



Starbucks investors in a good mood

Shareholders meet to savor 92 percent earnings jump

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If tradition holds, there will be no shortage of entertainment at today's annual Starbucks Coffee shareholders meeting at Benaroya Hall in Seattle.

In past years, the show -- played host to by Chairman and chief global strategist Howard Schultz and Chief Executive Orin Smith -- has featured campy skits and video clips of their debut as rock 'n' roll stars.

Starbucks executives will recap highlights of the past year, which included opening a record 1,208 stores in 2001, and its first stores in Europe.

Shareholders should also be in a good mood, as Starbucks' net earnings for 2001 increased 92 percent from \$94.6 million in 2000 to \$181.2 million last year.

"It is always a very fun and action-packed meeting," Starbucks spokeswoman Audrey Lincoff said.

The company is expected to announce plans to enter a new international market in 2002.

Shareholders will also cast votes on five proposals during the meeting.

Most are routine, such as re-electing members to the board of directors and ratifying Deloitte & Touche as the company's independent auditor for the coming year.

Shareholders will also be asked to approve the company's new executive management bonus plan. Shareholder approval is required in order for the bonuses to be tax-deductible by the company.

In 2001, Schultz and Smith both drew salaries of \$995,192.

They also both received bonuses of \$1.15 million.

There are also two measures introduced by shareholders.

One asks to declassify the company's board of directors. The measure is proposed by the Central Pension Fund of the International Union of Operating Engineers.

If approved, each of the company's nine directors would have to stand for election each year.

Currently, one-third of the board is up for election each year. The company argues that the current system allows the board to focus on long-term planning.

The other measure, proposed by **As You Sow**, a social investment organization, would require Starbucks to label all coffee and bakery products it sells that may contain genetically modified ingredients, including the bovine growth hormone found in milk.

Michael Passoff, **As You Sow** director, said yesterday that as shareholders, his group is concerned that the company's reputation and brand name are at risk if they don't label products.

"If the company is honest and upfront about genetically engineered ingredients in their products, it will reduce potential consumer backlash," **Passoff** said of the labeling proposal.

Starbucks has long maintained that its products are safe.

The company carries some organic alternatives, such as soy milk, in its stores for customers who ask.

Starbucks also will debut its first report on corporate social responsibility, detailing efforts it has taken to help coffee farmers and protect the environment.

Raw-coffee-bean prices tumbled on the world market during the year, forcing some coffee farmers to abandon their farms.

Starbucks has committed to buying a million pounds of "fair-trade" coffee this year, although it's just a small percentage of total coffee purchases. Fair-trade-certified coffee helps guarantee growers a livable wage for their beans.

Activists from Global Exchange and the Organic Consumers Association are planning protests coinciding with the shareholders meeting, which starts at 10 a.m.

The groups are demanding that the company brew fair-trade coffee as "coffee of the day" once a week in its stores, and that Starbucks ban products containing genetically engineered ingredients from its brand-name products.

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