about their health, environmental, and financial liabilities. Next year shareholders will continue to try to convince companies that there is no consumer demand for these products, and many compelling reasons to be more prudent in their application. "These products were made to sell herbicides, not food," concludes Passoff.