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Starbucks takes on its critics



Starbucks is not wildly popular with everyone

By Janet Williams
in Seattle

Inside the conference hall, shareholders munched on Starbucks chocolate ice-cream, and drank cup after cup of free Starbucks coffee.

Outside, protesters paraded up and down with placards scrawled with "Frankenbucks", and "Say No to GMO" - dire warnings of the perceived dangers of genetically modified ingredients in Starbucks products.

But this was the company's day, and it wasn't going to let noisy speeches and a few leaflets detract from its success story.

Along with the standard free bag of coffee beans, shareholders were treated to the kind of razzmatazz one expects from such a high-profile, global company - the largest retailer of gourmet coffee in the world.

South American musicians performed live on stage, while behind them, enormous screens showed videos of thriving Third World farmers.

Sports stars extolled the company's virtues, and Starbucks employees - stepping in time to the uplifting music from the film "Chariots of Fire" - paraded the flags of the 25 nations that now house the company's coffee outlets.

Coining it

And financially, the news was all good.

The company has consistently bucked the stockmarket, throughout the economic downturn.

And for the coming year, it expects revenues to grow 20%.

Over the past 12 months, the company has opened more than 1,000 stores, bringing the total to about 5,000, serving 60 million people every week.

"A reputation is a lot easier to lose than it is to gain."

Michael Passoff,
Starbucks
shareholder

That's a lot of mochas, frappuccinos and Gingerbread Latte with Gingerbread flavored syrup, sweetened whipped cream and a sprinkle of nutmeg.

Critics creep in

But even inside the packed conference center, Starbucks executives were not safe from criticism.

A group of shareholders represented by the As You Sow Foundation - "dedicated to promoting environmental protection, social justice and corporate accountability" - tabled a resolution asking Starbucks voluntarily to label genetically modified ingredients in its products.

The foundation's spokesman, Michael Passoff, says genetically engineered food has provoked the largest shareholder movement since South African apartheid.

In Starbucks' case, they're concerned about the financial and legal implications of genetically engineered foods, not to mention the company's reputation.

As Mr. Passoff says: "The situation here reminds me very much of the situation at Nike a few years ago.

"A reputation is a lot easier to lose than it is to gain."

Making concessions

Starbucks has listened, and has gone to great lengths to eliminate products with GM content.

In Europe, labelling is now mandatory.

But it's not in the United States, and for Starbucks, it's not so easy.

The company's chief executive, Orin Smith, points out that they are supplied by more than five hundred different bakeries, and that many US wheat and corn farmers use genetically modified seeds.

And it's a similar problem with milk.

Although only about one-third of US herds are fed the bovine growth hormone rBGH - illegal in many other industrialised countries, but declared safe by the US authorities - the milk is mixed in bulk, thus contaminating almost all the available stock.

On the defensive

Mr Smith argued that the company supports "Fair Trade" coffee, paying good prices to producers, and cutting out the middlemen.

"The fact of the matter is, we have always paid prices at or above Fair Trade level... We are paying prices that are two times or more than the Nestles or the Krafts are paying."

The protesters outside know nothing of all this, says Mr Smith, and don't want to learn.

"We're a convenient way to advertise their positions on Fair Trade coffee."

"The fact of the matter is, we have always paid prices at or above Fair Trade level."

Orin Smith,
Starbucks chief executive

Could do better

Those very protesters admit they're targeting Starbucks because it is such a high-profile, global company.

But they stress that it could do so much more.

They want Starbucks to brew Fair Trade coffee more often, rather than simply offering the beans for sale.

This year, for example, Starbucks will buy a million pounds of Fair Trade coffee, less than 1% of the company's total purchases.

For its part, Starbucks resents being picked on.

"If you were really sincere, for example, about doing something about GMOs in food, you wouldn't protest in front of Starbucks," says Mr Smith.

"You would go to your supermarket, where 70% or more has GMO content, and try to make your case - because that could make a difference."