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STARBUCKS-NGO PARTNERSHIPS

A CORPORATE SOCIAL RESPONSIBILITY FAÇADE

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Going to your local Starbucks is like curling up on your couch and warming up by the fireplace while you listen to your favorite Jazz band or the latest holiday Christmas songs. The hip and community coffeehouse sells comfort, self-indulgence and a relaxed affluence,[1] in addition to offering specialty coffee from the far-away lands of the Nicaraguan mountains or the exotic jungles in Sumatra, the Indonesian island. The coffee roaster emphasizes its commitment to origins and lets the consumers know, through its chalkboard announcements and brochures that "every time you purchase Starbucks' coffee, you're also making a difference, helping to improve people's lives, and encouraging conservation where our coffee is grown."[2] The coffeehouse nurtures a romantic environment in which consumers can indulge in a good quality cup of coffee while thinking they're also advocating for a good cause. The average Starbucks consumer looks for convenience, gourmet coffee and an added peace of mind. But are consumers really spending their money on better wages for farmers and environmentally sustainable practices? Or are they just recovering the money that Starbucks uses towards its cause-related marketing and socially responsible claims? In this paper, I argue that Starbucks' façade of corporate social responsibility, mainly through partnerships with non-governmental organizations, reflects the company's concern in maintaining its reputation and brand differentiation, rather than showing its commitment to farmers' and workers' empowerment. First, I will set the context for the coffee industry and explain how and why sustainable coffee industry developed; second, I will explore two different partnerships between Starbucks and a non-profit organization. Then, I will explore government regulation as a possible pathway to pressure corporations and hold them accountable.

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[1] Ruzich, Constance M. "For The Love Of Joe: The Language Of Starbucks." *The Journal of Popular Culture*: 428-42, 2008.

[2] "Starbucks. Coffee Company, 2013"

Up until the 1980s, the ability of the state to promote development was never questioned and many international agreements regarding the trading of goods were created. With a period of massive over production by the end of the 1950s, many Latin American countries started negotiations for price stabilization and the first International Coffee Agreement was signed in 1962, with both Northern and Southern countries as signatories.[3] During the ICA regime, a coffee price was set and governments controlled the production process in terms of exporting decisions. However, the effects of globalization, with liberalization and deregulation, and the transfer of stocks from public to private agencies, caused the elimination of government services in the agro-food business. This led to an increasing power of large trading companies in producing countries and to the increasing oversupply of coffee due to technological advancement. As a result, coffee prices went from US$1.34 per pound in 1988 to US$0.77 per pound in 1994.[4] Gary Gereffi defines the new commodity production process as a "buyer-driven" value chain in which "production networks are controlled by large retailers and trading companies that respond to consumer needs to increase profit."[5] According to him, as opposed to producer-driven chains, in which manufacturers hold the power, buyer-driven chains are governed by the decisions of large retailers that take control of the production process. In such system of governance, the designing, manufacturing and selling one of product occurs in different places. Moreover, producers are under the oversight of retailers and trading companies that control over the production network.

Today, the coffee industry conserves many of the characteristics of the buyer-driven chain. Starbucks revitalized interest in coffee consumption as it promoted new ways of both

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3 Daviron, Benoit & Ponte, Stefano. *The Coffee Paradox: Global Markets, Commodity Trade And The Elusive Promise Of Development*, The World Economy: 1031-032, 2005.
4 Ibid.
5 Ibid.

producing and consuming coffee.[6] The company is vertically integrated and controls its coffee sourcing, roasting and retail sales around the world—according to Howard Schultz, it is vertical integration "to the extreme."[7] The company is subject to the increasing demand of consumers and to market transactions between traders, growers, and themselves, which requires a strong coordination along the chain. This mode of chain governance, in which producers are at the end of the chain and do not participate in the decision making processes, has been challenged by regulatory systems, certifications and corporate voluntary codes of conduct that strive to induce changes in the way the chain is governed. In an effort to live up to consumers' expectations—who want to know how they're coffee is produced—Starbucks tries to appear as an ethical roaster, leading the way towards sustainable sourcing practices. Sustainable food movements such as Fair Trade, or Organic, and sustainable specialty roasters like Starbucks "generate a movement towards a mode of governance closer to the producer-driven typology because they may improve growers' positions with traders and roasters."[8] According to Shultz, Starbucks is "real and sustainable. [Its] foundations are stronger because they are built with the strength of the human spirit, not an ad campaign."[9] However, although Starbucks' model has improved farmer's wages (by assuring them a price higher than the international market price for coffee) and has contributed to ethical sourcing practices, the company still adopts mainstream capitalist and corporate strategies hidden behind sustainability concepts, which fool the consumer.

Starbucks' partnerships with non-profit organizations reflect the company's willingness to set standards for good social and environmental performance, but there are often only a façade

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[6] Ibid.

[7] Favaro, Ken. "Vertical Integration 2.0: An Old Strategy Makes a Comeback," *Strategy+Business*, May 2015.

[8] Daviron, Benoit and Ponte, Stefano. *The Coffee Paradox: Global Markets, Commodity Trade And The Elusive Promise Of Development*.

[9] Schultz, Howard, and Dori Jones Yang. *Pour Your Heart into It: How Starbucks Built a Company One Cup at a Time*. New York, NY: Hyperion, 1997.

for its profit-making goals.[10] Partnerships are defined as collaborative arrangements between actors from different sectors that recognize the "need for businesses to make a positive contribution to international developed and poverty alleviation given their key position in the global chain.[11] Starbucks partnerships with both TransFair USA (now Fair Trade USA) and environmental non-profit Conservation International (CI) exemplify this relationship, as the roaster strived to portray itself as a socially committed company. Although Professor Perez-Aleman from McGill University argues that CI's partnership was more beneficial to farmer's living conditions than that of TransFair's, I will show below how both failed in empowering farmers in Chiapas, Guatemala and Nicaragua. Instead, they are just mechanisms to establish trust with the consumer, even if that trust is based on counterfeit concepts of sustainability.

Starbucks takes pride in supporting the Fair Trade movement and in selling Fair Trade coffee both in-store and online. On the company's website, the retailer shows its commitment to fair trade by claiming that it is one of the largest retailer buyers of Fair Trade coffee in the world.[12] However, the relationship between Fair Trade USA and Starbucks, and the outcome emanating from it, undermines this claim as a strategy for Starbucks to hide behind Fair Trade's values and confuse its consumers. As Bitzer et al. argue, whereas for NGOs, partnerships present an opportunity "to attain potential benefits for smallholder producers, private sector actors were motivated by the opportunity to secure supply and to exploit the market opportunity for specialty coffee while demonstrating ethical behavior."[13]

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10 Muradian, Roldan, and Pelupessy, Wim. "Governing The Coffee Chain: The Role Of Voluntary Regulatory Systems." *World Development*: 2029-044, 2005.

11 Bitzer, Verena, Pieter Glasbergen, and Bas Arts. "Exploring the Potential of Intersectoral Partnerships to Improve the Position of Farmers in Global Agrifood Chains: Findings from the Coffee Sector in Peru." *Agric Hum Values Agriculture and Human Values*, 2012, 5-20.

12 Starbucks Company, 2015.

13 Bitzer, Verena et al. "Exploring the Potential of Intersectoral Partnerships to Improve the Position of Farmers in Global Agrifood Chains: Findings from the Coffee Sector in Peru."

San Francisco non-profit organization, Global Exchange, was a leader, amongst other Alternative Trade Organizations (ATO's), in establishing the Fair Trade movement, which emerged as an alternative approach to conventional coffee trade in order to better the livelihoods and well-being of small producers by improving their market access, strengthening their organizations, paying them a fair price with a fixed minimum, and providing continuity in their trading relationships.[14] Fair Trade works mainly with small cooperatives and offers them a price premium for their sustainably sourced coffee, which often goes to democratic cooperatives that allocate the money to different community projects. According to Fair Trade USA, this is a "democratic movement in which each community decides how the funds are used."[15] Not only the movement has improved the economic situation of Southern countries' farmers but it has also led to their empowerment and autonomy. The ultimate goal of Fair Trade, altogether, is to change the new fashion in Northern societies, by which consumers are completely separated from the production process of the commodities they buy on the daily basis. Not only the Fair Trade movement started as a way to increase economic support for the struggles of small producers in Southern countries, but it also emerged as a way of changing the thought behind the production process and engraining labor conditions and injustices into the consumer consciousness.

In order to gain more power in the movement, and to increase support, Fair Trade USA partnered with many of the big agro-food retailers, such as McDonald's, Nestlé, and, lastly, Starbucks. This NGO-corporate relationship was created out of the antagonism between the organization Equal Exchange and the coffee roaster. The campaign that Equal Exchange waived against Starbucks represents one of the mechanisms by which corporations can be held

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14 Daviron, Benoit and Ponte, Stefano.

15 Fair Trade USA (http://fairtradeusa.org/what-is-fair-trade/impact), accessed December 2015.

accountable to their wrongful actions: "the NGO threat."[16] Pressure from Equal Exchange started when members of the organization appeared at Starbucks' annual shareholder meetings to demand that Starbucks bought more Fair Trade certified coffee, at a time where the coffee crisis and the fall in prices led farmers to experience increased poverty and created environmental problems in coffee producing regions. Particularly, the NGO reacted to a study published by San Francisco ABC TV, exposing child labor and low wages in Guatemalan farms that sold coffee to Starbucks. The San-Francisco-based NGO demonstrated in front of Starbucks' local stores, and wrote an open letter petitioning fair wages and fair trade coffee, signed by students and social justice organizations.[17]

Starbucks was compelled by the campaign to ameliorate social and environmental problems in high regions where it sources coffee but its response to Equal Exchange's threat shows how its relationship with Fair Trade USA was—and is—a way for Starbucks to engage in "fair-washing" and a corporate social responsibility strategy to boost its brand image and credibility in the face of consumers, who are misled by Starbucks' claims of commitment to fair trade. In fact, days after Equal Exchange protests in the year 2000, the roaster started selling Fair Trade certified coffee from Guatemala and Nicaragua in whole-bean bags. However, only 1% of Starbucks' total coffee was Fair Trade. Today, the company still advertises its coffee as 100% ethically sourced and sells Fair Trade both online and in-store, but only 8% of its coffee is Fair Trade certified.[18] These low percentages show Starbucks' minimum commitment to fairly traded

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16 Argenti Paul. "Collaborating with Activists: How Starbucks Works With NGOs." *California Management Review*: 91-116, 2005.

17 Global Exchange, "Starbucks Campaign," (http://www.globalexchange.org/fairtrade/coffee/starbucks), accessed December 2015.

18 Timmerman Kelsey, "Follow your labels: Starbucks Coffee farmers who never heard of Starbucks", The Christian Science Monitor, July 2013.

coffee and announce its cooptation of the fair trade label as a way of "reaping substantial image benefits."[19]

In fact, consumers' reaction to Starbucks' small commitment to Fair Trade seems to be more positive than negative. According to Sophie, an ethical consumer, "Starbucks don't get everything fair trade, but my view is that as long as they are making a start…Obviously it would be wonderful if they did get everything fair trade, but until they make the decision to switch everything, I don't have a problem with them having some of it and I know some people are saying "well, they don't' have everything, but they are trying. I don't know a massive amount about the Starbucks' brand, but I'm not […] adverse to them."[20] However, even though the company has succeeded in appearing as committed to ameliorate the supply chain in coffee production, its relationship with Fair Trade USA remains controversial. Firms like Starbucks make a large contribution to Fair trade USA through licensing fees. In 2008, Transfair USA's licensing fees accounted for 67% of its total revenues, with Starbucks accounting for a "17% of the certifier's operating budget."[21] There is no data on the current contribution that Starbucks makes to Fair Trade USA but the organization's annual report indicates that in 2013, its service fees account for 83% of its total net assets[22]—to which Starbucks is certainly contributing. This complicates the partnership between Fair Trade and Starbucks and weakens Starbucks' dedication to social responsibility. As Daniel Jaffee argues, this partnership "blurs the lines

19 Jaffee, Daniel. "Fair Trade Standards, Corporate Participation, and Social Movement Responses in the United States." *Journal of Business Ethics*: 267-85, 2010.

20 Lekakis, Eleftheria J. "Coffee Activism and the Politics of Fair Trade and Ethical Consumption in the Global North." 2013.

21 Jaffee, Daniel. "Fair Trade Standards, Corporate Participation, and Social Movement Responses in the United States."

22 Fair Trade USA, Consolidated Financial Statements

between regulator and regulated even further, and raises questions about the certifier's ability to remain independent and rigorous."[23]

Accordingly, Starbucks' effort to escape monitoring is revealed by its other, more consolidated, partnership with the environmental organization Conservation International (CI). Rather than emerging from an antagonist pressure—like that of Equal Exchange—this partnership was created out of collaboration between the two actors. Established in 1987 CI's mission is to protect biodiversity and preserve the Earth's natural resources. Due to conventional modes of production in the late nineties, the non-profit established the Coffee Initiative Project in the "Triunfo Biosphere Reserve," Chiapas, Mexico, where it started to promote shade-grown coffee.[24] This program was meant to provide technical assistance to improve the growing of coffee crops as well as the cooperatives' marketing in order to increase their presence in the coffee network. In an attempt to promote better coffee sourcing practices in the North, CI reached out to specialty coffee roaster, Starbucks, to open a market for sustainable coffee in the United States.

Out of this collaboration, which was consolidated by the year 2000, Starbucks issued its Coffee and Farmer Equity Practices (C.A.F.E.) in 2004 with CI's support. The C.A.F.E. Practices were an effort to create voluntary private standards to include small producers in the coffee supply chain, assure fair wages, and develop a sustainable coffee production chain. Both actors developed a series of guidelines by which small producers in Chiapas needed to abide in order to become C.A.F.E. certified. Under the program, one hundred points can be awarded to each producer in order to become a preferred supplier for Starbucks. The company allocates fifty

[23] Jaffee, Daniel, 2010.

[24] Shade-grown coffee is a mode of coffee production by which the beans are grown under the shade of canopy trees. This method is believed to be more environmentally friendly.

points for environmental impact, thirty points for social requirements, and ten points for economic transparency. For every ten points accumulated, producers can gain a $0.01 price premium per pound, above Starbucks' regular price, which was $1.72 per pound in 2014—compared to Fair Trade's US$1.40 per pound and to the regular price of coffee in the market of US$1.15.[25] Starbucks bought more than 400 million pounds of C.A.F.E certified coffee around the world in 2014 and prides of selling ten million cups of shade-grown coffee from Chiapas in Mexico, every year. But, however much the company is proud of its program in Chiapas Starbucks' C.A.F.E. practices are far from being as beneficial as they claim them to be.

First, although studies show that producers engaging in the Starbucks-CI program earned 20 per cent more per hectare,[26] C.A.F.E. practices are not an effective way of empowering small-scale producers and do not live up to consumers' expectations who think that they are helping farmers thrive in Chiapas when they buy a Grande Café Latte at US$3.65. Contrary to what Perez-Aleman thinks, Starbucks and Conservation International's development of C.A.F.E practices, provides a pathway for the company to have powerful control over its entire coffee supply chain. In Chiapas, Starbucks started working with the cooperative Campesinos Ecológicos de la Sierra Madre de Chiapas (CESMACH), which sprang up in the middle of the 1990s as a way of protesting against major Mexican traders and 'coyotes'[27] such as AMSA. Producers of El Triunfo had previously organized in order to avoid selling their coffee beans to these "coyotes" and avoid low prices. However, when Starbucks and CI became prominent in the region, the roaster indicated that CESMACH had to sell its coffee through AMSA in order to be a part of Starbucks' C.A.F.E. program. Starbucks designated AMSA as its preferred supplier of

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[25] International Coffee Organization, Daily Coffee Prices, November 2015

[26] Perez-Aleman, Paola and Sandilands, Marion. "Building Value at the Top and the Bottom of the Global Supply Chain: MNC-NGO Partnerships." *California Management Review*: 24-49, 2008.

[27] In English, 'coyotes' means intermediaries of the supply chain.

Shade Grown Coffee in Mexico.[28] Producers in the Chiapas region vehemently contested this decision, as they saw themselves truncated from the production process. To the producers, the Starbucks-CI partnership represents a type of “trade imperialism” or “yankee coyotism”[29] as Sixto Cruz from Triunfo Verde, another Chiapas cooperative, suggested.

In order to control the quality of its beans and assure the monitoring of cooperatives against C.A.F.E. requirements, Starbucks added a third-party verifier, the Scientific Certification System (SCS). The auditing system, however, also represents a burden for producers. The company charges Chiapas farmers for its quality monitoring and verification of their green crops. To CESMACH and Triunfo Verde, multinational corporations like Starbucks just represent an imposition of demands in order to take ownership of their coffee without even mentioning their name on the package. Starbucks sells whole been shade-grown coffee in its store (contained in a green package, hinting to its green coffee sourcing practices), with Conservational International’s name on it and Starbucks’ logo, which representing the C.A.F.E label. Although on its website the company indicates the origin of the coffee, it never mentions from which cooperatives the coffee comes from. The consumer is not only manipulated into thinking that the coffee comes out of a successful and ethical partnership between CI and Starbucks, but he is also unaware of the structural injustices that govern the roaster’s supply chain. As Sociology Professor Marie-Christine Renard argues, although C.A.F.E practices offered Chiapas’ producers a secure market, the “conditions [and requirements of the program] led to their total dependency and undermining of their own organizations.”[30]

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[28] Renard, Marie-Christine. "In the Name of Conservation: CAFE Practices and Fair Trade in Mexico." *Journal of Business Ethics*: 287-99, 2010.

[29] Castillo, Rosalva, Aida Hernandez, and Nigh, Ronald. "Global Processes and Local Identity among Mayan Coffee Growers in Chiapas, Mexico." *American Anthropologist*: 136-47.

[30] Renard, Marie-Christine. "In the Name of Conservation: CAFE Practices and Fair Trade in Mexico."

In Guatemala, Starbucks' program is met with equal discontent. The company buys coffee from CAFCOM, one of the country's biggest exporters, to which the roaster maintains very close ties. In fact, Starbucks' supply chain in Guatemala is still full of 'coyotes', just like in Chiapas, who buy and sell coffee to Starbucks. Ueli, president of Fedecocagua cooperative, says that the production process is governed by a "little circle [in which] the company sets the quotas and the rules."[31] While the company maintains tight knits with the exporters, which compromises the transparency in the supply chain, its relationship with producers is weak. With no government oversight, Starbucks has become the symbol of "economic dominance of the global north […] by which wealthy *blancos* make the rules that the native population must follow."[32] In fact, the lack of strong governmental institutions in Latin America is what enables Starbucks to have such a powerful control over the supply chain in Guatemala.

This model is replicated in Nicaragua, where there are no strong governmental institutions to provide the famers' with social and economic services, and to demand that Starbucks follows local regulations and labor rights. Fair Trade USA in Nicaragua has strived to fill this gap between the State and producers, in which coffee farmers are exposed to the injustices of the market, often with very bad infrastructures and poor access to health or education. In absence of a government that could protect the wellbeing of marginalized producers and control labor regulation, Fair Trade USA has enabled the provision of financial support and administrative assistance for capacity building in producer cooperatives.[33] Through supporting Nicaragua coffee cooperatives such as Cafenica or Soppexca, Fair Trade USA has enabled small producers to perform collective governance functions that the State fails to

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31 Fellner, Kim. *Wrestling with Starbucks Conscience, Capital, Cappuccino*. New Brunswick, NJ: Rutgers University Press, 2008.
32 Ibid.
33 Macdonald, Kate. "Globalising Justice Within Coffee Supply Chains? Fair Trade, Starbucks And The Transformation Of Supply Chain Governance." *Third World Quarterly*: 793-812, 2007.

perform. Through Fair Trade assistance, Soppexca was able to build health and education facilities in its community. As opposed to this model, Starbucks doesn't provide assistance to the cooperatives it works with, and engenders a model of dependence, in which producers cannot work autonomously and have no freedom of association. Starbucks provides very little support, and when social infrastructures are absent in one community, producers will lose points towards their C.A.F.E. certification. Rather than providing assistance to reconstruct farming communities, Starbucks puts the burden of responsibility on the producers themselves, leading to their "structural disempowerment."[34] In fact, Starbucks and CI's initiative is corporate-driven and advances business interests. As one SCS verifier in Nicaragua declared: "It is a corporate sourcing program for a corporation to reflect Starbuck's values […] They are not public standard, but rather are buying requirements for a corporate client, and they reflect their values."[35]

This can also be shown by the way in which SCS and Starbucks created a verification system based on social, economic and environmental indicators. Realizing that coffee production is heterogeneous and depends on the size of cooperatives and farms, they have created two different cards, The Generic Scorecard, and the Smallholder scorecard. While this says something in favor of Starbucks, as they realize that smallholders may have difficulties in fulfill the program's requirements, it can also raise some controversy. For social and environmental standards, Starbucks specifies that, "if a farm does not provide worker housing, or if the farm does not contain water bodies, the corresponding indicators regarding access to habitable housing (SR-WC1.1 and CG-WR1.9-11 respectively) would be evaluated as Not

[34] Ibid.
[35] Ibid.

Applicable (CAFÉ Practices, Verifier and Inspector Operations Manual).[36] Starbucks should take into consideration this and improve those conditions in the farms it works with in order to make its claims on sustainability more credible. Additionally, the "Freedom of Association or Collective Bargaining" checkbox is not included in the Smallholder Scorecard, while it is present in the Generic Scorecard. This system of auditing and verification emphasizes the imbalances explained above in the Nicaragua case and reiterates that Starbucks doesn't promote democratic structures in farming cooperatives. Another characteristic of the SCS verification system is the way in which Starbucks oversees whether the money goes to the farmers or not. In order to verify economic transparency, Starbucks asks the suppliers to present invoices related to the trading of coffee, both up and down the supply chain.[37] However, the level of transparency depends on the supply chain, so all trade related documents may not be available at all times, which often prevents Starbucks from tracing the price premium all the way to the coffee farmer. In the supply chain models presented above, in Chiapas, Guatemala, and Nicaragua, middlemen are always part of the picture, which increases the possibility of trickling the price all the way to the producer.

As seen by the examples above, rather than strengthening the coffee supply chain Starbucks "washes the market in claims of […] ethical sourcing and labor codes."[38] This is also justified by criticism of Conversation International, which has undermined its mission of protecting the environment through unethical behavior and a controversial administrative structure— it is sponsored by the most environmentally destructive companies, such as

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36 Starbucks Coffee Company, C.A.F.E. Generic Score Card, V3.4, November 2015

37 SCS Global Services, Starbucks Coffee Company, C.A.F.E. Practices Verifier and Inspector Operations Manual, V5.2, January 2014

38 Fridell, M., Hudson Ian, and Hudson, Mark. "With Friends Like These: The Corporate Response To Fair Trade Coffee." *Review of Radical Political Economics*: 8-34, 2005.

McDonald's or Chiquita[39], which questions its credibility as a promoter of sustainability. Conservation International is primarily focused on ensuring a "healthy, productive planet for everyone. Because people need nature to thrive."[40] Hence, C.A.F.E. guidelines are disproportionately focused on environmental principles and do not highlight enough the importance of social standards. In fact, in analyzing the Generic Score Card, only one criteria needs to be met to prove economic accountability, eight indicators have to be marked in order to prove social responsibility, and twenty-one to show environmental leadership. In addition, Conservation International has also been criticized for its ties to both the Mexican and American government. When the NGO started its Coffee Conservation Program at the end of the 1990s, it was condemned for "forging links with Grupo Pulsar, a Mexican agribusiness corporation that promotes destructive monoculture in Chiapas"[41] and for claiming that indigenous communities threatened the environment. Those claims were used by the Mexican Government in order to appease Zapatista protests and evict their supporters from the rain forests. In fact, CI's and Starbucks' project in Chiapas was also funded by United States Agency for International Development (USAID). This raises dubious claims about the American government's role in containing Zapatistas' uprisings and imposing structural adjustment in Mexico.

Thus, the development of Starbucks' C.A.F.E. practices, in collaboration with Conservation International, was an effort to strengthen the company's corporate social responsibility (CSR) rather than an influential symbol of the company's commitment to environmental and social issues. Even more so, C.A.F.E. standards represent a way of

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[39] Renard, Marie-Christine. "In the Name of Conservation: CAFE Practices and Fair Trade in Mexico," 2010.
[40] Conservation International website, accessed December 2015.
[41] Industrial Worker, "Stripping the mask off Starbucks; Britain: IWW and Zapatistas support Chiapas farmers and Manhattan baristas," 2005.

preempting Fair Trade's power,[42] differentiate the Starbucks brand and avoid competition. Why didn't Starbucks simply buy Fair Trade coffee if it wanted to establish itself as responsible roaster? In fact, C.A.F.E. practices guidelines are similar to those of Fair Trade, which points out that Starbucks had intrinsic mysterious reasons to develop its own codes of conduct. Fair Trade principles include "economic development," "social responsibility," and "environmental stewardship," which echo the Score Card's requirements presented above. The one difference is that instead of adopting Fair Trade's "Empowerment principle," Starbucks included a "Product quality" requirement, which states that all coffee should meet the company's standards for quality. This emphasizes the main difference between C.A.F.E. and Fair Trade, and provides an explanation for Starbucks' deviation from the Fair Trade movement.

Although Starbucks has argued that it didn't want to buy a larger amount of Fair Trade coffee because it wasn't as good quality, this statement is only a mask to hide the company's devious intentions to destroy the Fair Trade model. As Fridell et al. argue, "fair trade differentiates its coffee on the basis of production process […] while Starbucks is interested in differentiating on the basis of quality or consumer lifestyle […] arguing that the price premium of high quality coffee will trickle down to producers."[43] Indeed, as I have previously shown, in the Fair Trade model cooperatives control the production process, whereas Starbucks relies on a capitalist system of control, through a vertically integrated chain in which producers have no influence on the decision-making. In an attempt to increase the movement's power, Fair Trade advocates turned to corporations like Starbucks to insert more Fair trade products in the mainstream northern market. Starbucks' response—through buying only a minimum share of fair trade coffee—underlines how the Fair Trade movement has opened itself to a "public relations

42 Fridell et al., "With Friends Like These: The Corporate Response To Fair Trade Coffee," 2005.
43 Ibid.

coup by corporate free riders" that have used the label only as a CSR, money-driven tactic.[44] Indeed, in its advertising boards, Starbucks still advocates that, "We've been crazy about coffee. Now we're certified", and includes the Fair Trade logo underneath the statement. This appropriation of Fair Trade practices 'dilutes' the mission-driven label in the name of capitalism and represents Starbuck's "corporate countermovement,"[45] followed by the development of its own voluntary codes.

This dilemma is analyzed in Akerlof's theory of the 'market for lemons', in which he formulates the relationship between product quality and consumer uncertainty. Using the automobile market, he explains that there is an asymmetry of information between the seller and the consumer. He concludes that the presence of inferior goods will outnumber better quality goods in the absence of a "bond" that establishes credibility.[46] In the coffee industry, those bonds are the Fair Trade and Starbucks' respective labels which are supposed to break with the asymmetry of information and tell the consumer under what conditions the coffee has been sourced. The problem is, however, that it is always difficult to know the quality of 'credence' goods[47] like coffee because consumers cannot always know the truth behind the label. Starbucks' logo (representing it's C.A.F.E. Practices label), strives to be a bond that establishes credibility between the brand and the consumer, but doesn't solve the asymmetry problem. Rather, it only competes with the Fair Trade label in order to secure a larger share of the market, and creates confusion amongst consumers who are constantly blinded by the amount of labels in the coffee industry. The lack of information behind the label prevents consumers from distinguishing the

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44 Jaffe, Daniel 2010.

45 Fridell et al., "With Friends Like These: The Corporate Response To Fair Trade Coffee," 2005.

46 Akerlof, G. "The Market for "Lemons": Quality Uncertainty and the Market Mechanism." *Essential Readings in Economics*: 175-88. 1970.

47 Credence goods are those whose qualities and values cannot be observed by the consumer at the time of purchase.

trustworthy label from the bad label, and thus triggers a turn to Starbucks, which has better marketing and branding techniques based on lifestyle associations[48] with advertisement headlines like “here’s to the best part of your day” that appeal to consumers. According to this, Starbucks, distinguishes itself from the Fair Trade label for purely economic reasons, which highlights its capitalist supply chain model, in which “production is none of the working public’s business but is instead the sole purview of owners; [in which] the site of production is an inner sanctum of utopian meritocracy that must be safeguarded from the pollution of collective action; and [in which] the economy is driven by great business leaders”[49] such as Howard Schultz.

To continue, Starbucks branding and ethical claims reveal its marketing practices as a guarantee of quality, rather than a reassurance of farmers’ wellbeing. In an effort to gain credibility and prominence in the specialty coffee market, Starbucks has redefined quality not only as “intrinsic food characteristics […] and taste, but also to cultural and ethical qualities”[50] although it doesn’t live up to the latter. When the consumer enters his local Starbucks store, he can sip on a good tasting cup of coffee and associates its excellent taste and aroma to the production process. In fact, the consumer only considers production differences from a narrow point of view and believes that the coffee process contributes to the product quality.[51] The company makes print advertisements such as “only one of these coffees is handcrafted all the way from the farm to you” and the consumer associates “hand-crafted” with the quality of the product. Other claims such as “the best coffee, for the best you” induce the consumer to think that he/her is making a change in the way coffee is sourced, but there is really no evidence behind those assumptions. This shows how Starbucks is interested, first and foremost, in

48 Fridell et al., 2010.
49 Ibid.
50 Renard, Marie-Christine. "In the Name of Conservation: CAFE Practices and Fair Trade in Mexico," 2010.
51 Fridell et al, 2010.

maintaining brand recognition. As seen by the examples of Equal Exchange and NGO, consumer boycotts and NGOs' pressure can push a corporation to back up from its wrongdoings, but the restructuring and transparency of the supply chain lie in the hands of consumers. In order to stop the 'race to the bottom' and prevent corporations from controlling the production process, there needs to be a change in consumers' mind to demand quality in terms of sustainable production conditions rather than in terms of fashionable coffee.

The problem of supply chains, ultimately, can be regulated by the State. In the post ICA regime, where no government regulation is necessary to the functioning of value chains, corporations like Starbucks have extensive leeway to control the sourcing and production of coffee at its own expense. However, Starbucks' presence in Costa Rica, a country with strong institutions that regulate the agro-food business, displays how government pressure and regulation can solve the problem of corrupted value chains. In Costa Rica, "all mills are registered, and safeguards prevent certain egregious forms of price gouging, making it easier to trace coffee from point of origin to export."[52] In this context, the Starbucks'-CI partnership has "added the benefit of a personal story line that can be sold to the consumer along with the beans"[53] but it hasn't replaced political empowerment. If the Nicaraguan government had the power to protect labor regulation and provide social services as well as promote wider economic policies, Starbucks would not be able to operate freely without being held accountable. To the contrary, in Nicaragua, regional offices have very little resources, which explains the country's dependence from corporations and vulnerability towards liberalization policies. State-capacity needs to be strengthened in order to solve these problems. If obstacles of ineffective institutions

[52] Fellner, Kim. *Wrestling with Starbucks Conscience, Capital, Cappuccino*, 2008.
[53] Bitzer et al, 2012.

and incompetent or authoritative political systems are not overcome, farmers will never be empowered or enabled to rise from the confinement of social injustices. For this, strengthened state capacity to enforce labor standards and laws is crucial to achieve change in the global coffee supply chain, controlled by specialty coffee roasters.

This paper has shown how the relationships that Starbucks has built throughout the years, through partnerships with NGOs Fair Trade USA and Conservation International are part of the company's corporate social responsibility tactic, in order to engage consumers, maintain its credibility and increase its market share. Although scholars argue that the success of the Starbucks-CI partnership lies in that both actors started a collaborative process rather than an antagonistic relationship like the one with Equal Exchange, I showed how neither of those partnerships justified the high prices imposed on consumers. Although Starbucks contends that it spends more money on training than on marketing practices, consumers are paying for the company's CSR mechanism because the company doesn't live up to its social responsibility claims. NGO pressure on corporations, with naming and shaming techniques, like the one Equal Exchange exerted on Starbucks, is a widely used strategy to push back on corporations' mistakes. Confrontational campaigns rely on the public scandalizing of brands' negative conducts, and boycotts are a way by which consumers can pressure brands as they refrain to buy the products of firms that do not meet social, labor or environmental regulations. However, as explained by the Starbucks' example, such campaigns can lead corporations to develop voluntary codes of conduct that reflect its weak responsibility to social issues but do note always achieve to solve structural injustices in farming communities. Although Starbucks hides behind its CSR model, the company keeps generating imbalances throughout the supply chain that aren't widely known by consumers, given the CSR façade. For this, government regulation needs to step in and put end to our new system of world governance in which private corporations have replaced State power. In Starbucks' business model, "building political power is not part of the picture [nor the brand]."[54] This is why, as consumers, we don't only need to publicize corporations' scandals, but also push for stronger democratic institutions and unions that will keep corporations from operating freely at citizens' expense.

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