



# Habanos – A Cuban cigar industry overview

Cuba has played an essential role in the development of the world's appreciation of fine tobacco. This, beginning in the Americas and Europe, has extended to include the Middle East, Asia, Australia and Africa. Aficionados from Budapest to Brisbane now enjoy unsurpassed access to their favourite Cuban brands, writes *Samuel Spurr*



**Jose Antonio Candia,**  
Marketing  
Specialist with  
Habanos SA



Blessed with a tropical climate and rich soil, the island of Cuba is a natural home for cigars. Brands such as Partagas, Montecristo and Cohiba lead the international premium cigar market whilst families such as Oliva and Toraño have dominated the non-Cuban cigar industry since leaving Cuba.

Habanos SA was created in 1994 as a Cuban joint venture between Cubatabaco and Altadis. Its corporate purpose is to market all Cuban tobacco products, both in Cuba and around the world. Habanos has built a network of exclusive distributors around the world to present its products, covering more than 120 countries. The 'La Casa del Habano' franchise network of retail outlets has also grown to more than 100 stores worldwide under its governance.

A Cuban government company, Cubatabaco was created in 1960 when the industry was nationalised after Castro's revolution. Cubatabaco, today, is charged with the maintenance of the labour force and of all tobacco-related joint ventures operating in Cuba and abroad. It remains the sole proprietor of only a few brands as the rest now belong to Habanos.

Altadis is the world leader in the cigar market with cigars representing 23% of its total sales. A tobacco multinational, and itself a merger of former tobacco monopolies in Spain and France, Altadis acquired 50% of Habanos in 2000. Due to this half share, Altadis is the only company to offer a portfolio of prestige Cuban brands. This Cuban portfolio, along with other premium cigars represents a quarter of its cigar sales. Present in all segments of the cigar market, Altadis also manufactures cigars in the Dominican Republic and Honduras.

An Altadis 2004 cigar report states that globally, rev-



enue growth in the premium cigar industry is outpacing volume growth. Total premium cigar sales worldwide by volume account for just 3% of sales but contribute 28% of the overall value of cigar turnover. Conversely, non-premium cigars make up 97% by volume but only 72% by value.

Throughout 2006, the main export markets for Cuban cigars were Spain, France, Germany and Switzerland. The Middle East is a growing market, following closely behind Europe. According to official sources, current production of cigars in Cuba has grown to 150mn pieces per year, with no major production increases forecast. These 150mn units are divided between 27 premium brands and more than 80 different formats or 'vitolas'. The steady growth in production levels has been evident from the mid-1990s. In 1996, production was roughly 72mn sticks. By five years ago, production levels had risen to approximately 125mn units.

The major source of the tobacco is the Vuelta Abajo region, south-west of Havana, long claimed as the finest tobacco growing region on earth. The Vuelta Abajo is also the only location that grows all types of leaf that are used in the rolling process (filler, binder, wrapper). Other tobacco regions such as Partido, Semi Vuelta and Vuelta Arriba produce excellent tobacco, but not all components of a Cuban puro.

Habanos is extremely guarded on the volume of tobacco leaf produced annually in these regions, not releasing such information. Furthermore, the total percentage of sales of the top six marcas: Cohiba, Montecristo, Romeo Y Julieta, Partagas, HUPmann and Hoyo De Monterrey, are also shrouded in secrecy, with these figures not publicly released either.

Despite the secrecy behind crop volume and sales per-



centages, Habanos is quick to highlight its implementation of new technologies that ensure the quality of its cigars. Draw machines have been in operation for some years, identifying poorly rolled, 'plugged' cigars. Measuring airflow through cigars, the machines have made recent production much more reliable. Rob Ayala, Director of Australian retailer Cigar Czar, has noted a significant improvement in quality since the draw machine's debut. "The introduction of draw machines to Havana factories has returned confidence to the Habanos buyer market," he says. "Gone are the days of batches of baseball bats being produced instead of double coronas," he adds, remembering pre-draw machine production as, at best, unreliable.

Humidity chambers have also been introduced recently to ensure proper storage conditions and eradicate the possibility of tobacco beetle ruining stock. After being boxed, cigars spend five days in these chambers maintaining proper humidity before being shipped. A fumigation process is also undertaken, ensuring the dreaded weevil does not make an appearance in your favourite cigar.

On the horizon for 2007 is the new regular production Montecristo Petit Edmundo, a smaller relative of the Montecristo Edmundo released in 2004. It will be unveiled at Habanos' gala event dedicated to the Cuban cigar: the Habanos Festival. This annual event, held every February in Havana, is a celebration of the Cuban cigar industry and traditionally showcases new cigars for the coming year. The upcoming 9th Habanos Festival will also unveil the long anticipated Cohiba Maduro cigars. Maduro wrapper cigars are definitely not new to Cuba yet, for the first time since Habanos' creation they are reviving the concept of an aged maduro cigar.

Beginning in 2000, 'Edicion Limitadas' or Limited Editions, have been released annually. Created using aged wrappers, a variety of brands are submitted to this treatment every year. The first batch in 2000 included the Hoyo de Monterrey Particulares, amongst others, while, more

recently, the appearance of the Cohiba Sublime in 2004 and the H Upmann Magnum 50 in 2005 had the cigar world abuzz. While regular production of these lines does not cease, these Edicion Limitadas cigars fetch higher prices due to their limited numbers and distinctive formats.

Jose Antonio Candia, Marketing Specialist with Habanos is fond of the EL range "The Limited Edition cigars are one of the best concepts introduced by Habanos," he says. "Taking into account that these cigars are made of the best material from the best growing regions, one could reach the conclusion that they are not intended for newcomers. Rather, they are made for regular smokers, those who like to find rich flavours in every puff and treat the cigar with due respect and understanding."

Candia adds to the debate on whether Limited Editions are better than regular production lines "I haven't heard any complaints," he says. "To err is human, perhaps the size was not right for some, but the flavour seems to please everyone. People eagerly await the next release because they know they are likely to find their favourite cigar becoming a Limited Edition," Candia states.

Presentation is taking on a more important role at Habanos with more cigars being packaged in a variety of formats to maintain a good level of market share. Traditionally sold in boxes of 25 or cabinets of 50 units, new packaging allows cigar lovers to indulge in a variety of cigars without buying whole boxes. In 2007 the classic H Upmann Magnum 46 will be presented in three-packs whilst the Cohiba Siglo III, IV and V will be packed individually in tubes and packs of three.

The Cuban cigar industry, often clouded in mystery is moving in the right direction, incorporating innovative technology with old- world farming methods. A greater interest in customer satisfaction and acknowledgement of outside processes has allowed Habanos to build a widely recognised brand. Cuban cigar lovers will be rewarded over the next few years. 

