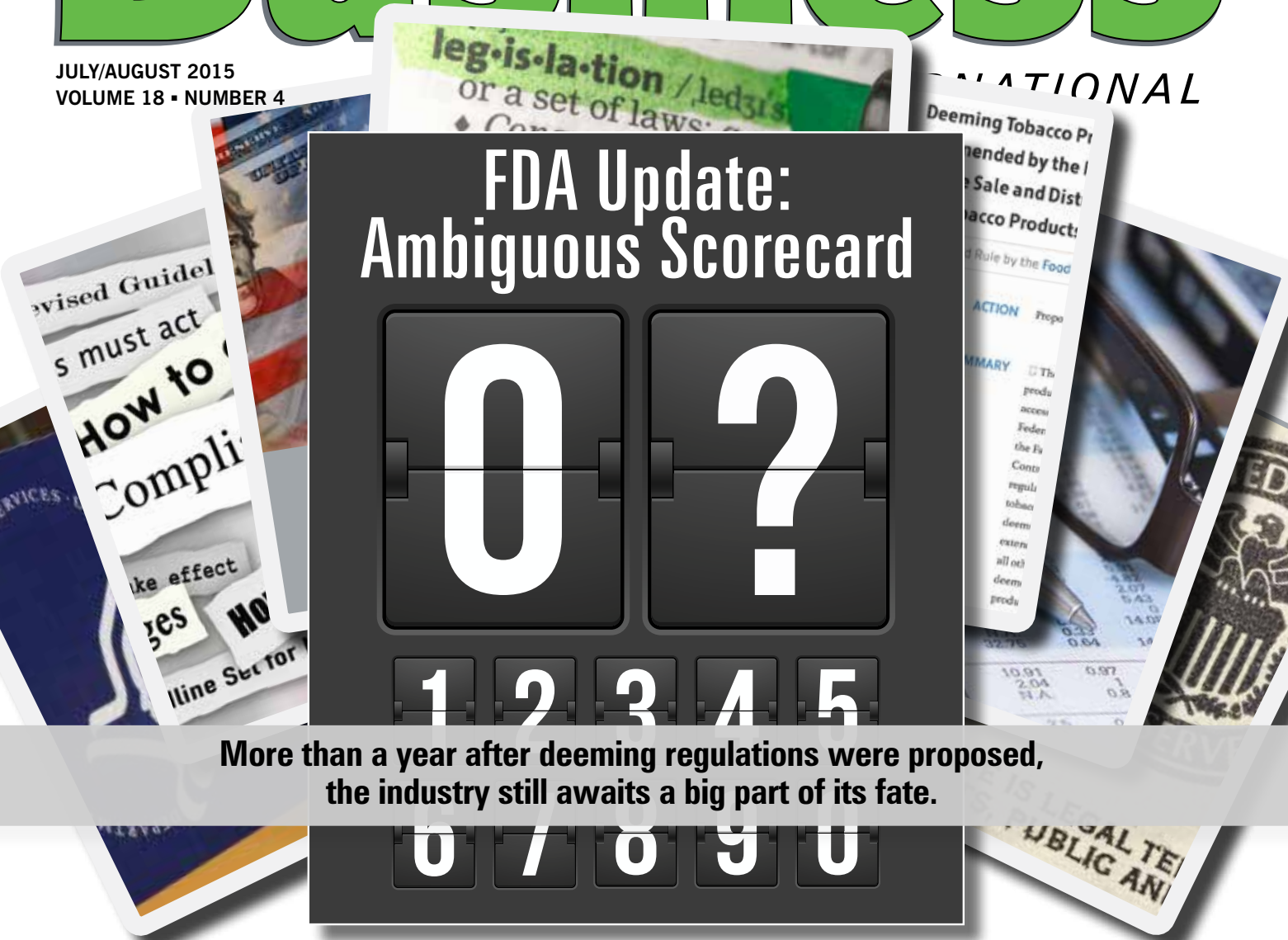




Tobacco Business

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FDA Update: Ambiguous Scorecard

More than a year after deeming regulations were proposed, the industry still awaits a big part of its fate.

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Cigar Sense: A Regulatory Update

TBI's IPCPR Preview

Vapor: The Advent of Open Systems

Maine Tobacco Shop's Evolution

Stop in the Name of Love



1965 heard Diana Ross and the Supremes belting out the Motown hit "Stop in the Name of Love." If you're age 50, that's when you were born. In 1965, the IPCPR, then known as the Retail Tobacco Dealers of America, was 32. Today IPCPR is 82.

We salute IPCPR and dedicate this letter to it and to the retailers, manufacturers and distributors who form the extended family of this close-knit organization of premium cigars and premium OTP.

Stopping for a moment in the name of love, what follows are fond memories of membership in a wonderful organization.

I remember when Sal and Connie Fontana would invite me to their home in Jupiter, Florida, offering to charge a differential room rate depending upon the view. I remember when Sal's passport was misplaced while visiting the Eroia tobacco farm in Honduras, requiring the intercession of the Marines on a Sunday in Washington, D.C. to allow his departure. His passport was later discovered by Robbie Levin—the maid at Casa Eroia had inadvertently placed it in Robbie's luggage.

It was a mystery why Rolando Reyes, Sr. would throw plantains across the dinner table when entertaining journalists. Grandson Carlos Diez explained that it was the "old man's" way of welcoming his guests.

Then there was the time that Kiki Berger, Al Guttman and Eddie Ortega arranged for a mariachi band of four amigos and a pig feast to welcome us to Nicaragua. World Cigar was an early huge cigar manufacturing operation.

Who can forget the hospitality and support of the Padron family? When I was offered a Cuban cigar by Jose while in Nicaragua, he gently persisted with the offer. The 38-ring gauge Lancero wouldn't draw. Son Jorge offered a Padron Anniversario and, translating for his dad, said, "My father doesn't want you to hurt yourself."

How many know that our own Raphael Nodal is a brilliant pianist?

Remember the lovely Cuban expat Senor Pedro Martin? He always claimed to be Irish.

There's also Sandy Newman, patriarch of the Newman Family, a wonderful guy who proves the notion that apples don't fall far from the tree.

And then there was Oscar Boruchin, who bought a bank

building and turned it into headquarters and a retail store. Recalling a first visit, Oscar was angry with our company. He alleged we put him in collection for unpaid ads he hadn't ordered. In fact, it was the preceding ownership that had done the nasty deed. We offered two complimentary ads as our small way of making good on the prior ownership's inequity...and to trouble him no further. Oscar Boruchin became a valued client for many years after that.

There aren't words to describe what Joel and Myrna have meant to us all, so I'm not going to try.

Jonathan and Marvin, aka Batman and Robin, are two guys with brilliant productive careers and a lifelong friendship from the early days of their mobile beachfront ice cream business to their post-World Trade Center kiosk and DUMBO (Down Under the Manhattan Bridge) location to huge commercial premium cigar success.

Calling Iwan Ries! Chuck and Suzie, where are you?

Our good friend Richard Dimeola is now an octogenarian and married to a beauty who is also an octogenarian. Being that she's a couple of months older than Dick, he opines that he married an "old lady." Giving it right back, she inquires why everyone calls him "Dick." During his years with Consolidated Cigar Company (Altadis), Dick Dimeola ranked in the top echelon of vendors supportive of IPCPR, the retailers and the organization at large.

There you have it! We've stopped in the name of love to remember, take stock, salute and honor IPCPR on the occasion of the 83rd annual convention being held in New Orleans, July 17-21, 2015 at the Ernest N. Morial Convention Center.

It is said that we stand on the shoulders of the giants who precede us. IPCPR giants are too numerous to mention—these are but a few. One other in particular is Mr. Ira B. "Bill" Fader, who guided the organization from hotel suite to convention hall venue. Bill built IPCPR. He was a rock and a mentor. I remember him fondly.

Enjoy the show,

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By jettisoning the two hallmarks of cigarettes—tobacco and nicotine—this brand seeks to offer a nonaddictive, healthier alternative to traditional smoking.

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Your guide to the 83rd annual cigar industry's convention in New Orleans

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Coming off of the acquisition of Drew Estate, Swisher is continuing to build its premium cigar arm.

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Victor Lindquist's product mix is a careful balancing act of tobacco and vaping products—and his customers love it.



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A Guide to New and Popular Products

Cardenas Joins Roberto Duran Premium Cigars

Cuban cigar blender Cristiano “Santo” Cardenas will be the company’s master blender.

The legendary cigar blender Cristiano Cardenas, better known as “Santo,” has joined the Roberto P. Duran Premium Cigars team as their master blender. Cardenas, a Cuban national, will oversee operations in the Nicatobaco SA factory in Estelí, Nicaragua.

Santo Cardenas, who has more than 55 years of experience, started out in 1960 with H. Upmann at the Montecristo Factory in Havana, Cuba. He quickly gained a reputation for his blending skills and became head of production for El Rey del Mundo cigar factory, then head of production for the Partagas factory. Cardenas became well-known globally, visiting over 30 countries for promotion and demonstrations as a representative for Cuban-made cigars. He is con-

sidered by contemporaries as one of the most important cigar rollers and blenders in Cuba.

“After many years of working with tobacco, my craft is still my passion,” asserts Cardenas. “I am happy to once again work alongside my old friend and student, Roberto. This new beginning with Roberto P. Duran Premium Cigars gives me the opportunity to share my passion with a wider audience.”

“Santo Cardenas was one of my many influences when I started my career in tobacco, when he took me under his wing at the Partagas factory,” says Roberto Pelayo Duran. “Santo is known the world over, and I am only honored to be working alongside one of my mentors. My goal with Ro-

berto P. Duran Premium Cigars was to create the type of cigar that I enjoyed in Cuba. Having Santo on the team only ensures that our product will go beyond even my standards.”

Duran began his life’s work in his homeland of Havana, Cuba, where he supervised the production of cigar manufacturing before moving on to assemble and manage distribution of all Cuban cigar brands for Asia at The Pacific Cigar Company. The creation of Roberto P. Duran Premium Cigars has given Roberto the platform to introduce a brand of cigars that offers the same quality, construction and detail that he obtained from those he supervised in Cuba. Roberto P. Duran’s brands include Azan, Roberto P. Duran Signature, Neyá and Baracoa.



Davidoff Launches Las Vegas Boutique

The store will be the company's seventh licensed boutique in Las Vegas.

Expanding its Las Vegas footprint, Davidoff plans to open a 1,500-square-foot "Davidoff of Geneva—since 1911" Licensed Boutique and Cigar Bar in the city's Fashion Show Mall. Las Vegas is already home to multiple Davidoff of Geneva boutiques, but the new location will stand out as a destination for cigar aficionados, says the company. It will feature a unique indoor/outdoor environment comprised of a walk-in humidor filled with premium cigars, and a unique full-service premium bar. The bar area will open up with breakaway doors to a 50-seat outdoor patio with unparalleled views of the Las Vegas Strip.

Situated in Fashion Show Mall, the new location is surrounded by the Wynn, Encore, Venetian, Palazzo and Treasure Island properties. This will be the company's seventh licensed boutique store in Las Vegas, opened in partnership with the Arcella family, who successfully own locations in The Grand Canal Shoppes, Venetian, Palazzo, MGM Grand Hotel & Casino, Mandalay Bay Hotel & Casino, and Paris Las Vegas Hotel & Casino. The Arcellas have been in the retail business for 16 years, currently employing 100 people for the Davidoff of Geneva and Swarovski boutiques.

"We are particularly excited to do this in partnership with Matt and Frank Arcella, who have been outstanding Davidoff partners for many years," says Jim Young, president of Davidoff of Geneva USA. "They have a proven track record in providing consumers with a premium retail experience in the casino and hotel environment, and this will be a natural extension of that experience through the inclusion of a premium bar within the premises in a terrific location on the Las Vegas Strip."

"The 'Davidoff of Geneva—since 1911' Cigar Bar will carry a full line of premium cigars for the traveling connoisseur and specialize in limited-edition cigars to pair with the unique liquor selection," says Matt Arcella, managing partner of Calabrini. "The ambiance and setting will be sophisticated, yet unpretentious. In addition to bringing the pleasure of Davidoff to the dedicated cigar aficionado, we will also introduce Davidoff to a wider audience. Las Vegas is attracting a growing number of young and affluent consumers who come here for the phenomenal clubs, restaurants and shopping, not just to gamble. With our state-of-the-art ventilation, lighting and music, we anticipate catering to this large demographic."

HIGHLIGHTS

Smoker Friendly Festival Program Announced

The upcoming Smoker Friendly Conference & Tobacco Festival will take place in Broomfield, Colorado on August 20-21. This year's festival will feature educational panels on the impact of mergers and acquisitions on the industry and "the advantages and pitfalls of marketing tobacco both here in the United States and globally," says a spokesperson.

A panel of industry experts will be moderated by Melissa VonderHaar, senior editor of CSP Information Group, and will feature the following speakers:

Dan Carr—president of General Cigar, a manufacturer of premium cigars and the maker of iconic brands like Macanudo, Cohiba and Partagas.

J. Kelly Michols—CEO of Scandinavian Tobacco Group-Lane USA, which manufactures and markets well-known cigars, fine-cut tobacco and traditional pipe tobacco here in the U.S. and in over 100 countries worldwide.

Henry Sicignano III—CEO and president of 22nd Century Group, a manufacturer of cigarettes and filtered cigars that holds many scientific patents for a wide variety of items.

To round out this information-packed general session, Thomas Briant, executive director of the National Association of Tobacco Outlets (NATO), and Mark Pursell, executive director of the International Premium Cigar & Pipe Retailers Association (IPCPR), will offer a legislative and FDA update on the tobacco and cigar industries.

Miami Cigar Boosts Sales Team

With the addition of two new team members, the company continues to evolve.

Miami Cigar & Company continues its growth after celebrating 25 years in business, with the announcement of two members to its sales team: retired U.S. Navy Commander Marc Thibodeau and Willy Marante.

Thibodeau will oversee sales for Miami Cigar & Company in the mid-Atlantic region, including Maryland, Virginia, Washington D.C., North Carolina and South Carolina. Thibodeau is a former U.S. Navy Officer and Aviator who took home three Air Medals with Valor after flying combat missions in Kuwait and Iraq during Operation Des-

ert Storm. After retiring, Thibodeau decided to pursue his lifelong passion of cigars, working in management at a cigar retailer before coming on board with Miami Cigar & Company. Thibodeau and his family will be based out of his college hometown of Annapolis, Maryland.

Willy Marante will oversee inside sales for Miami Cigar & Company. A Miami-born Cuban-American who says he “lives, breathes, and eats cigar culture,” Marante was handpicked by Jason Wood, VP of Miami Cigar & Company. Wood felt that Marante

would bring a combination of experience and youth that would properly fit into the MCC equation. Marante spent five years on the retail side of the cigar business as a manager for one of the more popular tobacco shops in South Florida. He will be based in his hometown of Miami.

“We kicked off the 2014 IPCPR [show] with a bang as we celebrated 25 years in the business,” says Wood. “I am happy to share that as we head into the 2015 IPCPR [show], we are bigger and better, and haven’t lost any momentum.”

The Deed is Done

The RAI/Lorillard merger is now complete, bolstering RAI’s position as the No. 2 player in the U.S. tobacco industry.

Reynolds American completed its acquisition of fellow tobacco company Lorillard. The company also closed the deal’s related divestiture transactions with ITG Brands LLC, a subsidiary of Imperial Tobacco Group, which makes ITG Brands the industry’s new No. 3.

RAI’s operating companies now have the Newport, Camel, Pall Mall and Natural American Spirit brands in combustible cigarettes; Grizzly in smokeless tobacco, and VUSE in the vapor market.

“As a result of this acquisition, Reynolds American has a significantly strengthened, balanced and diversified portfolio of iconic brands across all key categories—the most balanced in the industry,” says Susan M. Cameron, RAI’s president and CEO. “The transaction supports RAI’s efforts to lead the transformation of the tobacco industry.”

Tell Your Story in TBI

Would you like to see your store profiled in *TBI*? Or maybe you’d like to share your point of view or see a particular topic covered in our magazine. If so, we’d like to hear from you at tobonline.com/contact.



Vapor Expo International Wins Raves

The second annual vapor product trade show yielded plenty of predictions about this growing category.



June's VEI show kicked off with the "Bonnie and Bryan Show," as Troutman Sanders' Bryan Haynes and Wells Fargo's Bonnie Herzog shared their insights on the industry with retail, manufacturer and wholesaler attendees.

"The global market for vapor products is expected to be \$7.3 billion by the end of 2015," said Herzog, a managing director who follows the beverage, tobacco and convenience store industries.

Herzog also commented on the changing retail landscape, noting that there are "as many vape shops closing as there are opening." Her view is that the rapid growth of the vapor shop retail channel will slow as more and more c-stores get their arms around the category. In the meantime, however, she puts the total number of vape shops globally at a whopping 19,000 and says that more than half are in the U.S.

According to Herzog, vapor/e-cig category growth has moderated somewhat this year, growing 8.2 percent in the first quarter of 2015

as compared with 17.4 percent growth rate in the fourth quarter of 2014. She attributes that decline in part to heavy promos on Vuse and Mark Ten, "which are driving unit momentum but not necessarily total dollar sales." At the same time, Herzog expressed some concern about the decline and noted that the future growth hinges in part on new technology and innovation in the category.

The presentation by Bryan Haynes focused more on regulatory developments in the industry. Haynes referenced the ongoing wait for FDA action, noting that the agency has once again missed its deadline to finalize the deeming regulations it proposed last April. "My expectation is they will be finalized this year," said Haynes, "but then they still have to go through the White House Office of Management and Budget (OMB) for review."

Haynes also injected a hopeful note into the session with his feeling that there is a "good chance" that FDA will change the February 15,

2007 "grandfather date" of the pre-market tobacco application (PMTA) review process for vapor products. Haynes noted that there has been indication of recognition by FDA that vapor products are less harmful than cigarettes and that the agency understands the importance of new products and innovation to encouraging cigarette smokers to switch to vapor products. Stifling innovation would be counterproductive, he noted.

Haynes also cautioned the industry that deeming regulations are only a "first-step—a foundational document" and that more regulation will follow.

He underscored the importance of being proactive about preparing for the likelihood that FDA will require careful documentation of ingredients and manufacturing processes throughout the supply chain. "Ideally you will spell all of that out in a contract with your suppliers," he said. "A lot of regulation applies to you already and you need to understand what's coming and how it will apply to you in the future."



BREAKING NEWS FROM THE TMA

The following are excerpts from harm reduction, tobacco regulation and other tobacco-related news.



Farrell Delman,
President, TMA

ON THE FDA...

...In April, a group of tobacco companies, including R.J. Reynolds Tobacco, Lorillard Tobacco, Philip Morris USA, U.S. Smokeless Tobacco, and American Snuff Company, **filed suit in the U.S. District Court for the District of Columbia against the FDA.** The suit charged that the agency's guidance for industry released in March 2015, presumably on demonstrating the substantial equivalence of a new tobacco product, violates their free speech rights by mandating pre-market approval of labeling changes and creating "specific legal obligations with clear and draconian consequences for violations," including civil or criminal penalties.

...In its latest update, **FDA CTP announced issuing warning letters** to Vaperz (vaperz.co.uk), Knoxville Vapor (knoxvillevaporshop.com), and Dr. K (drkliquid.com) for making statements on their websites that "convey, or would mislead consumers into believing that

[their e-cig or e-liquid] products are endorsed by the FDA or that the products are safe or less harmful by virtue of regulation by FDA." These statements would be in violation of the Federal Food, Drug, and Cosmetic Act, as amended by the Family Smoking Prevention and Tobacco Control Act (FSPTCA). The update also announced the launch of two publicly searchable databases (www.accessdata.fda.gov/scripts/ctpocerl/index.cfm) to provide access to publicly releasable, commonly requested data on U.S. tobacco establishments registered with FDA and tobacco products listed with FDA.

...Professor Gary Giovino, chairman of the department of community health and health behavior at the University at Buffalo School of Public Health and Health Professions in New York, has been appointed to the **FDA Tobacco Products Scientific Advisory Committee.**

...Commenting on the FDA TPSAC's April 10 conclusion that Swedish Match North America's General brand

snus should not be allowed to carry **modified-risk tobacco product (MRTP) warning labels**, the financial company Nomura assessed the current ruling as "a negative," with any potential future positive outcome from modifications to the current application or a re-application likely to be delayed for another 18 to 36-plus months. The firm added that the "biggest question this [TPSAC vote] may raise for the majors is the likely success of MRTP applications for e-cigarettes/next-generation heat-not-burn [products], which do have the potential to be significant profit drivers in the years ahead." It also noted that the other majors might have a better chance of success if they apply only for modified-risk status, given that SMNA may have impeded its MRTP application by not separating it from the application for a warning label change.

...The investment banking firm Stifel recently noted that while FDA will be the "ultimate decider" on **the MRTP applications**, TPSAC's votes on three

issues were “particularly interesting”: 1) The 4-4 vote on whether “The evidence support[s] the statement that health risks to individual users from using snus products are ‘substantially lower’ than the health risks from smoking cigarettes,” with comments from two dissenters opposed to the use of the word “substantially,” suggesting they may have voted differently had it been omitted; 2) A unanimous vote that the proposed warning statement is inadequate to communicate the potential health risks to individual users of SMNA’s snus products, saying that the “wording of any health claim will be heavily scrutinized”; and 3) The 6-0 vote, with two abstentions, that modified-risk information should not be included in the required warning label, which Stifel said is a “negative for future modified-risk products” as the “marketing power of an MRTP is somewhat undercut” if companies cannot use modified-risk claims in an FDA-approved warning label.

...Reporting on a recent presentation by **FDA Center for Tobacco Products Director Mitch Zeller**, Stifel said that 1) FDA is sorting through 135,000 public comments on deeming regulations and is expected to “soon” release the final rule, which could be different from the originally proposed rule, and could be followed by increased regulation in the future; 2) Zeller wants to establish a continuum of risk across nicotine delivery products and create a nicotine policy that involves multiple federal agencies; 3) FDA is conducting studies to help it develop scientific evidence to support product

standards, including restrictions on the level of certain ingredients; and 4) FDA is conducting its Population Assessment of Tobacco and Health (PATH) study to gather long-term data on consumers, their ability to quit, polyuse, and youth consumption.

...In April, Dr. Stephen Ostroff, the acting commissioner of FDA, said that the agency is moving “full speed ahead on the proposed deeming rule” to bring currently unregulated tobacco products, including **e-cigs, under FDA regulation**. He mentioned that data released on April 17 from the National Youth Tobacco Survey, which showed an increase in e-cig use among middle and high school students, is a “cogent reminder of just how important the deeming rule is.”

...**CTP’s former director of policy Eric Lindblom**, now at Georgetown University Law Center’s O’Neill Institute for National and Global Health Law, wrote a 37-page treatise published in the *Food and Drug Law Journal* entitled “Effectively Regulating E-Cigarettes and Their Advertising—and the First Amendment.” It addressed how FDA should regulate e-vapor products, arguing that government already knows enough to regulate these products, the current use of which are “at least somewhat less harmful to users and nonusers than smoking.”

...U.S. Rep. Tom Cole’s (R-Oklahoma) FDA Deeming Authority Clarification Act of 2015 would make technical changes to the FSPTCA to allow FDA to choose a **new grandfather/predicate date** for newly regulated products as a result

of the deeming regulations, instead of the now proposed February 15, 2007 date. Cole noted that adhering to this original date “will make it costly and create significant barriers for the industry and the FDA to bring innovative new products that may significantly reduce the harms associated with tobacco to market, and could force the withdrawal of many products that have come to market since February 2007.” He also pointed out that newly deemed tobacco products “would be treated much more harshly than immediately regulated products” because the “look back” period for grandfathered products was only two-plus years from June 22, 2009 when the FSPTCA was signed in February 2007, but the newly deemed products would have eight-plus years, assuming CTP meets its June 2015 target (June 2015 to February 2007), and longer if the final rule is not published by then. Rep. Cole proposed that CTP make the predicate date for newly deemed products the effective date of the final rule and give the new products the same 21-month transition period provided for currently regulated products, which were given until March 22, 2011 from June 22, 2009.

...In an April 28 letter, representatives of 31 public health and medical groups urged **President Obama to finalize the deeming rule** to bring currently unregulated tobacco products under FDA’s regulatory authority, noting that “In the absence of regulation, we have seen irresponsible marketing of unregulated products such as cigars and electronic cigarettes, often using tactics and sweet

flavors that clearly appeal to youth.”

...FDA on May 12 issued a draft guidance titled “Determination of the Period Covered by a No-Tobacco-Sale Order [NTSO] and Compliance With an Order” regarding the agency’s **authority to issue NTSOs to retailers** who repeatedly violate FDA restrictions on the sale and distribution of certain tobacco products. The draft covered topics including when FDA may seek to issue an NTSO, the applicable time period, and how a consumer can find out which retailers are under NTSOs, and provided for a 45-day public comment period until June 29, 2015.

...FDA denied a citizen petition from R.J. Reynolds Tobacco Company and American Snuff Company that asked the agency to initiate a rule-making to change the **current warning statement on smokeless tobacco** that reads “WARNING: This product is not a safe alternative to cigarettes” to “WARNING: No tobacco product is safe, but this product presents substantially lower risks to health than cigarettes,” as FDA, after “thoroughly reviewing the available scientific evidence and public comments,” found “insufficient evidence to demonstrate that a change in the warnings would promote greater public understanding of the risks associated with the use of smokeless tobacco products.”

...FDA Center for Tobacco Products issued an interim enforcement policy, effective immediately until 30 days after FDA issues a revised guidance, while it considers new comments

to the recently issued guidance for industry “Demonstrating the Substantial Equivalence of a New Tobacco Product: Responses to Frequently Asked Questions” on how manufacturers may submit streamlined SE reports for 1) new tobacco products in which the only modification is a label change that creates a distinct product with identical characteristics to a predicate product, or 2) new tobacco products in which only the product quantity is modified.

ON OTHER TOBACCO NEWS...

...ITG Brands of Greensboro, North Carolina, the U.S. division of **Imperial Tobacco Group**, announced new executive team members who will assume their roles immediately “following the expected completion of transactions, which remain subject to regulatory approval and other customary closing conditions”: 1) David H. Taylor, earlier named president and CEO of ITG Brands; 2) Adam Britner of ITG as CFO and EVP of finance and planning; 3) Charles E. “Ned” Hennighausen of Lorillard as EVP of production operations; 4) Ronald S. Milstein of Lorillard as EVP of external affairs; 5) Randy B. Spell of Lorillard as EVP of marketing and sales; 6) Robert D. Wilkey of Commonwealth-Altadis as EVP of general counsel; 7) William G. Crump of Lorillard as SVP of human resources; 8) Kathleen A. Sparrow of Lorillard as SVP of sales; 9) William R. True of Lorillard as SVP of research and development; and 10) Neil L. Wilcox of Lorillard as SVP chief compliance officer.

...The revised **Advertisement Law in China** approved by the Standing Committee of the National People’s Congress bans tobacco product advertising in mass media, public places, and on public transportation; prohibits ads that target minors; and bans the use of tobacco brand logos and trademarks in other products and services, effective September 1.

...The **Ontario, Canada** government said that it will go ahead with Bill 45 to further amend the Smoke-Free Ontario Act to ban the sale of all flavored tobacco products, prohibit e-cig sales to those aged below 19 and outlaw e-cig use in enclosed public places.

...After a review period of almost a year, the Federal Trade Commission voted 3-2 to approve Reynolds American’s proposed acquisition of Lorillard in a transaction valued at \$27.4 billion, including debt, with RAI saying it is now awaiting final court approval of the deal. As part of the deal, RAI will be required to divest its cigarette brands Winston, Kool and Salem as well as LO’s Maverick cigarette brand and blu e-cigs to Imperial Tobacco Group, as well as sell LO’s manufacturing facility and headquarters in Greensboro, North Carolina to Imperial and provide ITG with the opportunity to hire most of the existing LO management, staff and sales force. FTC’s proposed consent agreement package will be subject to public comment for 30 days from May 26 to June 25, after which the agency will decide whether to make the proposed consent order final. **TBI**

C-Stores Gain Ground in Cig Sales

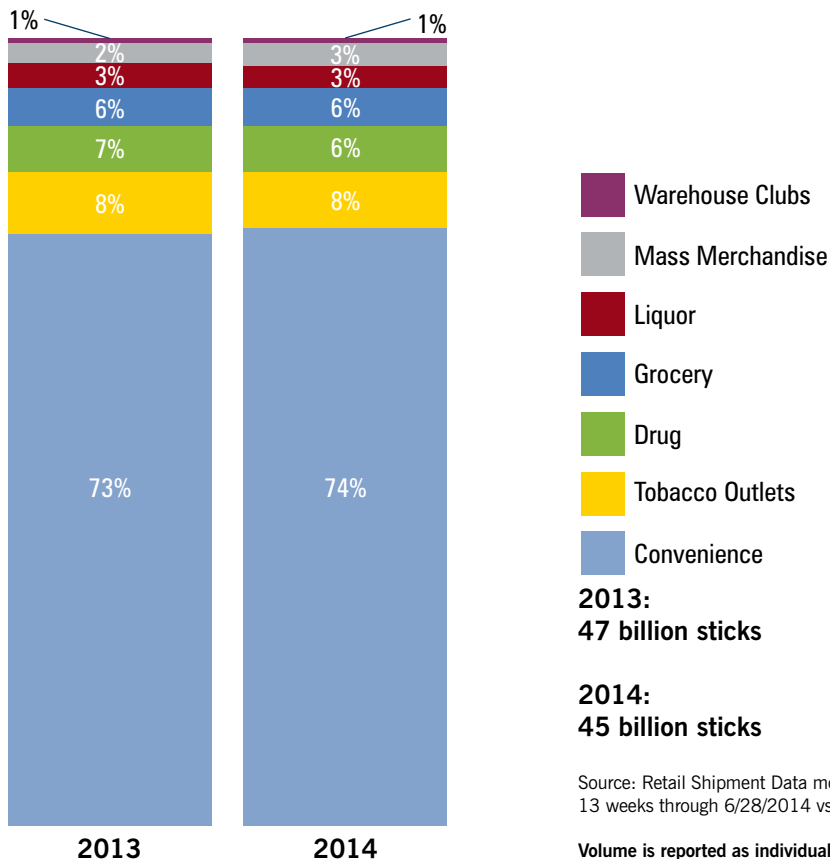
As cigarette sales continue to dip, the convenience channel seems to be gaining ground.

According to sales data from Management Science Associates for the first half of 2014, premium cigarette sales volumes are continuing to dip, with c-stores showing a slight gain in market share. Even as sales declined by 3.8 percent in all outlets versus a year ago, according to distributor shipment data, convenience stores claimed an additional 1 percent of the overall premium cigarette volume. C-stores seem to be siphoning

share primarily from the drug store and mass merchant retail channels.

In the discount cigarette category, overall volumes declined by 6.3 percent, again with c-stores claiming another 1 percent of overall share to reach a total of 70 percent. This time, however, share came at the expense of tobacco outlets. The following charts show retail channel sales data for the first half of 2014. **TBI**

Share of Premium Cigarette Volume by Trade Class



In the DISCOUNT cigarette category, OVERALL volumes declined

6.3%

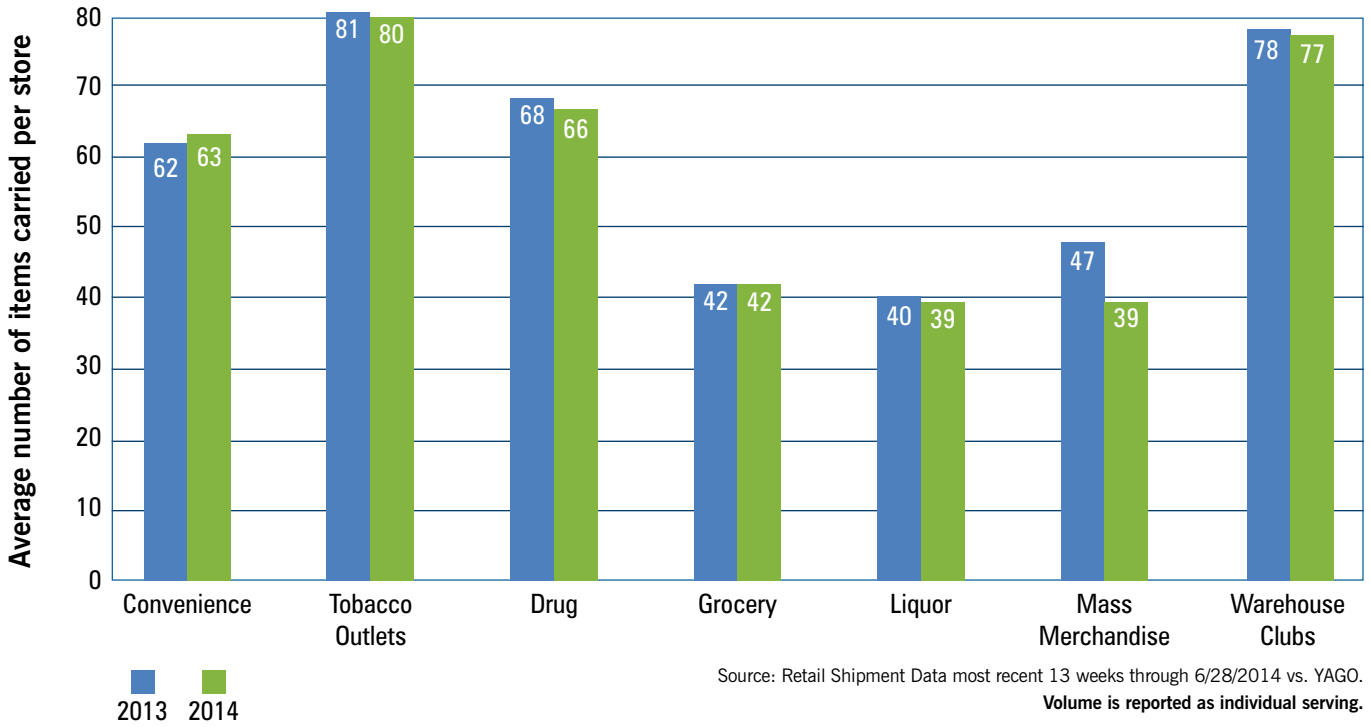
with c-stores CLAIMING

another

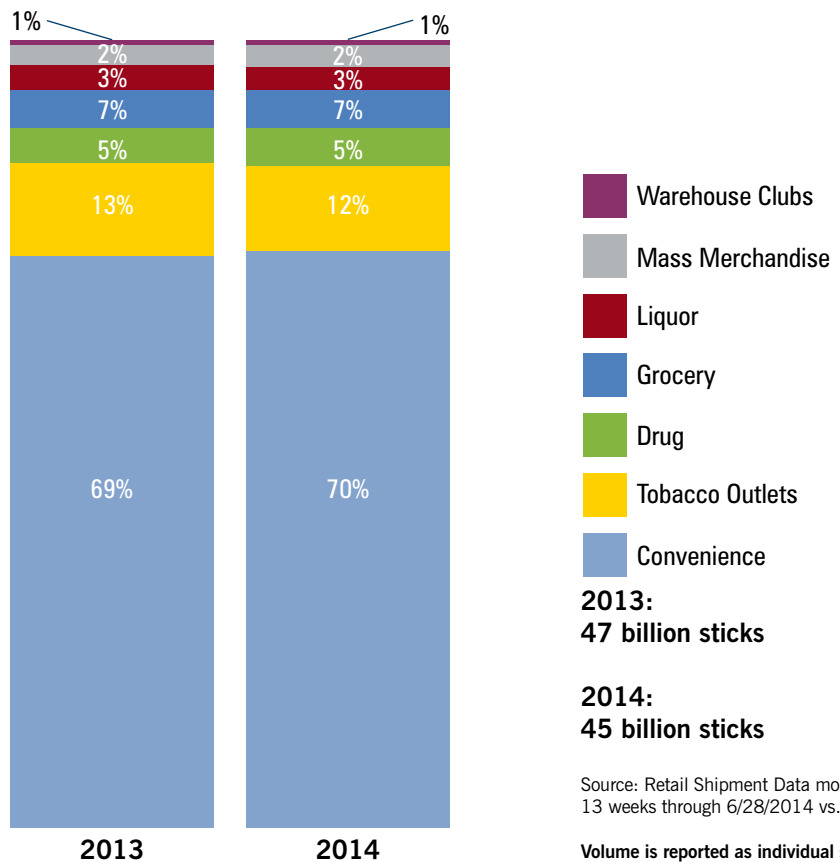
1% of overall share to reach a total of

70%

Premium Cigarettes: Variety by Channel

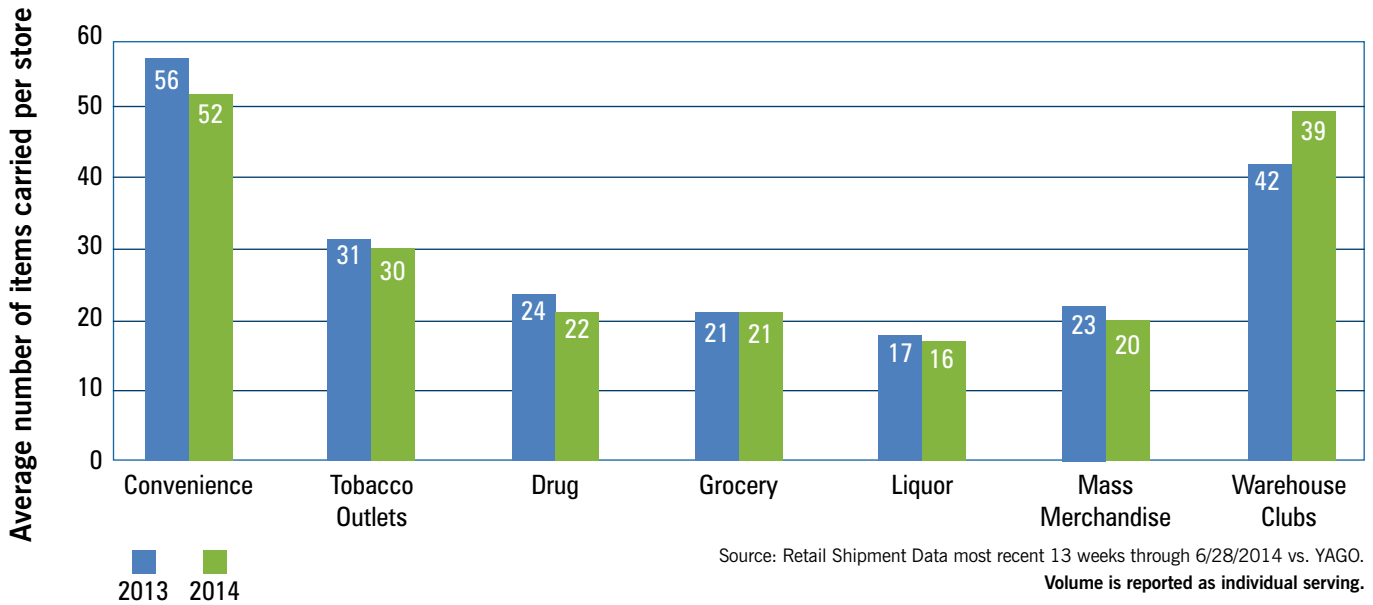


Share of Discount Cigarette Volume by Trade Class



Premium cigarette SALES volumes **DIPPED 3.8%** in **ALL OUTLETS** during the first half of **2014**, according to distributor shipment data.

Discount Cigarettes: Variety by Channel



CIGAR SENSE



A Cautious Blend of Optimism

As the cigar industry anticipates its FDA fate, players stay the course of business as usual.

By Renée Covino



Cigar players are often masters of the delicate balance...only lately it may have as much to do with a blend of the right positive spirit and patience as the right tobacco leaves.

Like e-vapor/e-cigarette devices and pipe tobacco, cigars are part of the currently unregulated tobacco products that await the finalizing of the Food and Drug Administration (FDA)'s deeming regulations, which were unveiled late last April.

Much of the industry anticipates some word on it this summer, recognizing it then has to go through a cost/benefit analysis at the White House Office of Management and Budget (OMB).

Specifically with cigars, "The challenge that everyone is focused on is the appropriate way of defining premium cigars for the purpose of exemption so there's not an over- or under-inclusion," Bryan Haynes, a partner with the Richmond, Virginia-based law firm of Troutman Sanders, specializing in tobacco, tells *Tobacco Business International (TBI)*. "It is recognized that there was at least some justification for considering [a premium cigar exemption]; the problem is the way it's worded doesn't encompass what everyone recognizes as a premium cigar."

So even with what used to be solid good news for the industry, FDA looms heavy on cigar players' minds. Still, there is steady optimism. Joe Augustus, senior vice president of external affairs at Swisher International,

CIGAR SENSE



says that Swisher is “cautiously optimistic” while moving forward. At the Tobacco Merchants Association (TMA)’s Centennial Celebration and Conference held in May, Augustus admitted that despite some stability in the marketplace for cigar products and improvements in state economies, the unknown of the FDA “keeps many of us up at night.” He added that the fee structure and the 2007 predicate date are of particular concern for cigars.

“To suggest that every cigar—size, shape, blend—has to be submitted to the federal government before it hits the market is 1) ridiculous, and 2) economically infeasible for the industry,” says Glynn Loope, executive director of Cigar Rights of America. He adds, “This effort by the FDA goes well beyond congressional intent.”

In a commentary in *The Washington Times*, Libertarian author James Bovard recently wrote that if FDA requires pre-market approval for all products that were not on the market as of February 15, 2007, almost four-fifths of cigars currently on the market would be “banished,” and manufacturers and importers would have to either stop selling these products or spend many years and hundreds of thousands of

dollars to obtain FDA approval.

Bovard also questioned FDA’s consideration of exempting premium cigars from the regulation. He commented that there is little difference in ingredients between most handmade cigars that cost \$10 per piece and cigars that cost less, then cited Sam Kazman of the Competitive Enterprise Institute: “The controversy over FDA’s distinctions between cigar categories is a sign that the agency should keep its hands off cigars altogether.”

Congress is considering two pieces of legislation, HR 662 and S 441, to protect both the industry and cigar smokers.

Meanwhile, the show must go on for the cigar industry—literally and figuratively. The International Premium Cigar and Pipe Retailers (IPCPR)’s 2015 trade show and annual convention, held in New Orleans this July, is going with the theme “BAND TOGETHER,” a sign and sentiment of the times.

Victor Vitale, owner of “super premium” Legacy Brands and Victor Vitale Cigars, admits to *TBI* that he’s been “on pins and needles waiting for the FDA to make an announcement,” but adds in the same breath, “I’m coming on stronger than ever at the show and beyond. I’m here to stay, and I will

take on whatever is thrown at me as a manufacturer—whatever fiery hoops of regulation there are, I am preparing to jump through them.”

To signify that strength and to put out more of a “truth message than marketing message,” Vitale is bringing a new booth theme with imagery showing “full integration from soil tobacco to finished cigars. I want people to see this is who we are from start to finish, and not just the finished product.”

Beyond the show, it’s been business as usual for other formidable players that are keeping the stogie spirit alive and well, as they believe it should be.

• **Whiskey and cigars make a fine mix.**

Drew Estate partnered with Pappy & Company bourbon distillery to produce Pappy Van Winkle barrel-fermented cigars, a handmade long-filler premium product made in very small batches at Drew Estate’s factory in Esteli, Nicaragua. The cigars are available in 10-piece boxes in two sizes, 5.25x52 Robusto and 6x54 Toro. They feature Kentucky seed and Kentucky-grown tobacco fire-cured before being barrel-fermented with Nicaraguan filler tobaccos, according to Drew Estate.

“I’m coming on stronger than ever at the show and beyond. I’m here to stay, and I will take on whatever is thrown at me as a manufacturer—whatever fiery hoops of regulation there are, I am preparing to jump through them.”



• **Drew Estate is also partnering on the retail side.** It recently released a new cigar called Pope of Greenwich Village as part of Smoke Inn’s Microblend series, available at Smoke Inn’s retail stores in South Florida (and on its website) in soft packs of 10 pieces. The blend features a Mexican San Andres wrapper, a Connecticut Stalk Cut Habano binder, and Brazilian Mata Fina/Nicaraguan fillers. According to Drew Estate’s master blender, Willy Herrera, the cigar will appeal to those who use Drew Estate’s other maduro cigars. He adds that the blend is “balanced, bold and just really good,” with the cigar’s small ring gauge enhancing the flavor of the blend.

• **MoyaRuiz Cigars intends to keep playing games.** It’s first cigar line, La Jugada, paid homage to the game of dominoes, and now its newest cigar line, The Rake, is dedicated to the game of poker. It features Nicaraguan fillers composed of four ligero leaves—two from the Jalapa region and two from Esteli—and a Connecticut broadleaf wrapper. The cigars, which are made at Erik Espinosa’s La Zona factory in Esteli, Nicaragua, are available in four themed sizes: Fix (5.625x46), Cut (5x52), Take (6x52) and Vig (6x60). Cut and Fix will be slightly box-pressed, according to the company.

• **Taking it to the limit bears repeating.** To celebrate the 150th anniversary of the Hoyo de Monterrey cigar, General Cigar Company recently unveiled Hoyo de Monterrey Edicion de Cumpleanos 150,

a 6x54 box-pressed cigar handcrafted in Honduras featuring an Ecuadoran binder, a combination of Nicaraguan filler leaves and a proprietary Habano Shade wrapper tobacco—the first-ever grown in Esteli. General Cigar released 4,000 15-count boxes of this limited-edition cigar.

• **Limited works on the convenience side, too.** Swisher International rereleased its Swisher Summer Twist limited-edition cigarillo due to its popularity last summer, according to the company. It is touted to have a “sweet lemon-mango taste” and comes in a resealable two-count pouch in two for 99 cents and save on two options. Swisher also unveiled a new limited-edition Swisher Sweet Calypso Cream cigarillo, described to have a “blend of oranges and sweet cream, with a slight hint of blueberry.” These also come in two-count foil pouches with the same merchandising/pricing options as Summer Twist.

• **Farmland acquisitions constitute a major growth spurt for a major player.** Oettinger Davidoff recently acquired tobacco farmland in Nicaragua’s Condega region and in the Jamastran valley of Honduras. The company has also acquired land in the vicinity of its box factory to build a new cigar factory in Danli, Honduras, as the growth of Camacho and other Honduran brands have reportedly outgrown the capacity of the current factory, which will be divested, according to Oettinger Davidoff. “Our acquisition of over 150 hectares of land in Condega, Nicaragua

and in Jamastran, Honduras represents a further strengthening of our crop-to-shop philosophy, which is an anchor of our global strategy,” says Hans-Kristian Hoejsgaard, CEO and board member of Oettinger Davidoff. He adds that the new Camacho factory will “underpin the growth trajectory of the Camacho, Room 101 and Baccarat brands.”

• **Growth of the most upscale kind also remains in vogue.** In other Oettinger Davidoff news, the company joined forces with a global luxury lifestyle concierge service, Quintessentially Lifestyle, to launch the Hourglass Lounge, touted as “the first global luxury concierge service dedicated to the cigar aficionado.” Not for everyone, the lounge “helps aficionados around the world to have more time in life to enjoy exceptional cigars and live incredible experiences, thanks to its expert around-the-clock concierge support,” says Charles Award, senior vice president of global marketing and innovation at Oettinger Davidoff. “It is the ultimate cigar aficionado luxury for those who believe that time is the ultimate luxury.”

• **Cigars and charity go hand in hand.** Dr. Jude Barbara, in association with the Fuente and Newman families of Arturo Fuente Cigars and J.C. Newman Cigar Company, hosted a charity dinner for cigar celebrities recently at New York City’s Grand Havana Room. The proceeds were donated to the Cigar Family Charitable Foundation, which helps uplift the lives of children and families in the Dominican Republic. **TBI**

The Romance of BRIAR

By Erik Stokkebye

I met the charismatic Romeo Domenico, also known to his friends as “Mimmo,” at the Cigar and Tobacco Fair in Frankfurt, Germany this February. I was fascinated to learn about his family’s history in producing some of the finest briar in the world.

Romeo Domenico’s father, Filippo (or “Pippo”), and his two brothers learned how to cut briar in 1946 in a large briar factory called Surfaro e Gulli in southern Italy. After working there for several years with his uncle Vinci Domenico, Pippo decided to try his own luck. He moved to northern Italy, eventually settling in the village of Taggia in 1969. The business he started there, which is now led by Mimmo, would come to include eight briar cutters.

BRIAR BASICS

Briarroots are found in wooded areas around the Mediterranean, often growing next to cork oaks. The briarroot should be at least 20 years old to be ideal for pipe making—some are even older, up to 100 years.

When the roots are harvested, they are often kept in the soil in order to keep them moist before transportation. After the roots arrive at the cutting factories, they are also stored underground and watered every day to maintain their relatively high level of moisture. Cutting the briar is a lot like cutting fine diamonds; it takes an expert’s eye to evaluate what is hidden within each individual block and get just the right size and shape out of it.

To be a good cutter, you also have to be very careful of your fingers, according to Mimmo.

Each cutter goes through close to 1,000 pounds of briarroot a day, grading the quality of the wood (depending on the structure of the wood, flaws, etc.), using up to 20 different international standards for sizing, and finally selecting which cut to use—whether it’s plateau or ebouchon for bent or straight pipes. Finally, Mimmo personally judges the quality of each individual block of briar.

After the briar blocks are cut, only about 30 percent of the wood makes it to the next level of being boiled for 10 to 12 hours to eliminate any foreign live matter before being dried. The drying process takes several weeks and is quite important; the wood must be exposed to conditions that are neither too humid nor too dry. This involves moving the blocks around, depending on the stage in the process. Mimmo believes his attention to detail in the drying process is part of the secret to his success in producing superior briar blocks.

Today there are only approximately 12 briar makers around the Mediterranean area and all are small businesses employing from one to five artisans as cutters. Finally, Mimmo points out that briar is a very challenging wood to process. There are other types of inferior wood that are much easier to deal with, but personally he is very happy that briar is both complicated and hard to manufacture—the resulting pipes are worth it. **TBI**



Vapor's Evolution: OPEN WIDER

By Renée Covino

A new era of the e-vapor industry is upon us as open-system vapor devices enter the mainstream market more rapidly.

The cig-alike decline continues, as more eyes and puffs go to open systems. As vapors, tanks, mods and personal vaporizers are becoming increasingly more mainstream, they are also quickly becoming the industry's majority focus. However, that's not to say traditional e-cigarettes will fade away, according to several industry experts.

The available industry numbers paint a partial picture. Using Nielsen and non-Nielsen-tracked channels plus online sales, Wells Fargo Securities estimates vapor category sales will reach \$3.5 billion by the end of 2015, of which \$2 billion will be in open systems and \$1.5 billion in traditional e-cigs. Wells Fargo notes that open systems are underrepresented by Nielsen and are growing even faster than the overall vapor category, based on its Tobacco Talk retailer surveys.

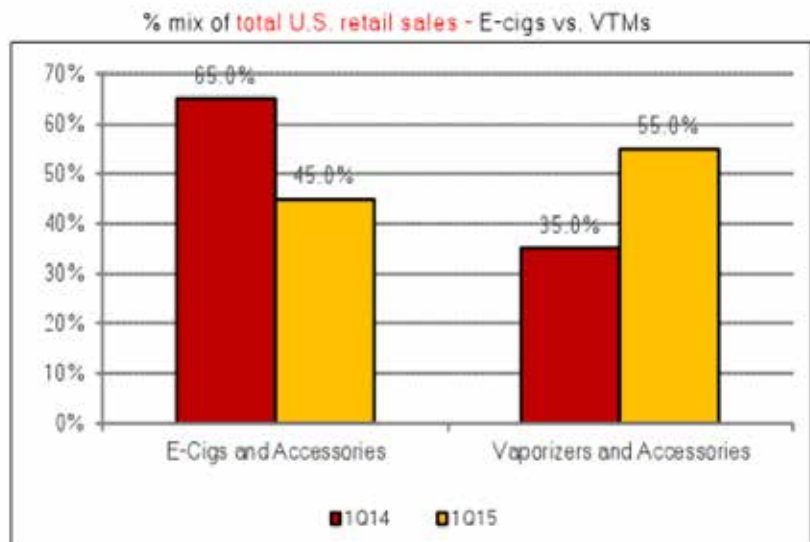
With open systems as the driving

force of the vapor category, Wells Fargo analyst and managing director Bonnie Herzog maintains her somewhat industry-famous stance that vapor consumption could surpass that of combustible cigarettes in the next decade (by 2025).

Giving an overview of the e-vapor category at the recent Tobacco Merchants Association (TMA) Centennial Celebration and Annual Conference, the CEO of Mystic/Ballantyne Brands, John Wiesehan Jr., said that the industry has evolved from two years ago when disposable cig-alikes ruled, to now where they are "one of the smallest parts of the product segment at retail." Mystic makes electronic cigarettes as well as a "bridge" product that allows a traditional e-cig to function more openly using e-liquid. Wiesehan added that despite taking a "left turn" all the way into personal vapor technology, "We still sell a lot of

“I don’t think e-cigs will go away; yes, volume and revenues were recently down [by] double-digits, but we’re now seeing stabilization.”

**E-Cigarettes vs. VTMs
(Percent mix of total U.S. retail sales)**



rechargeables—cartridges that are refillable.”

Industry analysts support the position that traditional e-cigarettes are not fading into the vapor sunset.

“I don’t think e-cigs will go away; yes, volume and revenues were recently down [by] double-digits, but we’re now seeing stabilization,” says Vivien Azer, senior research analyst and managing director of Cowen and Company. She puts credence in “complementary products that can bridge the smoker from one to the next.” She advises that c-stores, in particular, should be balancing product assortments a bit more and indexing to the next-generation

category.

Herzog believes that many in the c-store channel already have started to shift and allocate sets to “better-performing vapor; a lot are trying to carry liquids and they’re trying to figure it out.” She referred to the cig-alike market as undergoing a “deceleration, other than the big companies,” adding that she doesn’t believe cig-alikes will go away, but that there will have to be a continued evolution. “Technology is going to have to improve across the board, not just with e-cigs, but with next-generation products, too,” she says. “We’re simply not there yet; technology is very critical for this

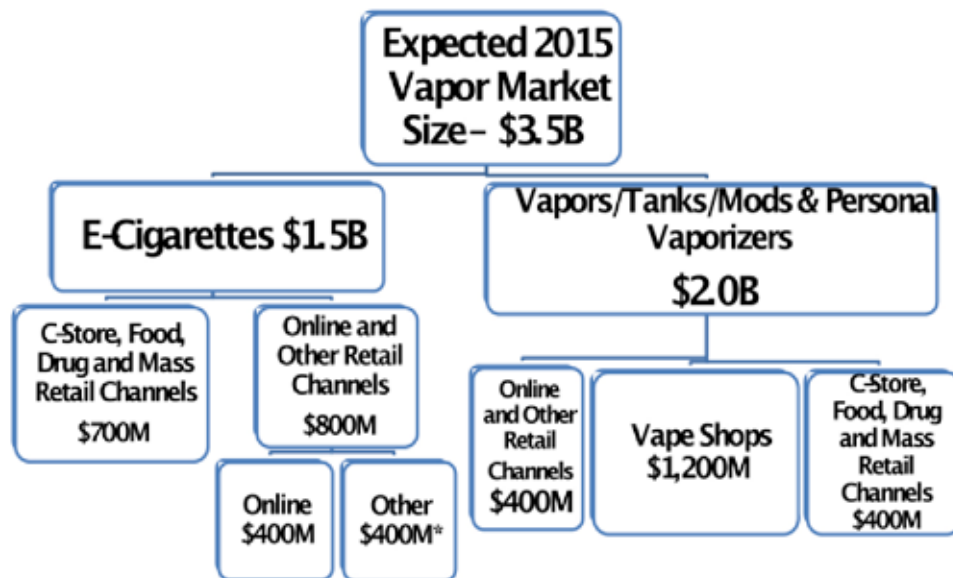
broad vapor category to grow.”

Michael Lavery, director and senior analyst at Credit Lyonnais Securities Asia (CLSA), agrees that technology is key for the next level of growth. “Cig-alikes have not run their course, but they will stay at a much-moderated level until the next advancement in technology,” he says.

The way Jan Verleur, co-founder and CEO of V2 E-Cigs, sees it, the open versus closed system is not necessarily an adversarial relationship. On CSPNet.com, he recently wrote three ways in which he expects the e-vapor industry to evolve by the end of this year. One, Big Tobacco will continue to push into the e-cig market and may even spur

2015 Vapor Market Size – \$3.5B in U.S. Retail Sales

Vapor retail sales in the U.S. could eclipse \$10B by 2018



Source: Nielsen C-Store Database, Wells Fargo Securities, LLC estimates
 *Other non-tracked channels include tobacco outlets and other e-cig retail locations

growth in open-system vaporizers while competing against them. Two, with open-system devices entering the mainstream market, he believes demand at brick-and-mortar locations will increase and price points will decline to drive in-store purchases. Lastly, businesses will increase investments in R&D to meet demand in the open systems.

Verleur wrote that despite the rising popularity in open systems, major manufacturers continue to push e-cigs, which is “good news for the overall industry,” as new users tend to start with disposables

before progressing to open systems. If the major manufacturers build on the e-cig space without entering open-system vaporizers, independent players will be able to continue thriving, he added.

Looking at the bigger picture, Verleur believes that additional R&D will be needed to convert more smokers to vapers, and manufacturers will continue to invest to deliver alternative electronic products.

But technology advancements must also come with harm-reduction advancements, say other experts. The overall e-cig market currently has an

“image problem,” according to Clive Bates, founder of Counterfactual Consulting, who reported at the TMA conference that only 65 percent of U.S. smokers now believe e-cigs are less dangerous than cigarettes, which is down from 85 percent in 2010-2013. However, he added that there is a “huge public health potential by 2040” around harm reduction if there are 25 years of innovation, policy that enhances the value proposition, accurate presentation of risk and science, increased pressure on smoking, and new accountability in the public health community. **TBI**



FDA Update: Ambiguous Scorecard

More than a year after proposed deeming regulations for currently unregulated tobacco products were revealed, the industry still awaits a big part of its fate, with experts weighing in mixed on recent FDA-related news.

By Renée Covino

Its final tobacco regulations will become steadfast, but its industry scorecard is not nearly as black and white. The Food and Drug Administration (FDA) is certainly making concrete headlines in the tobacco arena lately, but industry reviews of the government agency remain mixed.

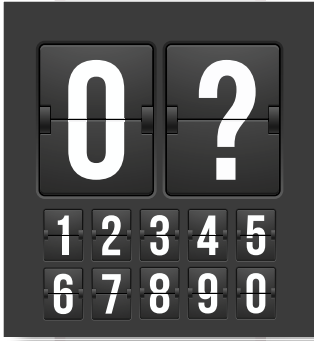
One much-anticipated area that FDA has not yet turned into headlines is the actual finalizing of its regulatory blueprint, or deeming regulations, which were unveiled late last April for currently unregulated tobacco products, namely e-vapor/e-cigarette devices, cigars and pipe tobacco. The uncertainty of what is coming down the pike is partly what is contributing to the ambiguous industry sentiment with some positive commentary, some negative, and a lot of mixed emotions.

Wells Fargo analysts, for example, have gone on record stating that they remain bullish on the vapor category long term, although near term, “We’ve become more cautious given increased uncertainty.”

FDA Center for Tobacco Products (CTP) Director Mitch Zeller spoke earlier in the year at two industry conferences, most recently at the Smoke-Free Alternatives Trade Association (SFATA) Conference in early May, revealing then that FDA was still sorting through 135,000 public comments on deeming regulations and was expected to “soon” release the final rule.

“The FDA says it is planning on finishing it up this summer, which it has said repeatedly, and then there’s another process it has to go through—the White House Office of Management and Budget (OMB)—so I think it’s reasonable to assume the regulations will be made public and become effective by the end of this year,” Bryan Haynes, a partner with the Richmond, Virginia-based law firm of Troutman Sanders, specializing in tobacco, tells *Tobacco Business International (TBI)*. However, he cautions the industry in a tongue-in-cheek fashion that “there’s regular time, government time and then there’s FDA time, so it’s a fool’s errand” to place any bets on FDA timing.





Wells Fargo analysts estimate that the cost/benefit analysis at the OMB typically takes three to six months. They expect that the implementation of the final rule will take years.

HOPE AND EXPECTATION

Of course, the content of the regulations is by far more important to the industry than their timing. Haynes has “a hope and an expectation that there will be some changes. My hope is that they will be better fleshed out and moderated to accommodate these products, which are fundamentally different from already-regulated tobacco products—cigarettes, smokeless and RYO.”

He adds, “I sure hope that what they come out with is better than what was proposed. From a pre-market review aspect, I don’t think it could be much worse.” Positively speaking, Haynes specifies that “the only arguably friendly nod was giving these companies some time before having to submit their approval request, but it’s like saying ‘We’re going to wipe out the planet Earth, but not for three years.’”

In a similar vein, another industry expert referred to the pre-market tobacco application (PMTA) review process as the “biggest red flag” of the proposed deeming regulations. Andrew Perraut, a former policy analyst for the White House Office of Information and Regulatory Affairs (OIRA) who participated in the redrafting of the deeming regulations before they were made public last April, called the review process in its proposed state “cumbersome,” and believes it “could bring innovation to a grinding halt,” according to a CSPNet.com report.

The issues that Perraut expect will arise from the pre-market requirement are ones that the industry has been hearing about for a few years. These include prohibitive costs to manufacturers, a shortage of labs that can conduct the research needed for the applications, and FDA’s “less than stellar record” with the “significantly simpler” substantial equivalence applications put forth with already-regulated cigarettes, smokeless and RYO tobacco.

GRANDFATHER WOES

Related to the PMTA review process and a huge area of focus with the deeming regulations is the so-called “grandfather date.”

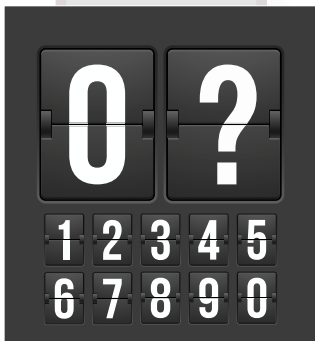
In late April, U.S. Rep. Tom Cole

introduced the FDA Deeming Authority Clarification Act of 2015 that would make a technical change to the Family Smoking Prevention and Tobacco Control Act to allow FDA to choose a new grandfather/predicate date for proposed deeming regulations for currently unregulated tobacco and e-vapor products, instead of the originally proposed February 15, 2007.

FDA reportedly claims that it lacks the legal authority to change the grandfather/predicate date. However, Cole observes that the agency has used its regulatory authority to make changes that were not present in the original Tobacco Control Act. Cole stresses that applying the February 15, 2007 date to newly deemed products, or failure to provide for a transition period, “will immediately and dramatically add to FDA’s enormous backlog of Substantial Equivalent (SE) applications, which stands at thousands to date,” according to *Targeted News Service*.

Coming at FDA from another stance, Dr. Gilbert Ross, executive director and medical director of the American Council on Science and Health, recently called out for a specific and separate regulatory framework for e-vapor products. Ross argued that the FDA’s proposed deeming regulations, if approved in their current form, would “constitute a public health debacle of the worst order” because they would hinder the development of safer and more effective products. He also said in a Science 2.0 blog that the currently proposed regulations would force many former smokers to return to smoking because the stringent pre-market and substantial equivalence requirements would essentially ban current e-vapor products from the market. Also, they would create a black market and propel “once-thriving e-vapor companies into the eager arms of Big Tobacco.”

Meanwhile, various analysts, including those from Wells Fargo and Stifel, are cautiously optimistic about some of Zeller’s stated CTP strategies. Among these are Zeller’s assertions that he wants to establish a continuum of risk across nicotine-delivery products and create a nicotine policy that involves multiple federal agencies; that FDA is conducting studies to help it develop scientific evidence to support product standards, including restrictions on the level of certain ingredients; and that FDA is conducting its Population Assessment of Tobacco Health (PATH) study to gather long-term data on consumers, their ability to



quit, polyuse and youth consumption.

Zeller's continuum of risk strategy is a sign that he "gets it," say some industry observers. The policy is getting a lot of positive attention, including a plus from a *New York Times* op-ed columnist who recently quoted Zeller as saying "There needs to be a rethink within society on nicotine" given that when "nicotine is attached to smoke particles, it will kill," but nicotine in a patch "is such a safe medicine that it doesn't even require a doctor's prescription."

The *New York Times* piece went on to say that e-cigarette opponents want the FDA's deeming regulations to treat the products like cigarettes, while e-cig proponents want the agency to view the products as a reduced-harm product that could provide nicotine in a form that does not involve burning tobacco.

MRTP—INDUSTRY LIFEblood?

And therein lies the manufacturers' greatest hope: reduced-harm or modified-risk tobacco products (MRTPs), which Jim Dillard, senior vice president of regulatory affairs and chief innovation officer of Altria Client Services, recently said "will likely be the lifeblood of the industry."

But there has been an industry setback there—the Tobacco Products Scientific Advisory Committee (TPSAC) in early April concluded that Swedish Match North America's General brand snus should not be allowed to carry MRTP warning labels, which was the first application of its kind to be reviewed by FDA. While this conclusion was only a recommendation and not a ruling per se (CTP can follow it or not, although it typically follows TPSAC recommendations), Haynes says that it begs the question "If Swedish Match can't go forward with an MRTP, who can?"

Ross calls the conclusion "disappointing," but "not at all" surprising. He says SMNA's application was over 100,000 pages long and took the company several years to prepare, but "FDA and the TPSAC gave it the back of their hands after what might have been a few hours of consideration." He adds that to everyone except the "bureaucrats at the FDA and the corrupt 'public health' nonprofits," snus has been shown to be less harmful than cigarettes.

Nomura classified the SMNA case as an industry negative, with any potential future

positive outcome from modification to the current application or a re-application likely to be delayed for another 18 to 36-plus months, according to a Nomura statement.

Nomura also said that it was unlikely that the first MRTP application was going to get "everything correct" given the ambiguity of the FDA guidelines around the applications, but SMNA and other companies can learn from the latest development and "adjust accordingly."

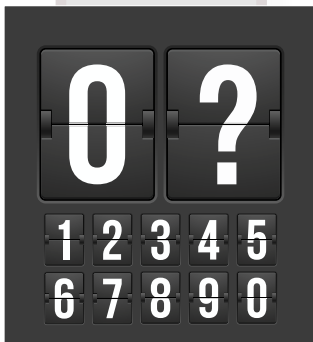
Nomura noted that others might have a better chance of success if they apply only for modified-risk status—it said that SMNA might have impeded its MRTP application by not separating it from the application for a warning label change.

But like Haynes' and Ross's conclusion, Nomura expressed concern for other industry players being able to achieve an MRTP status if SMNA could not when it was backed by 30 years of real-life, in-market data from the Swedish experience. Nomura pointed out that e-cigs and next-generation heat-not-burn products do not have that data, and that "if snus is unable to gain approval, then it is our view that others will struggle as well."

Stifel said that the scientific data required to prove that a product will not harm the overall population is "enormous and perhaps too significant for any company to compile," but it is "hopeful that Philip Morris International has conducted studies to produce the data exactly required by the FDA and in the U.S."

But SMNA isn't out of the game yet. CEO Lars Dahlgren recently stated in a *Reuters* report that the company remains "cautiously optimistic" about marketing its snus in the U.S. with an MRTP claim. He added that he was confident that the MRTP application "provides all necessary support for a modified-risk status" for its General snus product. He did not say what the company will do if FDA turns down the application, except that it will "have to see on what basis such an outcome would be rendered."

So while the industry awaits that update, another FDA-related item brought some temporary positive news. Altria Group, Reynolds American and Lorillard filed a lawsuit in April against a new FDA requirement that manufacturers obtain advance approval for package label alterations such as changes to logos and background colors, or the use of descriptors



REGULATION PREPARATION

Even though the implementation of the final FDA ruling on e-vapor products is expected to take years, the industry, especially the manufacturing community, is advised by experts to stay on top of regulation preparation as much as possible by:

- Compiling ingredient lists;
- Strengthening relationships with industry partners/suppliers;
- Continuing to set and adhere to standards;
- Considering how the regulations will affect the business over the next one, three, five and 10 years, and strategizing accordingly;
- Pushing away thoughts of gloom and doom;
- Staying on top of cutting-edge industry technology and studies.

such as “premium tobacco,” arguing that the mandate exceeded the agency’s authority and violated the companies’ commercial speech rights under the First Amendment. But in early June, the three dropped their challenge after FDA announced on May 29 that it would reconsider the rules and that the interim policy would remain in place while the agency decides whether to adopt new approval procedures for product package labels.

So while some positive, more negative, and a lot of ambiguous FDA news swirls about the industry, Haynes, for one, doesn’t believe in taking a “gloom and doom” stance, especially at this stage of the game.

Circling back to the anticipated deeming regulations update, “I’m withholding

judgment until the final proposal comes out and even then, details of that can be worked out later on; it may come in the form of guidance from the FDA and enforcement discretion,” Haynes tells *TBI*. He challenges the e-vapor and cigar players struggling now with anticipation to consider what their cigarette predecessors already know.

“There were lots of questions when the FDA first regulated cigarettes about the impact this would have on small business, in particular,” Haynes explains. “The regulations definitely made life harder and complying is not easy. It’s also a lot harder to break into the industry now. With that said, a lot of the companies—the ones we’re working with—are still around. They’re figuring it out.” **TBI**

SFATA: Revolution to Evolution

What's in store for the vaping industry?

“Welcome to the theater of the absurd, where wrong is right and right is wrong,” said Daniel Walsh, CEO of Purebacco, addressing an audience of vapor industry retailers, manufacturers and researchers gathered to discuss the sector's future.

Like many in the industry—and at the conference—Walsh is frustrated by the threat that the wrong kind of regulation will pose to a product that he says “saved my life.”

It was a theme heard over and over at the conference, which actually featured a keynote by the FDA's Mitch Zeller, the man charged with leading whatever direction the Center for Tobacco Products takes on the category. In his own presentation, Zeller reiterated his central message

that FDA's future action on vaping industry regulation will be shaped by the agency's conclusions around what will best reduce “net population harm.” At issue, of course, is the fact that the agency has struggled mightily to get its arms around where various nicotine-containing products fall along what has widely been dubbed the “continuum of risk.”

“Think of it as a combination of assessing patterns of use, product toxicity, and what is going on with former smokers and never-users,” said Zeller. “For example, are we talking about currently addicted smokers who would be able to completely substitute the use of noncombustible tobacco for the use of combustible products? Or are we

talking about dual use and possibly a diminished interest in quitting? For former smokers, are we talking about a resumption in [consumption] of nicotine, or are they remaining abstinent? Our job is to get a handle on all those potential patterns of use and then sort through the net impact on population.”

Zeller repeatedly expressed empathy for the passion those in the vaping industry have for their products, but he also underscored the dilemma that his agency faces. “To a person, the story I hear is ‘I smoked for many years and this is the only technology that enabled me to stay away from combustibles,’” he said. “But we can't make policy based on powerful anecdotal reports; we need data.”



Mitch Zeller, director of the FDA's Center for Tobacco Products



ECigIntelligence's Oliver Kershaw with SFATA's Cynthia Cabrera



Panelists Venable's John G. Moore, SFATA's Phil Daman, National Center for Public Policy Research's Jeff Stier



“There is a lot at stake for a lot of us who have loved ones and family who have suffered or even died from the effects of smoking; we don’t just have a professional stake in this, we have a personal one. Flavors and the options vapers have to customize their experience are part of the reason these products are so popular, so any regulations that come down should not stifle product innovation or that ability to customize the vaping experience.”

*—Cynthia Cabrera,
Executive Director, SFATA*

Other SFATA presenters were quick to point out that FDA has thus far refused to consider much of the research that has been done around the category. For example, Dr. Ricardo Polosa of the Institute for Internal Medicine at the University of Catania, Italy presented findings of studies that examined things like the relative effects on lung capacity and blood pressure of combustibles versus vaping, and the contents of exhaled vapor versus traditional cigarette smoke. He concluded with a note of sarcasm, “So much for the anecdotal evidence.”

Despite the very real sentiment of concern permeating the conference, there was also a great deal of passion around the industry’s ability to get

through to legislators and help shape a reasonable policy. Several speakers urged those in the vapor business to be proactive about speaking with regulatory authorities.

“What we have found is that many legislators don’t understand the industry or the product and listen most closely when people like you come in and talk to them,” said panelist Bryan Haynes of Troutman Sanders. “If you can go to your local representatives in your state and tell them about your business and tell what you do between now and the time the final regulation actually comes out, the members may have a better understanding about what they need to do. If you can get in and see people who are making the laws,

that will be the biggest help you can provide.”

Ultimately, as SFATA Executive Director Cynthia Cabrera reminded attendees, the stakes are high. “We have to get this right,” she asserted. “There is a lot at stake for a lot of us who have loved ones and family who have suffered or even died from the effects of smoking. We don’t just have a professional stake; we have a personal one. There is new technology changing the landscape every day; whatever we [do] needs to keep up with that. Flavors and options that vapers have to customize their experience are part of the reason these products are so popular, and any regulation that comes down should not stifle that innovation.” **TBI**



The University of Catania’s Ricardo Polosa shared his insights and research



SFATA attendees decompressing after the conference



Session leaders presented to a packed room



CIGARETTES— Without Nicotine or Tobacco

By Jennifer Gelfand

By jettisoning the two hallmarks of cigarettes—tobacco and nicotine—this brand seeks to offer a nonaddictive, healthier alternative to traditional smoking.

If you follow herbal cigarettes, you may know the Ecstasy brand. This tobacco- and nicotine-free product featuring a blend of all-natural herbs and flavors that seeks to satisfy—without addicting—smokers has been on the market since 1996. In fact, it's long been a go-to product for the entertainment industry, which uses the herbal cigarettes in lieu of the real thing to comply with OSHA laws and regulatory concerns when movie, television and theater productions call for smoking during a scene.

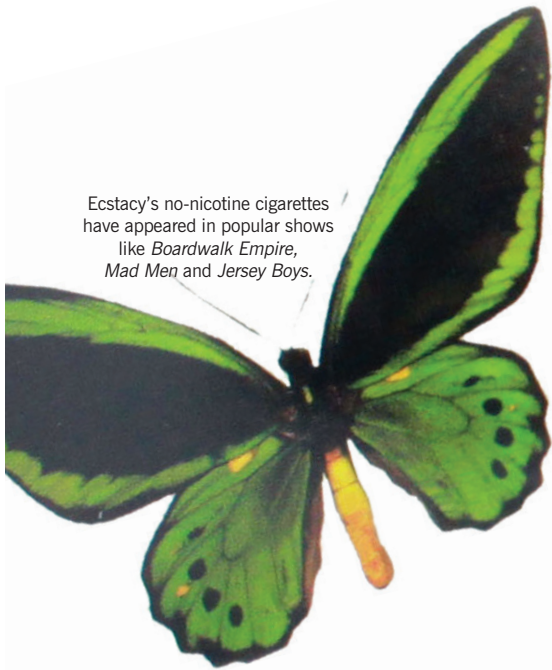
In 2007, Better Life Products came across the brand and quickly surmised that it would be a good fit for the company. Best known for

its flagship VaporNation business (vapornation.com), Better Life Products is dedicated to marketing items that offer a healthier alternative to an existing product category. “In Ecstasy, we immediately recognized a demand for a nicotine-free, not-addictive alternative to smoking tobacco cigarettes,” explains Greg Gaston, the company’s marketing director.

Two years ago, with demand outpacing the company’s ability to produce the cigarettes, the company decided to suspend production to focus on



Greg Gaston,
Marketing Director



Ecstasy's no-nicotine cigarettes have appeared in popular shows like *Boardwalk Empire*, *Mad Men* and *Jersey Boys*.



improving both its blend and production efficiency. “Six months ago—with a new manufacturer for our blends and an enhanced taste that distinguish it from any other herbal cigarette brand on the market—we reintroduced Ecstasy to the market,” says Gaston. “We’re spreading the word that Ecstasy is back in full-swing production and better than ever.”

To help retailers introduce the product to its customers, Ecstasy offers a variety of POS materials, including counter displays and posters, as well as promotional offerings. “Currently, we engaged in a joint ‘buy five, get one free’ carton promotion to generate interest at the wholesale level,” says Gaston. “We also recently created a Facebook page to capture more retail interest.”

The reintroduction has been well-received, and the company expects sales to climb as its awareness-building media campaigns roll out. Going forward, the company also plans to appeal more directly to the many smokers seeking to quit the habit. “A lot of our customers



turn to Ecstasy as their first step toward quitting,” explains Gaston. “They often switch to our tobacco-free herbal brand to first lose the nicotine addiction and then quit altogether. Eventually we plan to reach out to that market by building a smoking-cessation kit.”

It’s no accident that the company offers five blends, enabling smokers to choose an option that best replicates the experience of smoking their favorite traditional cigarette brand. (See “An Ecstasy for Everyone” sidebar at right) Ecstasy is also busy planning a brand-new introduction—one that was still under wraps when *TBI* researched this story. All that could be shared at the time was the name: Benjamin’s.

“We intend to introduce a whole new line of premium herbal tobacco-free and nicotine-free cigarettes,” promises Gaston, who sees Ecstasy’s biggest challenge not as traditional cigarettes, but the introduction of e-cigarettes as a smoking alternative. “Luckily we have that challenge handled as well,” he says, referring to the parent company’s wholesale and retail vaping business, VaporNation. “We’re already a major player in that market.” **TBI**

An Ecstasy for Everyone

All of the cigarettes in the Ecstasy line are nicotine- and tobacco-free, yet taste like the “real thing,” says Greg Gaston, the brand’s marketing director, who offers this primer on the current lineup:

Ecstasy Red is a full-flavored cigarette that caters to those looking for a more traditional tobacco-like flavor and scent, akin to a Marlboro Red.

Ecstasy Ultra is the company’s newest product, featuring a unique blend of exotic herbs that offers an extra-smooth, relaxing smoke. Like the Ecstasy Red, the Ultra is a full-flavored premium blend with a touch of clove to enhance the richness of the blend.

Ecstasy White is an all-natural herbal cigarette that provides smokers with a lighter, traditional tobacco-like aroma and taste, akin to a Marlboro Light.

Ecstasy Menthol is similar to its sister Ecstasy Red and White products, featuring the same herbal blend but with a touch of menthol.

Cannabis-Free Ecstasy is a cigarette that looks, feels and tastes like the “real thing,” but is 100 percent legal and contains no THC.



IPCPR Preview

Your guide to the 83rd annual cigar industry's convention in New Orleans





July 17-21, 2015

**Ernest N. Morial Convention Center,
New Orleans, Louisiana**

Every year, members of the cigar industry gather for the International Premium Cigar and Pipe Retailers' annual convention and trade show to network with tobacco industry peers, glean relevant insight, and shop for special deals and new products. Featuring an exciting lineup of educational sessions, this year's IPCPR show at the Ernest N. Morial Convention Center in New Orleans, Louisiana promises to deliver all of that and more.

The pages to follow offer a guide to the show and, because this year marks the event's first return to the Big Easy since 2010, a few suggestions on highlights to explore during your stay.



Schedule at a Glance

FRIDAY, JULY 17	SATURDAY, JULY 18	SUNDAY, JULY 19	MONDAY, JULY 20	TUESDAY, JULY 21
<p>9 a.m. Registration Opens</p> <p>10 a.m. – 4 p.m. Seminars</p> <p>5 p.m. – 10 p.m. Cocktail Hour</p>	<p>8 a.m. – 10 a.m. IPCPR Annual Meeting and Breakfast</p> <p>9 a.m. Registration Opens</p> <p>9:30 a.m. Trade Show Opens for PAC VIPs</p> <p>10:30 a.m. – 5 p.m. Trade Show Open for All</p> <p>11:30 a.m. – 2:30 p.m. Free Lunch for Retail Members</p>	<p>9 a.m. Registration Opens</p> <p>8 a.m. – 10 a.m. State Association Breakfast Meeting</p> <p>10 a.m. – 5 p.m. Trade Show Open</p> <p>11:30 a.m. – 2:30 p.m. Free Lunch for Retail Members</p>	<p>9 a.m. Registration Opens</p> <p>10 a.m. – 5 p.m. Trade Show Open</p> <p>11:30 a.m. – 2:30 p.m. Free Lunch for Retail Members</p> <p>7:30 p.m. – 10 p.m. IPCPR Cigar Bash at Mardi Gras World</p>	<p>8 a.m. Registration Opens</p> <p>9 a.m. – 1 p.m. Trade Show Open</p> <p>1 p.m. Trade Show Closes</p>

New to NOLA?

Here are a few not-to-be-missed sights and sounds to explore in the Big Easy.

There's a lot to see and do in the city of New Orleans, from exploring prime tourism areas like the French Quarter and the Garden District to savoring the vast array of culinary pleasures and nightlife options. To help you make the most of your downtime, our editors have culled some favorites—tailored to your interests and time constraints—for entertainment, eating and exploring in this vibrant Southern city.

If you only have time for a short break...

Beignets at Café du Monde - Sure, we know it's mentioned in every guidebook, but no list of New Orleans attractions would be complete without a mention of this legendary spot for café au lait and those pliant square-shaped pastries known as beignets. Open 24/7, the Café du Monde anchors the French Market at Decatur and St. Ann Streets. If weather and crowds permit, grab a table outside.

A Streetcar Ride - The Streetcar named Desire immortalized by Tennessee Williams is no longer running, but you can still experience the charm and romance of riding a New Orleans streetcar. In fact, the Riverfront line stops at Riverwalk and the Ernest M. Morial Convention Center, and will also carry you right to Jackson Square and the French Market.

The French Quarter - Chances are you'll find your way to Bourbon Street at some point, the famous strip of jazz bars, strip clubs and general depravity. But be sure to stroll the cobblestone streets around Jackson Square, where you can admire the charming wrought-iron balconies overflowing with lush greenery, enjoy the performances of street musicians, and enjoy coffee in one of the many cafes with an outdoor courtyard.

If you want to sample casual NOLA cuisine...

Muffalettas - Lunch like a local by picking up a muffuletta—a sandwich made with marinated olive salad and layers of meat and cheese: capicola, salami, mortadella, emmentaler and provolone. You'll find plenty of casual eateries serving this popular local favorite, but Central Grocery across from the French Market will never disappoint.

Po-Boys - These decadent, delicious sandwiches usually come stuffed with your choice of fried shrimp or oysters, but they can have anything from soft-shell crab to roast beef inside. The bread is a crusty French loaf and you can opt for a dressing of lettuce, tomatoes, pickles and mayonnaise.

If live music is your thing...

Kermit Ruffins at Vaughan's - Featuring free barbecue and a buoyant crowd of jazz lovers, the Thursday shows of this legendary trumpet player are worth the trek out to 4229 Dauphine Street. Plus, they start well into the evening so you can catch the music without missing a minute of the expo.

Rebirth Brass Band at the Maple Leaf - The city's most well-known brass band plays at the Maple Leaf Bar every Tuesday night.

House of Blues, Snug Harbor, Preservation Hall... - These three and any of a number of area clubs will be sure to delight. For a guide to who is playing where, visit wwoz.org or nola.com/music.

If you like to roam...

Garden District - Just three miles from the French Quarter, the Garden District is where you'll find the city's most beautiful historic homes. When you've had your fill of architectural grandeur, head to the intersection of Prytania Street and Washington Avenue for a lunch and shopping break, or a quick visit to the famous Lafayette Cemetery No. 1, where you'll find a formidable array of above-ground tombs. When you're done there, the St. Charles Streetcar will carry you back to home base.

Take a Tour - From steamboat jazz dinner cruises to nighttime walking tours, your options abound. You can even experience Cajun country by swamp boat. Your hotel concierge can guide you through some options, or visit neworleansonline.com/neworleans/tours.

Swisher International: Expanding Its Repertoire

Coming off of the acquisition of Drew Estate, Swisher is continuing to build its premium cigar arm.



John Miller, SVP of
Sales and Marketing,
Swisher

Times are a-changin' for this Jacksonville, Florida-based 150-year-old tobacco company. As the largest manufacturer of cigars worldwide, Swisher International has a long and venerable history in the cigar business. Best known for its popular machine-made, mass-market cigars, the company also makes cigarillos, pipe tobacco, smokeless tobacco and e-cigarettes. Two years ago, Swisher made something of a splash with the announcement of a move into premium cigars—a category that the company had edged out of little more than a decade ago.

Today, its Royal Gold premium cigar division has contracts with various factories in Nicaragua (including Drew Estate), Honduras (Plasencia) and the Dominican Republic (Reyes) to make premium cigars. Its lineup encompasses the Royal Gold Kismet (made by Augusto Reyes in the Dominican

Republic), Royal Gold Casino Gold HRS (made by Nestor Plasencia in Honduras) and the mixed filler Gold Strike (made by NACSA in Nicaragua).

The company followed those launches up by partnering with Drew Estate last year to produce the Nirvana Cameroon Selection. Then, on October 20, 2014, it surprised some in the industry with the acquisition of Drew Estate Tobacco Company's brands—ACID, Herrera Esteli, Liga Privada, My Uzi Weighs a Ton, Nica Rustica and Undercrown—as well as Drew Estate's La Gran Fabric factory. The transaction underscored the company's commitment to both building a premium cigar business and, more broadly, expanding its presence in the industry. To find out more about those plans, *TBI* checked in with John Miller, senior vice president of sales and marketing for Swisher International, about the



“The acquisition of Drew Estate Tobacco Company added to our growing portfolio and fit perfectly with our growth strategy.”

company’s move into premium cigars and strategy for the future.

TBI: Swisher launched a premium cigar division—Royal Gold Cigars—in 2013. How has that category performed for the company? What are your expectations/goals for the category going forward?

John Miller: Swisher International is very pleased with its introduction of Royal Gold Cigars. This brand gained very quick acceptance among retailers and consumers because it met the need of a higher priced, higher margin cigar

for the convenience store. The Royal Gold Churchill and Toro cigars will be joined by the introduction of Royal Gold Robusto in 2015. We’re confident this tobacco category will remain strong and continue to grow.

What will the recent acquisition of Drew Estate Tobacco Company do for Swisher? How will Drew Estate be integrated with the new parent company?

Swisher is expanding its business both domestically and internationally. The acquisition of Drew Estate Tobacco

“Demand for this cigarillo has been so high that it can be a challenge to keep up—and that’s the best kind of challenge to have.”



Company added to our growing portfolio and fit perfectly with our growth strategy. The management team of Drew Estate is independent and will remain that way. We look forward to collaboration in developing higher margin products for traditional cigar outlets.

Recently you came out with Swisher Diamonds, which is a departure from the sweet cigar taste that has distinguished Swisher in the past. What was the thinking there?

Natural tobacco blends are very popular and Swisher met that consumer demand with Swisher Diamonds. They are everything consumers love about Swisher without the sweet taste. Demand for this cigarillo has been so high that it can be a challenge to

keep up—and that’s the best kind of challenge to have.

Swisher Sweets continues to debut new flavors on a regular basis. How do you stay on top of consumers’ taste preferences? What trends do you see in flavors today?

Adult consumers enjoy trying new blends. We know this through our continual outreach to consumers and relationships with our retailers. Swisher has been successful in bringing new interest and excitement to the cigar category with our limited-edition Swisher Sweets. These limited-edition cigarillos were voted a 2014 Best New Tobacco Product by retailers and have resulted in a significant increase in Swisher Sweets cigar sales in 2014. We are proud that the success of the

limited-edition blends is boosting the entire cigar category.

What differentiates your smokeless products? How is the category performing for you?

Moist snuff is a highly competitive category. Our goal with the Kayak brand is to deliver great taste at a great price. This has proven successful for us, so we’re continuing along that path. In addition to providing a great quality product, Swisher also is introducing new package designs and sizes to appeal to adult consumers.

What trends or preferences have you observed in consumers over the past year? Have you made any adaptations to your products to address those changes?

“Our ideas come from the deep connections we have with consumers and retailers; we’re always listening and interacting with them.”

The Swisher Sweets brand and products have a strong and loyal consumer base. We continue to support through various retailer incentive programs and in-store marketing materials. The feedback we receive from stores is very positive and the retailers are pleased with the return they are generating.

Swisher International is always innovating. Our ideas come from the deep connections we have with consumers and retailers; we’re always listening and interacting with them. Swisher also is active in the digital and social media space, which just adds another valuable avenue for fostering these connections.

We also try to innovate in our brand marketing and adult consumer outreach.

The new Swisher Artist Project we started this year is one example.

What promotions or introductions are you planning for the remainder of the year?

We are very excited to introduce ACID Cigarillos in July 2015. Developed by the Drew Estate team, the premium ACID Cigarillos are a unique smoking experience unlike any other. Swisher is bringing the legendary ACID taste to c-stores, delivering higher margin potential in an outstanding cigar.

What are your goals for the business in 2015?

Expansion, both domestically and internationally, is Swisher

International’s goal. One of the biggest challenges for the industry, which is not a new challenge, is to deliver value to both retailers and consumers. This is something Swisher has been extremely successful at accomplishing and plans to continue. **TBI**





Feet on Both Sides of the Fence

Victor Lindquist's product mix is a careful balancing act of tobacco and vaping products—and his customers love it.

Prior to 2008, Victor Lindquist's building contractor business was booming in lockstep with the U.S. economy, and it seemed like the good times would never end. But as the financial markets teetered into a near-death spiral and the housing market began caving in on itself over the course of 2008, Lindquist came to the unwelcome conclusion that he had to find something else to do.

As luck would have it, his brother-in-law was doing just fine in the tobacco retailing business, an industry that

seemed to be nearly impervious by comparison to the economic troubles of the day. So after some hands-on training and a lot of research, Lindquist opened the Maine Tobacco Shop in Bangor, Maine in 2009, and a new career path opened up in front of him.

"I had absolutely no knowledge of this business," recalls Lindquist. "I developed an interest through my brother-in-law, educated myself, did a lot of due diligence and decided it was the right move." Soon after opening the Bangor store, he launched a second store in

nearby Waterville. Both stores offer customers a robust selection of premium cigarettes, roll-your-own kits, loose tobacco, premium cigars, filtered cigars and smokeless tobacco.

What's more, thanks to impeccable timing and intensive self-education back when he started in the business, Lindquist developed an early interest in vaping products. That, in turn, led him to adopt the novel products into his stores' product mix starting five years ago. As a result, he's enjoyed quite a healthy run-up as vaping products transformed



from a trendy niche into a serious product category that, along with more conventional and established tobacco products, have given Lindquist's stores an impressive one-two punch.

BALANCING ACT

The balance between tobacco and vaping products in his stores' product offering has shifted over time—when Lindquist started offering vaping products, they represented perhaps 10 percent of the product mix overall. Today, they represent more than 60 percent. In fact, the success of selling vaping products has proven so complementary overall that he is planning to open a store and lounge dedicated to vaping called Vapeology on nearby Stillwater Avenue in Bangor.

"I was lucky to have been one of earliest retailers to carry vaping products," says

Lindquist. "I attended a vaping show in Las Vegas in 2010, and these products—especially the electronic devices—really started interesting me. So I committed to them back when everyone else thought they would be another fad. Most people thought it wouldn't last, but I told my brother-in-law I would jump in early. I did my research, and thankfully it's grown tremendously for us."

SOMETHING FOR EVERYONE

Generally speaking, tobacco consumers don't typically express any concern about the presence of vaping products in their favorite tobacco store—to them it's like seeing motorcycle helmets at a car lot. Some aren't interested in vaping, others are mildly curious about the products and the physical activity. Only a handful are genuinely affronted by their presence. However, the sentiment among vaping

enthusiasts, particularly former smokers who have embraced vaping as a tobacco alternative, about the presence of tobacco products in their favorite vape store is very different.

Interestingly, Lindquist's stores have been anything but a hotbed for this perceived conflict. Perhaps due to Maine's mind-your-own-business culture or the slow but steady shift of Lindquist's product mix over time from tobacco-heavy to vaping-heavy, his customers haven't expressed any concern about his product mix.

"I still sell a lot of tobacco, and our customers don't have a problem with anything in the stores," he says. "The tobacco customers who want their tobacco products are happy; many of them don't want to give up smoking because they enjoy it. And there are always some who are thinking about



or looking to switch from tobacco to vaping. When they come in, they are happy as clams to have options in front of them.”

Seeing tobacco in a tobacco store doesn't seem to come as a surprise to vaping customers, says Lindquist. “It doesn't seem to affect them. It's not like they're going to a vaping bar and getting cigar smoke blown in their faces. There are always some people who are going to be against smoking tobacco, and there are going to be some people that are against vaping. Those people will preach their own gospel about what they think is good or bad for other people, I suppose, and maybe some of those other people will listen, but the folks who come in to my stores usually know what they want when they walk in, and they aren't there to get up on a soapbox.”

BEST OF BOTH WORLDS

Both of Lindquist's tobacco shops are

essentially the same in terms of layout. “Bangor occupies about 1,000 square feet, Waterville [called VB Vapors & Tobacco] is about 1,300 square feet, and both are set up identically to sell tobacco products along most of the perimeter,” says Lindquist. His tobacco displays are for showcasing bagged tobacco, cigarettes, cigars, and accessories, and both stores feature a horseshoe-shaped display case in the center for vaping products, as well as a wall designated solely for e-liquids.

Lindquist's tobacco products include pipe tobacco from Good Stuff, Criss-Cross, Golden Harvest and Sparrow, roll-your-own tobacco kits from Laredo and 1839, plus cigarettes like Marlboros, Camels, Cools and Old Gold. He also carries a smattering of mainstream premium cigars, including sticks from Rocky Patel and Acid, as well as machine-rolled cigars from Garcia Vega, a number of different filtered cigars, and



a wide array of smokeless tobacco.

His vaping store, the appropriately named Vapeology, will be focused solely on vaping. It will feature a 12-foot juice bar appointed with lounge chairs and TVs. Fancy cabinets and 34 feet of display cases will house authentic mods, RDAs and an assortment of other devices and supplies, including major and premium juice lines on the market like 5 Pawns, Space Jam, Cereal Killer, Suicide Bunny, Midnight Oil and many more.

While the balance between tobacco and vaping products may continue to shift in one direction or the other, Lindquist seems content no matter

where it is at any given moment. “There’s a demand for tobacco that’s never going to go away,” says Lindquist. “Where there’s demand, there will be retailers to meet that demand. There are always going to be people smoking no matter what alternatives there are, even if the government keeps taxing tobacco. And keep in mind, they’re going to tax vaping, too.

“The government wants to tax both tobacco and vaping, and they don’t want people to quit either of them because there’s a lot of money to be made taxing them. It hasn’t happened yet with vaping, but it will, because everyone sees how

popular it is,” he says.

“I don’t do any advertising at all other than by using Facebook,” he adds. I don’t spend a single cent on it, and people keep coming in. I don’t have a rewards program, but people keep coming in. The older customers still want their cigarettes, and the vapers want all of it. It’s not a habit to them, it’s a hobby, and I have to work hard to keep pace. I just buy and sell the products, so I have guys that are gurus—the nerds of vaping—who know the ins and outs. Without my guys and the Internet I’d be lost; they’re the only way I can keep up with what the customers know.” **TBI**



Introducing OCB Organic

Republic Tobacco, the nation’s largest RYO/MYO distributor, has introduced OCB Organic Hemp Cigarette Papers nationwide. The paper is chlorine-free and 100 percent organic, with 100 percent natural Arabic gum. It is ultra-thin, giving smokers a slower burning, full-bodied cigarette with minimal ash. Packaging is printed with vegetable inks on recycled cardboard. Available in 1 1/4 inch, single wide and king size slims, 24-leaf booklets will initially be offered as a 99 cent pre-priced consumer offer.

OCB Organic Hemp Cigarette Papers are packed 24 booklets per box with 40 boxes per case. A three-tier counter display is available for merchandising, as well as prepacked bowl displays. POP support includes door decals, posters and corrugated signs. Republic Tobacco, 800-288-8888



Budget-Beating Intro

D&R has also introduced a new budget-priced pipe tobacco brand—Better Smoke—that supplements its Two Daughters premium line and VPB value line. The new brand is available in two flavors: full and light. Daughters & Ryan, 919-284-2058, Gloria@daughtersandryan.com, dglover@daughtersandryan.com

Meerschaum’s Cobbit Collection

Missouri Meerschaum Company is introducing the new Cobbit Collection of corn cob pipes in the mini-churchwarden style. This new collection is made up of three pipes: the Dwarf, the Shire and the Elf. Each style features a unique darkened corn cob bowl with a hardwood bottom and an Italian vulcanite stem. The pipes are available individually and in a collectible set of three. Missouri Meerschaum Company, 800-888-2109, pipes@corncobpipe.com





Drew Estate's New Nica Rustica

Drew Estate will launch the new Nica Rustica Belly at an event held by Cox's Smokers Outlets at the Louisville Water Tower Park on July 30. The new 7.5x54 Belicoso will ship nationally by September.

Available in 25-count black craft paper bundles similar to the current Nica Rustica El Brujito offering, the cigars will ship in the same fashion as the current Nica Rustica lines—in bundles as a refill to new branded display trays, which will only be available for retail use. The blend features a Connecticut Broadleaf wrapper, Mexican San Andres binder and Nicaraguan fillers from the Jalapa and Esteli growing regions. The strength is medium-full and flavor notes include creamy cocoa and earth with light pepper notes on the finish.

"Nica Rustica is a tribute to Esteli's hardworking cigar culture," says Jonathan Drew. "Behind all the glitz and glam, there are thousands of factory buncheros and rollers who keep their game strong and consistent to maintain Esteli, Nicaragua's respected stature of [the] Mecca of Cigars. The long-awaited size, Belly, is a king of a Belicoso at an affordable price." The MSRP is \$198.75 per 25-count bundle (\$7.95 per cigar).



Art to JOB Announcement

Republic Tobacco, the nation's largest RYO/MYO distributor, is presenting a new limited-edition art deco style collectible tin. Visual impact has been taken to a bright new level with the JOB Cigarette Paper design. Measuring 7 inches wide by 7 1/4 inches high, the tin has a footprint that easily fits on the counter or a shelf. Tins will stand up unlike other temporary displays and hold 100 booklets of cigarette papers. Republic, 800-288-8888



Dual-Blade Debut

Arango Cigar's new Credo Special T dual-blade pocket cigar cutter was designed to open virtually all cigar shapes. The sleek Special T has two different-sized cutting holes—ring gauge 58 and ring gauge 36—compared with the original Synchro's single hole (RG 56). It shares the simplicity, ergonomics and cutting performance that have made the Synchro a popular choice for cigar lovers.

Special T wholesales for \$52.50 for a carton of 15 cutters in all black or assorted colors. Arango Cigar Company, 800-222-4427, ArangoCigar@aol.com



ISMOKE Innovation

Allowing e-liquid filling from the top, this ISMOKE device comes with three coil heads. Shenzhen Ismoocer Technology Company, +86-15112409207, szismoke.com



Small Batch, Big Blend

Drew Estate has announced the second "Tienda Exclusiva by Willy Herrera" blend, a concept cigar by Master Blender Willy Herrera. Made at La Gran Fabrica Drew Estate, this release is a small batch, specially crafted cigar produced for Riverside Cigars in Jeffersonville, Indiana. The blend features an Ecuadorian Habano wrapper and binder and Nicaraguan fillers. It will sell for \$13.50 per cigar, plus taxes. Drew Estate, drewestate.com



Stars 'n' Bars From DjEEP

Kretek International has debuted the new DjEEP Stars 'n' Bars collection, a patriotic series of lighters featuring national symbols of the U.S. Inspired by Old Glory, the new lighter series is part of DjEEP's upscale collectors' look. The new lighters are available on DjEEP 36-count, three-tier displays, as well as on DjEEP's new 24-lighter counter-tray unit. "As a Navy veteran I'm particularly pleased that DjEEP is bringing these designs to the American market," says DjEEP Product Manager John Geoghegan. All DjEEP lighters are insured and have proper DOT and HAZMAT certification. Kretek, 800-358-8100, salesinfo@kretek.com



Announcing the Pope of Greenwich Village

Drew Estate's new Pope of Greenwich Village Cigar is part of its Smoke Inn's Microblend series, available exclusively through Smoke Inn's South Florida-based retail stores and website. The Pope of Greenwich Village is offered in a 6x40 panatela vitola and sold in soft-pack 10s. The MSRP for the 10-pack is \$85, with a single cigar price of \$8.50. The blend features a Mexican San Andres wrapper with Connecticut Stalk Cut Habano binder and Brazilian Mata Fina and Nicaragua fillers. Smoke Inn, smokeinn.com



Cigar Story

OHM Filtered Cigars provide smokers with a choice of ten different styles and five flavors: red, blue, menthol, vanilla and cherry. These filtered cigars are packaged in a hard-pack, flip-top box that keeps the cigars fresh and undamaged. OHM uses top-quality tobacco and cigar paper to produce a high-quality filtered cigar that delivers a very satisfying smoking experience. They are available 20 per pack, 10 packs per carton and 30 cartons per case. OHM Filtered Cigars are proudly made in the USA. Inter-Continental Trading, ictusainc.com, 800-595-0796



Swisher's Calypso Call

Swisher Sweets offers an unforgettable journey of enchanting blends with its newest limited-edition cigarillo: Swisher Sweets Calypso Cream. Featuring a blend of oranges and sweet cream, with a slight hint of blueberry to complete the taste, Swisher Sweets Calypso Creams are packaged in re-sealable two-count foil pouches with the sealed-fresh guarantee, and are available in two for 99 cents and save on two options. Swisher, 800-874-9720



Happy Anniversary, Zander-Greg

Zander-Greg is celebrating twenty years as a national distributor of tobacco products with a new special edition of New World/20th Anniversary boutique cigar line. The brand is manufactured and owned by A.J. Fernandez, but with a slightly tweaked blend that is solely Zander-Greg's. The cigar is manufactured at the Tabacaleras Fernandez factory in Estelí, Nicaragua, operated by third-generation tabacalero A.J. Fernandez, whose grandfather first grew tobacco in pre-Castro Cuba.

Zander-Greg's 20th Anniversary cigar comes in the same four shapes as the New World, all classically Cuban, but with 5/64 of an inch larger diameters. They are: Robusto (5x55), Belicoso (5.5x55), Toro (6.5x55) and an extra-brawny Gordo (6x60). The cigars are Nicaraguan puros with a dark Nicaraguan wrapper, Jalapan binder, and filler of Nicaraguan Ometepe, Condega and Esteli tobaccos. They are full-bodied with a flavor profile that includes coffee, pepper, wood and chocolate notes.

The cigars are presented 21 to a traditional Cuban dress-up box, with a suggested price between \$5 and \$6. Zander-Greg will show the 20th Anniversary, as well its other lines of premium and value-priced cigars, in the company's IPCPR booth (#17611). Zander-Greg, 888-772-5111, info@zander-greg.com



Expansion of 1839

Premier Manufacturing has expanded its popular 1839 pipe tobacco family. 1839 1 ounce pipe tobacco bags are available in Regular, Smooth and Menthol. Each bag and all point-of-sale materials feature the label “A Product of U.S. Farmers,” indicating quality U.S. grown tobacco. They are packaged in an attractive 12-count freestanding display that can be incorporated into most tobacco center shelf configurations. Premier Manufacturing, www.gopremier.com



Wildhorse Reintroduction

Premier Manufacturing has reintroduced Wildhorse Filter Cigarette Tubes. Wildhorse Filter Cigarette Tubes are available in Kings and 100s in Full Flavor, Smooth and “New” Menthol. Each box contains 200 cigarette tubes and each case contains 50 boxes of tubes. Premier Manufacturing, www.gopremier.com



Swisher: Sweet Summer

Swisher Sweets Summer Twist limited-edition cigarillo was so popular last year that it’s back for a rerelease this summer. This sweet lemon mango taste became available for shipment to stores beginning May 1. The cigars come in a resealable two-count pouch with the sealed-fresh guarantee and are available in two for 99 cents and save on two options. Swisher, 800-874-9720

Continuing the Cuatro Cinco

Joya de Nicaragua has introduced the Cuatro Cinco “Reserva Especial,” a followup to the company’s 45th anniversary introduction in 2013 of Cuatro Cinco–Edición Limitada. The Limited Edition version of the cigar contained 100 percent Nicaraguan fillers and five-year-old ligeros aged inside vintage oak barrels. The new introduction contains a unique and exceptional selection of barrel-aged Grade A fillers and a beautiful silky shade-grown habano wrapper from the legendary Jalapa valley. Distinct from the Limited Edition, it also incorporates a carefully selected volado dominican binder. Joya de Nicaragua, www.joyacigars.com



Cubero Launches Two-Pack Everfresh Pouch

Scandinavian Tobacco Group Lane has debuted Cubero cigarillos in a new two-pack foil pouch available in three custom blends: Wine, Mocha and Sweet. Masterfully blended, Cubero natural leaf cigars combine fresh flavors with subtle hints of sweetness to create uniquely modern blends for a rich and relaxing smoke.

Blend No. 07 (Wine) offers a sweet mixture of rich grapes with an oak-like undertone. Blend No. 12 (Mocha) delivers cocoa and coffee sensations. Finally, Blend No. 35 (Sweet) features a hint of rum and sugar cane.

Produced in the Dominican Republic in the same factory as some of the most respected premium cigars on the market, Cubero is made from superior-quality tobacco grades. Cubero, 800-241-2038, Cubercigars.com

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