

Pesticide Accusations Hurt Teavana Shares

NEW YORK (AP) — Shares of tea maker Teavana, which Starbucks is in the process of acquiring, fell on Tuesday after a short-seller of its stock, Glaucus Research Group, said it found pesticide in its teas. Teavana responded that its teas are safe, and Glaucus stands to benefit by making claims that would hurt Teavana stock.

A short seller makes money if a stock that it's targeting drops in price.

THE SPARK: Glaucus said that Teavana's brand is built on the perception that it is healthier than other teas because it is free of pesticides, something it claims in SEC filings. So Glaucus decided to test that claim, according to a note posted on its website. Glaucus said a German lab found pesticides in all of the Teavana tea samples it sent in.

Glaucus said that Teavana's pesticide claims could violate laws related to deceptive marketing, and suggested that Starbucks should walk away from the deal.

Teavana said that it refutes Glaucus' conclusions, all of its teas undergo "rigorous third-party testing" based on international standards, and it has internal procedures to make sure all of its teas meet food safety guidelines.

THE BIG PICTURE: Starbucks Corp. said last week that it will pay \$620 million to buy Teavana Holdings Inc., which sells high-end loose-leaf teas in 300 shopping mall locations. The deal is expected to close by the end of the year.

"We and Teavana are parties to a merger agreement and we are acting in accordance with it," said Starbucks spokesman Zack Hutson. "We'll assess developments that occur as warranted, but beyond that we're not going to speculate on rumors."

SHARE ACTION: Teavana shares fell 80 cents, or 5.2 percent, to \$14.64 during late afternoon trading. The stock had been down about 18 percent since the beginning of the year despite a big jump last week on news of the Starbucks deal.

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