



FALL NEWS 2006

EUROPE — THE NEXT CIGAR BOOM?

Las Vegas. The cigar smokers kind of town.

The Retail Tobacco Dealers of America held their annual convention in Las Vegas July 16 – 19. And while industry reports confirmed a 3rd consecutive year of growth at both wholesale and retail levels in North American, the real buzz was focused on what is now occurring in Europe.

Every major cigar supplier and tobacco producer was talking about Europe as the premium cigar market is exploding in countries like Germany, Sweden and Poland. And the old eastern block is booming as shipments to countries like Czechoslovakia, Hungary, and Croatia are at their highest levels ever. Even Turkey and Greece has seen demand for premium cigars take off - sales staff at the Camacho booth at the RTDA said that Istanbul distributors alone would take every cigar that Camacho can produce.

There were lots of stories coming from the sales booths in Vegas about the North American side of the business; new stores are opening and existing stores expanding. But the most exciting ones were about Europe. The eastern block growth is what has really taken suppliers by surprise and not so much that it has begun, but by how strong the demand for premium product is currently. This cigar trend follows what has been occurring with many North American based packaged goods and cultural elements in eastern Europe. In the late 1980's after the dissolution of the block, the 10 years that followed were characterized by uncertainty for many food and beverage companies trying to establish businesses there. This was due in large part by very high unemployment levels as the 'state' was replaced as the major employer in most of those countries, which in turn presented an environment ripe for corruption and black market activity.

BILL 164 UPDATE

Same old, same old.

Impact on Bars

With overall compliance at close to 100%, there is very little that inspectors are finding wrong these days in bars. There remains some differences between what inspectors may "allow" at patios – especially between different regions within the province. There are bars up north, the cottage country and rural Ontario that have allowed smoking since their inception and still do! However most bars in Toronto are all being treated and inspected with the same rule book – inspectors using the same definition of "covered patio" for example. So the playing field is the same within each "competitive" trade area. Bars still don't like the fact that the government is telling them what they have to tell their customers, but so far the business impact on them is minimal – for now. But with cigarettes accounting for the majority of smoking in bars, many establishments – especially those that may be seasonally slow in the summer anyway - are awaiting the fall and winter to see what the true impact of the smoking ban will be.

Impact on Tobacco Shops

As for specialty tobacco stores, the industry in Ontario is having a very good year so far. Business remains strong and many of us continue to have great years due to very basic fundamentals – great weather, strong local economies (The Kingsway, Humber Valley, Manor, Bloor West etc are booming), strong local employment and with bonus years for many of our customers, and great referrals.

There is nothing to suggest that this will change as the Fall arrives. The seasonal patterns of my business will continue – we get slow when it gets cold as our customers smoke most of their cigars outdoors, in their car or for those who get a pass from the boss, in their home. But we will let you know and continue to keep you informed about ongoing issues related to Bill 164.

However with the emergence of skilled labor forces in these countries following significant investments in communication, information technology and computer programming, the growth of a middle class has provided income and demand for many western based products, including premium cigars.

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FAQ - BEST SELLERS

The best sellers list that we publish every spring always generates new questions about particular cigars that sell well, by price, by country. So here are our the most frequent questions we get about our best selling

Best Sellers Under \$10

House Nicaragua Robusto
House Honduran Maduro Corona Gorda
House Dominican Robusto

Best Sellers Under \$10 That Aren't House Cigars

Quinterea Nacionales
Hinds Maduro Corona
Leon Jimenes No 4

Best Selling Cuban Cigars Under \$20

Montecristo No 4
Romeo Y Julieta Tubo No 2
Partagas Mille Fleur

Best Selling Cuban Cigars Over \$20

Montecristo No 2
Montecristo Edmundo
Cohiba Robusto

Best Selling Maduro Cigars

Hinds Maduro Corona
Trilogy Maduro Robusto
Macanudo Maduro Hyde Park

Best Selling Connecticut Shade Cigars

Santa Rosa Torpedo
Macanudo No 4
Ashton Magnum

So try one of these best sellers next time you are in the store.

THE PIPE CORNER

One of my favorite booths at the Vegas show is the Eric Nording Booth where we get to drool over his newest collections of pipes and accessories. It is hard to resist his pitch and we are one of the few retailers who carry his designs in Ontario. So we brought in another two dozen of his pipes in a variety of shapes and sizes. Retails \$119 - \$169 with a few of his Uniques at \$350. Eric also gave me some mini "snake" pipes to give away with each purchase.

Given the demand for higher quality but less expensive pipe accessories, we found a great little Indian company that makes pipe and pipe/tobacco bags from 100% Italian leather. Retails are 25% - 50% less than some of the domestic bags we used to carry and there are more features to these products. Drop in and have a look.

We are very close to finalizing arrangements to carry Cornell & Diehl pipe tobaccos. Hopefully by the time you get this, we will have their bulk and tins in stock.

THE TASTE OF THE KINGSWAY

Save your appetite for the weekend of Friday and Saturday September 8 & 9. That is when the local BIA hosts the annual street festival, the Taste of the Kingsway. Every street will be shut down as all the local restaurants put out tasting stations and outdoor patios. There will be all sorts of activities throughout the area and music galore on most street corners. This year there are two main stages with jazz performances at Grenview (Liberty Silver on Saturday baby...) while the main stage at Brentwood boasts a huge licensed bar and lots of mainstream AM bands all weekend long. And our pal Damian at Henry the 8th will have a 100 person patio open on Brentwood that will be very cigar friendly.

As always, we will have a cigar roller in from Cuba on both Friday night and throughout Saturday. Saturday in particular will be a blast as Johnny Max, a sick little 5 piece R & B band, will be set up outside the store from 1-4. Drop by for a cigar, a bite to eat and some smoking music.

www.cigarstudio.com — even our website is *smokin'*!

FALL 2006—NEW ITEMS

In addition to our trek down to Lost Wages where we get caught up on “what’s new” in tobacco, we visit many of the gift shows throughout August looking for items that can compliment our specialty tobacco business. Forchino has several new pieces which are now in store and we have brought in some new horn handled knives from Laguiole. However we are really excited about 2 new lines you will now see in store.

Atoll Mens Collection – A trend we have been seeing lately in men’s cigar accessories is the demand for better quality pieces available in “continuity collections”; lighters, cases, cutter etc that are made with the best quality materials, leathers, steel etc and which allow for separate but matching pieces to be bought or given over several gift giving occasions. Atoll is such a collection. Made with fine quality Italian leather, the collection consists of 8 pieces available for purchase together or separately – a cigar lighter, cigar case, men’s valet, guillotine punch cutter, travel humidor, and 6 oz flask, with prices from \$69 - \$199 depending on the item. All pieces are available in 15 different leather finishes. Stunning. Pictures of the line have been posted to “www.cigarstudio.com”.

Lampe Berge - A line that we have looked at for the past 2 years - hesitantly I might add - we now have made a commitment on. What makes this line very different for us is that both the buyer and end user is primarily female. The suggestion came from the spouse of a regular cigar customer who said “you guys must start to carry the Lampe Berger line.”

Lampe Berger is a line of decorative catalytic burners which burn fragrant oils to eliminate household odors, interior pollution, while cleaning and purifying surrounding air. The first Lampe Berger was created in 1898 in Paris and it has remained a staple household product throughout most of France and much of Europe. The home fragrances, which are available in 4 distinct scent families, provide the consumer with purified, healthy and mildly fragrant air in the home.

The line has been available in North America for 10 years now and is seeing increasing acceptance as an air purifier in more than just the traditional home rooms that you might expect to see it – kitchens, bathrooms etc. A major reason why women are buying these for living, dining and bed rooms is that lamp design is a key component to their development and presentation. Lampe Berge calls on established artists and creative talent worldwide to develop designs that compliment a wide variety of interior-design plans. Some of these lamps are spectacular in design – influenced by a wide variety of themes from modern art deco to French renaissance to strong Asian influences and there are hundreds of designs available. This variety provides the customer to literally find something to match perfectly with bed linens or upholstery or wall paper. While the assist that these lamps offer a cigar smoker is obvious, we are targeting a female customer with a strong point of view on home decorating and the enjoyment and comfort of a fragrant home environment. We have brought in a wide variety of these lamps and a wider variety of the oils. Retail prices vary from \$49 to \$179 but some of the limited edition pieces which look like they belong in a museum are in the 000’s.

So guys have the ladies in your house drop by.

Gary, Laura and Ryan McNally were all smiles at the Boat Cruise on August 22. 165 guests enjoyed great cigars, food and drink under a spectacular warm summer night sky. An annual event for sure!



Europe, continued from page 1.

When combined with the fact that the per capita smoking rates of Europeans are 4-8 times that of North Americans, it was only a matter of time before the European cigar market exploded.

Suppliers in at the Las Vegas show noted two separate sales trends in Europe; newer smokers are discovering the flavors and taste of Connecticut shade products, (Macanudo and Ashton can't satisfy the demand fast enough) while experienced cigar smokers are all over many of the new, stronger cigars that North American smokers are currently enjoying.

While no official numbers were available from Habanos SA for Cuban product, existing retail shops in England and Germany remained concerned about what might happen to their allocations should their Eastern European neighbors' demands for Cuban cigars outstrip their own. Yes it is often 3 steps forward and 2 steps back for distributors, but there would be no business at all if it were not for consumer demand. And this demand shows no signs of letting up.

NFL POOL

Islington Golf Club has been running a football pool for 25 years and several of our customers are regular participants. It is a big pool – about 275 participants – which allows for large weekly payouts (\$1,000, \$600 and \$400 each week to 1st, 2nd and 3rd), there is a suicide pool which last year paid \$7,000 to the winner, there are first half, second half and overall winners and a separate playoff pool. Cost \$225 and includes a year end, open bar party. Entries can be made on line to make it easy for you to submit your picks. Let me know if you are interested in a full or half share.



San Cristobal – a great Havana!!

CUBAN CIGARS—BEST RATINGS EVER?

I was not smoking Cuban cigars 25 years ago. But according to those of you who were, the cigars coming out of Havana cigar factories these days harken back to the taste, flavor and strengths of the great Cuban vintages. And once again, even the tasting editors of Cigar Aficionado, who accept zero advertising dollars from Cuban producers, can't resist. "Cuban cigars dominate this tasting" said the editors of the July/August edition where they gave 9 Cuban cigars ratings of 90 or more – more than all the cigars from every other country combined. The trend continues in the current issue (William Shatner cover) where 50 % of the cigars that were awarded a 90 or better come from Cuba.

The editors go on to say "This striking performance from Cuban cigars is even more impressive given the overall strength of this taste test and the overall quality of today's non-Cuban cigars.

The real winners are customers. The industry - both Cuban and non - has not only recovered from the bust years of 4-5 years ago but today is producing cigars which are shattering taste panels and becoming well known around the world.

So whether you prefer Cuban or non-Cuban or some of both, you have never smoked better quality product. Ever!