



Sustaining Coffee Communities

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Today's Presentation

- About Starbucks
- The Coffee Business
- The Coffee Supply Chain
- Sustainable Purchasing Practices: How and Why

About Starbucks



- 12,000 retail stores
- 38 countries
- 135,000 partners
- 40M customers/week
- Wholesale - colleges, hotels, airlines
- 2% of global coffee purchases

Social Responsibility at Starbucks



- Mission and values
- CSR mission: To enable Starbucks to become a great, enduring company by championing business practices that produce social, environmental, and economic benefits for Starbucks communities globally.

Coffee Facts



- 2nd most heavily traded commodity
- Commodity vs. specialty
- Robusta vs. arabica
- Cost differentials for quality coffees
- US consumes 26% of exports

The Producers



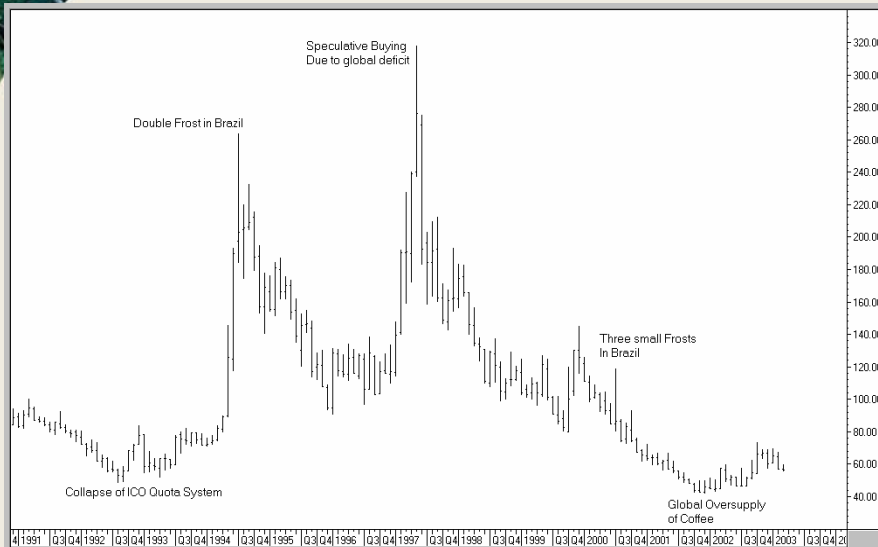
- 25M people grow coffee in 70 countries
- Over 50% of coffee is grown on small farms
- Smallholder farmers produce about 1000-2000 pounds annually
- Farmers need technical and market information and access to credit

The Places

Where Starbucks sources coffee in the Coffee Belt



The Prices



The Supply Chain

Who Starbucks Buys From



- Farms
- Coops
- Exporters
- Importers
- Brokers

Sustaining Coffee Communities

How?

- Fair prices
- Credit
- Social programs
- Certified and conservation coffees
- C.A.F.E. Practices
- Farmer support center

Paying Fair Prices



- Premium prices
- Long-term contracts
- Transparency

In FY2005, Starbucks paid an average price of \$1.28 per pound which was 23% higher than the average New York "C" price.

Access to Credit



Providing funds for affordable credit enables farmers to increase their incomes and invest in their farms.

In FY2005, Starbucks provided \$9.5M in loans to Calvert Foundation, Verde Ventures Fund, EcoLogic Finance

Social Programs



Vaccination Campaign

In FY2005, Starbucks provided \$1.5 million for 40 social projects in coffee communities.

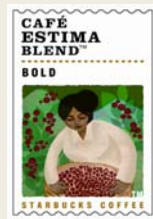
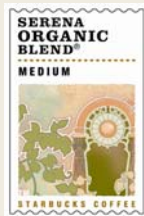


Renovating homes



Building schools

Certified Coffees



Certified coffees support Starbucks commitment to improve environmental and social conditions, improve farmer incomes and provide customers with products that address specific consumer interests.

*In FY2005, Starbucks purchased:
9.2 MM lbs. (3%) certified organic coffee
1.9 MM lbs. (.9 %) of shade grown coffee
11.5 MM lbs. (3.7%) of Fair Trade certified coffee.*

C.A.F.E. Practices



Farmer training sessions in Mexico and Kenya



Inspecting a farm in Guatemala

C.A.F.E. Practices are Starbucks buying guidelines that reward suppliers who meet the company's criteria for quality, economic transparency and social and environmental performance.

C.A.F.E. Practices Criteria

Prerequisites

- High-quality coffee
- Economic transparency

Independently Verified Criteria

- Social
- Environmental coffee growing
- Environmental coffee processing



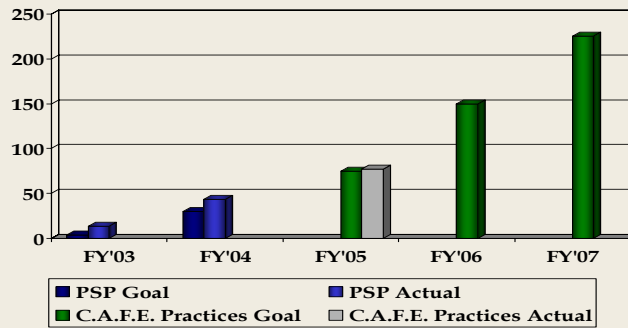
Verifier training



Pilot verification of farm in Guatemala



C.A.F.E. Practices Goals



In FY05, Starbucks purchased 76.8 MM lbs from C.A.F.E. Practices approved suppliers.

BY FY07, we expect 225 MM lbs of our coffee purchases to meet C.A.F.E. Practices criteria.

Farmer Support Center



Develops best practices for growing quality coffee

Improves crop quality through growing and conservation techniques

Provides guidance for Starbucks quality in the cup

Implements and administers C.A.F.E. Practices

Manages farmer relationships directly through a team of quality, agronomy and sustainability experts

Sustaining Coffee Communities

Why?



- Ensure future quality green coffee supply in our high growth business
- Help ensure sustainability of producers
- Demonstrate leadership in the industry
- Position Starbucks as brand of choice for consumers

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Discussion