

Interview of Klaus Thomsen from Coffee Collective

Today we are glad to interview Klaus Thomsen from Coffee Collective. Does this name sound familiar to you? It is surely because the co-founder is the 2006 world barista champion and also because his roastery Coffee Collective is one of the most virtuous one in the world according to sustainability. This last word is specifically our focus today as our goal is to cover the 4 pillars of sustainability in the specialty coffee sector. We will among others cover the human, social, economical and environmental issues through the example of Coffee Collective. Let's dig in!

Coffee Collective as a social enterprise

You were recently granted the "B corp" certificate, congratulations! As it isn't an easy task to be certified, could you share what challenges did you face? How long did it take?

Becoming a B Corporation has been a huge achievement for us and something we're very proud about. It aligns perfectly with our core reasons for starting the company: To use business as a force for good.

It actually took us a couple of years altogether, as we first weren't really sure if it was worth it, spending time and resources on getting the certification, so for the first year we used it as inspiration for improving our company and for our own Sustainability Report. From when we finally decided to go for the certification it was about half a year. There are over 200 questions you have to answer as a company and then a process of authentication where you have to send in documentation and such. As part of it we also changed our company by-laws to include and commit to making a positive impact on the planet, rather than just creating shareholder value as most companies.

B Corporations in the specialty coffee are very rare. Do you communicate with other B corps in specialty coffee? Is there some synergies between members?

Yes, two of our partners at origin are actually also B Corps. Daterra in Brazil, which is one of our longest running relationships, and Caravela in Colombia, have been B Corps for years. They are very inspiring companies both of them.

Your team is composed of 14 different nationalities. Is it a choice to be so multicultural? How can you ensure that everyone can be different and reflect the same enterprise culture at the same time?

We have a large portion of highly skilled applicants from other countries and we love how everyone brings something different to the table, so that's why we've ended up with such a multitude of different nationalities. Because everyone is driven by the same values and an understanding of our mission it works really well.

We see that a lot of investments are made for the well-being of employees (regular trainings, union,...), for the farmers and the planet (we will deal with that later in the interview). As a manager, what do you think about the financial returns of being sustainable?

Us three founders of the company all started our coffee career as baristas. When you've been on the ground, making drinks to guests and know both the value of the work, how important it is, but also how challenging and fun it can be, I think you're more motivated to create a workplace that is as good as

possible for your baristas. If you just see staff (and especially baristas) as the bottom of the hierarchy and as someone replaceable, you miss out on the biggest asset in customer relations. Unfortunately, I think that's what happens in a lot of companies. We instead try to invest back in our employees and create new challenges and opportunities to grow. Also, because we know from ourselves how interesting and fun coffee can be as a career for many years.

Coffee collective and the commitment to transparency

What strikes first when we discover Coffee Collective is the commitment toward transparency. You signed “the pledge”¹ with a lot of roasters around the world and one of the founder Peter were really engaged to the creation of it. What is the root of your engagement ? Where does it come from ?

This is really Peter's child and something very dear to our hearts. We believe coffee can be a means to create more value in some of the poorest regions of the world. Peter has a background in Development Studies and wrote his Master Thesis in Nicaragua in a coffee region. That has definitely provided a frame for our approach to how we want to do business.

What were the difficulties to be transparent ? How have you managed to overcome this difficulties ?

In the beginning some farms were reluctant to have us share the prices, which we of course respected. But after a while they came on board, with the addition that we'd include the number of years we've been working together. For them, the high price was one thing, but it was equally important that we had been cooperating for many years.

I can imagine a lot of roasters are afraid of transparency and are wondering what is the point behind this. What is your message for your counterparts to encourage them towards more transparency ?

If you're afraid to show your numbers, it's because you know deep inside that you're not paying enough for the coffee. Look hard in the mirror and ask yourself: why? You have to start somewhere, and it's too easy to say customers are not willing to pay and that competitors are cheaper. But that's a race towards the bottom. We have to take action and improve this broken coffee chain. And it's way better to start being transparent and open yourself up for improvement, rather than hiding. You'll build trust with your customers as well as your suppliers. So just do it!

In your website there is some articles “A series about the coffee paradox” in which you explain more the advantage of direct trade, transparency, bonus payment, etc. In the “quality bonus”² article, it is written that it's important “to support transparency in the industry, so we can all keep enjoying good coffee in many years to come”. Can you explain more the link between transparency and good coffee ?

The general thought (which economists have backed up) is that more transparency leads to higher prices. Higher prices is absolutely essential if we wish to keep farmers producing good coffee. As it is right now, many excellent farmers are operating below their cost of production! That's not sustainable and in the face of global heating, coffee leaf rusts and other deceases, and other opportunities to sell farm land for urban development, we have to make sure there's an incentive for farmers to keep their production going.

¹ <https://www.transparency.coffee/pledge/>

² <https://coffeecollective.dk/stories/quality-bonus/>

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If we would also like them to improve their product and make new and exciting coffee experiences available to us, we will need to pay a lot more than we all are today.

With transparency, have you already have consumers who were kind of “negatively surprised” when they compare the price paid to farmers to the price they pay for there roasted coffee bags ? How do you explain them the difference in order to reassure them ?

Very few customers actually have that reaction, which we also feared getting into this. Probably because they are more clever than we often give them credit for. Consumers understand that there’s a long way from the farm gate (or even FOB) to the coffee is on the shelf, and that transportation, insurance, warehousing, roasting loss, roasting costs, packaging, wages, rent and profit all have to be accounted for. So rather than being a “negative surprise” we’ve seen an increase in trust, because we’re willing to share those numbers.

Coffee collective and the price paid to the farmers

How do you choose the farms with which you want to work ? What are your criteria ?

Taste and aroma is of course the start of it all. The coffee has to be clean, sweet and score well on all criteria. In our “assortment” we also like to have coffees that cover a large variety of coffee flavours out there. So we like to have coffees with different characteristics, rather than just different names. We look for coffees that excites us, because if we’re excited about them, most likely our customers will be too.

Michaele Weissmann in her book “God in a cup” explains how some money back in 2008 didn’t benefit to the farmers because of corruption. As you pay way more than the conventional C-price (for instance “Buena Vista” coffee with a bonus of 400%³) how do you make sure the farmers get the price and the money doesn’t go into someone else’s pocket ?

We make contracts with the producers ourselves and visit them every year and get documentation of payments. That particular issue was in fact one of the reasons why we started working directly with producers. Because we had ourselves in our earlier job experienced how we had paid a high premium for a really good Ethiopian coffee from a coop called Hama, but when we next year went to visit the coop, they were out of production due to lack of finances. That was frustrating to see the producer of a fantastic coffee not being able to maintain a business and clearly showed that not even the specialty market was working in the right way.

Nowadays the demand for specialty coffee is growing but still it remains a niche market. Producing good coffee generally means for the farmers higher costs, higher risks and low yields. How can you encourage farmers to shift from conventional toward specialty coffee ?

I’m not sure that it always makes sense to encourage a farmer to produce specialty coffee. For some, it might make more financial sense to just increase production yield and lower costs, to run a good business. We pay a good price for good quality and a better price the better the quality. The producers we work with sees this as a way to grow, but it depends on producers having access to markets /roasters who are willing to pay higher prices for better quality.

³ <https://coffeecollective.dk/shop/buena-vista/>

Do you have a concrete and inspirational example to share us about the quality of life improvements that you observed over the years with the farmers you are working with ?

It's been fantastic to see the developments in countries like Kenya and Colombia over the years. Also at Finca Vista Hermosa and Daterra in Brazil. It's often the small things, like new drinking water tanks, roads improving, houses that look better, that stands out. But one story that sticks with us is when we last year invited Jaime Casallas jr. from Huila Colombia to visit us and our shops. In Colombia they in general have a growing economy, and because being a coffee farmer is tough and normally poorly paid the young people don't want to work with coffee. But Jaime Casallas jr. explained to us and our guest during a presentation he did here, how have chosen to stay in coffee and see it as his career, since his father had started working with us 7 years ago and now they saw a future working with coffee.

Coffee collective and the direct trade

You do for many years "Direct trade". Many definitions exist and some are distorted because going to origin doesn't mean you avoid using a lot of middlemen. Can you explain us what is your model ?

Lately we've actually moved a bit way from using the term Direct Trade, after fighting for a common standard for years. Way too many companies have exploited the term, rendering it meaningless in the end. Instead we focus on what we do: Building actual direct relationships that last for years and provide value too all parties.

Can you tell us more about what a typical trip as direct trade is ? I mean obviously you meet the farmer and cup the coffee but when you go over there, to what extend is your relationship with the farmers ? Do you give them advices for example ?

We visit each producer at least once a year and most of them have by now also come up to visit us in Copenhagen. There's a lot of value to meeting personally. We take a cautious approach to provide advice on farming as the farmers are the experts in that field. Not us. Farming coffee is a full-time job, year-round, and we don't kid ourselves to think that we know more than the farmers. However, we are in the fortunate position that we meet a lot of farmers all over the world and sometime have access to more information, which we can then share. But our primary role is to learn from the farmers and share what we learn up the chain to the consumers, creating awareness of the work behind their cup of coffee.

Coffee collective and his link to the environment

In your 2020 sustainability report⁴, you set an optimistic goal to be carbon neutral by 2022. You created a "green group" within Coffee Collective. Do already know how will you achieve this goal ?

The Green Group has done research and come up with some different scenarios and possibilities. We have a good idea now about which possibilities to pursue, but not made a final decision yet. In any case it will be a mix of reducing our footprint while also investing in capturing CO2 somehow.

⁴ <https://www.datocms-assets.com/9882/1588163374-sustainability-report-2020.pdf>

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The energy that powers your coffee shops is from wind energy. In your transparency report, you analyze the water and electricity consumption. What are the examples that you took in order to reduce your energy consumption ?

Getting LED lights, looking at power saving machines, but this is an area where we can still improve.

Let's say I'm a consumer who wants to buy more ethical coffee but I'm lost in front of the different roasters. According to you, what are the crucial questions we could ask a roaster in order to judge if his coffee is sustainable on a daily basis ?

Look for roasteries that have signed The Pledge and possible B Corp certified companies, would be a relatively easy way to find companies that work honestly on being sustainable. None is 100% sustainable, but the real gauge is the effort that the entire organization puts into it.

You can also ask "what has the farmer been paid for this coffee". The exactness of the answer you get will tell a lot about how serious they really are. If you are told something general about how good their sourcing principles are and nothing about the particular coffee you can be sure they are just sourcing as most coffee companies worldwide.

Coffee collective and the future

In the future of Coffee Collective, do you want to stay in Danemak or open coffee shops abroad ? If it is the case, what would be your primary choices ?

We're just focused on Denmark for now as we feel this is our home. We can't rule out that we'd one day open abroad, but don't have anything in sight ☺

To finish, I like to ask the question about the dreams. What is your biggest dream about the future of specialty coffee ?

That coffee farmers globally earn a good wage that means they can live a good life, and that specialty farmers are recognized and awarded for their hard work in the same manner of a French wine farmer.