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From [The Sunday Times](#) March 4, 2007

Starbucks stirs up a storm in a coffee cup

The chain's image has suffered in its trademark fight with the Ethiopian government. By Dominic Rushe in New York

LAST Friday was an annual holiday in Ethiopia to commemorate the Battle of Adowa in 1896 and the routing of Italian forces at the end of the first Italo-Abyssinian war.

Holiday or no holiday, the prime minister, Meles Zanawi, spent part of the day drawing up his defences in another battle, one that has occupied the country for the past two years — a fight with Starbucks over the impoverished country's famous coffee.

This is a truly modern engagement, fired by the forces of globalisation and fought with lawyers. But according to Starbucks's critics, it tells an ancient tale, with the coffee chain branded as a modern-day colonialist exploiting Ethiopia's 1,000-year-old coffee culture. Fittingly enough, the fight is being played out on that most modern of battlegrounds — the video website YouTube.

Coffee is Ethiopia's largest export, and the country produces some of the finest beans in the world. The growing global demand means quality beans are attracting premium prices. To secure its slice of the action, in 2005 Ethiopia's government launched an application to trademark the country's gourmet coffee beans in the US.

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- Starbucks relents over Ethiopian trademark
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The Ethiopian government argues that trademarks would protect the country's millions of coffee farmers and give them a greater say on prices. Oxfam has estimated that trademarks would add £47m a year to the Ethiopian economy.

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may leave Starbucks with nasty taste
 Starbucks and Ethiopia agree to resolve dispute

Ironically, the most high-profile objector to this rebranding exercise has been the biggest coffee brand in the world.

The spat has landed Starbucks in a public-relations nightmare, with the ethically minded company accused of acting tough with one of the world's poorest countries.

Starbucks's size has increasingly thrown up ethical and cultural dilemmas for the company. Howard Schultz, the chain's founder, recently warned that Starbucks was in danger of losing its identity.

Late last month it looked as though an agreement was about to be reached to end the war in east Africa. But now Ethiopia's representatives are accusing the Seattle-based coffee chain of spin. Meles is expected to issue a statement this week underlining the fact that no agreement has been reached.

The row is potentially damaging for both Starbucks's image and Ethiopia's economy. The company's annual sales of \$7.78 billion (£4 billion) are equal to more than three-quarters of Ethiopia's entire gross domestic product, which was \$9.78 billion in 2006.

Douglas Holt, the L'Oréal professor of marketing at Oxford University's Said Business School, has said the company is "playing Russian roulette" with its brand.

At the heart of the dispute is Ethiopia's desire to trademark some of its most famous coffees. Coffea arabica, parent plant to the coffee bean, is indigenous to Ethiopia and is believed to have been cultivated there for more than 1,000 years. The word coffee itself is thought to be derived from the name of the place from which coffee originated, Kaffa in Ethiopia.

And the quality beans produced by Ethiopia attract premium prices — but not for the country's farmers. According to Oxfam, Ethiopian growers selling to Starbucks earned between 75 cents and \$1.60 a pound on beans that Starbucks then sold for up to \$26 a pound.

Speciality coffees in other regions of the world can get up to 45% of the retail price, compared with the 5% to 10% Ethiopians are currently receiving, Oxfam said.

Premium coffee is a growing market, and to benefit from the rising demand the Ethiopian government set out to trademark three regions of the country associated with its finest beans — Sidamo, Harar and Yirgacheffe.

The government then asked Starbucks and other coffee companies to sign a licensing agreement recognising the brands. One large US coffee company, Green Mountain, has already done so.

Starbucks objected to the trademarks. Last December, Dub Hay, head of Starbucks's coffee team, released a video on YouTube stating that Ethiopia's position — trademarking geographic areas — was "against the law". He said "certification" was a better approach for the country — similar to Jamaican Blue Mountain coffee or Florida

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orange juice. The video has now been watched almost 30,000 times.

Roberta Horton, partner with Arnold & Porter, the Washington law firm representing Ethiopia's trademark claims, said Hay's statement was "a bunch of nonsense".

"Ethiopia wants to protect a valuable commodity and build up its intellectual property assets," she said. "Like many Third World countries, they haven't always been in a position to do it. Now they are and they have every right to do it."

Horton said that in building and protecting its brands, Ethiopia was simply employing the same tactics used by Starbucks itself.

One of the trademarks — Yirgacheffe — has been passed by the US authorities. Under US law there are legal arguments against the trademarking of regions — although there are also exceptions. There have been claims the US authorities did not understand that Yirgacheffe was a region.

But Starbucks's involvement in the trademark row sparked a furious reaction from Oxfam and other critics. Hay has now apologised for saying the application was illegal.

In a note added to the YouTube video last week, Starbucks said: "Since this video was posted, a lot has happened. When we posted this video, we felt the information was correct and since we've learnt a lot and realised the information about the legality of the trademark was not accurate."

Ron Layton, chief executive of Light Years IP, a Washington-based intellectual-property-rights body that is advising the Ethiopian government, said: "Frankly, their position is mendacious. Starbucks never once validated any of their nasty claims and now they are saying they were not true. Why have they left Dub Hay's video up on YouTube? Nearly 30,000 people have seen that now. They should compensate the Ethiopians for all the damage that has been done."

Ethiopian produce represents a fraction of Starbucks's coffee and a tiny part of the company's overall expenses.

Starbucks had "never articulated" why it was opposed to Ethiopia's trademarks, said Layton. "My theory — and it is a theory — is that Starbucks was far happier with the previous situation, where coffee countries did not have a say and Starbucks had all the power."

Certification guarantees quality and origin of the goods, but a trademark gives the local coffee producers a clear stake in the retail price, he said.

"Ethiopians feel very deeply about this. Ethiopia has a hot product in a hot market. Starbucks's immediate reaction to their attempt to exert control of that product has been to exert its power and for it to try to keep control," Layton added.

Last month senior Starbucks executives met Ethiopian officials in Addis Ababa after Hay apologised for his YouTube posting.

The company also said it would double its coffee buying in the region by 2009, and would

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extend the schemes it has successfully used in South America to give farmers greater access to agricultural support and credit. In addition, Starbucks promised to drop its objections to Ethiopia's trademarks.

But critics say the moves fell a long way short of a resolution.

The trademark objections have now been taken up by the lobby group National Coffee Association, a move made at Starbucks's behest, claim Oxfam, Layton and other critics. Nor has Starbucks said it will sign a licensing agreement with the Ethiopians if they successfully register their brands.

"There is no agreement," said Layton. "There seem to be a lot of people saying some agreement has been reached, but it hasn't. Starbucks are spinning."

Alain Poncelet, vice-president of coffee and managing director of Starbucks Coffee Trading Company, said it had become "very clear to us that we have not engaged as much as we should have in east Africa".

The company buys most of its coffee from Latin America, taking only 6% from east Africa, and had not spent as much time building relationships in Ethiopia and Africa's other coffee-producing countries, he said.

"We all agree that we are looking for the same results and that the farmer should be the one benefiting," said Poncelet.

"We are not in a position to tell the Ethiopian government what to do. We are a coffee company, we do not set the rules. But we do have experience of models that work in Colombia, which has certification."

He said the row was "very unfortunate". "Starbucks is by far the most beneficial company for coffee farmers out there. We have got so many letters from Central American farmers saying that this is not the Starbucks they know."

Starbucks makes its money by underpaying for its beans and underfilling the cup with coffee and then adding froth. I for one never use them for these 2 reasons. Also I get better tasting coffee for less money elsewhere.

Patrick , Taipei, Taiwan

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