

Contact

IWW Starbucks Workers Union

Daniel Gross, Organizer: dgross@iww.org

Tomer Malchi, Organizer: tomer.iww@gmail.com

Justice from Bean to Cup

Sarah Bender, Organizer: bender.sarah@gmail.com

Peter van Schaick, Advisor: peter.van.schaick@gmail.com



www.starbucksunion.org



Starbucks 2006 Corporate IRRESPONSIBILITY Report

JUSTICE from Bean to Cup
IWW Starbucks Workers Union



www.starbucksunion.org

- ²⁴ Interview with Sarah Bender, March 12, 2007, on file with authors.
- ²⁵ Carol Hymowitz, Big Companies Become Targets Unless They Guard Images Carefully, Wall Street Journal, December 12, 2005 (available at: http://online.wsj.com/public/article/SB113434423829619091-1crMaKQC_S01pFbdgrsXQcnc_20061212.html?mod=dl_main_of_top).
- ²⁶ Id.
- ²⁷ Id.
- ²⁸ See, e.g., Charles Pope, Starbucks, others try to balance worker health care with expenses, Seattle Times, September 15, 2005 (misstating that, "[Starbucks] offers health insurance to all its employees" and "Starbucks would continue providing health insurance to its 100,000 employees" while noting that, "In the political debate about health care, the issue is framed by Starbucks on one side and Wal-Mart on the other.") (available at: http://seattlepi.nwsource.com/business/240742_healthcosts15.html).
- ²⁹ Id.
- ³⁰ Starbucks Coffee Company, U.S. Health Plan Comparison: Benefits 2007 (available at: http://www.starbucksunion.org/files/US_PlanComparison_2007.pdf).
- ³¹ Kris Maher and Janet Adamy, Do Hot Coffee and 'Wobblies' Go Together, Wall Street Journal, March 21, 2005 (available at: <http://www.post-gazette.com/pg/06030/674187.stm>).
- ³² Starbucks Coffee Company, Starbucks Reports Record Full Year 2006 Results, November 16, 2006 (available at <http://investor.starbucks.com/phoenix.zhtml?c=99518&p=irol-newsArticle&D=952296&highlight=>).
- ³³ Id.
- ³⁴ See, supra n. 29.
- ³⁵ See, e.g., Arya Kamenetz, Baristas of the World, Unite!, New York Magazine, May, 2005 (available at: <http://nymag.com/nymetro/news/features/12060/>).
- ³⁶ See, e.g., Ron Grossman, Starbucks workers add shot of unionizing: Historic local group works with baristas, Chicago Tribune, September 4, 2006 (available at: <http://www.ww.org/en/node/2835>); IWW Starbucks Workers Union, Starbucks Workers Union Expands to Maryland in Spite of Harsh Anti-Union Effort, January 19, 2007 (available at: <http://www.starbucksunion.org/node/1151>).
- ³⁷ See, e.g., Daniel Gross, IWW Starbucks Workers Union: A Year in Review and a Look Ahead, StarbucksUnion.org, January 30, 2007 (a version of this article also appeared in Industrial Worker, February 2007) (available at: <http://www.starbucksunion.org/node/1162>).
- ³⁸ National Labor Relations Act, 29 U.S.C. §§ 151-169.
- ³⁹ See, e.g., International Labour Organization Convention No. 87, Articles 2, 11; No. 98, Articles 1, 2, 3.
- ⁴⁰ IWW Starbucks Workers Union, Starbucks Charged With Terminating Two Employees for Union Activity: Labor Board Complaint Implicates Top Managers, November 25, 2005 (available at: <http://www.starbucksunion.org/node/540>).
- ⁴¹ Reuters, Union Organizers Happy with Starbucks Deal, March 8, 2006 (available at: <http://www.starbucksunion.org/node/715>).
- ⁴² United States Government National Labor Relations Board Settlement Agreement, In the Matter of: Starbucks Corporation d/b/a Starbucks Coffee Company, Case Nos. 2-CA-36304, 2-CA-36900, 2-CA-37020 2-CA-37109, March 7, 2006 (available at <http://www.starbucksunion.org/files/usgvosettla.pdf>).
- ⁴³ See, e.g., Associated Press, Starbucks Fires Union Organizer, Boston Globe, August 8, 2006 (available at: http://www.boston.com/business/globe/articles/2006/08/08/starbucks_fires_union_organizer).
- ⁴⁴ 2006 Abridged CSR Report at page 5 of 26.

Footnotes

- ¹ See, e.g., Stephen Faris, Starbucks v. Ethiopia: The country that gave the world the coffee bean and the company that invented the \$4 latte are fighting over a trademark, *Fortune*, February 26, 2007.
- ² Rosa Whitaker, Trade Consultant to Starbucks, speaking at Starbucks press conference in Addis Ababa in February 2007.
- ³ Starbucks Press Conference, Addis Ababa, February 2007.
- ⁴ Starbucks Press Release of October 3, 2005.
- ⁵ Starbucks' lack of full transparency about the farmer equity makes it impossible for us to estimate its production costs up the entire supply chain. Starbucks hides the facts about its profitability by failing to upgrade its CSR reporting to comply with the GRI G3 standard, and by failing to fully disclose each element of its costs up and down its supply chain.
- ⁶ In 2001, the International Labor Organization, the Central Statistical Authority, and the Ministry of Labour and Social Affairs of the Ethiopian government conducted a survey of child labor in Ethiopia. The survey targeted 43,995 households, of which 5,447 were in the rural areas in and near Sidamo. Table 3.3.
- ⁷ Table 3.4.
- ⁸ Table 3.12.
- ⁹ Table 15.8.
- ¹⁰ Despite this, over half of the children in Sidamo remain malnourished.
- ¹¹ Starbucks Press Conference, Addis Ababa, February 2007.
- ¹² Starbucks enters into some longer-term contracts with producers, but as this year's annual report makes clear, as the price of coffee rises, it will increasingly resort to short contracts to reduce its overall cost of coffee, and help drive down prices. The implication is that it only uses long-term contracts to lock-in relatively low prices in a rising market. Paying a fair price to farmers is not mentioned anywhere in its "Product Supply" strategy. 2006 Form 10K at page 11 of 156.
- ¹³ \$10 Birr per kilo of red cherry is equivalent to \$30 Birr per kilo of green bean, which equals \$13.6 Birr per pound, which exchanged at \$8.66 Birr to the \$USD, equals \$1.54 a pound, to the farmer.
- ¹⁴ In 2006, farmers received at most \$.57 of the \$1.38 that Starbucks paid for its Shirkana Sidamo; the balance of \$.87 paid for processing the cherry into green beans, bagging, storing, transporting and administering the supply chain from the farmer to the port in Djibuti.
- ¹⁵ ICC website, www.icc.org/historical.asp.
- ¹⁶ Various financial figures taken from Morningstar website, www.morningstar.com.
- ¹⁷ Production controls and price supports kept coffee prices at livable levels for farmers from 1962 through 1989. The ICA is due for renewal in September 2007.
- ¹⁸ Chairman Schultz voiced these concerns in a memo leaked to the press in February 2007. Professor Holt of Oxford, in his essay "Brand Suicide" anticipated the Chairman's concerns.
- ¹⁹ Starbucks Coffee Company, My Starbucks: Corporate Social Responsibility Fiscal 2005 Report, March 1, 2007 (abridged version with full report to be released on March 21, 2007)(available at: <http://www.starbucks.com/aboutus/csranualreport.pdf>).
- ²⁰ Starbucks Coffee Company, Market Assignment List (Retail Hourly), March 13, 2005, on file with authors (this document, provided to the IWW Starbucks Workers Union by a company whistleblower, does not reflect a small 2006 wage increase in several locations).
- ²¹ IAW Starbucks Workers Union, Amid Union Pressure, Starbucks Loosens Purse Strings, October 12, 2006 (available at: <http://www.starbucksunion.org/node/1062>).
- ²² See, supra n. 22.
- ²³ The 2007 federal poverty guideline for a family of two is \$13,690. See Federal Register, Vol. 72, No. 15, January 24, 2007, pp. 3147-3148.
- ²⁴ Yahoo! Finance, Profile: Starbucks Corporation (available at: <http://finance.yahoo.com/q/pr?s=SBUX>).

JUSTICE

fairness to all parties as dictated by reason and conscience...

Can Starbucks provide

"an uplifting experience that enriches people's lives one moment, one human being, one extraordinary cup of coffee at a time"

When its farmers' families are starving, and its baristas require public assistance?

THE STORY OF A STARBUCKS' "PARTNERSHIP" SHIRKANA SUN-DRIED SIDAMO

The "free market" in coffee forces small farmers in the twenty four countries that supply Starbucks to compete in a self-destructive "race to the bottom." The law of supply and demand applies in the coffee market: as coffee supplies rise, the price of coffee drops. Starbucks takes advantage of this "free market" to divide and conquer the millions of coffee farmers. It shops among producers, paying what it calls "premium prices" for "high quality coffee," picking and choosing supplies in relatively



short-term contracts. The prices Starbucks pays are market prices that include standard increments over commodity market prices, for the quality and source of the coffee; hence Starbucks clever, but misleading marketing term "premium prices." Starbucks offers prices based on the current market. When producers try to break out of the tyranny of benchmarking prices to the commodity markets, such as Ethiopia's recent effort to break out by trademarking its special coffees and licensing distribution at prices

"uncoupled" from commodity prices, Starbucks vigorously opposed Ethiopia's effort to shift the balance of market power.¹ Starbucks has not tripled its earnings per share in the past five years by playing fair as a purchaser in the coffee markets; it's at least as tough a competitor as Kraft and Nestle.

In a moment of rare candor at a recent Starbucks press conference, its trade consultant said "No developing country ever worked its way out of poverty by selling primary commodities."² Starbucks has taken unfair advantage of producers ever since the end of the coffee quotas in 1989, by paying the low prices set in this free market for its coffee. The premium prices it pays are prices in the commodity markets, marked up for quality. Several years ago, Starbucks' "premium prices" were at or less than the farmers' cost of production, while coffee farmers were starving all over the world. Then and now, the company's "premium prices" are unfairly low for farmers, who cannot provide adequate sustenance to their families on their coffee income.

Appendix 1: Note on Starbucks Failure to Comply With Current Global Reporting Initiative Guidelines

Effective Corporate Social Responsibility requires putting stakeholders in a position where they can influence corporate management. Unfortunately, Starbucks top management remains uncommitted to self-regulation. For instance, Starbucks' Social Accountability Auditor clearly states in the 2006 report "we have not performed an audit in accordance with the International Standards on Auditing. Accordingly, we do not express such an opinion."

As to the global standard in sustainability reporting, the Global Reporting Initiative's guidelines, Starbucks is at the bottom of the class. A quick look at the GRI website, www.globalreporting.org, shows that the 2002 Sustainability Reporting Guidelines were superseded by the G3 guidelines. A search of the GRI G3 compliance database quickly reveals the names of dozens of international corporations that are adhering to the new G3 Sustainability Reporting Guidelines; Starbucks' name is conspicuously absent.

Looking backwards to the 2002 Sustainability Reporting Guidelines, Starbucks does not fare much better. The 2002 GRI standards established several degrees of "adherence to" the 2002 standards. First, adherence can be verified three ways: 1) verification by GRI auditors; 2) verification by other external auditors; and the weakest form, 3) a self-declaration of compliance. Starbucks does not even pretend to a self-declaration of compliance. Instead, a glance at Starbucks' careful verbiage in its GRI statement,⁴⁵ reveals that Starbucks only claims to have been "influenced by" the 2002 Guidelines. To declare adherence to the 2002 Guidelines, Starbucks' CEO would have had to make a sustainability declaration analogous to that required by the Sarbanes Oxley Act for financial disclosures:

This report has been prepared in accordance with the 2002 GRI Guidelines. It represents a balanced and reasonable presentation of our organization's economic, environmental, and social performance.

Starbucks' CEO Jim Donald chose to avoid this level of accountability, strongly indicating that Starbucks' top management remains uncommitted to genuine corporate social responsibility.

Starbucks has thus far profited handsomely from a socially responsible image. However, as more facts emerge, the socially responsible veneer is quickly deteriorating. Until Starbucks' senior executives commit themselves to move beyond rhetoric and make their commitments real, going forward the company can expect vigorous resistance from a variety of stakeholders.

STARBUCKS UNLAWFULLY OPPOSES UNION ORGANIZING

On May 17, 2004 a group of Starbucks baristas announced the formation of a union to demand a living wage, secure work schedules, appropriate staffing, and respect on the job.³⁹ Since then, the IWW Starbucks Workers Union (SWU) has expanded publicly



from New York to Illinois, Maryland, and Michigan. Dues-paying members organizing at Starbucks stores in several other states have not yet made their union affiliation public.³⁷

Pressure from the SWU has raised wages increases throughout the nation and has improved scheduling for union members. The union has taken direct action to correct a myriad of grievances ranging from religious discrimination, unsanitary working condition, and sleep-depriving work schedules.³⁶ Unfortunately, these gains have been met by illegal and relentless anti-union reprisals from Starbucks.

The right to organize and join a union is protected under U.S.³⁹ and international⁴⁰ law. Starbucks, represented by the anti-union law firm Akin Gump, systematically violates the right of employees to unionize.⁴¹ The National Labor Relations Board

investigated IWW charges of unfair labor practices, found merit in the IWW charges, and issued large complaints against Starbucks. Faced with overwhelming evidence of wrongdoing, Starbucks settled the complaints to avoid a public trial.⁴²

The March 2006 settlement illustrates Starbucks' fierce anti-union animus.⁴³ Starbucks had to reinstate two outspoken SWU baristas who it had illegally fired. The settlement struck down Starbucks' illegal policy banning union pins and distributing written union information at work. In addition, the company had to pledge to stop spying on, threatening, and bribing workers to deter them from joining the union.

Starbucks, regrettably, failed to learn its lesson. Since promising to cease and desist from taking illegal anti-union actions, Starbucks has fired five more SWU baristas, whose cases are now pending or will soon be before the NLRB.⁴⁴

While the SWU's membership continues to grow, Starbucks continues to illegally interfere with workers' fundamental right to join a union. The company's preference for a non-union workforce does not justify its the continued violation of workers' rights. If Starbucks were socially responsible, it would comply with domestic and international labor and human rights standards, and would reinstate all illegally fired SWU baristas.

To learn about Starbucks' purchasing practices from the mouths of farmers, a delegation from the Justice from Bean to Cup campaign traveled to Ethiopia in February 2007. This JBC delegation investigated Starbucks' Shirkena Sun-Dried Sidamo, beginning in Yirgalem, a coffee center in western Sidamo.

In the hills outside Yirgalem, along an unpaved road, lies the Fero cooperative, a primary producer of coffee, and a member of the Sidamo Union. Starbucks chose a coffee from the Fero Co-op to become one of its Black Apron Exclusives, the company's most expensive coffee offering. Starbucks formed what they called a "partnership" with these Sidamo growers to jointly produce a coffee they called "Shirkena Sun-Dried Sidamo." Here's how Willard (Dub) Hay, Starbucks Senior Vice President described the arrangement: "It was a three year investment that we made with a cooperative here in Ethiopia to produce a different kind of coffee -- we processed it differently and we built the name with it, and as you know it means 'partnership.'"⁴⁵ An earlier Starbucks press release elaborated: "The shirkinas -- the partnerships -- that we have with producers is a key to our success and a reason we spend so much time in coffee growing regions.⁴ Last year

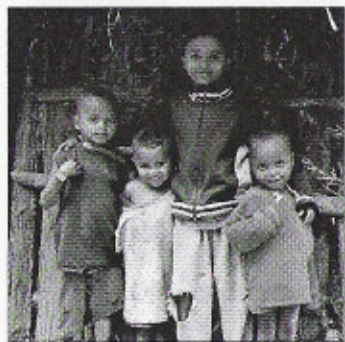
we traveled twice to Ethiopia and the development of this coffee was a focus on each trip. Producing this coffee took a lot of training, time and commitment, and we are very excited that farmers of the Sidama Coffee Farmers Cooperative Union are now being recognized for this unique and delicious coffee through our Black Apron Exclusives(TM) Program." The press release added that Starbucks expected to sell its new "Shirkena Sun-Dried Sidamo" for \$13 a half-pound.

Our JBC delegation wanted to learn about how much of the profits of this business venture Starbucks shared with its new partners. Inquiring into the details, we learned that during the 2005 and 2006 growing seasons, Starbucks bought five shipments of "Shirkena Sidamo" coffee, totaling 2,400 bags, for retail sale at \$26 per pound, or \$8,236,800.⁵ The farmers who sold their coffee to the Fero Cooperative, which belongs to the Sidamo Union, were paid less than \$3 Birr per kilo with a dividend of \$.2 Birr per kilo expected at the end of the season. Thus, the farmers were paid at most \$.57 per pound, or around \$181,000 for the coffee that Starbucks priced for sale for \$8,236,800 retail. These farmers were paid 2.2% of the projected retail price.

The "free market" in coffee forces small farmers in the twenty four countries that supply Starbucks to compete in a self-destructive "race to the bottom."

CHILD LABOR ON SIDAMO COFFEE FARMS

Sidamo is extremely poor. Only 2.7% of households around Sidamo have running water.⁶ Literacy is low: of males over nine years old, only 25.5% can read and write; for females the rate is 13.6%.⁷ Only 33.6% of children attend school.⁸



The low prices paid by Starbucks and other coffee buyers forces coffee farmers to put their children to work on their family farms. 49% of Sidamo parents whose children are working would

prefer, instead, that their children were able to delay entering the workforce until after they had completed their schooling.⁹ Unfortunately, the low prices Starbucks and other buyers pay for their coffee force farmers to put their children to work. Coffee is grown on small family plots; when coffee prices are low, child labor helps Sidamo's families reduce their malnutrition.¹⁰

As a result, over two million children in the Sidamo area, aged 5 through 17, are working: 92% are working in agriculture, 94% are unpaid family workers, and 90% are working to support their families. On the average, they work 29.9 hours per week. Child labor is a significant part of the agricultural economy. Yet this is not a world their parents want.

With Starbucks paying only 2.2% of retail to these "partners," these Sidamo farmers are unable to earn a living wage and will remain in poverty. Starbucks understands this reality, yet continues to exploit its market power over such small farmers. As Starbucks' Trade Consultant, Rosa Whitaker, candidly put it: "the reason why farmers remain poor, is because [sic.] I've never seen any country in the world where people have moved out of poverty exporting primary raw products."¹¹ Starbucks relies on the tyranny of the commodity coffee market to keep coffee prices low, and knowingly perpetuates the poverty of its farmers by paying market prices in short-term contracts.¹² Paying "premium prices" for coffee that is priced so low that farmers cannot feed their families is socially irresponsible purchasing.

The majority of Starbucks employees fail to clear either of two hurdles to obtaining company health care. The first is the work hours qualification; the second is the high out-of-pocket expenses. To qualify to purchase health insurance, an employee must first work 240 hours per quarter. Because Starbucks does not guarantee baristas a regular work schedule, they cannot know, from quarter to quarter, whether they will earn enough hours to qualify. According to Starbucks own figures, only 65% of its workforce receives enough hours to qualify to buy health insurance.³⁰

If a barista clears the 240 hour hurdle, she has to clear the second hurdle, the prohibitively expensive out-of-pocket costs for company health care. Starbucks has repeatedly refused to release the costs of the health plan, even though it continually boasts about its health care offering. On February 21, 2007 the SWU Blog (<http://www.StarbucksUnion.org/blog>) made available the company's internal health insurance pricing document. The document reveals an unaffordable mix of premiums, co-pays, deductibles, "payment percentages", and other out-of-pocket expenses.³¹ One Starbucks individual plan packs a \$1,000 per year deductible and a \$8,000 per year out-of-pocket maximum

in addition to co-pays and premiums. To add your family onto the plan, that deductible and out-of-pocket maximum shoots up to \$3,000 and \$24,000, respectively.

It's no surprise then that Starbucks baristas, like Suley Ayala, must rely on government assistance to insure her children.³² Suley works hard every day for a company that took in record profits of \$564 million on \$7.8 billion in revenue last year,³³ earning enough money to open a record 2,199³⁴ Starbucks stores in that year alone. Yet Starbucks pay is so inadequate that Suley must rely on Medicaid to keep her kids healthy. Something has gone seriously wrong in a society where the super-rich like Howard Schultz and Wal-Mart CEO Lee Scott get richer while hard-working employees must rely on taxpayer-funded government assistance to survive. Unlike Wal-Mart, Starbucks has deceived the American people into believing that the company offers generous health care.³⁵

If Starbucks were socially responsible to its workforce, it would provide employees with affordable health insurance.



Starbucks actually insures a lower percentage of its workforce than Wal-Mart.



Many baristas need to rely on taxpayer-funded government assistance to make ends meet. A Chicago barista earning \$7.80 per hour and fortunate enough to average 30 hours per week will earn \$12,168 a year before payroll taxes, well below the 2007 federal poverty line for a family of two.²³ By contrast, Starbucks Chairman Howard Schultz took in over \$102 million in salary and exercised options in the last fiscal year.²⁴ Schultz, who is already a billionaire, earns more money before lunchtime in one day of work, than our Chicago barista earns in a year!

THE STARBUCKS HEALTH CARE MYTH

Starbucks' public relations machine created a myth that it is a leader in employee health care, but the myth is simply not true. Starbucks actually insures a lower percentage of its workforce than Wal-Mart, a company notorious for the burden it places on taxpayers by failing to insure its workers.²⁵ Following multiple challenges from the SWU, Starbucks finally admitted to the Wall Street Journal that it insures

While Starbucks lavishes executives with excessive pay, many baristas need to rely on taxpayer-funded government assistance to make ends meet. New York City barista Sarah Bender earns around \$800 per month at Starbucks.²⁶ Consequently, even though she works for a fast growing \$23 billion company, Sarah has been forced to turn to the government's food stamps program, which grants her an additional \$123 per month to survive.

If Starbucks were socially responsible, it would pay living wages to its employees, and provide them with regular, predictable work schedules.

just 42% of its workforce, including full-time management officials.²⁷ By contrast, Wal-Mart insures 47% of its workforce.²⁸ While Wal-Mart is rightly subjected to public opprobrium, Chairman Howard Schultz and Starbucks are feted on Capitol Hill and in the popular press based on spin and misleading proclamations about its below-average health care plan.²⁹

A FAIR PRICE FOR SIDAMO FARMERS

To learn more about Starbucks' "partnership" with the farmers of the Fero cooperative, we spoke to Tadesse, a farmer who sold coffee that Fero shipped to Starbucks for its Black Apron Exclusive "Shirkina Sidamo."

Tadesse pleas for a fair price for Sidamo coffee

When told that Starbucks sells his Shirkina Sun-Dried Sidamo for \$26 a pound, Tadesse launched into the following speech without missing a beat.

The cooperative wants to flourish; the workers want to flourish; the office workers want to flourish; the farmers want to flourish. We did not get what we expected; we did not get the fruits of our labor. You see—the farmers worked hard—labored hard, but did not get their sweat's worth. Again—what the farmer expected to get—he didn't get. In return to our labor, the returns are far less. The farmer expects to flourish and to change his life. They keep telling us "we're going to help you flourish." They keep coming to record our opinions and to give us endless promises.

We want to earn more money! We want to fulfill our children's needs.

We basically get what we've always been paid, which is money to cover our expenses during the coffee season only. During the coffee season, we look fine, like we have money, but after we pay our expenses, we go right back to poverty.

They deceive us by telling us that they're going to help us grow, but they are the one that is growing.

If there is a solution to this, we want it. We would like to sell to those who can help us flourish and improve our conditions. If we could find someone to create a relationship with us, and buy directly from us for a better price, we would have no problem. We would like you to tell our story to those who would listen.

A fair price for our coffee is \$10 birr for a kilo of Red Cherry.

Tadesse's concept of partnership is closer to the concept in common usage. Partners share profits; they don't inflict market rates on their partners. The fair price Tadesse suggests, \$10 birr for a kilo of Red Cherry is equivalent to \$1.54 a pound,¹³ which is roughly triple what farmers currently receive.

WOULD PAYING COFFEE FARMERS FAIR PRICES HURT STARBUCKS' BOTTOM LINE?

If all of the farmers supplying Starbucks, in all twenty-four of its supplying countries, were paid the price increase suggested by Tadessa, but all other costs remained the same,¹⁴ then in 2006, instead of paying an average of \$3.12 per kilo, Starbucks would have paid perhaps \$5.32 per kilo. This would increase Starbucks' cost of coffee from 5.3% of its total revenue, to roughly 9.1%. This 3.8% increase roughly estimates the cost of social fairness to the farmers in the twenty-four countries that supply Starbucks with its coffee.

Can Starbucks afford such a significant increase in the cost of its coffee? Apparently yes. In the past five years, the price of coffee in the world commodity markets doubled, rising from \$0.60-0.70 a pound for mild arabicas in 2002, up to \$1.10-1.20 a pound in 2006.

Yet in that same five year interval, Starbucks enjoyed a dramatic improvement in its finances—the doubling of the world price of coffee didn't make a difference.

In 2002, its earnings per share were \$.26; by 2006 they had almost tripled to \$.71 a share. In 2002, its free cash flow was \$478M; by 2006, it had more than doubled to \$1,132M. Finally, in 2002, Starbucks' return on equity was 13.87%; by 2006, it had risen to almost twice that rate, 26.06%. Starbucks earnings per share, free cash flow and return on equity all doubled with the doubling of coffee prices. The table below spells out the details.

In sum, Starbucks can and must pay farmers fair prices for growing the "high quality" coffee it buys. Starbucks should support the upcoming International Coffee Agreements to restore the production controls.¹⁷ Taking such a position, instead of continuing the embarrassing delay tactics recently revealed in its squabble with the Ethiopian government, is the right thing to do.¹⁸ Further, Starbucks must embrace transparency by disclosing the locations of all its coffee farms and submit to independent monitoring.

	ICO Mild Arabicas / lb ¹⁵	SBUX EPS ¹⁶	SBUX Free Cash Flow	SBUX ROE
2002	\$0.62	\$0.26	\$478,000,000	13.87%
2003	\$0.64	\$0.33	\$567,000,000	14.10%
2004	\$0.80	\$0.47	\$794,000,000	17.13%
2005	\$1.15	\$0.61	\$924,000,000	21.82%
2006	\$1.14	\$0.71	\$1,132,000,000	26.06%

BEHIND THE GREEN APRON: STARBUCKS BARISTAS STRUGGLE TO GET BY

The financial reality for café workers at Starbucks contrasts sharply with the company's 2006 corporate social responsibility report and "partner" label.¹⁹ Behind the smiles and green aprons, many baristas are living in poverty because Starbucks fails to pay a living wage and fails to offer secure work schedules.

Starbucks baristas, the company's largest job classification, earn a starting wage as low as \$6.25 per hour.²⁰ In Chicago, with its high-cost of living, baristas start at just \$7.80 per hour.²¹ Infrequent ten or twenty cent raises at Starbucks do little to improve baristas' ability to pay the bills.

Starbucks does not even pay a living wage to its most senior baristas. Corporations cap wages to push long-term employees to seek new employment, or work under a glass ceiling. Starbucks has never admitted that it uses wage caps. However, an internal company document recently provided to the IWW Starbucks Workers Union (SWU) reveals that Starbucks does use wage caps ranging from \$8 to \$11 per hour in each U.S. location in which it operates.²²

Starbucks failure to pay living wages is only half the financial story of working at Starbucks. The full financial picture for the company's café workers can only be

understood in light of Starbucks scheduling system. A stunning 100% of Starbucks retail hourly employees are part-time. The company will not allow a single barista, busser, or shift supervisor in the United States to obtain full-time status. In addition, Starbucks café employees face work hours that fluctuate week-to-week at the company's whim.

Starbucks refuses to guarantee baristas a minimum number of work hour per week; baristas thus face great difficulty budgeting for necessities like food, rent, and utilities. For example, a Starbucks barista may be assigned 32 hours of work one week, 25 hours the next week, and 12 hours of work the following week. Many Starbucks baristas need 40 hours of work to make ends meet,

yet find that the company turns a blind eye to their needs and schedules them for far fewer hours. Starbucks prefers part-time employees whose hours it can adjust as consumer demand rises and falls and who are less likely to qualify for company benefits. Starbucks scheduling system is best understood as just-in-time inventory

Starbucks is a 100% Part-Time, Poverty Wage Employer.

