

Kittel

ATELIER DE CAFÉ

TRANSPARENCY REPORT

2018

UPDATED
FOR TRANSPARENCY.COFFEE PLEDGE

AUGUST 1, 2019

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've worked with reputable, transparent importers and, where possible, directly with farmers to maximize the impact of our purchases.

In August of 2018, the C-Market price for green coffee (measured in USD per pound of green coffee) fell to a 12-year low of \$0.98 USD. This has had a real impact on specialty coffee producers, as the effort required to produce their coffee now costs more in labour than the market price. Fortunately, the specialty coffee industry has largely broken away from the C market, paying high premiums for quality. As you will see, our average **Free On Board (FOB)*** prices are well above the C-Market price, and substantially above the Fair Trade minimum price per pound of \$1.40 USD.

In the coming pages, you will hear the story of our **Direct Trade**** partnership with Finca Nueva Armenia in Guatemala, as well as our efforts in Brazil. We will also provide insight into 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 our FOB prices paid for our 2018 coffee purchases as well as the valuable context of the C market price at the time of the contract. This list represents 100% of our coffee purchases.

** Free on Board (FOB) is the term used to describe the prices paid by the purchaser to the seller for coffee which has been delivered to the nearest port.*

*** Direct Trade has many connotations depending on whom you ask. For Kittel a Direct Trade relationship implies that we purchase the coffee from the farm, co-operative, or company which manages multiple farms. For lack of a better definition it is the elimination of a "middleman" that defines this approach to buying.*



Direct Trade

FINCA NUEVA ARMENIA

Huehuetenango, Guatemala

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 Huehuetenango, Guatemala's western coffee growing region. From the moment we tasted the coffee, we knew that the quality was excellent, but it was Sebastian's tenacity and charm that truly won us over. At only 19 years old, his knowledge and passion for coffee were evident. For that reason, we decided not only to begin a direct trade relationship with Finca Nueva Armenia, but to invite Sebastian to join our team as a full time employee.

In the first year, we purchased one microlot of coffee from Nueva Armenia, but in 2018 we decided to diversify our offering, purchasing two separate microlots as well as an experimental nanolot of Maragogype. This special nanolot (of which there were only four bags produced for export) is the pride and joy of our partnership with Finca Nueva Armenia so far.

These three coffees, as well as the coffee purchased the year before, were bought under a direct trade model, which means that we paid the farm and exporter directly, and facilitate import of the coffee ourselves. This is a process with a number of positive and negative aspects, however, one aspect is certain, buying coffee in this way maximizes the percentage of the price paid for the coffee that makes it to the farmer directly.

Below you will see the breakdown of the prices paid for our 2018 purchases from Finca Nueva Armenia. These prices represent the price paid by Kittel to Nueva Armenia (and their exporter) for the coffee to be delivered to the nearest port. This does not include the costs associated with importing the coffee or transporting the coffee from that point onwards.

References:

FINCA NUEVA ARMENIA 2018

Contract April 2018 (C: \$1.17 USD)

Lot name	Quantity of bags	Bag size (kg)	Total (kg)	Total (lbs)	FOB Price/lb	Length of Relationship (years)	Cupping Score
Gemelos	10	69	690	1521	\$3.20 USD	2	85
Abuelos	6	69	414	912	\$3.20 USD	2	84
Maragogype Nanolot	4	42	168	370	\$4.25 USD	2	89



Direct Trade

FAZENDA CACHOEIRA DA GRAMA & FAZENDA VEREDA

Brazil

For the past five years, we have been proudly working with our partners at Bourbon Specialty Coffee in Poços de Caldas, Brazil to import high quality Brazilian specialty coffee. Bourbon buys coffee from farmers in each of Brazil's arabica growing regions. They also sort, destone, store, drymill, bag, and export the coffee. Bourbon was founded in 2000 by cousins Gabriel Carvalho Dias and Cristiano Ottoni. Both Gabriel and Cristiano come from coffee growing families. The Carvalho Dias family has run Fazenda Cachoeira da Grama in

Vale da Grama on the border of São Paulo and Minas Gerais since 1890. The Ottoni family has run Fazenda Vereda in the renowned growing region of Cerrado Mineiro since 1986. Each of these farms has competed in Brazil's Cup of Excellence competition multiple times. In fact, for the 2017/2018 harvest, we purchased a microlot from Cachoeira da Grama which competed in the Cup of Excellence for that crop year.

What we enjoy about working with Bourbon, is not only their professionalism, but their constant drive to improve every aspect of coffee production. Cachoeira da Grama for example, is UTZ certified, and social and environmental sustainability are priorities. The coffee is all selectively picked meaning the farm provides jobs to a lot of workers during the harvest. For these workers and their families there are 48 houses on the property, all with modern plumbing and wastewater treatment. Not to mention a school, a soccer field for the children of the community.

Furthermore, Cachoeira da Grama is managed by Bourbon Specialty Coffee, who, with their staff that includes food scientists and agronomists, is able to do interesting experiments in partnership with the University of Lavras. Perhaps the most interesting of these experiments is their work with controlled fermentation.

Our Director of Coffee, Liam Robichaud, has visited our partners at origin on two separate occasions, giving him the chance to visit Cachoeira da Grama and neighbouring farms, as well as to visit Bourbon's state of the art warehouses, their office, and cupping lab.

What follows is a list of the prices paid to our partners at Bourbon. With the exception of the microlot from Cachoeira da Grama, these prices are based on large quantities of coffee of 82-84 points, mostly used for blending. These prices do not include cost of having the coffee imported and warehoused in Toronto (approximately \$0.70 USD per pound).

Lastly, we made our commitments in two separate forward contracts, one before our trip to Brazil and one following our visit. For this reason, the prices are linked to two separate C prices. This coffee left Brazil at the last quarter of 2017, and was warehoused in Toronto to be delivered to us throughout 2018, therefore we have to consider it as part of our 2018 purchases. Similarly, we will consider the crop which arrived in January of this year to be part of our 2019 Transparency Report.

References

BOURBON SPECIALTY COFFEE 2017/2018

Contract #1 - June 2017 (C: \$1.26)

Lot name	Quantity of bags	Bag size (kg)	Total (kg)	Total (lbs)	FOB Price/lb	Length of Relationship (years)	Cupping Score
Cachoeira da Grama - Yellow Bourbon	400	30	12000	26400	\$2.15 USD	5	84
Vereda - Red Catuaí	160	30	7200	15840	\$1.95 USD	2	83

Contract #2 - October 2017 (C: \$1.25)

Lot name	Quantity of bags	Bag size (kg)	Total (kg)	Total (lbs)	FOB Price/lb	Length of Relationship (years)	Cupping Score
Cachoeira da Grama - Canário Microlot	27	20	540	1188	\$4.15 USD	5	87
Cachoeira da Grama - Yellow Bourbon	220	30	6600	14520	\$2.15 USD	5	84
Poços de Caldas - Regional Blend	180	30	5400	11880	\$1.65 USD	1	82



ENVIRONMENTAL IMPACT REPORT

Working with a product that is so deeply affected by climate change has helped to provide a sense of urgency for us as a business to reduce our carbon footprint. That's why for the past several years we have taken numerous steps to support green business practices.

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 exclusively bicycles and electric vehicles for all deliveries. This switch, came at no additional cost to our customers and dramatically reduced our emissions from delivering by truck.

Beginning in 2016, we implemented a company-wide **recycling and composting** program. This includes recycling the 30 kilo paper bags that our Brazilian coffee is shipped in. We have also requested that all of our suppliers switch to this more ecological method of packing green coffee.

In 2018, we officially launched our **new packaging**. We switched from conventional foiled-lined plastic bags with plastic valves to a biodegradable bag (including the valve). Due to structural weakness of these bags, we decided to encase the bags in a box, providing protection for the bag as well as an attractive presentation on retail shelves. These boxes are made from 70% recycled cardboard and are completely recyclable. Furthermore, the single purpose tin-tie, used to close the bag, has been replaced by a reusable office clip because we believe re-use is one of the best steps in reducing waste.

We also believe that **buying locally** is a tremendous way to reduce our carbon footprint. Much of the foil-lined packaging we encounter is produced in Asia, and shipped globally. This long distance transport can have a substantial environmental toll in and of itself. When we developed our new packaging we chose to work with two Canadian companies: Imprimerie Dumaine, who produces the boxes, is located within our beautiful province of Quebec. For the biodegradable bags, we worked with TekPak Solutions of Hamilton, Ontario. TekPak is Canada's leading producer of completely biodegradable bags (valve included).

Plane travel creates a tremendous amount of emissions. For this reason, we have limited the amount of trips taken using this method. In 2018, only four trips were taken which required air-travel.

1. For the SCA Expo in Seattle, where our packaging was on display in the Design Lab exhibit we sent two members of our staff.
2. For Coffee Roaster's Guild Retreat in Portugal, our Head Roaster, Caoilainn Power won the Stephen & Becky Diedrich Scholarship to attend and we sent her.
3. Each year, our Director of Coffee visits our partners in Brazil to cup day lots and visit farmers. 2018 marks his second visit.
4. In October of 2018, we sent our Accounts Manager, Elsa Ouagmi and our Technician, Maxime Robillard to help coordinate the opening of one of our partner cafes in Toronto.

Pricing table

FREE ON BOARD (FOB)

Below is a table which includes the FOB pricing for all of the coffees we purchased in 2018, including those which were previously listed in the sections on direct buying relationships. These prices are not reflective of the price we paid for the coffee as they omit the costs of export and import as well as the margins of the broker. This also does not include the cost of transporting the coffee from its warehouse to our roastery. Please also note that the prices are listed in USD / lb as this is how coffee is traded primarily.

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.

Country	Lot name	Quantity of bags	Bag size (kg)	FOB Price/ lb	C Price	Length of relationship (years)	Cupping Score
Brazil	Cachoeira da Grama - Yellow bourbon (1)	400	30	\$2.15 USD	\$1.26 USD	5	84
Brazil	Cachoeira da Grama - Yellow bourbon (2)	220	30	\$2.15 USD	\$1.25 USD	5	84
Brazil	Vereda - Red Catuaí	160	30	\$1.95 USD	\$1.26 USD	2	83
Brazil	Cachoeira da Grama - Canário Microlot	27	20	\$4.15 USD	\$1.25 USD	5	87
Brazil	Poços de Caldas - Regional Blend	180	30	\$1.65 USD	\$1.25 USD	1	82
Brazil	Rio Brilhante - Canário	16	30	\$1.85 USD	\$1.17 USD	1	86
Brazil	Rio Brilhante - Guará	16	30	\$1.85 USD	\$1.17 USD	1	85
Colombia	Hacienda El Roble	5	70	\$3.60 USD	\$1.21 USD	1	85
Colombia	El Aguante	6	70	\$2.56 USD	\$1.10 USD	1	86
Colombia	La Serrania PB	13	70	\$2.65 USD	\$1.25 USD	1	85
Colombia	Los Idolos	2	70	\$3.35 USD	\$0.98 USD	1	84
Colombia	El Aguacate	10	70	\$3.47 USD	\$1.20 USD	1	83
Costa Rica	Daniella Guiterrez - San Pedro	6	69	\$3.20 USD	\$1.01 USD	1	86

Country	Lot name	Quantity of bags	Bag size (kg)	FOB Price/ lb	C Price	Length of relationship (years)	Cupping Score
Ethiopia	Guji Natural Gr. 4	8	60	\$1.60 USD	\$1.19 USD	1	84
Ethiopia	Idido	8	60	\$3.20 USD	\$1.19 USD	1	86
Ethiopia	Konga Sede	26	60	\$2.80 USD	\$1.01 USD	1	85
Guatemala	Nueva Armenia - Gemelos	10	69	\$3.20 USD	\$1.17 USD	2	85
Guatemala	Nueva Armenia - Abuelos	6	69	\$3.20 USD	\$1.17 USD	2	84
Guatemala	Nueva Armenia - Maragogype Nanolot	4	42	\$4.25 USD	\$1.17 USD	2	89
Kenya	Ngurueri AB	20	30	\$4.00 USD	\$1.18 USD	1	88