



Kittel Atelier de café

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# Transparency Report 2019

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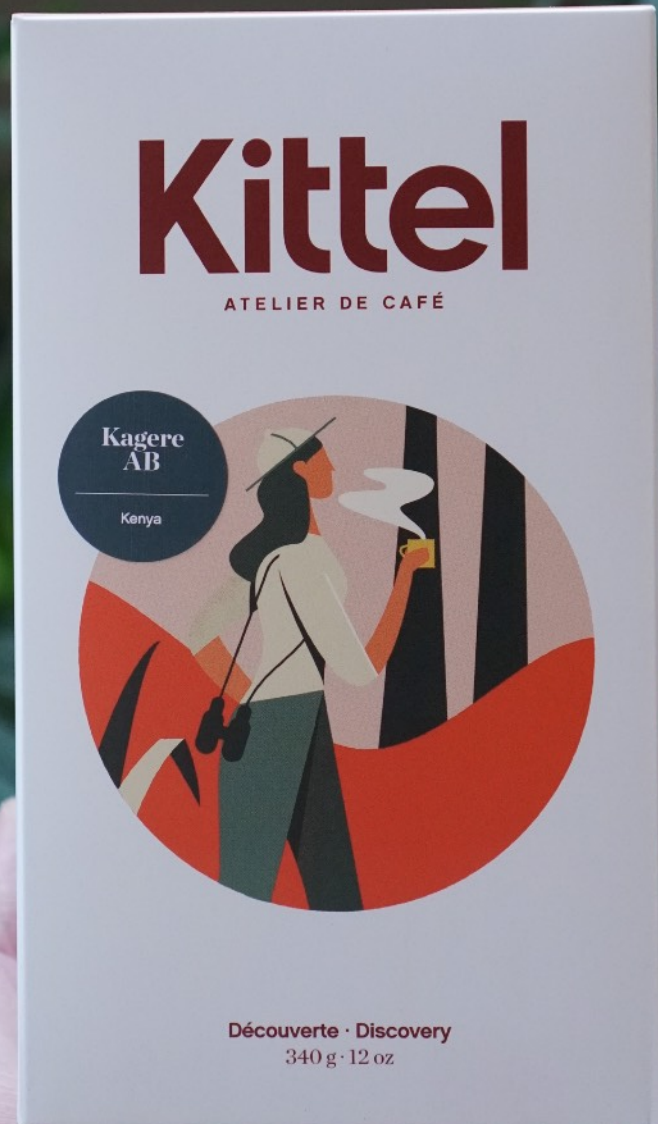
# Foreword

At Kittel, there is nothing that we value more than relationships. The relationships with our customers, our staff, our importers, and perhaps most importantly, the relationship with the people who grow the coffee that we so proudly roast. Building strong relationships allows us to grow alongside our suppliers and our clients and to foster sustainable business models for all stakeholders in the coffee industry. For this reason, we're proud to present our second annual transparency report.

Last year, we released our first ever transparency report showcasing the prices we pay for 100% of the coffee we buy. We then updated our report in August with the announcement that we have joined the Transparency.coffee Pledge and will now be showing not only FOB prices (more on that later), but relationship duration, and cupping scores.

In the coming pages, you will hear about some of our partnerships including updates from our direct trade partners at Finca Nueva Armenia in Guatemala. We'll also talk about our ongoing efforts to reduce our carbon footprint because we believe that our environmental impact is as important as our financial impact.

Finally, we will provide a comprehensive list of all our coffees, including pricing, quantities, and relationship information. As with last year, this information is representative of 100% of our coffee buying.





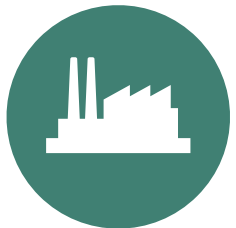
# Sourcing Philosophy



We aim to work with individual farms as much as possible to highlight their work, maximize transparency, and build lasting relationships.



We work with respected, professional importing partners and manage our logistics in a thoughtful way to ensure that our customers are not paying an unnecessary premium.



Our small team roasts everything with consistency and quality in mind. Every step of the process is fine tuned to meet our high standards.



We work closely with cafés to help them build sustainable business models and maximize their potential. We believe that their success is connected to our success and in turn the success for our farmer partners.





# Purchasing

We are very proud to work directly with several farms, but we are just as proud to work alongside some of the finest importers in the industry. Combining these two approaches allows us to do the best work, with the greatest impact and gives us the flexibility to work at a number of origins. We will be using three terms throughout this report to describe the type of purchasing contract we've signed (Direct Trade, Relationship, Spot), so it's best that we explain what we mean by these.

## Direct Trade

The term Direct Trade is used by a lot of roasters to describe a lot of similar relationships. However, we only use this term to describe coffees where we negotiated the terms of the contract with the producer directly. This is a process, with a number of positive and negative aspects, but one thing is certain: buying coffee in this way



*Our Director of Coffee, Liam with Eduardo Junqueira of Fazenda Rio Pardo in Poços de Caldas, Brazil*

maximizes the percentage of the price paid that makes it to the farmer directly.

## Relationship

These coffees have been secured through a signed contract called a Forward, in which we agree to purchase the coffee while it is still at origin, based

on a pre-shipment sample or other good-faith terms. Many relationship coffees will become ongoing purchases and will tend to resemble Direct Trade partnerships but with the addition of a trusted importing partner who has already established a relationship with a producer or group, and purchases enough coffee to have a larger impact than any single roaster could.

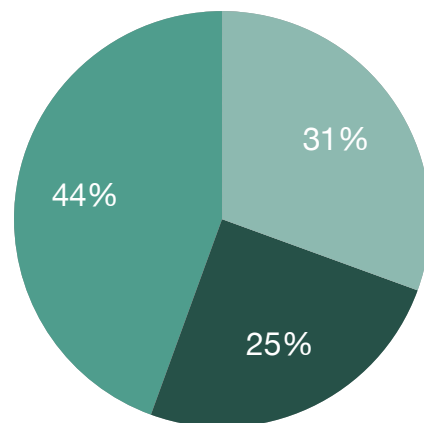


# Spot

An industry standard contract which allows roasters to buy coffee which has already been paid for, imported, and warehoused. As with all of our coffees, we only work with reputable partners over many years, and we always require complete transparency, even for coffees purchased in this way.

## Purchase Breakdown

● Direct Trade ● Relationship ● Spot



**Above:** This graph shows total lots purchased broken down into each kind of purchasing. It is by individual lot, not weighted by the lot size.

**Right above:** Visiting with farmer Diogo Dias of Fazenda Recreio in Brazil. Diogo's farm which neighbours Cachoeira da Grama is renowned for it's maragogipe microlots most of which are pre-sold to Europe and Japan.

**Right below:** Helmut Ullrich of Finca El Origen visiting our roastery before our Meet the Farmer event in August 2019. This was our first year importing coffee from Helmut's farm in the Sierra Nevada de Santa Marta, Colombia







# Partner Highlights



**Below:** Juan Carlos Arango sipping coffee high in the mountains at Finca La Quinta in Antioquia, Colombia.



# Arango Specialty Coffee

## Profit Sharing

Arango Specialty Coffee is a family-owned business specializing in the importation of high quality, single origin green coffee. Deeply rooted in the coffee growing industry, the founders are all children of coffee farmers and have experienced firsthand the hard work of farmers.

Working with Juan Carlos and the team at Arango is a pleasure because they are professional, focused and invested in improving the lives of their farmer partners. In addition to payment structure that puts farmers' needs first, Arango opts to provide additional incentives for quality such as profit sharing.

Below, Juan Carlos explains their three payment system and provides examples of the coffees we purchased last year. All text in italics is directly quoted from Arango Specialty Coffee.

*Sometimes farmers don't have the resources to start harvesting the coffee at the beginning of the season. We help them with microcredits at no interest. Once the farmer is ready to sell the coffee we discount the amount we lend from the payment we make for the coffee.*



*We make the first payment to the farmer when we receive the coffee. This payment is whatever amount the Colombian Federation is paying that day for coffee.*

*We make the second payment (premium for quality) once we evaluate (cup) the lot we received. Usually a week after we receive the coffee.*

*We make the third payment once we sell the coffee. Usually 3 to 6 months after we receive the coffee. One of the reasons farmers love to work with us is that the timing of this payment is when the harvest is over and resources are scarce.*

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## **DATA**

*Here is the information about our business model and profit sharing model. The information is presented in US Dollars. The price that the Colombian Coffee Federation paid to farmers is calculated based on the C Market price plus the differential for Colombian coffee and the price for the US dollar. This price is the base we use in our model to add the premium for quality that we paid at the time we buy the coffee.*

### **Finca El Cajon 2018**

*We paid a total of USD\$2,773 to Carlos Castillo in 2018. From which USD\$2,439 were farm gate payments for his coffee and USD\$333.72 for profit sharing.*

*If Carlos Castillo had sold his coffee to the Colombian Coffee Federation he would have been paid a total of USD\$1,953.72.*

*Working with us Carlos Castillo improved his income by 42% in 2018.*

### **Finca El Cajon 2019**

*We paid a total of USD\$4,589 to Carlos Castillo in 2019. From which USD\$3,922 were farm gate payments for his coffee and USD\$667 for profit sharing.*

*If Carlos Castillo had sold his coffee to the Colombian Coffee Federation he would have been paid a total of USD\$3,198.*

*Working with us Carlos Castillo improved his income by 44% in 2019.*

*In 2019 we were able to increase the profit sharing by 100%.*



### Finca El Aguante 2018

*We paid a total of USD\$1,692 to Marcial Lopez in 2018. From which USD\$1,358 were farm gate payments for his coffee and USD\$334 for profit sharing.*

*If Marcial López had sold his coffee to the Colombian Coffee Federation, he would have been paid a total of USD\$1,076.*

*Working with us Marcial López improved his income by 57% in 2018.*

### Finca El Aguante 2019

*In 2019 we made payments of USD\$2,596 to Marcial Lopez for his coffee.*

*If Marcial López had sold his coffee to the Colombian Coffee Federation he would have been paid a total of USD\$2,114.*

*We still have 2 bags of Marcial Lopez coffee that we haven't sold yet. We will*



*The team from Arango Specialty Coffee with Marcial López and his wife at Finca El Aguante*

*have the information for profit sharing once we sell the whole lot.*

*his coffee and USD\$567 for profit sharing.*

### Finca El Edén 2018

*We paid a total of USD\$8,054 to Francisco Giraldo in 2018. From which USD\$7,486 were farm gate payments for*

*If Francisco Giraldo had sold his coffee to the Colombian Coffee Federation he would have been paid a total of USD\$5,860. Working with us Francisco Giraldo improved his income by 38% in 2018.*





# Finca Nueva Armenia

## Multi-year Contract

In 2016 we met Juan Sebastián Recinos at our roastery in Montreal. Sebastian as we now call him, had brought samples of coffee from his uncles' farm in the Huehuetenango region of Guatemala. The farm follows organic practices and is certified Bird Friendly by the Smithsonian Migratory Bird Center.

From the moment we tasted the coffee, we knew that the quality was excellent and soon after we signed a Direct Trade agreement and began importing coffee from the farm.

Three years later, we're still proudly working together. Each year we negotiate prices that the farm is comfortable with and we cover all of the expenses of importing the coffee with the help of our partners at RGC Coffee.

The past year was not good for a lot of coffee farmers. Low market prices led many to give up on growing coffee altogether, and many workers decided to leave farming regions to look for work elsewhere. Finca Nueva Armenia had to offer higher pay in order to incentivize workers to stay. Without hesitation, we agreed to pay a higher price for the coffee (\$0.45 USD more per pound than the previous year). That got us thinking about how else to improve stability for our partners.



That's when we decided to propose a multi-year contract. We would continue to offer a similarly high price extended over three years beginning in 2020, and furthermore we would agree to increase our minimum order by 10 bags (690kg) each year. The farm accepted, and together with Sebastian we drafted and signed the contract.

A multi-year contract does not mean we will undercut the farmers on price, it doesn't mean we can't buy more coffee; it simply provides an outline for how our relationship will look over the coming years. It is a way of saying to our trusted partners that we are proud to work together and we want to continue to grow together so that they can be confident to plan their investments.



*Domingo, who has worked with the Recinos family for two generations weighs coffee cherries, surrounded by family and friends.*

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## TERMS

For the years 2020-2022 Kittel and Nueva Armenia agree to the FOB prices of \$3.45 USD for microlots and \$4.25 USD for nanolots.

Minimum purchases guaranteed by Kittel per year are:

2020: 40 x 69kg bags  
2021: 50 x 69kg bags  
2022: 60 x 69kg bags

These minimums will be comprised of a mix of microlots and (potentially) nanolots and experimental microlots.

Nanolots which are submitted to Cup of Excellence may be unavailable or available at prices outside of those listed here.





# Purchasing Information

CA EL ORIGEN  
2013





# Free On Board (FOB)

FOB stands for Free On Board, a term which describes the price paid for a coffee delivered to the nearest port. FOB is not the the same as Farmgate (the end price the farmer receives) which is difficult to accurately obtain. Furthermore, without extensive contextual information which differs by country and in some cases by region, it is very difficult to display this information without creating more confusion than benefit. FOB is the industry's standard accepted measurement of price and allows our clients and peers to make fair comparisons. It should be noted that the FOB is not the price that we pay for the coffee but rather the baseline before importing expenses, financing, warehousing, broker margins, and transport to our roastery.

Lastly, we'd like to say that FOB pricing is not a perfect measurement of value added. We know that as a general rule, a higher number is better, and each year we strive to ensure that more of our dollars go to the farmer directly. That said, the FOB price only paints a partial picture. For this reason, we try to work with importing partners who themselves add value to the chain, providing education and resources to coffee growing communities. We view FOB as a tool to help our clients understand the coffee industry better so that we can all be better participants.



# Baseline

## Arabica “C” Market Price\* (in USD/pound)

Low (March 12th): \$0.958

High (December 17th): \$1.4245

## Fairtrade Minimum Price

Washed (in USD/pound): \$1.40

Natural (in USD/pound): \$1.35

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# Guatemala

## Finca Nueva Armenia

Purchase type: Direct Trade

Importer: RGC

## Gemelos

Total lbs purchased: 1824

FOB pricing/pound: \$3.65

Length of Relationship: 3 years

Quality Scores: 88

Sold as: Nueva Armenia - Gemelos

## Colmena

Total lbs purchased: 1216

FOB pricing/pound: \$3.65

Length of Relationship: 3 years

Quality Scores: 86

Sold as: Nueva Armenia - Colmena

## Cicilar

Total lbs purchased: 1064

FOB pricing/pound: \$3.65

Length of Relationship: 3 years

Quality Scores: 85.5

Sold as: Nueva Armenia - Cicilar

## Noemí

Total lbs purchased: 456

FOB pricing/pound: \$4.25

Length of Relationship: 3 years

Quality Scores: 91.25

Sold as: Nueva Armenia - Noemí

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# Colombia

## Finca El Origen

Purchase type: Direct Trade

Importer: RGC

## Washed

Total lbs purchased: 1694

FOB pricing/pound: \$3.36

Length of Relationship: 1 year

Quality Scores: 86.5

Sold as: El Origen

## Honey

Total lbs purchased: 1386

FOB pricing/pound: \$3.88

Length of Relationship: 1 year

Quality Scores: 87.75

Sold as: El Origen - Honey,

Nuit Blanche

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## Finca El Eden

Purchase type: Spot

Importer: Arango Specialty Coffee

Total lbs purchased: 616

FOB pricing/pound: \$2.11

Length of Relationship: 1 year

Quality Scores: 83.5

Sold as: El Eden

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\*Historical C Market Data

Source: Bloomberg, KC1:COM, 52-week range

As of 3/2/2020



## Finca El Aguante

Purchase type: Relationship  
Importer: Arango Specialty Coffee  
Total lbs purchased: 1232  
FOB pricing/pound: \$2.41  
Length of Relationship: 2 years  
Quality Scores: 87.5  
Sold as: El Aguante

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## Finca El Cajon (2018)

Purchase type: Spot  
Importer: Arango Specialty Coffee  
Total lbs purchased: 1232  
FOB pricing/pound: \$2.57  
Length of Relationship: 1 year  
Quality Scores: 88.25  
Sold as: El Cajon

## Finca El Cajon (2019)

Purchase type: Relationship  
Importer: Arango Specialty Coffee  
Total lbs purchased: 2464  
FOB pricing/pound: \$2.33  
Length of Relationship: 1 year  
Quality Scores: 85.25  
Sold as: El Cajon

## Yacuanquer

Purchase type: Spot  
Importer: Nordic Approach  
Total lbs purchased: 1232  
FOB pricing/pound: \$2.69  
Length of Relationship: 1 year  
Quality Scores: 87.25  
Sold as: Yacuanquer

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## La Serrania

Purchase type: Spot  
Importer: Caravela

### Decaf - Early 2019

Total lbs purchased: 1078  
FOB pricing/pound: \$2.82  
Length of Relationship: 2 years  
Quality Scores: 83  
Sold as: La Serrania

### Decaf - 2019

Total lbs purchased: 1232  
FOB pricing/pound: \$2.81  
Length of Relationship: 2 years  
Quality Scores: 83.5  
Sold as: La Serrania

## La Falda

Purchase type: Spot  
Importer: Caravela  
Total lbs purchased: 924  
FOB pricing/pound: \$3.10  
Length of Relationship: 1 year  
Quality Scores: 82  
Sold as: Cold brew, 16oz

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# Nicaragua

## El Diablo

Purchase type: Spot  
Importer: Caravela  
Total lbs purchased: 1216  
FOB pricing/pound: \$2.65  
Length of Relationship: 1 year  
Quality Scores: 83.25  
Sold as: El Diablo, 16oz

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# Kenya

## Kariru AB

Purchase type: Spot  
Importer: Nordic Approach  
Total lbs purchased: 1320  
FOB pricing/pound: \$3.94  
Length of Relationship: 1 year  
Quality Scores: 88  
Sold as: Kariru AB

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## Dormans Kenya

Purchase type: Relationship  
Importer: RGC

## Kiaragana AA

Total lbs purchased: 1058  
FOB pricing/pound: \$3.82  
Length of Relationship: 1 year  
Quality Scores: 92  
Sold as: Kiaragana AA

## Kathakwa AA

Total lbs purchased: 1058  
FOB pricing/pound: \$4.35  
Length of Relationship: 1 year  
Quality Scores: 92  
Sold as: Kathakwa AA

## Kagere AB

Total lbs purchased: 1058  
FOB pricing/pound: \$3.82  
Length of Relationship: 1 year  
Quality Scores: 91  
Sold as: Kagere AB

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# Burundi

## Nemba (Natural)

Purchase type: Spot  
Importer: Sucafina  
Total lbs purchased: 528  
FOB pricing/pound: \$2.90  
Length of Relationship: 1 year  
Quality Scores: 87  
Sold as: Nemba

# Ethiopia

## Hambela

Purchase type: Spot  
Importer: Royal  
Total lbs purchased: 1320  
FOB pricing/pound: \$4.20  
Length of Relationship: 2 years  
Quality Scores: 86  
Sold as: Hambela, Le Tour

## Banko Gotiti

Purchase type: Spot  
Importer: Royal  
Total lbs purchased: 792  
FOB pricing/pound: \$3.00  
Length of Relationship: 2 years  
Quality Scores: 86  
Sold as: Banko Gotiti, Le Tour

## Chelbasa

Purchase type: Spot  
Importer: Royal  
Total lbs purchased: 528  
FOB pricing/pound: \$4.20  
Length of Relationship: 1 year  
Quality Scores: 85  
Sold as: Chelbasa, Le Tour



## Dimtu Haru Burtukaana

Purchase type: Spot  
Importer: Nordic Approach  
Total lbs purchased: 264\*  
FOB pricing/pound: \$2.90  
Length of Relationship: 1 year  
Quality Scores: 86.5  
Sold as: Notissa

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## Aladdo

Purchase type: Relationship  
Importer: Sucafina  
Total lbs purchased: 1058  
FOB pricing/pound: \$3.00  
Length of Relationship: 1 year  
Quality Scores: 85.5  
Sold as: Aladdo

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## Darii Kojowa

Purchase type: Relationship  
Importer: Sucafina  
Total lbs purchased: 1058  
FOB pricing/pound: \$3.25  
Length of Relationship: 1 year  
Quality Scores: 85.5  
Sold as: Darii Kojowa

# Brazil

## Fazenda Cachoeira da Grama

Purchase type: Direct Trade  
Importer: Brazcof / Bourbon

### Lot N° 0881

Total lbs purchased: 6666  
FOB pricing/pound: \$1.95  
Length of Relationship: 6 years  
Quality Scores: 83  
Sold as: Fullum

### Lot N° 0883

Total lbs purchased: 10560  
FOB pricing/pound: \$2.45  
Length of Relationship: 6 years  
Quality Scores: 86  
Sold as: Cachoeira da Grama, Fullum

### Lot N° 0845

Total lbs purchased: 27390  
FOB pricing/pound: \$1.95  
Length of Relationship: 6 years  
Quality Scores: 83  
Sold as: Fullum, 16oz

### Lot N° 0933

Total lbs purchased: 5280  
FOB pricing/pound: \$1.95  
Length of Relationship: 6 years  
Quality Scores: 84  
Sold as: Cachoeira da Grama

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## Fazenda Vereda

Purchase type: Direct Trade  
Importer: Brazcof / Bourbon

### Lot N° 0882

Total lbs purchased: 10560  
FOB pricing/pound: \$1.75  
Length of Relationship: 3 years  
Quality Scores: 84  
Sold as: Fazenda Vereda, Fullum

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#### **\*Dimtu Haru Burtukaana**

Due to a number of mistakes made by the exporter and importer, we were forced to return the majority of our original purchased quantity, The number shown here reflects the bags we kept.



## Poços de Caldas

Purchase type: Relationship  
Importer: Brazcof / Bourbon  
Total lbs purchased: 14520  
FOB pricing/pound: \$1.50  
Length of Relationship: 2 years  
Quality Scores: 84  
Sold as: 16oz

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## Fazenda Rio Pardo

Purchase type: Relationship  
Importer: Brazcof / Bourbon  
Total lbs purchased: 660  
FOB pricing/pound: \$3.85  
Length of Relationship: 1 year  
Quality Scores: 89  
Sold as: Rio Pardo, Nuit Blanche

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## Sítio Prosperidade

Purchase type: Spot  
Importer: Brazcof / Bourbon  
Total lbs purchased: 1452  
FOB pricing/pound: \$3.55  
Length of Relationship: 1 year  
Quality Scores: 87  
Sold as: Prosperidade,  
Nuit Blanche

## Forquilha do Rio

Purchase type: Spot  
Importer: Macedo Coffee  
Total lbs purchased: 990  
FOB pricing/pound: \$3.29  
Length of Relationship: 1 year  
Quality Scores: 90  
Sold as: Nuit Blanche

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## São Luiz Estates

### Onze Mil Virgens

Purchase type: Spot  
Importer: Macedo Coffee  
Total lbs purchased: 2310  
FOB pricing/pound: \$3.19  
Length of Relationship: 1 year  
Quality Scores: 84  
Sold as: São Luiz

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**Right:** Our Direct Trade partner Fazenda Cachoeira da Grama sits in a beautiful tree-lined valley on the border of São Paulo and Minas Gerais states in Brazil





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# Environmental Impact

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# Packaging

Packaging is a real problem. One that we've been thinking hard about since the early days of Kittel. Like so many things, the more you look at it, the more you realize how complex the issue truly is. Paying farmers a high price for their coffee means that consumers come to expect a product of quality and one of the most obvious signs of quality is freshness. Unfortunately, some of the ways of storing coffee with the lowest environmental impact (paper bags, bulk coffee silos or bins) have the biggest affect on quality due to oxidation, humidity, and UV damage.

Standard foil-lined bags are destined to spend hundreds of years in the landfill. Unfortunately, according to most recent reporting, around 90% of plastic\*, including properly sorted recyclables will wind-up in landfill or incinerator.

We believe that alongside efforts to reduce consumption, innovation around single use packaging needs to be a major focus. For this reason, our 340g



*Our boxes are easy to stack and ship, attractive, and best of all: fully recyclable. Inside you will find a biodegradable bag that keeps coffee fresh without the pollution footprint of conventional bags.*

and 1kg bags are 100% biodegradable, including the valve. These bags can be thrown in regular garbage, where they will bio-degrade into organic materials with no toxic byproducts. Our 340g bags, which are label-free inside a recyclable cardboard box, can even be thrown in home compost. The rules of specific municipal compost programs may include set timelines for breakdown

that do not allow for even certified biodegradable products. For this reason we recommend throwing it in your regular trash, where it will break down in months or years, rather than centuries.

#### **\*Recent reporting on plastic waste:**

Why your recycling may not actually get recycled | CBC Radio. (2019, May 2)

A whopping 91% of plastic isn't recycled | National Geographic. (2018, December 20)



# Other Efforts

## Deliveries

Since 2017, we have been shipping all of our local wholesale and retail orders with help from our partners at LVM. This Montreal-run courier company uses traditional and electric bicycles for all deliveries. This switch, came at no additional cost to our customers and dramatically reduced our emissions from delivering by truck.

## Shipping

One of our goals as a company is to reduce our waste any way we can. And since we began selling our coffee online, we committed to find a sensible way to get the coffee from point A to point B.

First we created custom shipping boxes tailored to our products. Less wasted space means less space on the truck, which means less emissions. Some orders still require extra filler though, so at first we used recycled paper, and then we developed something better: our ultra-minimal shipping spacer. This simple piece of cardboard fills out the space of a retail box and is designed to use the least amount of cardboard possible. Furthermore, it is recyclable and is shipped to us from a local supplier in minimal packaging.

**Right:** Our custom shipping spacer allows us to use one format of shipping box for our two most popular order sizes: 2 or 3 boxes, while adding almost no weight or packing material.





## Tree Planting

When it comes to subscriptions, a lot of roasters use a subscribe-and-save model (often in combination with pre-inflated prices to negate any potential for profit loss). We wanted to reward our returning customers without devaluing the hard work of our partners at origin. That's why we partnered with One Tree Planted an international non-profit organization with an office in our hometown of Montreal. For each new or renewing subscription, we donate \$1 per product. Since we launched this partnership in October of 2019, we have planted approximately 200 trees in the Amazon rainforest.



*Trees outside of Fazenda Recreio in Vale da Gramma, Brazil*

## Charity

We pride ourselves on our strict quality control process. We believe that if a roast does not meet our quality standards it should not be sold. What that means though, is that during the profile development process, we lose whole roasts worth of coffee.

In good conscience we can't let this coffee go to waste, so we have partnered with Mission Old Brewery here in Montreal, to donate all of our extra coffee, including unsold roasts, and leftover sample roasts from our lab.

Since we began in May of 2019, we have given hundreds of pounds of coffee to charity. Not wasting coffee, combined with providing something for people in need, makes this one of our favourite projects.

The entire team at Kittel would like to thank you for taking the time to read our transparency report.