Brewing profits, but at whose expense?

COFFEE

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Who really profits from your Starbucks coffee?

While claiming 99 percent of its coffee beans are 'ethically' sourced, Starbucks' shifts profits to Switzerland, leaving scant revenue for coffee-producing countries and perpetuating poverty in farming communities, according to the new report.

It is time for coffee-producing nations—especially Uganda—to wake up and truly smell the coffee. For too long, the value of this prized crop has slipped through their fingers. The real question now is: why aren't they earning as much as they should from what the world clearly can't get enough of?

A recent study titled: *Swiss Swindle: Does Starbucks short-change coffee-producing countries?* From the Centre for International Corporate Tax Accountability and Research (CICTAR), uncovers disturbing developments.

The report published in late January this year by CICTAR, tasked with investigating the tax behaviours of multinational corporations, indicates that Starbucks, the globally recognised coffee giant, has a substantial number of skeletons in its closet to clean.

While claiming 99 percent of its coffee beans are 'ethically' sourced, Starbucks' shifts profits to Switzerland, leaving scant revenue for coffee-producing countries and perpetuating poverty in farming communities, according to the new report.

Further, the report notes that the premium that Starbucks' consumers pay for so-called 'ethical' sourcing has already been questioned by reports of major labour abuses in Starbucks' supply chain and by legal challenges.

"Now, profit shifting from coffee-growing countries to the Swiss Alps can be added to the list of concerns," reveals the report.

The study found that Starbucks has the highest pay disparity of any U.S.-based publicly traded company, with the chief executive officer making $97.8 million which is about 6,666 times more than the median employee.

While the pay gap between direct employees—who have gone on strike demanding better wages and working conditions—is shocking, the new report shows that the disparity is even more severe when compared to what coffee farmers and workers earn.

Red flag

Coffee-producing countries appear to lose significant tax revenue from Starbucks' Swiss scheme that books coffee purchases, at least on paper, in Switzerland. This places the sales out of reach of tax authorities in producer countries.

Unaware of this, consumers in the Global North (developed economies) pay a premium for Starbucks' "ethically" sourced coffee while, in reality, Starbucks entrenches a system that perpetuates poverty across its global supply chain.

"Starbucks claims its ten Farmer Support Centres are at the heart of its 'ethical' sourcing. The 'Swiss Swindle': Does Starbucks short-change coffee-producing countries? The new report from CICTAR, analyses the only publicly available financial statements from Starbucks' Farmer Support Centers – in Colombia and Tanzania – and finds negligible expenditures and limited benefits to farmers.

"The report concludes that the primary purpose is not to support farmers but book profits from the purchase and sale of green coffee beans in Switzerland, at very low tax rates, and far from the reach of tax authorities in producer countries where revenue for public services, including health, education and sanitation, is urgently needed.

Since 2011, the report claims that Starbucks' Coffee Trading Company (SCTC) in Switzerland has booked an 18 percent mark-up on all global coffee purchases before re-selling to other Starbucks subsidiaries for roasting and retailing.

This markup lowers the profit of local cafes and boosts the profit of the Swiss unit, where corporate taxes are lower, notes the report.

CICTAR's previous Starbucks report estimated that this scheme had shifted at least $1.3 billion in profits into the Swiss subsidiary over the last decade, or between $100 and $150 million per year.

"Instead of booking huge profits in low-tax Switzerland, Starbucks should boost farmers' incomes and book purchases in coffee-producing countries so taxes paid on trading profits can fund sustainable and equitable development in those nations," reads the report.

The report recommends that governments in coffee-producing countries should fully explore all options under existing rules to tax the profits, currently booked in Switzerland, from the production and sale of coffee beans.

"This report should be read for nations like Brazil, Vietnam, Colombia, Indonesia, Tanzania, Uganda, Ethiopia and others which rely extensively on coffee production and export.

"Major global tax reforms need to be pursued through the current UN Tax Convention negotiations to end the profit shifting and extraction from commodity-exporting countries," the notes in a rallying call.

Starbucks provides a clear example of a broader problem in the outdated global tax system which exploits producer countries in the Global South (least developed countries such Uganda who are also the main producers of the cash crop) and shifts profits to tax-dodging multinational corporations in the Global North.

According to the latest report, Switzerland, as a global commodity trading hub, plays a central role in perpetuating poverty worldwide. Starbucks – with its 18 percent Swiss mark-up – appears to be an extreme case, but tax authorities in coffee-producing countries may have options to re-coup lost revenue.

Let's deal directly

When contacted on Wednesday, the chairperson of the Bugisu Cooperative Union (BCU), Mr Nathan Nandala Mafabi, agreed that farmers are getting a "bad deal." He stated that they would prefer to deal directly with Starbucks, citing "middlemen" as the reason they are unable to get a fair price for their premium coffee.

Meanwhile, Starbucks is still diversifying its high-end supply chain by leveraging Uganda's emerging specialty sector.

By utilising local intermediaries like Kawacom, the world's largest coffeehouse chain believes it is integrating smallholder production from the Mount Elgon and Rwenzori regions into its limited-volume reserve range, ensuring adherence to Coffee and Farmer Equity (C.A.F.E) practice.

This is a comprehensive ethical sourcing program developed with Conservation International to verify that coffee is grown, processed, and traded sustainably.

In response to CICTAR's March 2025 report alleging that Starbucks shifted profits to its low-tax Swiss trading company, Starbucks asserted that the large markup it booked in Switzerland was related to intellectual property linked to its ethical trading programme.

"We note your acknowledgement that Starbucks has not acted illegally or unlawfully.

"While we recognise that CICTAR is not an independent organisation and works in service of the organisations that fund it, we strongly disagree with the report's characterisations, which misrepresent both how we operate our business and our commitment to ethical sourcing and transparency," reads in part the response to the report by Starbucks.

According to Starbucks, the report relies on assumptions rather than evidence. On tax compliance, Starbucks says in its response that it pays all taxes due in every jurisdiction "where we operate and complies with local laws and international standards, including OECD guidelines, adding that: "Our global effective tax rate for Financial Year 2025 was 25.9 percent.

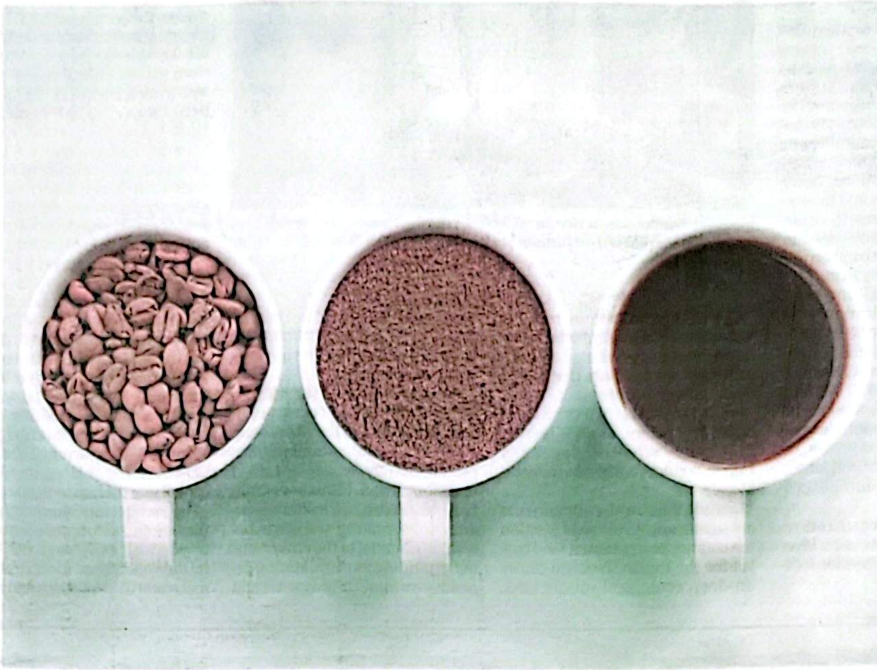
On Starbucks Coffee Trading

The statement in response noted that Switzerland is a global hub where approximately 70 percent of the world's coffee is traded.

"This location provides access to skilled traders and proximity to suppliers for in-person negotiations and quality reviews. For these reasons, SCTC operates in Switzerland.

"Its returns reflect its role in managing pricing volatility and supply chain risk, as well as securing long-term coffee supply," reads part of the Starbucks response

In their response, they spoke about collaborating with organisations like World Coffee Research and Conservation International to advance new coffee varieties, promote biodiversity and support reforestation efforts.



Governments in coffee-producing countries should fully explore all options under existing rules to tax the profits, currently booked in Switzerland, from the production and sale of coffee beans. PHOTO/SHUTTERSTOCK

Fair price

'Farmers are getting a 'bad' deal. We would prefer to deal directly with Starbucks because middlemen are preventing us from getting a fair price for our premium coffee.'

Lost revenue

- Coffee-producing countries appear to lose significant tax revenue from Starbucks' Swiss scheme that books coffee purchases, at least on paper, in Switzerland. This places the sales out of reach of tax authorities in producer countries.