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## Oxfam versus Starbucks

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### And, this time, Oxfam may be in the wrong

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A GROWING number of coffee drinkers seem to prefer their morning grande skinny latte without a foul-tasting double-shot of social injustice. Coffee has become a big testing ground for what it means to be an ethical consumer. The hugely successful Fair Trade brand allows many coffee addicts to get their fix with a clearer conscience, safe in the belief that no farmers have been exploited in the growing of it.



So no wonder that Starbucks, an up-market global coffee chain, has reacted like a scalded barista to criticism from Oxfam, a development charity. Oxfam says that Starbucks is depriving farmers in Ethiopia of \$88m a year, by opposing the Ethiopian government's efforts to trademark three popular varieties of local coffee bean. At least 60,000 customers worldwide have contacted Starbucks with expressions of concern, prompting the company to post leaflets in its stores defending its behaviour. It accuses Oxfam of "misleading the public", and insists that the "campaign needs to stop".

This is not the first time that Starbucks has tangled with ethical consumption advocates. It sells plenty of Fair Trade branded coffee: indeed, it claims to be North America's biggest purchaser of Fair Trade beans. But it also buys other beans, without a stamp of approval from these arbiters of fairness—not least because there are too few Fair Trade beans to meet its customers' demands.

Starbucks also has questions about the different standards of fairness applied by the Fair Trade brand custodians in different parts of the world. It doubts even that the strategy of the Fair Trade movement, to secure farmers a premium over the market price for their beans, is the best basic approach. Starbucks prefers a code known as the CAFE practices (Coffee and Farmer Equity), which aims to help coffee farmers develop sustainable businesses through a mixture of technical support, microfinance loans, and investment in infrastructure and community development where the farmers live.

So far from being a bloodthirsty exploiter happy to keep farmers in poverty, Starbucks emerges as a responsible firm approaching difficult questions in a thoughtful way. It wants to help its suppliers improve their lot. It is certainly no cheapskate. Starbucks says that last year it paid an average price of \$1.28 per pound, 23% above the New York Board of Trade's benchmark "C" price, for all its coffees.

Starbucks's enlightened behaviour makes good business sense.

AFP

The firm has positioned itself at the quality end of the market, where ethically-minded consumers are concentrated. It has absolutely no incentive to behave badly. Strikingly, another quality coffee producer, Illy Café, has similar issues with the Fair Trade movement, and also prefers to build sustainable coffee farming rather than indulge in simplistic Fair Trade posturing.

So what of the Ethiopian trademarking question? Starbucks argues that trademarking coffee beans contradicts standard approaches to intellectual property, and may introduce legal complexities that deter firms from buying the trademarked beans, thereby hurting farmers instead of helping them. Starbucks favours a system of regional certification, much like the *appellation contrôlée* system in French wine, which would allow beans to be branded consistently without creating legal problems. This, too, seems plausible and sensible: the Ethiopian government, one of the most economically illiterate in the modern world, would do well to take Starbucks's advice.



**Grounds for disagreement**

As for Oxfam's involvement, it will be interesting to see how this battle of global brand versus global NGO develops. Starbucks has loyal customers who may well be prepared to hear out the firm's side of it and judge the case on its merits. Given the weakness of Oxfam's arguments, Starbucks may yet emerge with its reputation enhanced, and Oxfam with its credibility damaged. Is it too much to hope that this battle may be a turning point in the war over corporate ethics, and that it will cease to be enough merely for an NGO to throw mud at a company, to have that mud stick? *The Economist* will drink a grande extra wet triple-latte to that.

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