



Conversations That Matter



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SIMON FRASER UNIVERSITY

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Here's an idea. Why not open a coffee shop?

Heck, why not open a chain of coffee shops?

After all, how hard can it be? Buy coffee, that's cheap. You brew it, that's easy. And you watch the money roll in.

With so many designer coffee shops, you'd think it was easy. That is until you look behind the counter and start to work your way through the myriad rules and regulations that stand in the way of simply brewing coffee and then selling it.

Fair trade coffee. Is that organic? Does it mean it's better coffee? Well the answer's no, but it's a designation you have to be aware of. A designation that has virtually nothing to do with taste or organics. And when it comes to organic coffee, where do you get that from? Why does it cost so much?

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Did you know that Brazil is the number one coffee producing country in the world? Did you know the best coffee is grown above the 1200 meter level on the warmer side of the mountain, with three levels of canopy. Oh, and there has to be birds. Not bugs. Birds are good, bugs are bad.

We invited John Neate of JJ Bean to join us for a conversation that matters about the amazingly complex world of owning, operating, and succeeding in the competitive world of coffee.

Welcome.

- Thank you.

- You run an interesting chain of coffee shops here in Vancouver.

- And Toronto.

- And Toronto. But why'd you get into the coffee business in Vancouver? Isn't it jam packed with coffee shops, anyways? And how difficult is it for you to fit in to that environment?

- Ya, those are pretty long questions, but the first one would be I was genetically wired to be in the coffee business.

- My grandfather started roasting in Vancouver in the '20s. 1920s. He started his own roastery in 1945. Then in 1979, I hadn't been working with my father at that point because we had a tenuous relationship. He said, look John, do you wanna join this or not? 'Cause if you don't wanna join, I'm gonna sell it.

So, I had a two year deal to decide whether I wanted to be in the coffee business, and at that point I was strictly in the wholesale business. So I love coffee and I loved roasting coffee. Bought a company that was doing some mostly retail and a little bit of wholesale.

- But by then, Starbucks was starting to invade into Vancouver. And so you're coming into an environment that is being populated by a juggernaut.

- Ya, I started in 1996. So they'd already been at it for 13 years.

- At that point they had the two stores, opposite corners on Robson and Thurlow, which everybody in the world talked about. How does somebody pay this kind of rent and be in these two corners.

- And just after I started, maybe a year after I started, Caffe Artigiano, was also. So Caffe Artigiano and then of course there was Blenz, there was Second Cup was in town at that point. So there was a lot of coffee players.

- So what possessed you, then, to step into the midst of all of that because you started with just one retail outlet.

- I hate to lose. I hated people saying to me, oh did you hear about Starbucks? And my family had been roasting coffee in Vancouver for almost 80 years at that point. And all of a sudden,

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we were being put aside, and no longer being, we were the people supplying Umberto's Joe Fortes. So we were kind of the high end coffee in Vancouver, and we were kind of becoming dismissed. So, got my back up. I thought, you know, what can I do.

- That's a good reason to get into the coffee retail business.

- Not a great way to start, but it worked out. I had a tremendous amount of learning to do. Even today, people come in, they get a severance check, and they go, oh I got 500 grand, I wanna open a coffee shop. And I'll tell them, look, give me \$250,000. Put the other \$250,000 in the garbage and five years from now I'll give you back your 250. Because you put 500,000 into a coffee shop, you'll lose it all. - 500,000 not enough?

- Not enough. Unless they have the experience to do what Starbucks does. They're like the Disneyland of coffee guys.

- Well you were telling me once how long it takes for a barista to reach that level of expertise, and it was a real eyebrow raiser.

- Ya, 10-11 months to get someone up to level four in our stores. - Why does it take 10 or 11 months to become sounds like you become an artist when you're a barista. - So for example, when you're making coffee in a handcrafted manner, you can't just say, I'm gonna grind these beans, I'm gonna set it at this dial, I'm gonna pack it in this way, I'm gonna put it in the machine, and stop it at the right time. To understand what the right grinding method is for the age of the coffee. Coffee has about 10 days, from the time it's roasted, to the time you shouldn't serve it. And each day, that coffee changes, in terms of it's extraction. Because it's releasing CO2. When coffee's roasted, it releases CO2 for 10 days. In fact, if you put coffee in an airtight container, in the first two days, it will blow that container up. That's why you see all coffee bags have a little hole in them, they have a one way valve. Allows the CO2 to go out, but it doesn't allow the air to come back in. The same thing happens, though, is it's sitting in your grinding chamber and the coffee is changing. So it's changing all the time so a good barista has to know, he has to change that dial by one notch. Okay, because, we wanna see coffee come at, ultimately, it's taste. We have between 18-20 grams of coffee that goes into a shot and we have an extraction rate between 20 and 24 seconds. Those things are determined by taste. So teaching somebody how to taste the difference between a 20 second and a 24 second extraction with an 18 to 20 gram throw rate is not an easy thing to do.

- With a line-up of people out the door.

- Exactly. And that's just the first part. Only about 10% or less drink straight espresso. Then you have to teach them how to texturize milk. To teach them how to foam milk so that it swirls in a particular way so it doesn't cause any bubbles. Then, once you teach them that, then you have to teach them how to pour latte art. Which doesn't add anything to the taste of the coffee but it's a standard that people have come to expect.

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- It's an aesthetic that adds to the experience.

- Right. But, you can't pour good latte art unless you can steam good milk.

- The people that I talk to who go to your coffee shops, they love your coffee. And they also appreciate your food.

- Yes. - Which I know is a whole other discussion, but what I want to talk about at this point is what is the environmental footprint of a coffee shop? Because we hear more and more - Yes. - We wanna be sustainable, we want to pay attention to the environment that we live in. - Mmm hmm.

- What are the issues that you have to deal with beyond paper cups and what you do with the coffee grinds.

- Here in Vancouver, because we have a very green mayor. He's made it his thing about bike lanes and about recycling and all that kinda stuff. Which we're fully in support of. To start off the conversation though, what we do that's different than our competitors is that we default to a for here cup. So when people come in to our store, they have to ask for it to go. Whereas, most of our competitors, they hide the ceramic-ware because they're trying to get people to go. So we have bigger locations, more seating, and we're trying to get people. We want you to have your next meeting there, but in saying that, we still have a giant footprint of what we're leaving in the garbage.

- We have, up until recently, just made this decision to change. We had what's called the hold and go cup. It doesn't do anything to the environment. It's not a good thing, but it's the best coffee cup to drink out of. And for us, that's always been the source of our choices. What is best for the consumer? Not what's necessarily best for the environment.

- They don't go hand in hand very often. But, we've made that tough choice and we're gonna be moving to a compostable cup, which will have a sleeve made from recyclable craft. So we've done a number of things that a lot of our customers don't realize. We switched all our coffee bags to Biotre, which are 70% compostable. And that's just in the regular garbage. And that's a more expensive product. We're just switching all of our till tapes to something that's BPA and PLA free. The normal, the thermal tape that you have in cash registers, that stuff is awful for the environment. It releases all sorts of gas. So we've switched to that, this compostable till tape. We've moved to wooden stir sticks instead of plastic. We've gone to the plant resin plastic straws, which the city of Vancouver has dictated has to happen by May of next year. We did that a long time ago. We're switching all of our plastic cups to vegetable resin plastic. What else are we doing? We're moving all our muffin bags from white bleached paper to unbleached recycled paper.

- Are there uses for coffee grinds?

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- Ya. - After having been used because you must have a tremendous amount. That, at least, you do have control over. - We do. We don't have anyone, we have a number of our stores where people want it for their gardens. We will put buckets of it at the back door, and they pick it up and bring the buckets back. - Because it is a pretty good fertilizer. - Fabulous. Fabulous. We did have some people use it for scrubs. Scrubbing their skin. - Yes. - Coffee grinds are very good for that. Burlap sacks are another big problem. We, I don't know how many pounds a year, a month. We're at like 50 or 60,000 pounds a month of green coffee. A green coffee sack, is burlap sack. 154 pounds in a bag of coffee. So we have 400 burlap sacks to get rid of.

- Every month.

- Every month. So we've let all the local gardeners know. A lot of them like that for their gardening. They put burlap sacks around trees in the winter time. And we have other people, some of the farmers take them and they can put their potatoes in them and stuff. So we're trying. We make it available. People will phone us up and say hey do you have any burlap sacks? And they go how much? And we go, well their free but you have to take 12. It's not worth our transaction to give you one. - Ya. - 12 minimum. - Ya. - Ya.

- One of the other things that we have heard about and I don't hear about it so often is the idea of buying ethically grown coffee beans. How do you ensure that you do that? What's the relationship that you have with your growers?

- It could be a whole hour on that topic alone but basically the most famous coffee that's considered ethically grown is fair trade coffee. - Yep. - Most consumers don't know what fair trade coffee means. They think that means the growers are paying their pickers a fair wage. But that's not what fair trade coffee is. That's not what the Fair Trade Organization does. What they do is they say that there's a certain size farm, I believe it's two hectares maximum. If you have a farm that's two hectares, you can be a fair trade grower. Because, their argument is that two hectares can be picked by the family. And you'd never not treat your family fairly, right?

- Okay. Your smile suggested there's another story behind that.

- Right, so the thing is, there's no way. The Fair Trade Organization does not. The family can hire pickers. There's nothing that stops them from hiring pickers. The fact that they're able to pick their own coffee is not fact that they do. And especially people that are teachers or social workers, and they inherit their farm from their parents. Do you think they're gonna give up their teaching and social working to go pick coffee? I don't think so. So I have personally, I know this for a fact, talked to all sorts of farmers that say, look this is the way it is. But if you want fair trade coffee, I'll get ya fair trade coffee. The other problem, and we were one of the biggest consumers of fair trade coffee when it first started. My issues are all mostly around quality. That's my thing. The environmental stuff, the ethical stuff, I'd like to say I'm a saint,

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but I'm not. What I care about most is great tasting coffee because at the end of the day, that's what brings the consumer back. The other stuff is feel good stuff.

- And so when I first talked to fair trade people, I said, look the coffee that I'm buying, it's awful. It tastes awful. So what are your restrictions? Because we know, as a coffee grower, or coffee buyer and roaster, that the best coffees in the world are grown over 1200 meters. Okay? So if a coffee is not above 1200 meters, and ideally volcanic soil, ideally south side of the mountain. Those kind of things are what we look at before we even get samples. Well, Fair Trade Organization, as I said earlier, the only thing is, the size of the farm. - Mmm. - They certify fair trade coffee at sea level. At sea level,

- That's a long way away.

- It's a long way away from where good coffee is. - Ya. - So their point of view is, we're basically a social agency. We don't, and I've heard them say this to me. We don't care about the quality of coffee, that's up to you. And I said, but it doesn't make sense. Because every other food product in the world is the best tasting product, gets the most money. With cheese, with wine. Like who would pay for Chateau Lafite, that goes for \$1600 a bottle, if it wasn't grown from grapes that were super high quality, but they were fair trade? I'm not sure they'd do so well. So my argument is that fair trade needs to set the standard for a high quality so the consumer isn't fooled by the fact that they're just buying socially responsible coffee. The way that fair trade market works is if, all prices of coffee is set by the New York C, The New York Commodity Market. So today it's actually quite low. It's in the dollar range and normally it's hovering around \$1.20, which is what the farmers need to make money. The fair trade pricing works at 20 cents above the \$1.20 mark. Okay, so today fair trade coffee would be at \$1.40, and regular coffee would be at \$1.00. So that's good for the farmers. We have no problem with that. What we guarantee our customers, every one of our customers, is that we will always pay over fair trade price to our farms. We pay, most of our coffees are all over the \$2.00 green price. Some, we have contracts for Brazil, which we're paying over \$2.75. Guatemala in the \$3.25 range, and we put in three to four year contracts. So they have total guarantee that they'll always get coffee from us. Now, the next question could be, are those coffees ethically grown? - Mmm hmm. - I have been to those farms. I have seen how those people treat their workers. And they do a good job. If I came to your organization, so farmers get quite offended by this because they say you've got this North American ethnocentric thing. That somehow we're bad people and you're good people. So, if it isn't fair trade coffee, it must be unfair trade coffee. Because people are bad people that don't have fair trade coffee. But what about a farmer that has a farm bigger than a couple hectares? Is he all of a sudden this awful person because he doesn't qualify for fair trade coffee? No. It's absolutely no different than someone that is doing what you do today. That might be good to their employees or might not be. And if someone said to you, I want to see what you do. Where's your fair trade certifications, Stu? If I'm gonna use your services, show me your fair trades. We don't do that in Vancouver. We don't do that in North America. And yet, we take this ethnocentric behavior and say to these farmers in South America and Central America, what are you doing for your workers?

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Just asking you that question.

- Well, I do know that you care an awful lot about your own workforce because when stores in Toronto were obliged by the change in minimum wage legislation there, but not in British Columbia, you applied the same raise in both jurisdictions. Why was it important to you to do that?

- It's important because I don't want my, I didn't want my staff in Vancouver to feel second fiddle to Toronto. It was the right thing to do. I did raise prices in Toronto to help satisfy that minimum wage. I didn't want two sets of prices. The consumer supported it. The staff all knew that 100% of that price increase was going to them. They were ecstatic about it. Many of them saw the math.

- You have convinced me that I do not want to get into the coffee business, as you start off by saying that if you have \$500,000, I'll hang on to half of it for you right now, while you throw the other half out. I believe you. It is incredibly complex. If you don't pay attention to every single one of those details and do them in a way that is ethically and environmentally as sound as possible, you can't survive.

- You can't survive because there's all those people, as you know in your business, there's these very loud minority. This 5 or 10% of these people that are going how come your cups aren't compostable? How come you're using plastic straws? What kind of person are you? You hate the world! On the food side, as well. They're all into our ingredients. Like, you're using white sugar? So we have gluten free items, we got vegan items, we have soy, almond milk. Looking at getting to oat milk for all the different people that have their different wants and needs, which I respect. But it makes it very complex to manage all these things, even our milk, we don't use organic milk, but we have traceable milk. So that means it can be traced, the milk we have in our jugs, can be traced back to a certain cow at a certain farm. We want to make sure that everything we're doing is as good as it can be. It's very fun. I'm a very particular type person. It brings me great joy when all these things that we do please people. I like to try to solve the problems with all of the peripheral people that aren't the mainstream. So we manage to attract them. What we don't do. We have a philosophy, as I said earlier, but we've compromised it slightly. Best taste wins. We want to provide the consumer with the best coffee in the world and that changes every two months. So it's a lot of work. In our blends, three out of four of those blends, are organic. Organic really has impact on the world. To get organic certification, it's far more rigid than fair trade. In organic, what it does is they have to have several layers of canopy. Like the short trees, the longer trees, and the bigger trees.

- Oh my gosh, this is such a complicated business. Thank you for sharing this and, truly, you have convinced me I don't wanna get into that business. - Okay.