
Proposed Merger between Scandinavian Tobacco Group and Swedish Match

Submission in support of application for
formal merger clearance (**Submission**)

16 June 2010

PUBLIC VERSION

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Contents

	Page
Part A: Market definition	1
1 Products supplied	1
2 Market definition	1
2.1 Product market	1
2.2 Functional market	3
2.3 Geographical market	4
2.4 Conclusion	4
Part B: Cigars	5
3 Industry structure	5
3.1 Inputs	5
3.2 Manufacture	6
3.3 Wholesale	8
3.4 Distribution	10
3.5 Retail	11
3.6 Regulatory framework	12
3.7 Industry trends	12
4 Competitive assessment	13
4.1 No substantial lessening	13
4.2 Parties' products	14
4.3 Relevant market	14
4.4 Concentration	14
4.5 Proposed divestiture	15
4.6 Existing competitors	15
4.7 Near competitors	16
4.8 Opportunities for entry / expansion	18
Entry	18
Expansion	19
4.9 Countervailing power	25

4.10	Summary and conclusion	27
5	Coordinated market power	29
5.1	Likelihood of collusive behaviour	29
5.2	Detection	30
5.3	Summary	31
	Part C: Pipe tobacco	32
6	Industry structure	32
6.1	Inputs	32
6.2	Manufacture	32
6.3	Wholesale	33
6.4	Distribution	34
6.5	Retail	35
6.6	Regulatory framework	36
7	Competitive assessment	36
7.1	No substantial lessening	36
7.2	Parties' products	36
7.3	Relevant market	36
7.4	Concentration	36
7.5	Existing competitors	37
7.6	Near competitors	38
7.7	Opportunities for entry and expansion	39
7.8	Countervailing power	40
7.9	Summary and conclusion	42
8	Coordinated market power	42
	Part D: Divestiture	43
9	Proposal	43
9.1	Requirements	43
9.2	Divestiture risk	43
10	Transfer	45

10.1	Raw materials	45
10.2	Manufacture	45
10.3	Packaging	46
10.4	Transition / contract or toll manufacturing	46
10.5	Distribution	46
11	Business case	46
	Annexure 1: STG and SM cigar brands	48
	Annexure 2: Global cigar manufacturers	52
	Annexure 3: Post-merger cigar manufacturer shares	54
	Annexure 4: Cigar competitor profiles	55
	Annexure 5: STG and SM pipe tobacco brands & products	58
	Annexure 6: Global pipe tobacco manufacturers	59
	Annexure 7: Post-merger pipe tobacco manufacturer shares	60
	Annexure 8: Existing pipe tobacco competitor profiles	61
	Annexure 9: Potential pipe tobacco competitor profiles	62
	Annexure 10: Trademarks to be divested	64
	Annexure 11: Pacific Cigar product list	65

Part A: Market definition

1 Products supplied

Globally, the Parties supply a range of tobacco and associated products. In New Zealand, the Parties overlap in relation to the importation and wholesale supply of: (i) cigars; and (ii) pipe tobacco.

The products supplied by the Parties in New Zealand are set out in Table 1 below.

Table 1: STG and SM New Zealand operations (2009)

Product	STG	SM
	Volume	Volume
Cigars	[c-i-c]	[c-i-c]
Pipe tobacco	[c-i-c]	[c-i-c]
Fine cut/Roll-your-own tobacco	0***	0
Smokeless tobacco	N/A	N/A
Lights	N/A	N/A
Accessories	N/A	N/A

Source: STG | SM estimates

* This reflects SM's New Zealand sales of cigars manufactured at its overseas facilities. In 2009, SM also supplied a further [c-i-c] cigars manufactured by other overseas cigar manufacturers.

** This reflects SM's New Zealand sales of pipe tobacco manufactured at its overseas facilities. In 2009, SM NZ also supplied a further [c-i-] kgs of pipe tobacco manufactured by other overseas cigar manufacturers.

*** STG expects to launch a RYO product (under the Bali Shag brand name) in New Zealand in June 2010

2 Market definition

2.1 Product market

The Parties submit that the relevant product dimension is the national market for the importation and wholesale supply of cigars and pipe tobacco.

(a) Cigars

The Parties submit that there is a separate product market for cigars.

The Commission has previously considered and accepted that the relevant product market was the market for the importation and wholesale supply of cigars.¹

The Parties submit that any differences in terms of the composition, size, weight, taste, price or image of cigars do not support segmenting the proposed product market. In 2007 in *Decision No. 614: ST Cigar Group Holding BV and British American Tobacco PLC (ST Cigar Decision)*, the Commission observed that:

“Although cigars vary greatly in terms of their size, quality and price, there appears to be no clear point at which to segment this market...

From a demand perspective, it is clear, for example, that a premium quality hand-made cigar (perhaps retailing for more than \$100) would not closely compete with a cheap cigarillo (a small machine-made cigar, possibly retailing for even less than \$1). Notwithstanding this, it is likely that the premium hand-made cigar would compete with other cigars at its price level and in the immediately adjacent price level... This overlapping substitutability between cigars at adjacent quality/price levels would result in a chain of substitutability stretching from the premium cigars to the cheap low quality cigars.

On the supply side, the Commission understands that manufacturers of machine-made cigars can readily switch production between small and large cigars as well as adjust quality levels by changing the set-up of machinery and the inputs that they use (such as tobacco). In addition, these manufacturers are able to have hand-made cigars produced for them on contract.”²

Other merger authorities have also considered this issue and reached the same conclusion, including the Australian Competition and Consumer Commission.³ The European Commission (**EC**) has also not found any further segmentation of the proposed product market to be relevant.⁴

In terms of demand and supply side substitution, the Parties note that:

- *On the demand side:* there is a degree of cross-over by customers between cigars and cigarettes. For example, some cigarette customers may switch from smoking cigarettes to occasionally smoking a cigar.
- *On the supply side:* while adopting a distinct product market for cigars, the Parties consider that any competition analysis should take into account the competitive constraints arising from supply side substitution. Manufacturers of machine made cigars can readily switch production between different types of cigars as well as adjust quality levels by changing the set-up of machinery and the type of tobacco used. Similarly, cigarette companies also have the ability to switch to producing

¹ Commission, *Decision No. 614*, 17 August 2007, paragraph 45.

² Commission, *Decision No. 614*, 17 August 2007, paragraphs 47-49.

³ In its decision clearing the ST Cigar Group's proposed acquisition of certain cigar brands of British American Tobacco, the Australian Competition and Consumer Commission identified a single national market for the supply of cigars. See Scandinavian Tobacco's cigar division, ST Group – proposed acquisition of certain brands of British American Tobacco, 14 August 2007. Available at: <http://www.accc.gov.au/content/index.phtml/itemId/795750/fromItemId/751043>

⁴ See for example, BAT/Rothmans (Case IV/M.1415) of 17 March 1999, Seita/Tabacalera (Case COMP/M.1735) of 3 December 1999, Imperial/Reemtsma (Case COMP/M.2779) of 8 May 2002, Philip Morris/Papastratos (Case COMP/M.3191) of 2 October 2003, BAT/ETI (Case COMP/M.3248) of 23 October 2003, Logista/Etinera/Terzia (Case COMP/M.3553) of 4 October 2004, Autogrill/Altadis/Adeasa (Case COMP/M.3728) of 23 March 2005, JT/Gallaher (Case COMP/M.4424) of 21 February 2007, Imperial Tobacco/Altadis (Case COMP/M.4581) of 18 October 2007. See also, the ECJ judgment in joined cases British American Tobacco and Reynolds Industries v Commission (Joined Cases 142/84 and 156/84).

cigars. As such, supply side substitution is a key feature of the cigar product market, in particular by cigarette manufacturers which have excess capacity and the ability to: (i) leverage off their well-established cigarette brands to introduce cigars to consumers under a familiar brand name; and (ii) leverage off their relationships with retailers to secure shelf-space in retail outlets.

The Parties submit that there is a single market for the importation and wholesale supply of cigars.

(b) Pipe tobacco

The Parties submit that there is a separate product market for pipe tobacco.

On the demand side, the Parties note that consumers use and consume pipe tobacco in different ways to other tobacco products. Pipe tobacco is a wider cut of tobacco than RYO tobacco and is primarily used in the smoking of pipes. Very occasionally a consumer may use pipe tobacco instead of, or with, RYO tobacco for hand-rolled cigarettes.

On the supply side, the Parties note that while different tobacco cuts are used for pipe tobacco, RYO tobacco, cigars and cigarettes, in principle, and given the right configuration a pipe tobacco factory could produce RYO tobacco, cigar filler or tobacco for use in cigarettes. For example, STG currently produces cigar blends at its pipe tobacco factory.

The Parties' proposed market definition is consistent with that adopted by the EC in a number of previous decisions. For example, in its decision allowing the proposed acquisition of Altadis by Imperial Tobacco, the EC noted that it: "...has previously taken the view that the pipe tobacco market should be separate from the RYO market on the basis of different uses on the demand side and different methods of consumption."⁵ The Commission further found that: "...market investigations revealed that competitors and consumers broadly agree that pipe tobacco forms a market separate from other tobacco products."⁶

The Parties submit that there is a single market for the importation and wholesale supply of pipe tobacco.

2.2 Functional market

The relevant functional markets are the markets for the importation and wholesale supply of cigars and pipe tobacco.

Each party manufactures cigars and pipe tobacco overseas and supplies these products to New Zealand customers. STG does not maintain a New Zealand office. Instead, STG supplies cigars to Stuart Alexander, an Australian based importer/wholesaler of tobacco and other fast moving consumer goods. STG's pipe tobacco is also supplied through importers/wholesalers, namely SM and Charles Vella. In contrast, SM, through its wholly owned subsidiary SM NZ, imports and wholesales its own cigar and pipe tobacco brands, as well as cigars and pipe tobacco manufactured by third parties.

⁵ Case COMP/M.4581, Imperial Tobacco/Altadis, paragraph 14. Referring to COMP/M.3248 BAT/ETI

⁶ Case COMP/M.4581, Imperial Tobacco/Altadis, paragraph 15

Accordingly, there is no horizontal overlap between the Parties in the market for the distribution of tobacco products supplied by the Parties. For this reason, the Parties do not consider the relevant market definition to involve the distribution functional level of the market.

2.3 Geographical market

From a geographic perspective, the markets are at least national. In this regard, the Parties note the Commission's conclusion in the ST Cigar Decision that: "All cigars that are sold in New Zealand are imported as there is no domestic production. Further, cigars are relatively high value, low weight and low volume products, thus can be transported within New Zealand at relatively low cost. Accordingly, the Commission is of the view that it is appropriate to define the relevant market as being national in extent."⁷

2.4 Conclusion

The Parties submit that the Proposed Merger should be considered in the context of national markets for the importation and wholesale supply of: (i) cigars; and (ii) pipe tobacco.

⁷ Commission, *Decision No. 614*, 17 August 2007, paragraph 52

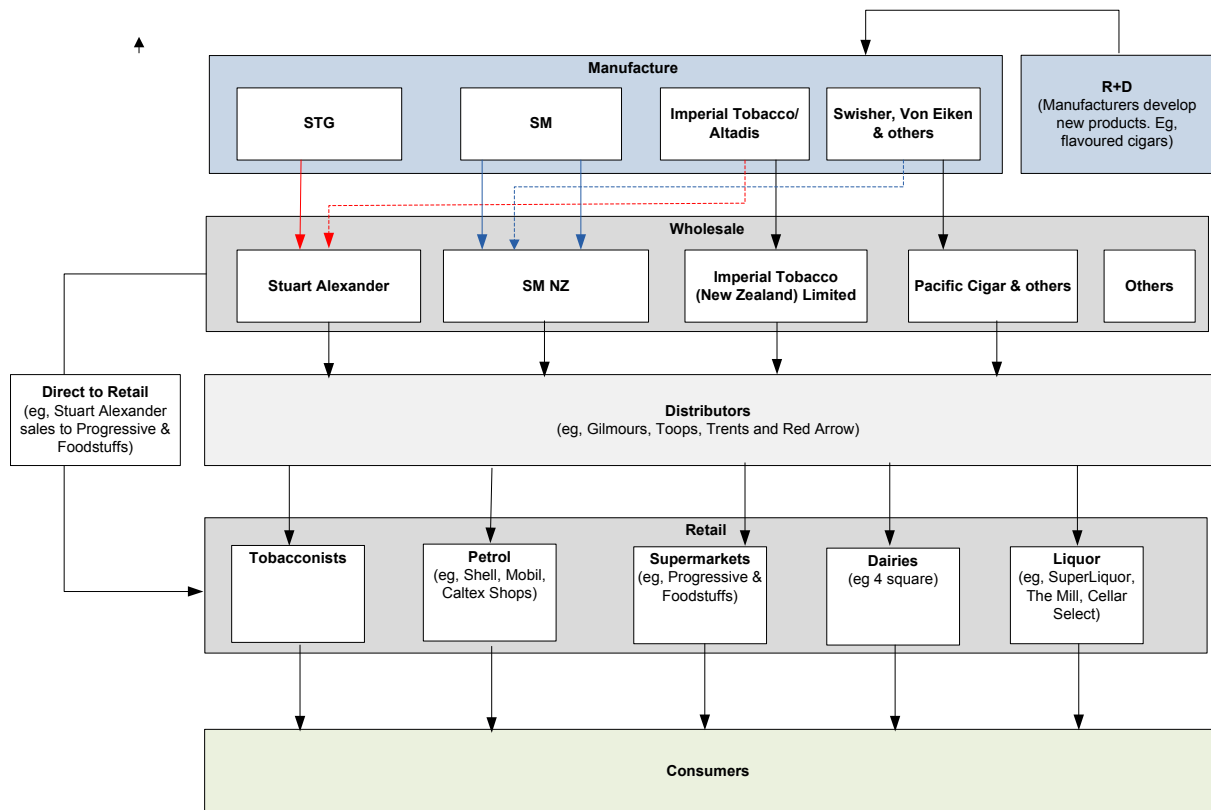
Part B: Cigars

3 Industry structure

The Parties estimate that approximately 9.4 million cigars were sold in New Zealand in 2009.⁸ Worldwide sales of cigars of all types are estimated to be approximately 15 billion cigars annually.⁹ Therefore, New Zealand accounted for just 0.06% of global cigar sales.

Figure 1 below depicts the structure of the cigar industry in New Zealand.

Figure 1: Cigar industry structure



In relation to Figure 1 above, the Parties note that STG currently exports cigars to Stuart Alexander in Australia, where the goods are held under bond. Stuart Alexander then re-exports a portion of the cigars supplied by STG to New Zealand. Similarly, SM currently exports cigars to SM Australia which it then re-exports to New Zealand.

3.1 Inputs

The main upstream activity for cigar manufacturing is tobacco growing and trading. Raw tobacco can be freely purchased from a large number of different tobacco growers or traders throughout the world. Tobacco is grown in significant quantities in a number of countries including China, Brazil, the Philippines, Cameroon, Cuba, the Dominican

⁸ Based on data from the New Zealand Ministry of Health

⁹ <http://www.swedishmatch.com/en/Investors/> select 2009 Annual Report

Republic, Ecuador, Honduras, Indonesia, Mexico, Nicaragua and the USA. The raw tobacco and tobacco leaves used for the various tobacco products are supplied to manufacturers worldwide.

STG is not involved in the growing or wholesale trading of tobacco and buys raw tobacco from a large number of suppliers. SM owns and operates tobacco plantations in the Dominican Republic.

3.2 Manufacture

The manufacture of cigars broadly involves product development, production, marketing and sales support activities.

In terms of production, tobacco leaves must be cured, fermented and sorted before they can be used to produce cigars. Curing refers to the process of drying the tobacco leaves and combined with fermenting, brings out their texture, colour and aromatic characteristics. After curing and fermenting, the leaves are sorted for use in the cigars. Cigar tobacco is generally dark air cured and then rolled manually or by machine. A number of different tobacco leaves and varieties are used in cigars. For example, the filler (ie the middle part of the cigar) is generally made up of a blend of tobacco leaves. The filler is then enclosed in a binder, which is made of whole, coarse tobacco leaves or a ground tobacco sheet. The outer-skin of the cigar (described as the “wrapper”) is usually made of natural tobacco leaves or a tobacco sheet, rolled around the binder.

Cigars may be hand-rolled or machine made. In hand-made cigars, the filler is prepared by folding each tobacco leaf onto-itself. The filler is then surrounded by a course binder leaf and then hand-rolled in the wrapper. Hand-rolled cigars account for around 3% of global cigar volumes.¹⁰

Machine made cigars tend to be smaller, mass market cigars. Machinery is used to cut or shred tobacco for use in the filler blend. The filler is encased in a binder, which may be made up of whole tobacco leaves or ground tobacco sheet. The final step involves spirally over-rolling the binder with a natural tobacco leaf or a ground tobacco sheet.

In relation to manufacturing cigars, suppliers have a couple options, including:

- manufacturing cigars under their own brands in an overseas plant (many suppliers are multinational companies); or
- entering into a contract manufacturing arrangement with another manufacturer having the products manufactured under their brand.

The major international cigar manufacturers and primary brands are listed Annexure 2.

(a) Key New Zealand cigar suppliers

No cigars are manufactured in New Zealand. The Parties estimate that around 9.4 million cigars, valued at approximately \$6.98 million (ex-warehouse) were imported and supplied in New Zealand in 2009.¹¹ Table 2 below lists the major international manufacturers currently supplying cigars in New Zealand and their respective brands.

¹⁰ SM, Annual Report, 2009. Available at <http://www.swedishmatch.com/en/Investors/>.

¹¹ New Zealand Ministry of Health figures. Available at: <http://www.ndp.govt.nz/moh.nsf/indexcm/ndp-tobacco-returns-2009>.

Table 2: Manufacturers supplying cigars to New Zealand

Company (alphabetical)		Brand
1.	British American Tobacco (BAT)	Dunhill
2.	Burger & Söhne	Ritmeester
3.	Carlos Torano	Carlos Torano Reserva
4.	Charles Vella ¹²	Charles Vella ¹³
5.	Habanos / Pacific Cigar ¹⁴	Bolivar, Cohiba, Combinaciones, Cuaba, Diplomaticos, Fonseca, Guantanamera, H Upmann, Habana, Hoyo De Monterrey, Jose L Piedra, Juan Lopez, La Flor De Cano, La Gloria Cubana, La Unica, Montecristo, Partagas, Por Larranaga, Punch, Quai D'Orsay, Quintero, Rafael Gonzalez, Ramon Allones, Rey Del Mundo, Romeo y Julieta, Saint Luis Rey, San Cristobal, San Cristobel De Law Habana, San Diego, Sancho Panza, Sancho Panzas, Tatiana, Trinidad, Upmann, Vegas Robaina, Vegueros, Don Diego, Don Diego European, Flor De Capon, Playboy, Santa Damiana
6.	Imperial Tobacco / Altadis	Hav-a-tampa,
7.	JC Newman	Arturo Fuente, Cuesta Rey, La Unica, Rigoletto
8.	Miami Cigar	Tatiana
9.	Oettinger	Avo XO, Davidoff, Griffins, Winston Churchill, Zino, Zino Classic, Zino Mouton, Zino Plat
10.	Piloto Cigars	Padron, Padron 1964 Anniversary Series
11.	STG	Café Crème, CAO, Colts, Henri Wintermans, Schimmelpenninck, Van Hartog
12.	SM	El Credito, La Paz, Macanudo, Salsa, Stradivarius, White Owl, Willem II
13.	Swisher International	King Edward
14.	Verellen	Alternativos, Real AL
15.	Villiger	Villiger
16.	von Eicken	Candle Light, Don Antonio

Source: STG | SM

As indicated above, excluding STG and SM, there are approximately 14 manufacturers supplying cigars in New Zealand, including significant global competitors such as Imperial Tobacco / Altadis, Oettinger and Swisher International. What this indicates is that a large

¹² Charles Vella trades in New Zealand as Central Tobacco.

¹³ Charles Vella has cigars manufactured for his company, and branded as Charles Vella and these are sold through Moderna.

¹⁴ Habanos S.A. (<http://www.habanos.com>) is a distribution company established to undertake the commercialization of Cuban cigars outside Cuba. Habanos is a 50/50 joint venture between Cubatabaco (Cuban state monopoly) and Imperial Tobacco / Altadis. Cuban cigars are imported in New Zealand through Pacific Cigar New Zealand (<http://www.pacificcigar.com>).

number of international manufacturers already compete to supply their products in New Zealand.

Profiles of the key suppliers in New Zealand are set out in Annexure 4.

3.3 Wholesale

The wholesale segment of the cigar industry is characterised by a range of different business models. Some manufacturers maintain their own importing/wholesale operations while others utilise third parties to import and wholesale their cigars to distributors and/or retailers. Each of Stuart Alexander, SM NZ and Charles Vella:

- wholesales and self distribute cigars and pipe tobacco directly to large retailers (eg Foodstuffs¹⁵ and Progressive Enterprises¹⁶ supermarkets and some liquor stores); and
- wholesales cigars and pipe tobacco to distributors namely, Gilmours¹⁷, Toops¹⁸ and Trents.¹⁹

Suppliers which have their own importing/wholesale operations may supply their products either directly to retailers (eg supermarkets and tobacconists) or to local distributors who then on-sell them to retail outlets. The Parties understand that a number of the major cigarette suppliers, including BAT, Philip Morris and Imperial Tobacco, have their own importing/wholesaling operations in New Zealand.

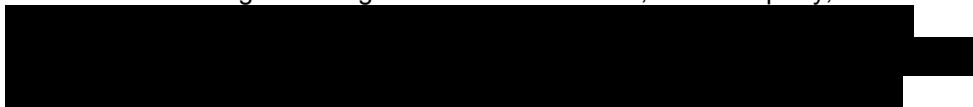
(a) BAT

The Parties understand that BAT currently supplies cigarettes, cigars and other tobacco products through its local subsidiary, British American Tobacco New Zealand (**BAT NZ**). BAT NZ supplies all of its tobacco products directly to retailers and does not use third party distributors to transport its products.

(b) Stuart Alexander

Stuart Alexander imports and wholesales a range of tobacco and other fast moving consumer goods, including food items supplied by Tobasco, illy, Fisherman's Friends and remedies.²⁰

STG sells its cigars to Stuart Alexander under a distribution agreement. Stuart Alexander distributes STG's cigars through a combination of self, and third party, distribution. [C-I-C]



Stuart Alexander's cigar distribution by channel is shown in Table 3 below.

¹⁵ See: <http://www.foodstuffs.co.nz/about-foodstuffs/company-information>.

¹⁶ Progressive Enterprises is wholly owned by Woolworths Limited. See: <http://www.progressive.co.nz/our-company/progressive-enterprises>.

¹⁷ James Gilmour & Co. Ltd is a wholly owned subsidiary of Foodstuffs (Auckland) Ltd (**Gilmours**).

¹⁸ Toops Wholesale Limited is a wholly owned subsidiary of Foodstuffs Wellington Co-operative Society Ltd (**Toops**).

¹⁹ Trents Wholesale Limited is a wholly owned subsidiary of Foodstuffs South Island Ltd (**Trents**).

²⁰ Further information regarding Stuart Alexander is available at: <http://www.stuartalexander.com.au/home.asp>.

Table 3: Stuart Alexander cigar distribution

Retail outlet	Sales distributed by Stuart Alexander (%)	Sales distributed by third parties (%)	Distributor(s) used
[c-i-c]			

Source: STG

Stuart Alexander also has the capability to import and wholesale cigars on behalf of other manufacturers, as evidenced by the fact that it previously supplied Hav-a-tampa and Carlos Torano branded cigars.

(c) SM New Zealand

SM imports and wholesales cigars through its local subsidiary. [c-i-c]

SM NZ's product distribution by channel is shown in Table 4 below.

Table 4: SM cigar distribution

Retail outlet	Sales distributed by SM NZ (%)	Sales distributed by third parties (%)	Distributor(s) used
[c-i-c]			

Source: SM Australia

SM NZ also imports products supplied by other international cigar manufacturers, including Burger & Söhne, Miami Cigar, Oettinger, Villiger and Verrellen.

(d) Pacific Cigar Co (New Zealand) Pty Ltd (**Pacific Cigar**)²¹

Pacific Cigar currently imports a wide range of cigars manufactured by Imperial Tobacco / Altadis and Habanos (eg the Don Diego and Flor de Copan brands). The breadth of Pacific Cigars' business is demonstrated by the long list of products set out in its 2009 Tobacco Return filed with the Ministry of Health (see **Annexure 11** for a list of the products it supplies).

(e) Independent importers / wholesalers

There are a few independent cigar importers/wholesalers operating in New Zealand, namely, the NZ Tobacco Group Ltd, Moderna and Toops & Johnson. For example, Moderna acts as an importer/wholesaler for a number of international cigar manufacturers, including Agio, Esteli and Charles Vella.

The impact of importers/wholesalers on the competitive assessment of the Proposed Merger is discussed in section 4.8(d) below.

(f) Summary

There are a number of wholesalers which import cigars from international manufacturers. The wholesaler is responsible for promoting the cigars it carries to retailers (whether tobacconists or grocery stores). To this end, the wholesaler will arrange for sales representatives to regularly visit and/or phone the various retail outlets to promote its products and take orders. For example, SM NZ employs sales representatives to visit retail outlets on a call cycle ranging between 1 and 6 weeks to promote and introduce new products and procure orders. SM NZ also accepts orders from established customers via SM Australia's call centre in Victoria, Australia.

The Proposed Merger will not affect the cigar wholesale sector in New Zealand.

3.4 Distribution

Distributors obtain cigars and other tobacco products from importers/wholesalers and arrange for them to be on-supplied to retail outlets. Retail outlets such as service stations, tobacconists and convenience stores order their tobacco products from a wholesaler which supplies the products via a distributor. Distributors provide warehousing, "pick and pack" and order tracking services. They may also provide a limited call centre capability to procure and/or generate orders from retail customers such as tobacconists. Product orders are delivered to the retailer by a third party agent (eg DHL).

Figure 2 below depicts the distribution of STG's cigars in New Zealand, and broadly reflects SM's distribution model (with the differences in distribution noted in section 3.3(c) above).

²¹ Fine Cigars in Australia is owned by Pacific Cigars. Pacific Cigars is a company 50% owned by Habanos. Habanos is partly owned by Imperial Tobacco / Altadis. Therefore, Imperial could through Fine Cigars in Australia easily expand its operations.

[C-i-C]

[C-i-C]

The Proposed Merger will not affect the cigar distribution sector in New Zealand.

3.5 Retail

Tobacco products, including cigars, are sold in a number of retail outlets, including:

- supermarkets (eg, Progressive Enterprises and Foodstuffs);
- department stores (eg, The Warehouse, K Mart, and Farmers);
- tobacconists (eg, sole proprietor stores);
- convenience stores and dairies (eg, 4 Square);
- petrol stations (eg, Caltex Startmarts, Shell Select and BP Connect); and
- liquor stores (eg, SuperLiquor, Liquorland, and Cellar Select).

Machine made cigars are primarily sold in petrol stations, convenience stores, supermarkets, tobacconists and on the Internet. Tobacconist shops typically sell a variety of tobacco products as well as other consumer items. Fine (or speciality) tobacconists typically sell handmade cigars where the interaction between the consumer and the cigar expert is important. In addition, a large and growing proportion of handmade cigars are sold through businesses whose primary method of distribution is through mail order and the Internet. Indeed, the Parties understand that tobacconists are increasingly able to obtain Cuban and other handmade cigars from Internet based suppliers.

The cigar manufacturers' (or its agents') relationship with retailers is predicated on the fact that it is the retailer that makes the ultimate decisions as to the prices charged to end customers. In this regard, the retail sector is very price conscious and competitive.

The Proposed Merger will not affect the cigar retail sector in New Zealand.

3.6 Regulatory framework

(a) Importing

The Parties understand that no licences or other approvals are required to import/wholesale tobacco products in New Zealand. Accordingly, there are no legal or regulatory barriers to importing cigars, or other tobacco products, into New Zealand.

(b) Advertising

The advertising and promotion of tobacco products, including cigars, is governed by the *Smoke-free Environments Act 1990* (the **Act**). Section 22 of the Act prohibits the publication of tobacco product advertisements, defined as:

“any words, whether written, printed, or spoken, including on film, video recording, or other medium, broadcast or telecast, and any pictorial representation, design, or device, used to encourage the use or notify the availability or promote the sale of any tobacco product or to promote smoking behaviour...”

Section 23 of Act regulates the display of tobacco products and requires that:

- (a) *no tobacco product exposed for sale is visible from outside the place; and*
- (b) *unless the place of business is a tobacconist's shop, not more than 100 tobacco packages are exposed for sale at any point of sale; and*
- (c) *unless the place of business is a tobacconist's shop, not more than 40 tobacco cartons are exposed for sale at any point of sale; and*
- (d) *not more than 2 tobacco packages of the same kind are exposed for sale at any point of sale; and*
- (e) *not more than 2 tobacco cartons of the same kind are exposed for sale at any point of sale; and*
- (f) *no tobacco package (other than a pouch pack of loose tobacco) with a face that has an area greater than 66 cm² is exposed for sale; and*
- (g) *no pouch pack of loose tobacco with a face that has an area greater than 105 cm² is exposed for sale; and*
- (h) *no tobacco carton with a face that has an area greater than 266 cm² is exposed for sale; and*
- (j) *no tobacco product is exposed for sale on any counter top or similar surface;*
- ...

A “tobacco product” is defined as:

*“any product manufactured from tobacco and intended for use by smoking, inhalation or mastication; and includes nasal and oral snuff...”*²²

3.7 Industry trends

An overseas trend relevant to the assessment of the Proposed Merger is the introduction by cigarette companies of cigars which leverage off an established cigarette brand. Overseas, many of the main cigarette manufacturers have cigar brands that derive from cigarette brands. For example:

- Pall Mall and Dunhill²³ (BAT);

²² Section 2, *Smoke-free Environments Act 1990*

- Chesterfield (Philip Morris International);
- Black & Mild²⁴ (Philip Morris USA); and
- JPS²⁵ and Route 66 (Imperial Tobacco Group).

Globally, the above well recognised cigarette brands have been leveraged to gain market share in the cigar industry.

Furthermore, in recent years a number of well known cigar companies have been acquired by cigarette companies, with the expectation that they can leverage off their expertise in cigarettes to further increase their sales of other tobacco products generally. For example, Philip Morris USA acquired the machine-made cigar company John Middleton Inc in 2008.²⁶ Cigarette companies such as Philip Morris and CNTC (the Chinese state monopoly with the General Cigars brand in China) are leveraging their tobacco brands and cigarette expertise to manufacture and sell cigars in competition with cigar focussed companies such as STG and SM.

4 Competitive assessment

4.1 No substantial lessening

With the proposed divestiture of STG's New Zealand Schimmelpenninck and Van Hartog cigar brands, the Proposed Merger would not be likely to substantially lessen competition in the market for the importation and wholesale supply of cigars because post-merger:

- The divested brands will account for [C-I-C] (by volume) of the market. This places the acquiring firm second to the merged firm (by volume). As such, the Divestiture Package is a highly credible and competitive proposition to the merged firm.
- Significant competitors with market leading products will continue to operate in the market and will constrain the merged firm. In particular, Imperial Tobacco / Altadis (the world's fourth largest tobacco company and the world's largest cigar manufacturer) will be number three in the market. Given, Imperial Tobacco is one of the most significant global tobacco companies, has a large local sales force and has established relationships with retailers it will continue to compete vigorously with the merged firm.
- Customers are sophisticated, well informed about prices and have countervailing power.

In addition, import barriers are low and the threat of expansion by large global cigar manufacturers and/or cigarette manufacturers is a strong constraint on the merged firm.

²³ The Dunhill Signed range of cigars is available globally.

²⁴ The Black & Mild brand is a leading large machine-made large cigar in the US, with a retail market share of approximately 25.3%.

²⁵ JSP stands for John Player Special.

²⁶ Originally, Philip Morris Inc was wholly owned by Altria Group Inc. In 2008, Philip Morris was publicly listed. However, Altria retained control of Philip Morris USA.

4.2 Parties' products

The cigars brands supplied by the Parties are set out in Table 5 below.

Table 5: STG and SM cigar brands

STG brands	SM brands
Henri Wintermans	Willem II
Colts	White Owl
Café Crème	Willem II (Wee Willem)
Schimmelpenninck	El Credito
Van Hartog	Salsa
	Macanudo
	La Paz

Source: STG | SM

In relation to the cigars supplied in New Zealand, the Parties' hand-rolled cigars are mainly made in the Dominican Republic whereas their machine-made cigars (eg Café Crème, Henri Wintermans and Wee Willem II) are manufactured in Europe. A list of the products supplied by STG and SM under each of these brands is set out in Annexure 1.

4.3 Relevant market

As discussed in section 2.1(a) above, the relevant market is the national market for the importation and wholesale supply of cigars in New Zealand.

4.4 Concentration

Table 6 below sets out the post-merger market share by volume and takes into account the proposed divestitures. As can be seen below, the merged firm's post-merger share will be less than STG's current share.

Table 6: 2009 market share (with divestitures)

Manufacturer	Pre merger		Post merger	
	Units	Market share (%)	Units	Market share (%)
SM	[c-i-c]			
STG				
Divested brands				
Imperial Tobacco / Altadis**				
von Eicken				
Burger & Söhne				
Agio				
Swisher International				
Villiger				
Verellen				
Oettinger				

Manufacturer	Pre merger		Post merger	
	Units	Market share (%)	Units	Market share (%)
Miami Cigar			[c-i-c]	
Esteli				
BAT				
Charles Vella				
JC Newman				
Carlos Torano				
Total			9,494,133	100%

Source: Ministry of Health Data | STG | SM

* STG retained brands of [c-i-c] plus divested brands of [c-i-c] equals pre-merger volumes supplied of [c-i-c]

** Cigars can be stored for some time. Thus, a [c-i-c] share in this table does not reflect the fact that cigars were likely supplied by that manufacturer over a longer period as it is common for retailers to hold inventory and carry volumes from prior periods.

A full list of the brands supplied post-merger by the manufacturers listed above and their respective shares is set out in Annexure 3.

Post-merger, the merged firm will face strong competition from at least two competitors with strong market positions, namely the acquirer of the Divestiture Package ([c-i-c] by volume), which will possibly be in addition to a firm's existing market share and Imperial Tobacco / Altadis. In addition, there are at least 13 other competitors in the market including significant global cigar manufacturers such as Oettinger, Swisher International (the second largest cigar company by units manufactured) and Burger & Söhne (which owns the number one cigar brand in Austria, Germany and Switzerland). Taking these factors into account, the Proposed Merger will not result in a substantial lessening of competition in the market for the importation and wholesale supply of cigars.

4.5 Proposed divestiture

The Parties propose to divest STG's Schimmelpenninck and Van Hartog cigar brands. In 2009, these brands accounted for approximately [c-i-c] of cigar sales by volume.

The divestiture of these brands will create or enhance the market position of an acquirer. Given the market share to be divested and acquired by a competing firm, the Proposed Merger will not result in a substantial lessening of competition in the relevant market.

The trademarks to be divested are listed in Annexure 10.

4.6 Existing competitors

A number of significant global manufacturers supply cigars in New Zealand. These global competitors currently and, following the Proposed Merger, will continue to, exert a significant competitive constraint on the merged entity. In particular:

- *Imperial Tobacco / Altadis.*²⁷ Imperial Tobacco is the worlds' largest cigar company and the world's fourth largest tobacco company behind BAT, Philip Morris

²⁷ Imperial Tobacco is sometimes referred to as Altadis. Imperial Tobacco acquired Altadis in 2008.

International and Japan Tobacco International. In 2008, Imperial Tobacco acquired Altadis. In New Zealand, Altadis supplies cigars under the Hav-a-tampa brand name.

- *von Eicken*: von Eicken is an independent company which supplies a range of tobacco products including cigarettes, fine cut/RYO tobacco, cigars, pipe tobacco and other products. von Eicken supplies “Candlelight” branded cigars and cigarillos in New Zealand.
- *Habanos*: Habanos is the world’s leading supplier of premium, hand-made cigars and the only exporter of Cuban cigars. The company supplies a large number of cigar brands in New Zealand, including Montecristo and Romeo y Julieta.
- *Swisher International Inc*: Swisher is the world’s second largest cigar company by units manufactured. Swisher’s King Edward branded cigars are currently supplied in New Zealand through Toops & Johnson.

Following the Proposed Merger existing competitors such as Imperial Tobacco / Altadis, von Eicken and Swisher International which supply brands including Flor de Corpan, Candlelight, and King Edward respectively (ie brands that compete directly with Henri Wintermans, Café Crème and Wee Willem II) will continue to exert a strong competitive constraint on the merged firm. If the merged firm attempted to unilaterally increase prices, it is likely that any of these firms could readily and in a timely manner increase their supplies of competitive products into New Zealand.

Further information on the key cigar manufacturers operating in New Zealand is located at **Annexure 4**.

4.7 Near competitors

There are two important categories of near competitors: (i) the major cigarette companies that currently supply cigarettes to New Zealand (these companies have strong established relationships with the retail sector); and (ii) the major international cigar manufacturers not currently supplying the New Zealand market.

(a) Other New Zealand tobacco companies

In addition to the cigar manufacturers listed above, the merged firm could potentially be constrained by the major cigarette companies operating in New Zealand. Many of the cigarette companies currently manufacture and supply cigars in other countries and could easily import their products into New Zealand. As a result of their New Zealand cigarette operations, these manufacturers often have established and strong relationships with the local retail trade. In the ST Cigar Decision, the Commission recognised that the existence of such relationships could assist a supplier to obtain shelf space for its products and compete in the cigar market. In this regard, the Commission observed:

*“...Industry participants advised the Commission that the primary form of marketing was through the use of “facings” in-store. Facings are the visibility of cigarette and cigar packets on the shelves. Each visible packet is a facing. Each retail outlet organises its own facings. Industry participants advised the Commission that personal relationships between sales representatives and retail outlets were important, in order to influence the number of brand facings visible in-store”.*²⁸

²⁸ Commission, *Decision No. 614*, 17 August 2007, paragraph 68

Philip Morris / John Middleton

Philip Morris International (**Philip Morris**) is a publicly listed international tobacco company headquartered in New York, USA. The company states that it is the most profitable tobacco company in the world and the fourth most profitable international consumer goods company.²⁹ Philip Morris employs more than 77,000 people and operates 60 manufacturing facilities worldwide.

Philip Morris is best known for its cigarette brands, including Marlboro and L&M, which are available in over 160 countries worldwide. In 2009, Philip Morris held approximately 15.4% of the international cigarette market outside the USA and owned 7 of the world's top 15 cigarette brands. Philip Morris also supplies cigarillos under the Chesterfield brand.

Philip Morris USA manufactures and supplies cigars through its wholly owned subsidiary, John Middleton. John Middleton is a leading international supplier of cigars and pipe tobacco and the second largest manufacturer of machine-made large cigars in the USA.³⁰ The company's cigar brands include Black & Mild³¹ (which is the best selling five cigar pack in the USA) and Prince Alberts.³²

In New Zealand, Philip Morris (New Zealand) Limited (**Philip Morris NZ**) supplies a range of cigarettes and RYO tobacco. Philip Morris NZ employs approximately 20 sales staff and uses a local call centre to take and procure orders for tobacco products. These orders are then distributed through a third party (eg DHL).

As far as the Parties are aware, Philip Morris/John Middleton cigars are not currently available in New Zealand. However, the Parties consider that Philip Morris NZ could, in response to the appropriate market signals, import cigar, cigarillos and other tobacco products relatively quickly and easily. It could take advantage of its strong existing relationships with local distributors and retailers to obtain shelf space for its products and compete directly with the merged entity.

Philip Morris could enter the cigar market with its small cigar brand Chesterfield (which is one of its more prominent cigarette brands).

Japan Tobacco International / Gallaher Group

Japan Tobacco International (**JTI**) is a division of Japan Tobacco Inc (**Japan Tobacco**). Japan Tobacco is a publicly owned Japanese company listed on the Tokyo Stock Exchange.

JTI's website indicates that it is the world's third largest tobacco company, with a global market share of 11%.³³ The company employs approximately 23,000 people and has 80 offices and 30 factories worldwide. In New Zealand, JTI is most active in the cigarette market, supplying well-known brands such as Winston (the fastest growing cigarette

²⁹ See http://www.pmi.com/eng/about_us/company_overview/pages/key_facts_and_financial_data.aspx.

³⁰ See http://www.johnmiddletonco.com/en/cms/Company/Market_Information/default.aspx.

³¹ The Black & Mild brand is the second largest selling machine-made large cigar in the US. See http://www.pmus.com/en/cms/Company/Corporate_Structure/default.aspx. The Altria Corporation, which owns cigarettes company Philip Morris USA, paid \$2.9 billion dollars for the cigar manufacturer John Middleton which owned the Black & Mild cigar brand.

³² Further information regarding John Middleton is available at: <http://www.johnmiddletonco.com/en/cms/Home/default.aspx>.

³³ See http://www.jti.com/About/about_history.

brand in the world), Camel and Mild Seven. In 2009, JTI sold 4.2 million Camel branded cigarettes in New Zealand.³⁴

JTI also manufactures and supplies a range of other tobacco products internationally including cigars, RYO tobacco and smokeless tobacco.

In April 2007, JTI acquired the UK based Gallaher Group (**Gallaher**). Gallaher is a global tobacco company, specialising in the manufacture of cigarettes and cigars. The company's key cigar brand is Hamlet. The Parties understand that Hamlet branded cigars and cigarillos are not currently available in New Zealand. However, JTI could commence importing cigars and other tobacco products from its overseas facilities relatively quickly and easily if the merged firm attempted to increase prices or reduce the quality of its products. In this regard, the Parties note the Commission's findings in the ST Cigar Decision that "...Hamlet could be a likely brand to be imported."³⁵

(b) Cigar companies not present / well represented in New Zealand

Chinese cigar manufacturers are not yet present in New Zealand. The Parties understand that Chinese cigar manufacturers are increasingly considering entering the New Zealand market as part of a broader strategy to increase exports.

China currently has the largest cigar production base in Asia.³⁶ The Chinese State Tobacco Monopoly Administration made China Tobacco Chuanyu Industrial Corp (**CTCIC**) responsible for the development of cigar manufacturing in China. According to industry reports, the China National Tobacco Corporation (CNTC) supplies around 99% of the tobacco products sold in China, making it the single largest tobacco manufacturer in the world.³⁷ CTCIC is a leading operator of tobacco industries in Sichuan Province and Chongqing City with the Great Wall and Shipai brands. This province manufactures in excess of 500 million cigars annually.

4.8 Opportunities for entry / expansion

Entry

Overseas cigar and cigarette manufacturers could enter the New Zealand market relatively quickly and easily by entering into a supply agreement with a local importer/wholesaler to import and promote its products. Alternatively, an international manufacturer could establish its own local operation to perform these functions.

For example, John Middleton (owned by Philip Morris USA) could easily enter the New Zealand market. Assuming that John Middleton could make use of the Philip Morris NZ sales organisation and relationships, the Parties consider that entry would be likely, timely and cost effective. In this regard, the Parties note that Philip Morris NZ currently supplies cigarettes in New Zealand, has an established sales force for tobacco products and has strong relationships with the route trade and the large grocery chains.

³⁴ New Zealand Ministry of Health, *JT International SA – Tobacco Return for the 2009 Calendar Year*, page 10.

³⁵ Commission, *Decision No. 614*, 17 August 2007, paragraph 101

³⁶ See <http://tobaccoasia.com/previous-issues/features/34-featured-articles-q1-2009/52-china-the-largest-cigar-production-base-in-asia.html>

³⁷ Scollo, MM and Winstanley, MH [editors], *Tobacco in Australia: Facts and Issues*. Third Edition. Melbourne: Cancer Council Victoria; 2008. Available at <http://www.tobaccoinaustralia.org.au>.

At the same time, many global cigar manufacturers already have a presence in New Zealand and could readily expand their operations in response to an attempt by the merged firm to act unilaterally.

Expansion

The threat of expansion by an existing supplier or by a wholesaler/importer is a real and effective constraint on the merged firm.

(a) Expansion by suppliers

The Parties consider that many of the existing cigar manufacturers present in New Zealand could, in response to appropriate market conditions, such as a price increase by the merged firm, increase the supply of their existing products or introduce new products and thereby expand their New Zealand operations in competition with the merged firm.

The relevant costs are not a barrier to expansion. For example, a supplier could enter into a distribution agreement with a wholesaler. In general, the main expansion costs relate to the costs of employing additional sales staff to promote the firm's products to tobacconists and buyers in the supermarket, petrol station and convenience store channel (assuming distribution is handled by a third party). The total cost per sales person is around [C-I-C] (per annum) and the Parties consider that an existing manufacturer or importer/wholesaler could achieve a reasonable increase in cigar sales by employing as few as 1 or 2 sales representatives to operate in key areas, namely Auckland and Wellington. For example, the Parties understand that Moderna (which supplies Agio branded cigars and a range of other tobacco products throughout New Zealand) currently operates with just 2 employees.

Two firms in particular which have existing New Zealand based sales operations and could expand their share of the cigar market with minimal investment are: (i) BAT; and (ii) Imperial Tobacco / Altadis.

Case Study: BAT

BAT could expand its New Zealand operations relatively quickly and easily. BAT (through its wholly owned subsidiary, BATNZ) currently supplies a small quantity of cigars under the Dunhill brand. Sales of these products account for approximately [C-I-C] (by volume) of the New Zealand cigar market. In Australia, BAT accounts for around [C-I-C] (by volume) of the cigar market. This market position is largely attributable to its sale of miniature machine made cigars under the "Captain Black" brand name. In Australia, in 2009, BAT sold around 14 million Captain Black cigars (ie 5 million cigars more than the entire New Zealand cigar market). The Parties consider that BAT could, in response to the appropriate market signals, commence supplying Captain Black cigars in New Zealand in direct competition with the merged firm. In this regard, the Parties note the Commission's conclusion in the ST Cigar decision that BAT would be very well placed to expand in New Zealand and that BAT could bring its best selling Australian small cigar, the Captain Black, to New Zealand.³⁸

³⁸ Commission, *Decision No. 614*, 17 August 2007, paragraphs 70-71

Case Study: Imperial Tobacco / Altadis

Cigars manufactured in Imperial Tobacco's overseas facilities are imported into New Zealand by Imperial Tobacco New Zealand Limited (**Imperial Tobacco NZ**). Imperial Tobacco has also sold some of its cigars through Stuart Alexander.³⁹

The Parties understand that Imperial Tobacco NZ employs around 29 sales representatives to support and promote its products in New Zealand. Imperial Tobacco does not maintain its own distribution operations, but rather uses third parties to distribute its products to retailers.

Suppliers with existing sales support

Of the tobacco suppliers present in New Zealand, several already have well established local operations with existing sales staff. These are set out in the Table 7 below.

Table 7: New Zealand suppliers with their own importing/wholesale operations

Supplier	Tobacco products supplied in New Zealand	Cigar brands supplied in New Zealand	Own sales force	Own distribution
BAT	Cigarettes, RYO tobacco and cigars	Dunhill	Yes. BATNZ employs around 70 sales staff.	Yes. BATNZ self distributes tobacco products to retailers.
Imperial Tobacco	Cigarettes, RYO tobacco, pipe tobacco and cigars	Hav-a-tampa	Yes. Imperial Tobacco NZ employs around 29 sales staff.	No
Philip Morris International	Cigarettes and RYO tobacco.	N/A	Yes. Philip Morris NZ employs around 20 sales staff.	No

Source: SM Australia

Each of the suppliers listed in Table 7 above have strong relationships with New Zealand retailers and, if the merged firm attempted to increase prices, could use these relationships to obtain shelf space for their cigar products at the expense of the merged firm. The above firms have the sales support (ie dedicated sales staff working to build relationships with tobacconists, and category buyers for supermarket chains operated by Progressive Enterprises or Foodstuffs, petrol stations and convenience stores) such that they could quickly and easily increase the supply of cigar products in response to any attempt by the merged firm to act unilaterally.

(b) Expansion by wholesalers

An existing importer/wholesaler could quickly expand their supply of cigars in competition with the merged firm by entering into a distribution arrangement with a cigar

³⁹ Imperial Tobacco sells/imports its cigars partly through its own organization (IT NZ) and through Stuart Alexander New Zealand. Imperial Tobacco does not have a Cuban range. Instead, Habanos S.A. (<http://www.habanos.com>) is a distribution company established to undertake the commercialization of Cuban cigars outside Cuba. Habanos is a 50/50 joint venture between Cubatabaco (Cuban state monopoly) and Imperial Tobacco / Altadis. Cuban cigars are imported in New Zealand through Pacific Cigar New Zealand (<http://www.pacificcigar.com>).

manufacturer. This approach has been adopted by Stuart Alexander which, in addition to its STG cigar product range, has imported cigars for Imperial Tobacco / Altadis. Table 8 sets out the wholesalers that could easily expand.

Table 8: Importers/wholesalers with established sales forces

Company	Own sales representatives / retail operation
Stuart Alexander	Yes
Pacific Cigar	Yes
NZ Tobacco Group	Yes
Moderna	Yes
Toops & Johnston Limited*	Yes

Source: STG | SM

*Toops & Johnston Limited, while a distributor, also directly imports and wholesales cigars.

The ease with which an importer/wholesaler could expand their share of the cigar market is demonstrated by the fact that there are many global suppliers with equivalent products, and importers/wholesalers often carry products supplied by several manufacturers.

For the importers/wholesalers identified in Table 8 above in particular, the costs of expansion are largely incremental as they already have a sales force to promote their products to retailers and also have established relationships with retailers. For example, Stuart Alexander could, in response to an attempt by the merged firm to increase its price beyond a competitive level, easily expand the volume of competitors' cigars that it carries at the Parties' expense.

Alternatively, an importer/wholesaler could enter into a contract manufacturing agreement with a supplier. Currently, Charles Vella (an Australian based importer/wholesaler trading in New Zealand as Central Tobacco) imports cigars into New Zealand which he has manufactured and branded as Charles Vella cigars. Charles Vella cigars are sold through Moderna. This indicates the ease with which cigars can be obtained and imported into New Zealand.

The ability of importers/wholesalers to expand their presence in the New Zealand cigar industry was confirmed by the Commission's market inquiries in relation to the ST Cigar Decision which indicated: "...that it would be easy for someone with industry knowledge to set up a cigar importing business".⁴⁰

(c) Establishing own operations

A supplier (eg Agio or Oettinger) could expand by establishing its own local operations to import and wholesale supply cigars it manufactures overseas. This is the approach used by BAT, Imperial Tobacco / Altadis and SM (as discussed above).

(d) Access to the wholesale channel

⁴⁰ Commission, *Decision No. 614*, 17 August 2007, paragraph 100

As an alternative to establishing a local sales operation, a new entrant or a supplier expanding their New Zealand operation could supply cigars through a New Zealand based importer/wholesaler. Based on their experience in the New Zealand market, the Parties consider it highly likely that a manufacturer could readily expand its operations through the wholesale channel. In this regard, a manufacturer looking to expand its New Zealand operations: (i) would be able to locate an importer/wholesaler; and (ii) could achieve economic sales of their products provided they ensured adequate sales support for the product (as discussed above).

For example, the Parties understand that von Eicken currently supplies its Candlelight branded cigars (which compete directly with STG’s Café Crème and SM’s Wee Willem cigar brands) through the NZ Tobacco Group. Similarly, Agio supplies its cigars through Moderna.

Based on their experience in the New Zealand market, the Parties consider that a supplier could engage an importer/wholesaler to supply its products at a relatively low cost. A number of firms currently provide importing/wholesaling services to the New Zealand cigar industry, including:

- *Stuart Alexander*: As discussed above, Stuart Alexander imports and wholesales STG’s products under a distribution agreement. STG also regularly imports cigars manufactured by other suppliers, including Altadis and Carlos Torano and could provide wholesaling services to a new entrant.
- *SM NZ*: SM NZ currently acts as an importer/wholesaler for a number of international cigar manufacturers, including STG and Oettinger.
- *Independent importers/wholesalers*: There are also a number of independent importers/wholesalers operating in New Zealand.

Key importers/wholesalers and their brands are listed in Table 9 below.

Table 9: Importers/wholesalers

Importer/wholesaler	Brand supplied	Manufacturer
Pacific Cigar	Don Diego, Flor de Copan, Cuban	Habanos, Imperial Tobacco / Altadis
NZ Tobacco Group	Candlelight	von Eicken
Moderna	Agio	Agio
	Charles Vella	Charles Vella
	Flor de Filipinas, IL Barone, San Antonio, Alteza	Esteli
	Davidoff	Oettinger
Toops & Johnston Limited*	Kind Edward	Swisher International

Source: STG | SM

*Toops & Johnston Limited, while a distributor, also directly imports and wholesales the King Edward brand which is supplied by Swisher International.

As noted above, importers/wholesales often carry products supplied by several manufacturers. As a result, exclusive distribution agreements are not common and therefore do not constitute a barrier to entry or expansion in this industry.

Any of the suppliers listed in Table 9 could provide importing/wholesaling services to a new entrant or existing supplier seeking to expand its share of the New Zealand market. Provided a supplier contributes towards product support to assist the importer/wholesaler promote and market its products and build relationships with retailers, it could achieve a sufficient return in a relatively short time. The ability of suppliers to enter or expand through importers/wholesalers would likely constrain the merged firm from acting unilaterally.

(e) Access to distribution services

Distribution is usually arranged by the local importer/wholesaler. As such, a new manufacturer wishing to enter the New Zealand market would not, ordinarily, be required to obtain distribution services. An existing or new importer/wholesaler wishing to expand its cigar product range could obtain distribution services from a wide range of distributors, including:

- Gilmours;
- Toops;
- Trents; and
- Red Arrow.

In relation to Gilmours, Toops and Trents, these firms purchase cigars wholesale from SM, Stuart Alexander and other wholesalers and then on-sell the cigars to retailers (eg the route and van trade).

As these distributors have regular contact with the “route trade” and other retailers they can assist to promote the suppliers’ products and help suppliers secure shelf space in retail outlets.

(f) Access to the retail channel

The key investment required of an entrant (or a firm expanding its range) is product support. Like any competitor, developing ongoing relationships with retail customers becomes a function of having a product which has been successful overseas, or which could demonstrate a good business case for achieving sales in the local market. In the case of cigars, this is done by having either the firm’s own representatives or its distributor’s representatives visit the route trade and other key account managers to promote its products.

In this regard, the Parties note that the advertising restrictions discussed in section 3.6(b) above only apply to the promotion of tobacco products to end-consumers. Tobacco manufacturers and importers/wholesalers can, and regularly do, promote their products to their customers (eg retail outlets). As indicated above, in the case of tobacconists and convenience stores, this is generally done by visiting or phoning the retail outlet, discussing the product and establishing a relationship with the store owner. For the supermarkets channel (namely, the supermarket chains operated by Progressive Enterprises and Foodstuffs), liquor stores and petrol stations, a manufacturer would need to demonstrate to the relevant category buyer (using product and sales data) that, given the price and/or characteristics (eg size, flavour, etc) of its products, they should be listed by the retailer and with shelf space maintained or even increased for particular products.

Based on their experience in the market, the Parties consider that, by establishing a relationship with the store owner or by providing a category buyer with a credible business case to support its products, a new or existing manufacturer or

importer/wholesaler could have its products listed in supermarkets, liquor stores or petrol stations and allocated shelf space.

(g) Import barriers

Generally, cigars face low import barriers. As outlined above, no licences or other approvals are required to import cigars into New Zealand. Any firm seeking to supply or import cigars into the New Zealand market would have to comply with the applicable tax, advertising and health laws. Based on their experience, the Parties consider that most overseas cigar manufacturers would be able to comply with the regulatory requirements relatively easily. This view was confirmed by the Commission in the ST Cigar Decision. In that decision, the Commission noted that market inquiries confirmed: "...that compliance with the relevant tax, advertising and health warnings was relatively straightforward if you had previous industry experience".⁴¹

In addition, existing suppliers do not enjoy any significant advantages over new entrants (or firms expanding by importing cigars) in terms of their ability to comply with the regulatory requirements. In this regard, the Parties note that the regulatory requirements governing the supply of tobacco products are regularly reviewed and amended. As a result, existing suppliers must regularly review and adjust their operations to ensure they comply with the applicable laws and regulations. In the ST Cigar Decision, the Commission concluded that: "...the continually changing nature of the industry regulations would mean any new entrant would face similar issues as existing competitors. The Commission does not consider these difficulties are specific to new entry".⁴²

(h) History of entry / expansion

There is a history of product launches and innovation in the cigar market. The ability of firms to enter or expand their operations in the cigar market is demonstrated by the fact the Parties have, on various occasions, introduced new products into the New Zealand cigar market.

The Parties' product launches over the last five years are set out in Table 10 below.

Table 10: Cigar product launches in the last 5 years

Launch Date	Product	Wholesaler	Manufacturer
2005	WW Aroma (4,180 in 2006)	SM	SM
2007	Willem Gold 5's	SM	SM
2009	Moments	SM	SM
2009	Colts	Stuart Alexander	STG
2010	Salsa	SM	SM

Source: STG | SM

⁴¹ New Zealand Commerce Commission, *Decision No. 614*, paragraph 84

⁴² New Zealand Commerce Commission, *Decision No. 614*, paragraph 85

4.9 Countervailing power

The Commission's *Mergers and Acquisitions Guidelines* recognise that a firm's ability to exert market power "may be constrained if purchasers were able to exert a substantial influence on the price, quality or terms of supply of the goods or services".⁴³

As outlined in section 3 above, cigars and other tobacco products are supplied through a number of retail outlets, including supermarkets, convenience stores, petrol stations and tobacconists. The breakdown of STG's cigar sales (through Stuart Alexander) to the various retail outlets is set out in Table 11 below.

Table 11: STG (through Stuart Alexander) 2009 cigar sales

Channel	Store	Unit sales (million)	\$ sales (million)
[c-i-c]			

Source: STG

Note: The above "unit sales" differ from the 2009 Tobacco Return for Stuart Alexander as the unit sales by channel include stock imported in previous calendar periods.

The breakdown of SM's cigar sales to the various retail outlets is set out in Table 12 below.

⁴³ Commission, *Mergers and Acquisitions Guidelines*, p 31

Table 12: SM 2009 cigar sales

Channel	Stores	Unit sales (million)	\$ sales (million)
[C-I-C]			

Source: SM

* No products ordered in the 2009 period.

Countervailing power arises where the merged firm faces a buyer which is able to credibly threaten to bypass the merged firm or act in a manner that constrains its conduct. In such circumstances, the existence of countervailing power should act to constrain the ability of the merged firm to increase prices.

The Parties consider that a number of the above customers possess countervailing power and, following the Proposed Merger, would be able to constrain the merged firm by: (i) promoting a competitor; (ii) facilitating new entry by a manufacturer not currently present; and/or (iii) by-passing the merged firm and directly importing cigars (including by purchasing cigars over the Internet).

In relation to the ability of retailers to by-pass the merged firm (ie, point (iii) above), the Parties note that New World (NZ) Ltd (**New World**) directly imported Chinese cigarettes for its supermarkets in 2009. A number of Chinese firms also manufacture and supply cigars. For example, the Parties understand that CTCIC which is the largest cigar manufacturer in China, supplies Great Wall and Schapai branded cigars at very competitive prices. Therefore, if New World wished to import cigars for its supermarkets from its Chinese suppliers, it would be an incremental step which could easily be achieved given that it already directly imports cigarettes.⁴⁴

(a) Petrol stations

As indicated above, the petrol station channel accounts for a significant share of cigar sales.

Given the significant volume of cigars purchased by buyers for petrol station banner groups (eg Shell, Caltex, and BP), these buyers likely have countervailing power and could constrain the merged entity. That is, if the merged firm sought to increase prices above market rates that action could ultimately result in the loss of a significant volume of

⁴⁴ See Annual Tobacco Returns filed by manufacturers and importers for 2009 available at <http://ndp.govt.nz/moh.nsf/indexcm/ndp-tobacco-returns-2009>.

business were Shell, Caltex or BP to cease purchasing the merged firm's products. A threat by these buyers that they would delist the merged firm's products is a very serious and significant constraint on the merged firm.

The Parties also consider that these buyers could, if they removed the merged firm's products, fill the resulting shelf space with equivalent products from a range of global suppliers (ie the suppliers listed in Table 2 above would be able to supply equivalent products).

(b) Tobacconists / retailers

A significant portion of STG's cigars are supplied to tobacconists. The tobacconists channel essentially comprises owner-operated stores. Despite the fact that tobacconists largely place individual product orders, this channel can still credibly threaten to by-pass the merged firm. Bypass could involve importing their product requirements via the Internet. For example, a good tobacconist may only sell around 1200 tins of Café Crème a year. This volume of cigars could easily be ordered at a comparative price via the Internet and shipped by DHL to the Tobacconist. The Parties consider that Tobacconists are able (and do threaten to) by-pass them and purchase from an independent wholesaler other than Stuart Alexander or via the Internet.

As discussed above, tobacconists increasingly obtain cigars from Internet based suppliers. In the Parties' experience, tobacconists often refer to the fact that cigars are available at a lower price on the Internet in order to encourage local importers/wholesalers to discount their prices. This is likely to continue following the Proposed Merger such that if the merged entity attempted to raise prices, tobacconists could credibly threaten to obtain competing products over the Internet.

The ability of tobacconists and retailers to by-pass the merged firm is further evidenced by the fact that in 2009 DFS Galleria NZ Ltd (**DFS**), which supplied duty free goods in various retail locations throughout New Zealand, directly imported cigarettes and cigars (eg Davidoff and Montecristo cigars) from overseas suppliers.⁴⁵ DFS' Annual Tobacco Return for 2009 shows it directly imported cigars in addition to the cigars it purchased from other wholesalers, including SM NZ.⁴⁶

Given the volume of cigars sold through the tobacconists channel, and the importance of tobacconists as the main customer interface and source of information about different product attributes (eg taste, aroma, etc), tobacconists potentially have a degree of countervailing power.

4.10 Summary and conclusion

First, the merged firm will continue to be constrained by strong existing competitors.

The acquirer of the divested products and Imperial Tobacco / Altadis will continue to compete vigorously with the merged firm. In particular, the divested brands are well known, popular and have established retail customers.

⁴⁵ See Annual Tobacco Returns filed by manufacturers and importers for 2009 available at <http://ndp.govt.nz/moh.nsf/indexcm/ndp-tobacco-returns-2009>.

⁴⁶ The Parties note that DFS Galleria NZ Ltd no longer holds the duty free concession. As a result, it is unclear whether it will import cigars and other tobacco products in 2010. However, this does not alter that fact that retailers can, if they wish, directly import cigars from overseas suppliers.

In addition, the merged entity will continue to be constrained by other existing international tobacco manufacturers and local importers/wholesalers and distributors. As discussed in section 4.6 above, the New Zealand cigar market is currently subject to competition from a number of global manufacturers, including Burger & Söhne, BAT, von Eicken, Swisher International and others.

Secondly, entry or expansion is feasible and likely to be timely.

There are also a number of large cigarette companies, including Philip Morris and JTI, which manufacture and supply cigars overseas. These companies are well known to New Zealand retailers and consumers and could use their strong position in the cigarette industry as a basis from which to enter the cigar market.

Otherwise, existing suppliers (eg Imperial Tobacco / Altadis and Swisher International) have significant international operations and could easily and quickly expand their supply of cigars in New Zealand if the merged firm attempted to raise prices.

The costs and time associated with expansion vary and depend on a number of factors such as whether the supplier is established in New Zealand or has an established cigar brand it can bring to New Zealand.

For manufacturers that already have an established presence in New Zealand, entry is likely to be relatively simple. Such companies have established relationships with importers/wholesalers, distributors and/or retailers and could introduce, and obtain shelf space for, new products relatively easily and cheaply. The Parties estimate that with a commitment to marketing and promoting products locally (eg employing dedicated sales representatives) a reasonable increase in volumes and profit could be achieved within 6 months. As indicated above, the total cost per sales person would be around [C-I-C] per annum and, depending on staffing levels, a manager may cost around [C-I-C]. A new or existing manufacturer could achieve a reasonable volumes and profits by employing as few as 2 sales representatives in key regions. (In the ST Cigar decision, the Commission concluded that a new entrant could start with as few as 3 sales representatives.⁴⁷) If required, the person employed as a manager would be responsible for key account management (eg Shell, BP, Caltex and the supermarkets). The manager would also fulfil a sales management role. The sales representatives would be responsible for visiting independent tobacconists and other independent retailers. Tobacconist across the country would be serviced on a frequency ranging from one to every six weeks and others (eg category buyers) would only need to be serviced on a quarterly basis. The costs associated with employing sales representatives are not a barrier to entry, but rather a necessary marketing cost incurred in the industry.

The level of product promotion and support will also vary depending on the nature of the products involved. Internationally established products are likely to require less promotion. As a result, a manufacturer supplying an established cigar product would need no, or only a small, sales network to promote its products to retailers. Similarly, a manufacturer with an established presence in New Zealand (eg Philip Morris) could more easily establish relationships with retailers and could therefore introduce, and obtain shelf space for, new products and incur lower costs doing so.

Thirdly, the barriers to importing cigars are low.

Fourthly, the merged entity will be constrained by the countervailing power of buyers.

⁴⁷ New Zealand Commerce Commission, *Decision No. 614*, paragraph 83

Category buyers for the petrol station channel are able to exercise countervailing power by credibly threatening to by-pass the merged firm and acquire products from alternative suppliers. The volume of cigar sales that this channel represents will likely successfully constrain unilateral pricing conduct by the merged firm.

Finally, retailers (in particular tobacconists) are unlikely to accept unilateral price increases by the merged firm.

In this context, the Parties note that the manufacturers' relationship with the retail sector is predicated on the fact that retailers are very price conscious and make the ultimate decisions as to the prices at which they supply products to end customers. Therefore, if the merged firm unilaterally increased its cigar prices, the increase would not be sustainable (ie profitable) because the retail sector is highly price competitive. That is, retailers would seek to by-pass the merged firm purchasing over the Internet or from alternative suppliers with equivalent products.

5 Coordinated market power

The Commission's *Mergers and Acquisitions Guidelines* identify three key ingredients which are necessary for successful coordination between competing firms.⁴⁸ These are: collusion, detection and retaliation. The Commission also refers to the factors it considers in assessing the likelihood of each of these factors arising in a particular market.

5.1 Likelihood of collusive behaviour

As discussed in section 4.8 above, barriers to entry or expansion in relation to cigars are low. There are no significant regulatory or other statutory requirements limiting the importation and supply of tobacco products in New Zealand. In terms of access to wholesaling and distribution services for tobacco products, these are also not a barrier to entry or expansion. While advertising tobacco products is regulated, that barrier applies to existing and potential competitors. In addition, there are a large number of fringe competitors (including significant overseas cigar suppliers and tobacco companies) which could enter or expand their New Zealand operations relatively quickly and easily. As outlined in section 4.7 above, there are numerous tobacco product suppliers with significant international operations and strong relationships with New Zealand based importers/wholesalers, distributors and retailers. These suppliers have a strong base from which to enter the New Zealand cigar market and/or expand their operations.

The low barriers to entry or expansion and the existence of a number of large overseas suppliers with the ability to quickly enter and/or expand their operations indicates that it would be difficult for any firm to act collusively. The profits associated with collusive behaviour would encourage entry or expansion thereby defeating any collusive conduct.

In relation to the specific factors identified in the Commission's *Mergers and Acquisitions Guidelines*, the Parties note the following:

- *High seller concentration*: The Parties recognise that the cigar market is relatively concentrated. However, the Proposed Merger with divestitures may reduce concentration (measured on an HHI basis), depending on the identity of the acquirer. Further, following the Proposed Merger there will continue to be around

⁴⁸ Commission, *Mergers and Acquisitions Guidelines*, p 33

13 cigar manufacturers importing their products into New Zealand. Some of the cigar manufacturers will have a significant competing market share, for example Imperial Tobacco / Altadis and the purchaser of the Divestiture Package ([C-I] of cigars sold).

- *Static production technology:* The Parties recognise that production technology is largely static. However, no cigars are produced in New Zealand with all cigars being imported.
- *Slow speed of new entry:* As discussed in sections 4.8 and 4.10 above, the Parties consider that it is likely that a supplier with established New Zealand operations (eg, Philip Morris or other existing cigarette companies) or another internationally recognised supplier could enter or expand within 2 years. Similarly, a local importer/wholesaler could in a timely fashion enter into a contract / toll manufacturing arrangement with an overseas cigar manufacturer to supply cigars under its own brand in New Zealand. Relevantly, Charles Vella currently supplies an own brand cigar in New Zealand which he has manufactured overseas. Contract or toll manufacturing is common in the cigar industry.
- *Lack of fringe competitors:* There are a number of fringe competitors that could easily enter or expand their presence in the New Zealand market.
- *Acquisition of a maverick business:* The Proposed Merger will not eliminate a maverick business. In fact, the Parties note that SM's New Zealand cigar sales have declined in recent years, falling from over [C-I-C] cigars in 2007 to less than [C-I-C] cigars in 2009.
- *Price inelastic market demand:* The Parties consider that tobacco retailers and consumers are price sensitive and not price inelastic.
- *History of anti-competitive behaviour:* There is no history of anti-competitive conduct by the Parties in New Zealand.
- *Characteristics of buyers:* For the reasons set out in section 4.9 above, the Parties consider that certain retail buyers are able to exercise strong countervailing power and would be able to constrain any attempted unilateral conduct by the merged firm.
- *Excess Capacity:* The Parties understand that many suppliers have excess manufacturing capacity and therefore the incentive to win market share from their competitors in order to increase the utilisation of their existing manufacturing capacity and reduce costs.

5.2 Detection

The characteristics of the New Zealand cigar market are such that collusive conduct would be readily detectable. As retailers are sensitive to price changes, any increase in the price for cigars will be vigilantly reviewed and any suspicion of collusive conduct would be reported. Other factors present in this industry which typically improve the detection of collusive conduct are that cigar sales are frequent, typically low value and prices largely transparent.⁴⁹

⁴⁹ The New Zealand Ministry of Health publishes tobacco returns by firms involved in the sale of tobacco in New Zealand. The returns which contain product specific data reflect the price of the products sold.

5.3 Summary

In relation to cigars, the Proposed Merger does not make collusive coordination more likely. Post merger, taking into account the proposed divestitures, there will be three other strong competitors to the merged firm (ie the acquirer of the divested brands, Imperial Tobacco / Altadis and von Eicken), the potential for entry or expansion is likely, and any attempt to collude would be undermined by the likely entry or expansion of competitors and the detection and reporting by highly price conscious retailers. Therefore, the Proposed Merger does not materially enhance the prospects for any form of coordination between businesses in the cigar or pipe tobacco market such that it could be said to be likely to result in a substantial lessening of competition.

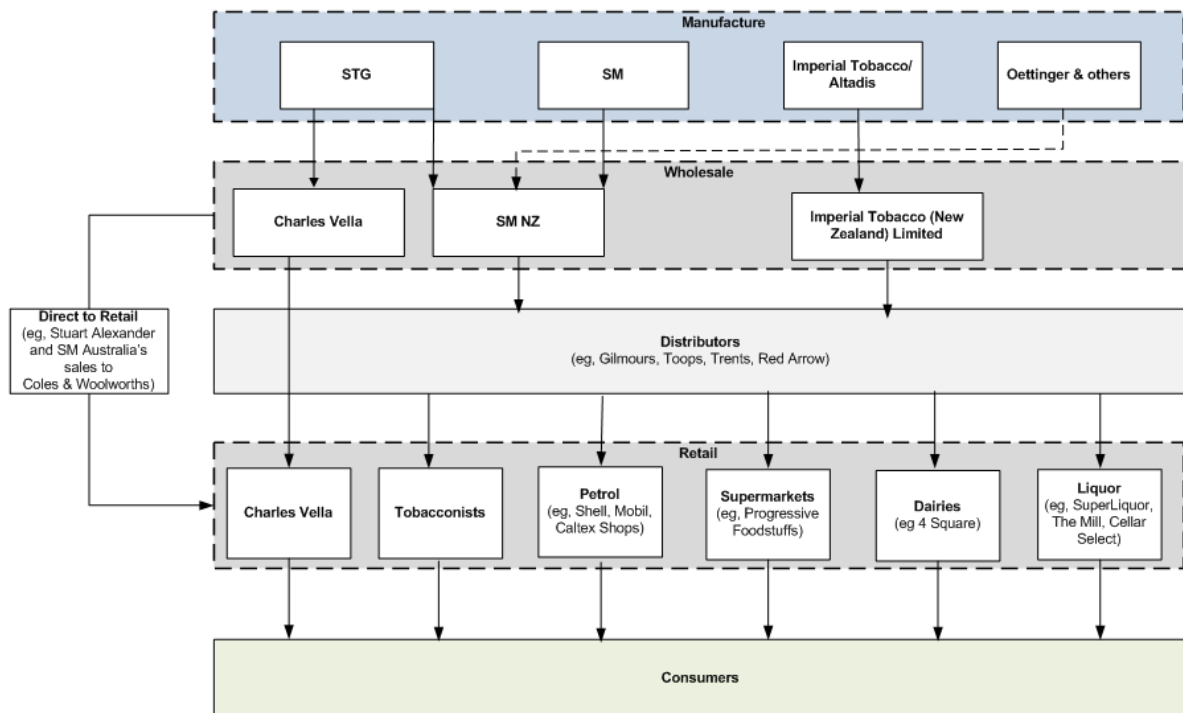
Part C: Pipe tobacco

6 Industry structure

Globally, around 9,141 tonnes of pipe tobacco are produced each year, with a value of approximately \$274 million. In New Zealand, approximately 4,895 tonnes of pipe tobacco, or 0.054% of global product, were sold in 2009.

In New Zealand, pipe tobacco is supplied in broadly the same way as other tobacco products (including cigars). The supply of pipe tobacco in New Zealand is illustrated in Figure 3 below.

Figure 3: Structure of the pipe tobacco industry



In relation to Figure 3 above, the Parties note that STG currently exports pipe tobacco to SM Australia in Australia, where the goods are held under bond. SM Australia then re-exports a portion of the pipe tobacco supplied by STG to New Zealand. Similarly, SM currently exports pipe tobacco to SM Australia which then re-exports to New Zealand.

6.1 Inputs

As with cigars, the main input into pipe tobacco is raw tobacco leaves. As noted in section 3.1 above, raw tobacco is available from tobacco growers and traders in countries including Brazil, China, Cuba, the Dominican Republic, Ecuador, Honduras, Indonesia, Mexico, and the Philippines.

6.2 Manufacture

Pipe tobacco is produced by cutting and drying cured tobacco leaves. Depending on the type of pipe tobacco produced, the manufacturer may also add flavouring to the cured tobacco leaves before they are cut and processed.

As with other tobacco products, a supplier may choose to manufacture pipe tobacco in its own facilities and/or purchase pipe tobacco from another manufacturer. Potentially, a supplier may purchase bulk tobacco or semi-packaged products and repack/rebrand it either locally or overseas.

The major international pipe tobacco manufacturers and their brands are listed in Annexure 6.

(a) New Zealand

The Parties estimate that approximately 4,895 kilograms of pipe tobacco was supplied in New Zealand in 2009.

Like cigars, all pipe tobacco supplied in New Zealand is imported from overseas manufacturers. Overseas pipe tobacco manufacturers currently supplying New Zealand and their respective brands are set out in Table 13 below.

Table 13: Manufacturers supplying pipe tobacco to New Zealand

Overseas manufacturer		Trademark
1	Imperial Tobacco ⁵⁰	Amphora
2	Oettinger	Davidoff
3	STG	Erinmore, Skandinavik and WO Larsen
4	SM	Borkum Riff

Source: STG | SM

6.3 Wholesale

The importation and wholesale supply of pipe tobacco in New Zealand is similar to that for cigars (see section 3.3 above).

Overseas manufacturers may supply pipe tobacco through their own and/or third party importing/wholesale businesses. For example, the Parties understand that Imperial Tobacco currently operates a local subsidiary in New Zealand which imports pipe tobacco produced at its factories and supplies it directly to retailers and/or distributors. Other manufacturers, such as Oettinger, supply their pipe tobacco to a local importer/wholesaler (ie SM NZ). The local importer/wholesaler is responsible for promoting the products and arranging for them to be sold and distributed to retailers. As with cigars, the importer/wholesaler may supply pipe tobacco directly to retailers and/or use local distributors to provide transportation services. Some distributors such as Gilmours, Toops and Trents, which purchase pipe tobacco from wholesalers, use their own sales network to sell to retailers and then distribute the products.

Key pipe tobacco wholesalers are discussed below.

⁵⁰ Imperial Tobacco, as discussed, imports a wide range of tobacco products including cigarettes and has a large local sales force and strong established relationships with retailers.

(a) STG

STG currently supplies Erinmore branded pipe tobacco to SM Australia which is then re-exported to New Zealand. In New Zealand, SM NZ imports and wholesales Erinmore branded pipe tobacco to local distributors and retailers.

STG also supplies WO Larsen and Skandinavik branded pipe tobacco to Charles Vella in Australia, which then re-exports it to New Zealand. (See the discussion below regarding Charles Vella.)

(b) SM

SM uses its wholly owned subsidiary – SM NZ – to import and wholesale its pipe tobacco products in New Zealand. SM Australia also imports and wholesales pipe tobacco supplied by other overseas manufacturers, including Oettinger's Davidoff range.

(c) Charles Vella

Charles Vella, which trades as Central Tobacco,⁵¹ is an Australian/New Zealand importer/wholesaler which supplies a range of tobacco products including pipe tobacco in New Zealand. In Australia, Charles Vella imports pipe tobacco manufactured by STG and then resupplies it under Charles Vella's own "Pipeman" brand name in Australia and New Zealand. Apart from repackaging and branding STG supplied pipe tobacco, Charles Vella also sells some STG owned brands, namely WO Larsen and Skandinavik. Over the last 3 years the split between Charles Vella rebranded pipe tobacco and STG owned brands pipe tobacco supplied to the market was around [C-I-C].

The Proposed Merger will not affect the import/wholesale sector of the New Zealand pipe tobacco industry.

6.4 Distribution

As outlined above, importers/wholesalers may supply tobacco products, including pipe tobacco, either directly to retailers or through distributors.

SM NZ supplies imported pipe tobacco to retailers through a combination of self, and third party, delivery. [C-I-C]

[C-I-C] The breakdown of SM's pipe tobacco distribution to the various retail outlets is shown in Table 14 below.

⁵¹ See <http://www.centraltobacco.com.au/index.php>

Table 14: SM NZ distribution of Erinmore branded tobacco

Retail outlet	Sales distributed by SM NZ (%)	Sales distributed by third parties (%)	Distributor(s) used
[c-i-c]			

Source: SM estimates

In general, the distributors servicing the pipe tobacco importers/wholesalers are the same as those which distribute cigars. Distributors, which provide “pick and pack” services for the route trade, supermarket and convenience stores operating in New Zealand include:

- *Gilmours*: Gilmours is New Zealand’s largest food and liquor distributor, supplying over 10,000 products.⁵² Gilmours supplies a range of pipe tobacco products, including Imperial Tobacco’s Amphora and STG’s Erinmore brands. Gilmours is owned by a Foodstuffs Coop.
- *Toops*: Toops Wholesale Limited is a business to business wholesaler covering the Lower North Island of New Zealand. The company is a wholly owned subsidiary of Foodstuffs Wellington Coop Society Limited.
- *Trents*: Trents is also owned by a Foodstuffs Coop and operates in the South Island.

In addition to the above distributors, firms such as Red Arrow also provide distribution services and Toll and DHL provide third party logistics and delivery services.

The Proposed Merger will not affect the pipe tobacco distribution sector in New Zealand.

6.5 Retail

Pipe tobacco is sold in a variety of retail outlets, including: tobacconists (eg, Havana House, Mainstreet Barbers, Nickys Cheap Smokes and Now & Then); petrol stations (eg, Shell, Mobil and BP stores); convenience stores and dairies (eg, 4 Square); supermarkets (eg, New World and Pak N Save); and liquor stores (eg, SuperLiquor, the Mill, Cellar Select).

The Proposed Merger will not affect the retail sector in New Zealand.

⁵² <http://www.gilmours.co.nz/t-aboutus.aspx>

6.6 Regulatory framework

The regulatory framework governing the supply of pipe tobacco is the same as that applying to other tobacco products, including cigarettes and cigars. This regime is discussed in section 3.6 above.

7 Competitive assessment

7.1 No substantial lessening

The Proposed Merger will not have the effect, or likely effect, of substantially lessening competition in the market for the importation and wholesale supply of pipe tobacco. Following the Proposed Merger, STG will continue to be subject to a number of competitive constraints, including:

- competition from existing international pipe tobacco manufacturers, including Imperial Tobacco and Oettinger;
- potential competition from other international manufacturers not currently supplying pipe tobacco in New Zealand;
- expansion by imports/wholesalers already supplying other tobacco products which could easily and in a timely fashion supply pipe tobacco in competition with the merged firm under appropriate market conditions; and
- the countervailing power of certain customers, eg petrol station and supermarket category buyers.

7.2 Parties' products

Both STG and SM only supply a limited pipe tobacco product range in New Zealand.

In 2009, STG supplied just one brand of pipe tobacco, namely Erinmore, in New Zealand. Erinmore branded pipe tobacco is manufactured at STG's manufacturing plant in Denmark and exported to SM Australia. SM Australia then re-exports approximately half of the pipe tobacco it imports from STG to SM NZ in New Zealand. As noted above, STG also supplies a limited volume of its WO Larsen and Skandinavik branded pipe tobacco to Charles Vella.

SM currently only supplies Borkum Riff branded pipe tobacco in New Zealand. Borkum Riff pipe tobacco is manufactured by Mac Baren in Denmark and imported into Australia by SM Australia. (As noted above, SM Australia then re-exports Borkum Riff pipe tobacco to New Zealand).

A full list of the products supplied by STG and SM under these brands is set out in **Annexure 5**.

7.3 Relevant market

As outlined above, the relevant market is the national market for the importation and wholesale supply of pipe tobacco in New Zealand.

7.4 Concentration

Table 15 below shows the post merger market shares of each international manufacturer currently supplying pipe tobacco to New Zealand.

Table 15: Post merger concentration levels

Manufacturer	Pre merger		Post merger	
	Sales volume (kg)	Share (%)	Sales volume (kg)	Share (%)
STG	[C-I-C]	[REDACTED]	[REDACTED]	[REDACTED]
Swedish Match	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Imperial Tobacco			[REDACTED]	[REDACTED]
Oettinger			[REDACTED]	[REDACTED]
TOTAL			4,896	100%

Source: Ministry of Health Data | STG | SM

[C-I-C]
[REDACTED]

A rationale for the merger is to improve the Parties' global economies of scale. As indicated in the table above, the Parties supply a mere [C-I-C] of pipe tobacco annually. Therefore, in New Zealand, while the merger results in an aggregation in the pipe tobacco market, given the small volume of pipe tobacco involved, any one of a number of global suppliers could easily supply [C-I-C] of at least equivalent products. Indeed, at these volumes retailers (eg tobacconists) could simply fulfil their requirements by ordering from suppliers operating through the Internet.

A full list of the various manufacturers' pipe tobacco brands and their market shares is provided in **Annexure 7**.

7.5 Existing competitors

In addition to the Parties, two other significant global manufacturers currently supply pipe tobacco in New Zealand, namely:

- *Imperial Tobacco*: Imperial Tobacco is a leading global supplier of tobacco products, including cigarettes, cigars and pipe tobacco. In New Zealand, Imperial Tobacco supplies pipe tobacco under the "Amphora" brand name. This brand is well recognised internationally and competes directly with STG' Erinmore and SM's Borkum Riff products.
- *Oettinger*: Oettinger is a Swiss company which supplies pipe tobacco under the Davidoff brand name. As indicated above, Oettinger also supplies a range of cigars (under brand names including Davidoff, Winston Churchill, AVO and Zino) in New Zealand. Its brands are recognised as being a premium pipe tobacco product.

Further information regarding these pipe tobacco manufacturers is set out at section 7.6 below and in **Annexure 8**.

Globally, both Imperial Tobacco and Oettinger have a significant presence in the pipe tobacco product market and the ability to compete strongly and vigorously with the merged firm. In particular, Imperial Tobacco's New Zealand subsidiary (Imperial Tobacco NZ) currently employs around 29 sales staff to visit New Zealand based retailers and promote its products which include well known cigarette brands such as Benson &

Hedges. As a result, Imperial Tobacco has established relationships with the route trade and category buyers for the supermarkets, liquor stores and petrol stations and therefore could supply its Amphora branded pipe tobacco and/or introduce new products in a timely manner if the merged firm attempted to unilaterally increase pipe tobacco prices. Given its significant global operations, Imperial Tobacco possesses the necessary production facilities, expertise and resources to compete sustainably with the merged firm.

Following the Proposed Merger, Imperial Tobacco (supplying Amphora pipe tobacco) and Oettinger (supplying Davidoff pipe tobacco) will continue to exert a strong competitive constraint on the merged entity.

7.6 Near competitors

In addition to the competitors listed in section 7.5 above, there are also a number of other international pipe tobacco manufacturers that are not currently present in New Zealand.

The following firms have well established pipe tobacco brands, the capability and the products to enter the New Zealand market in response to appropriate market conditions:

- BAT;
- John Middleton (Philip Morris);
- Pöschl;
- Mac Baren;
- JTI; and
- von Eicken.

Profiles of the key overseas manufacturers not currently supplying pipe tobacco in New Zealand are set at Annexure 9.

Although not currently supplying the New Zealand market, each of the above manufacturers could, in response to the appropriate market signals, import pipe tobacco into New Zealand. Relevantly:

- In Australia, JTI supplies Gallaher's popular Irish Cake pipe tobacco brand. Potentially, Gallaher's Irish Cake pipe tobacco brand could be introduced to New Zealand whether through an importer/wholesaler or by establishing a local business. As JTI already supplies its popular Camel branded cigarettes to New Zealand, the addition of its pipe tobacco brands would be relatively straightforward.
- Pöschl has previously expressed an interest in supplying pipe tobacco in Australia and New Zealand.
- Both BAT (through BAT NZ) and von Eicken currently supply other tobacco products, including cigars (and, in the case of BAT, cigarettes) in New Zealand. Both companies have existing relationships with local distributors, retailers and category buyers and could use these relationships to obtain shelf space for their products and compete directly with the merged entity.

These manufacturers (with their well-established pipe tobacco brands) could enter the New Zealand market relatively quickly and easily. In this regard, the Parties note their view (expressed in section 4.8(f) above) that internationally established products generally require little promotion in order to be accepted and stocked by New Zealand retailers. The key costs involved in introducing the product into New Zealand are the

costs of engaging a wholesaler to import the products and arrange for their distribution and promotion to retailers (discussed in section 7.7(b) below). These costs are unlikely to be significant and, in any case, are a necessary cost of doing business in the industry.

7.7 Opportunities for entry and expansion

The factors discussed in section 4.8 above with respect to entry and expansion in the New Zealand cigar market also apply to the supply of pipe tobacco.

(a) Entry

An overseas pipe tobacco manufacturer could enter the New Zealand market by establishing its own local operations to import/wholesale pipe tobacco manufactured at its overseas facilities. This approach is employed by Imperial Tobacco and SM, which currently import pipe tobacco through their wholly owned subsidiaries.

Alternatively, an overseas manufacturer could enter into a distribution arrangement with a local importer/wholesaler for the supply of its products in New Zealand. Moderna or the NZ Tobacco Group may be prepared to distribute pipe tobacco for overseas manufacturers.

(b) Expansion

The Parties consider that Imperial Tobacco in particular could easily and quickly expand its supply of pipe tobacco into New Zealand. Imperial Tobacco has a well known pipe tobacco brand and the capability to easily increase its supplies of pipe tobacco in response to an attempt by the merged firm to price unilaterally.

Similarly, an existing importer/wholesaler such as Moderna or the NZ Tobacco Group could expand its supply of pipe tobacco relatively quickly by entering into a distribution arrangement with an overseas manufacturer. Moderna is based in Lower Hutt on the lower North Island and currently distributes cigars on behalf of Agio. The Parties are not aware of whether or not Moderna currently distributes pipe tobacco in New Zealand. However, given that it is already active in the distribution of other tobacco products, including cigars, it could easily and quickly expand its operations to include pipe tobacco.

Based on their experience in the New Zealand market, the Parties consider that an existing supplier (eg Imperial Tobacco) or an importer/wholesaler (eg Moderna) could achieve a significant increase in pipe tobacco sales by investing in product promotion and support. In the case of an importer/wholesaler, they would be assisted by product support (eg price discounts) provided by the overseas supplier.

In relation to expansion, the Parties note the following:

- The key investment required of a supplier wishing to enter and/or expand its supply of pipe tobacco is product support and promotion. By employing additional sales representatives to visit stores, an existing (or new) pipe tobacco supplier could develop new and/or stronger relationships with store owners and achieve increased sales.
- The costs associated with employing additional sales representatives are likely to be relatively low. Based on their experience, the Parties estimate that a new sales representative could be employed at a cost of around [C-I-C] per annum. Given the product and relative volumes in New Zealand, the Parties consider that between 1 and 2 dedicated sale staff would be sufficient and profitable.

- Pipe tobacco prices are transparent. The New Zealand Ministry of Health publishes tobacco returns filed by firms involved in the sale of tobacco products, including pipe tobacco, in New Zealand. The returns reflect both the volume and value of products sold in New Zealand and therefore can be used to determine pipe tobacco prices.

7.8 Countervailing power

Pipe tobacco is currently supplied through a number of retail outlets in New Zealand, including supermarkets, tobacconists, convenience stores and petrol stations. This is reflected in the breakdown of STG's pipe tobacco sales (through SM NZ) set out in Table 16 below.

Table 16: STG 2009 pipe tobacco sales by retail channel*

Channel	Stores	Unit sales (kg)	\$ sales
[c-i-c]			

Source: STG estimates

*STG's Erinmore branded pipe tobacco is distributed through SM NZ

SM NZ sales by retail outlet are reflected in Table 17 below.

Table 17: SM NZ 2009 pipe tobacco sales by retail channel

Channel	Stores	Unit sales (kgs)	\$ sales
[c-i-c]			

Channel	Stores	Unit sales (kgs)	\$ sales
[c-i-c]	[REDACTED]	[REDACTED]	[REDACTED]

Source: SM estimates

Based on their experience in the New Zealand market, the Parties consider that the above tables (showing STG and SM NZ's sales through each retail channel) broadly represent the percentage of total cigars supplied through each retail outlet.

The Parties note that, as shown above, pipe tobacco is principally sold through: (i) petrol stations, which account for approximately [c-i-c] of STG's sales and [c-i-c] of SM NZ's sales; and (ii) supermarkets, which account for approximately [c-i-c] of STG's sales and [c-i-c] of SM NZ's sales.⁵³

(a) Petrol station buyers

As indicated above, a very large portion of pipe tobacco sales occur through the petrol station channel (BP, Caltex (Chevron), Gull, Mobil, Shell and others). In 2008, it was estimated that 45% of New Zealand petrol stations were wholesaler operated or controlled (ie, controlled by BP, Caltex, Mobil or Shell).⁵⁴ Wholesaler operated service stations (eg BP which owns around 178 stations) are likely able to exercise countervailing power.⁵⁵

In the Parties' experience, firms such as BP, Caltex and Shell are able to exert a substantial influence on the price and terms of supply of pipe tobacco. Post merger, these customers will continue to have the ability to exert countervailing power because: (i) they are well informed about alternative sources of supply; (ii) they can readily switch between suppliers as products are not unique; (iii) there exist alternative suppliers; and (iv) they could readily foster entry or expansion by a pipe tobacco manufacturer.

(b) Grocery buyers

Customers in the grocery channel (which account for approximately [c-i-c] and [c-i-c] of STG and SM NZ's pipe tobacco sales) exercise countervailing power through shelf-space allocation and their buying strategies.

The Parties consider that the same countervailing power analysis as that set out at section 4.9(a) applies in relation to the manufacture and supply of pipe tobacco. Indeed, in the Parties experience, supermarket category buyers do threaten to foster a competitor or even to delist products from their shelves. In addition, given the established relationship between the cigarette companies and the supermarkets/petrol station category buyers, they could easily source an alternative product to that of the merged firm (eg from Imperial Tobacco). Therefore, it is likely that the merged firm would continue to be constrained by the countervailing power of petrol station and supermarket category buyers.

⁵³ The sales figures for petrol stations in Table 17 above reflect SM NZ's sales to distributors (eg, Gilmours, Toops and Trents) which primarily sell pipe tobacco to petrol stations but also supply some route trade stores (eg, dairies).

⁵⁴ 2007 ACCC report into Australian petrol prices: Review of applicability to the New Zealand petrol market, Prepared for Ministry of Economic Development, July 2008, at page 20.

⁵⁵ 2007 ACCC report into Australian petrol prices: Review of applicability to the New Zealand petrol market, Prepared for Ministry of Economic Development, July 2008, at page 20.

7.9 Summary and conclusion

In relation to the supply of pipe tobacco, the merged firm will continue to be constrained by existing competitors (eg, Imperial Tobacco); the barriers to importing pipe tobacco are low (as discussed above in relation to cigars); the costs of entry or expansion (as with cigars) are not significant; and given that the volume of sales made through petrol stations and supermarkets countervailing power is held by the buyers.

8 Coordinated market power

Based on Table 18 below, the Parties consider that co-ordinated conduct is unlikely.

Table 18: Co-ordinated power in pipe tobacco

Factor	Presence of factors in the pipe tobacco industry
High seller concentration	While the concentration is high, as discussed in section 7 above, firms such as Imperial Tobacco will continue to compete vigorously with the merged firm.
Undifferentiated products	The products supplied can be differentiated. The Parties and their competitors engage in a process of product development for instance by introducing new and innovative variants of brands (eg flavoured pipe tobacco).
Static production technology	Production technology is mature.
Slow speed of new entry	Suppliers and/or importers/wholesalers could enter the relevant market quickly and easily.
Lack of fringe competitors	There are a number of competitors that could supply pipe tobacco relatively quickly and easily in response to appropriate market signals. In addition, there are a number of international suppliers that have yet to enter the New Zealand market.
Acquisition of a maverick business	This factor does not apply to the Proposed Merger.
Price inelastic market demand	Consumers are sensitive to changes in the price of pipe tobacco.
History of anti-competitive behaviour	There is no history of anti-competitive conduct by the Parties in New Zealand.
Characteristics of the buyer	Buyers have countervailing power which could undermine any co-ordinated market power. Moreover the Parties consider that buyers could bypass the merged firm.

Part D: Divestiture

9 Proposal

In seeking informal clearance the Parties propose that they divest the New Zealand brands Schimmelpenninck and Van Hartog. As noted above, the Parties will contemporaneously divest certain STG Australian cigar brands, namely Schimmelpenninck and Old Port. Together, these cigar brands will comprise the proposed Divestiture Package.

The New Zealand registered trademarks to be divested are set out in Annexure 10.

9.1 Requirements

The Commission assesses the risks associated with divestment undertakings within the analytical framework that comprises the following three kinds of risks: (i) composition risks; (ii) asset risks; and (iii) purchaser risks.⁵⁶

9.2 Divestiture risk

The Parties estimate that the Divestiture Package will account for approximately [C-I-C] of cigar sales by volume. Depending on the acquirer, the Divestiture Package will therefore either significantly enhance an existing competitor's position in the cigar market or alternatively create a new competitor.

In addition to the acquirer of the Divestiture Package, there are a significant number of existing competitors supplying cigars in New Zealand including global firms such as Imperial Tobacco / Altadis and Habanos. There is potential for new firms such as Philip Morris to enter the cigar market and leverage off their cigarette business relationships to introduce their products to retailers.

The Parties consider that with the proposed divestitures, the Proposed Merger will not result in a substantial lessening of competition in the relevant markets.

(a) Composition risk

The Parties consider that the proposed Divestitures Package will attract a suitable purchaser that will be able to viably and effectively compete with the merged entity.

The Divestiture Package comprises annual sales of around [C-I-C] cigars. The brands to be divested have a stable market share and are well established and well known brands in their respective markets. The brands have a long and consistent retail sales history. Furthermore, the manufacturing volume represented by the Divestiture Package will be attractive to international cigar manufacturers seeking to achieve better economies of scale in their manufacturing facilities.

In relation to the specific risks identified by the Commission, the Parties note the following:

⁵⁶ Draft Mergers and Acquisitions Divestment Remedies Guidelines, December 2009, at [4.05].

- The separation of the assets to be divested is practically achievable within a short timeframe with minimum of disruption to, and deterioration of, the assets. The brands can be readily sold to an acquirer along with a temporary toll manufacturing arrangement to ensure minimum disruption to the brands in the short term.
- All assets that are necessary for the purchaser to be a viable and competitive entity are included in the divestiture undertaking. The brands to be divested have demonstrated their ability to compete in their respective cigar markets. The cigars sold under the brands can be readily manufactured whether under a toll manufacturing arrangement by STG or transferred to the new production facility with minimal disruption.
- While STG has no local New Zealand operations, it considers that the brands represent a complete business given that Stuart Alexander, Moderna and the NZ Tobacco Group could each import and wholesale these brands in competition with the brands supplied by the merged entity.
- The Van Hartog brand has had a consistently strong performance, growing its share of the market at around [C-I-] since 2005 to [C-I-C] in 2009.
- STG is offering to divest brands it controls and therefore has sufficient and relevant information about the Divestiture Package to transfer to any acquirer.

The brand owner margin achievable with the Divestiture Package will depend on the acquirer. An acquirer with established production facilities and established wholesale and distribution operations in New Zealand will achieve a different margin to that of a firm with more limited operations. However, regardless of the acquirer's existing operations, the Parties consider that the brand owner margin will be attractive to a potential acquirer.

As noted above, the Divestiture Package comprises both Australian and New Zealand brands. In particular, the combination of the Old Port and Schimmelpenninck brands in Australia represent around [C-I-C] of the cigars supplied in that market (by volume). As such, the Parties consider that the Divestiture Package will attract a suitable purchaser as it will create or enhance the acquirer's position in both Australia and New Zealand.

(b) Purchaser risk

As noted above, the Parties consider that a suitable purchaser will be available and interested in the Divestiture Package.

The divested brands represent approximately [C-I-C] (by volume) of cigars supplied in New Zealand. The Schimmelpenninck and Van Hartog cigar brands are well known and established and have a stable market share. As such, depending on the acquirer, the Divestiture Package will either enhance an existing position or create a new viable competitor.

(c) Asset risk

The cigar brands proposed to be divested are supplied by STG to Stuart Alexander, an independently owned importer/wholesaler. Stuart Alexander controls the distribution of the brands and the interactions with retailers. Therefore, in the intervening divestiture period, the risk that the brands would be run down by the merged firm is minimal.

Subject to the acquirer's capabilities, the Parties propose that they would enter into an interim toll manufacturing arrangement with the acquirer to support transition of the brands to the acquirer's nominated facility. Toll manufacturing or contract manufacturing is common in the cigar industry and would enable the smooth transition of the divested brands to the acquirer while, in the interim, ensuring supply of the brands is continued.

Given Stuart Alexander currently wholesales the divested brands, this will ensure the products retain their competitiveness in the market without undue interruption during any transitional arrangements.

10 Transfer

In relation to the divestment of the relevant brands and the future production of the products under that brand, the Parties note the following:

10.1 Raw materials

The tobacco used to manufacture the divested products is common in the industry. No special tobaccos are used and all tobacco leaves used are available on the open tobacco leaf market.

In some cases, certain divested products use a less common “filler blend”. A filler blend may be wholly or partly expanded. The expansion of the filler blends is primarily used to decrease the excise duty (which is based on tobacco weight) and is not common in the cigar industry. The process is, however, very common in the cigarette industry. STG has outsourced the expansion process of the fillers it uses to BAT but Agio and Imperial Tobacco / Altadis also have filler expansion capabilities. Both companies supply expanded filler blends to third parties. Therefore, even in respect of the divested products which use an expanded filler blend, the acquisition of the raw materials is not an issue.

While different cigars use a different blend of tobacco leaves (described as the “recipe”), the blend used to produce the divested brands is not highly specialised or unique. In any event, the Parties will transfer the knowledge required to produce the divested brands (including the applicable recipes) to the acquirer.

10.2 Manufacture

The machinery and equipment used to manufacture the divested products is not specialised or unique.

The products made under the divested brands can be manufactured on equipment that is available (new and second hand) from cigar equipment suppliers and all the necessary equipment is common in the industry. In addition, the shape and size of the divested cigar products are very common in the industry, so it is not an issue for the acquirer to purchase or modify existing new or second hand equipment.

In terms of the timeframe within which the acquirer could manufacture the products:

- If the acquirer has an existing facility it will only need to acquire the raw materials (ie, raw tobacco) and packaging materials. As soon as the relevant inputs are delivered, the acquirer can start the production of the divested products. The Parties estimate the time within which an acquirer could commence production is approximately 4 months.
- If the acquirer needs to modify its facility the necessary equipment is available (new and second hand) from suppliers in cigar equipment. In this case, the estimated time to commence production is approximately 6 months.
- If the products are transferred to a contract manufacturer, the Parties estimate the time within which an acquirer could commence production is the same as above (ie, dependent on the contract manufacturer’s capabilities and facility).

10.3 Packaging

Cigar manufacturers do not produce packaging materials themselves. Packaging is supplied by numerous suppliers worldwide. All the packaging materials of the products to be divested are easily available in the open market, and the acquirer will have no difficulty sourcing a supplier for its packaging materials. STG would provide the new owner with the technical drawings and packaging specifications including design artwork. Small design updates such as the change of manufacturer's name etc are minor and completed in less than a week working with the printer or through a design agency.

The Parties estimate that (with a ready and revised design) the sourcing of new packaging materials should be possible within approximately 2 to 3 months.

10.4 Transition / contract or toll manufacturing

During any transitional phase between the sale of the Divestiture Package and the production by an acquirer, STG will be able to provide contract manufacturing for the period required. This will ensure the continued availability of the products in New Zealand. Toll manufacturing / contract manufacturing is very common in the cigar industry. For example:

- Davidoff has no manufacturing facilities for its machine made cigars and outsources the manufacture of these products to different companies including STG, Burger & Söhne, Agio and SM;
- Agio produces a torpedo shaped machine made cigar for STG and certain cigars for SM; and
- BAT has outsourced the manufacture of several of its cigar products to STG.

10.5 Distribution

As outlined, there are various import and distribution options for the acquirer of the Divestiture Package including potentially: (i) Stuart Alexander which currently distributes the brands; (ii) the acquirer's own importation and distribution operation (if established); or (iii) a new third party distributor. Depending on the acquirer, the transfer of the distribution will take between 3 to 12 months.

11 Business case

The Parties consider that the Divestiture Package will create an independent and effective competitor to the merged firm. Relevantly:

- From a production perspective, the manufacturing volume represented by the Divestiture Package will allow an acquirer with a cigar manufacturing facility to take advantage of the additional volumes to further reduce overall costs.⁵⁷
- From a product perspective, both the Schimmelpenninck and Van Hartog brands will represent a strong competitor to the brands retained by the merged firm. In this

⁵⁷ Cigar manufacturers with excess capacity include: Imperial Tobacco / Altadis (Spain and USA), Swisher (USA), John Middleton (USA), JTI (Ireland, Canary Islands), Burger Söhne (Switzerland, Germany, Indonesia), Verellen (Belgium), Vandermarliere (Belgium, Sri Lanka), von Eicken (Germany), AGIO (Belgium, Dominican Republic, Sri Lanka) and Arnold André (Germany).

regard the Parties note that the Schimmelpenninck brand is the largest brand in direct competition with the merged firm's Wee Willem and Café Crème brands. It is a brand that is well established and has existed for many years in the local market. It is also currently wholesale supplied in New Zealand by Stuart Alexander. Therefore, the brand is a strong competitor to the merged firm's small machine made cigar products, is attractive and will not be subject to an asset risk. Similarly, the Van Hartog brand is also well established in the New Zealand market. The brand's market share has increased in recent years from approximately [C-I-C] in 2007 to [C-I-C] in 2009.

- From a cigar market share perspective, the Divestiture Package will substantially enhance an acquirer's existing market share or create a strong market position for a new entrant.

The Divestiture Package would allow an existing overseas cigar manufacturer to enter and/or quickly expand its share of both the Australian and New Zealand cigar markets.

Annexure 1: STG and SM cigar brands

Table 19 below lists the Parties cigar brands and the products currently supplied under those brands in New Zealand (whether through distributors appointed by the Parties or others).

Table 19: Cigar brands and product supplied by STG and SM in New Zealand

Brand	Product variant
STG⁵⁸	
Colts	Vanilla
	Bourbon
	Cherry
Café Crème	Café Crème
	Café Crème Blue
	Café Crème Filter
	Café Crème Arome
Henri Wintermans	Corona De Luxe
	Half Corona
	Shorts
Schimmelpenninck	Mini ⁵⁹
	Mini Mild ⁶⁰
	Cubero ⁶¹
	Fresco
	Panatella
	Half Corona
	Corona ⁶²
	Calendula ⁶³
Van Hartog	Elfinos
	Elfinos Tip
	Panatella
SM	
El Credito	Cristal Deluxe

⁵⁸ STG also owns the Mercator and CAO trademarks. However, these brands are not currently supplied in New Zealand.

⁵⁹ Product discontinued in 2010.

⁶⁰ Product discontinued in 2010.

⁶¹ Product discontinued in 2010.

⁶² Product discontinued in 2010.

⁶³ Product discontinued in 2010.

Brand	Product variant
	Exquisitos
	Puritos
	Robusto
	Robusto Maduro
	Serie R No 5
	Torp No 11
	Torp No 11 Maduro
La Paz	Corona
	Corona Boy
	Corona Especial
	Corona Girl
	EXP La Paz Medios 10's
	EXP La Paz Miniatures 20s
	Grand Corona
	La Paz Wilde Cigarillos 5s
	La Paz Wilde Cigarros 5's Tin
	Mini Wilde
	Platinum
	Wilde Cigarillos
	Wilde Havana
Macanudo	1968 Corona 20's
	1968 Robusto 20's
	1968 Titan 20'sMacanudo
	Ascot
	Ascot Maduro
	Courts
	Crystal
	Diplomat Maduro
	Gold Label Ascots
	Gold Label Courts
	Gold Label Hampton Court
	Hampton Court
	Hampton Court Maduro
	Hyde Park
	Hyde Park Maduro

Brand	Product variant
	Macanudo 1968 Churchill
	Macanudo 1968 Gigante 20's
	Macanudo Diplomat Maduro 10s
	Miniatures
	Petit Corona
	Portofino
	Prince Philip
	RSV 2004 Maximo
	RSV An Berkeley
	Seleccion
	Somerset
	Vintage 2000 No X
	Vintage No 4
	Salsa
Salsa Original 20's	
Salsa Vanilla 20's	
Stradivarius	Churchill Humid
	Lonsdale Humid 10
	Rob. Major Humids
White Owl	Invincible
	Mini Chocolate
	Mini Strawberry
	Mini Vanilla
	Miniature Natural
	Winks
Willem II	Amanda
	Corona Optimum
	Half Corona
	Long Panatella
	Moments Aromatic
	Moments Blue
	Moments Original
	Royal Corona
	Short Panatella
	Single BLUE

Brand	Product variant
	Single REGULAR
	Slim Corona
	Wee Willem Aroma
	Wee Willem Aroma Filt
	Wee Willem Blue
	Wee Willem Gold
	Wee Willem Regular
	Willem II Aromatic Single Pack
	Wings No 105
	Wings No 75

Source: STG | SM

Annexure 2: Global cigar manufacturers

Table 20 below lists the main global cigar manufacturers with multiple product ranges and the capability to enter or expand in New Zealand.

Table 20: Global cigar manufacturers

Company	Based in	Primary brands	Website
Agio	Holland	Panter, Balmoral, Meharis	http://www.agiocigars.com
Arnold André ⁶⁴	Germany	Clubmaster, Independence, Handelsgold	http://www.arnold-andre.info
Imperial Tobacco / Altadis	UK	Classic, Panama, Farias, Hava-Tampa, Backwoods, Longchamp and Santa Damania	www.imperial-tobacco.com
BAT	UK	Captain Black, Pall Mall, Dunhill	http://www.bat.com/global
Burger & Söhne AG	Switzerland	Dannemann, Oud, Kampen, Ritmeester, Reig, Moods, Artist Line and Al Capone	http://www.dannemann.com/
Djarum	Indonesia	Gold Seal Cigars	http://www.djarum.com
Habanos ⁶⁵	Cuba	Montecristo, Cohiba, Romeo y Julieta, Partagas, Bolivar, and Cuaba	http://www.habanos.com
J Cortes Cigars / Vandermarliere	Belgium	J Cortes, Amigo and Neos	
Japan Tobacco International	Japan	Hamlet	http://www.jti.com/home.htm
John Middleton	USA	Black & Mild	http://www.johnmiddletonco.com
Oettinger	Switzerland	Davidoff	http://www.davidoff.com/davidoff/
STG	Denmark	Café Crème, Henri Wintermans, Colts and Petit (and the Schimmelpenninck and Van Hartog which are to be divested)	http://www.st-group.com
SM	Holland	La Paz, Clubmaster, Wings, Salsa, Wee Willem, and Macanudo	www.swedishmatch.com
Shifang/Chanyu Cigars	China	Great Wall Cigars, Shipai	http://www.cytobacco.com/
Swisher International Inc	Switzerland	King Edward, Swisher Sweets, Bering, and Optimo	http://www.swisher.com

⁶⁴ SM owns 40% of Arnold André.

⁶⁵ Habanos is a 50:50 joint venture involving Altadis.

Company	Based in	Primary brands	Website
Verellen	Belgium	Havana stokjes, Alternativos	http://www.verellen.be/
Villiger	Switzerland	Villiger	http://www.villiger.ch/english
von Eicken	Germany	Candlelight	http://www.von-eicken.com/en/frameseite.html

Source: STG | SM

Annexure 3: Post-merger cigar manufacturer shares

Table 21 below shows the cigar brands supplied post merger by the various manufacturers and their respective market shares.

Table 21: Post merger market shares (with divestitures)

Manufacturer	Brands	Volume (cigars)	Share (%)
STG (merged firm)	CAO, Café Crème, Colts, Henri Wintermans, El Credito, La Paz, Macanudo, Salsa, Stradivarius, White Owl, Willem II	[c-i-c]	[c-i-c]
Divested brands	Schimmelpenninck, Van Hartog		
Imperial Tobacco / Altadis	Hav-a-tampa		
von Eicken	Candlelight		
Burger & Söhne	Ritmeester		
Agio	Agio, Panter		
Swisher	King Edward		
Villiger	Villiger		
Verellen	Alternativos and Real AL Pedro		
Oettinger	Davidoff		
Miami Cigar	Tatiana		
Esteli	Alteza, San Antonio, Il Barone, FDF		
BAT	Dunhill		
Charles Vella	Charles Vella		
JC Newman	Arturo Fuente, Cuesta Rey, La Unica, Rigoletto		
Carlos Torano	Carlos Torano		
TOTAL		9,494,133	100%

Source: SM estimates based on New Zealand Ministry of Health data

Annexure 4: Cigar competitor profiles

Imperial Tobacco

The Imperial Tobacco Group PLC (**Imperial Tobacco**) is a UK based company listed on the London Stock Exchange and is the world's largest cigar company and the fourth largest tobacco company in the world. Imperial Tobacco manufactures and supplies a wide range of cigars, cigarettes, pipe and RYO tobacco, rolling paper and tubes in over 160 countries worldwide. The group operates 55 manufacturing facilities and employs approximately 38,000 people.

Further information regarding Imperial Tobacco is available at: <http://www.imperial-tobacco.com/>

In 2008, Imperial Tobacco acquired Altadis. Altadis was established in 1999 as a merger between the former French and Spanish tobacco monopolies. The company supplies a broad range of cigarettes, cigars and pipe tobacco throughout Europe, the USA and Asia. Altadis also owns 50% of Habanos SA, the sole exporter of Cuban cigars.

Altadis' key cigar brands include:

- *International cigar brands:* Quintero, Cuaba, San Cristobal de la Habana, Trinidad, Jose L Piedra, Joseph L Stone; Bolivar; Fonseca; Guantanamera; Punch; Vegas Robaina and Vegafina.
- *New Zealand cigar brands:* Hav-a-tampa.

Further information regarding Altadis can be found at: <http://www.altadis.com/index.asp>

Habanos

Habanos SA (**Habanos**) is a 50:50 joint venture between Altadis and Cubatobaco. Habanos is the world's leading supplier of premium cigars and the only exporter of Cuban cigars. The company's key cigar brands include: Bolivar, Cohiba, Cuaba, Montecristo, Romeo y Julieta, San Diego, Hoya de Monterrey, H Upmann and José L Piedra. The Parties understand that all of these brands are currently available in New Zealand.

In New Zealand, Habanos and some Altadis cigars are imported by DFS and Pacific Cigar.

Further information regarding Habanos is available at:
<http://www.habanos.com/default.aspx?lang=en>

BAT

British American Tobacco describes itself as "the world's second largest quoted tobacco group by global market share".⁶⁶ The company supplies more than 250 brands in over 180 countries worldwide.

BAT is best known for its cigarette brands, including Lucky Strike, Dunhill, Kent, Pall Mall, Rothmans and Benson & Hedges. In 2009, BAT manufactured approximately 724 billion cigarettes at 50 facilities worldwide.

⁶⁶ See: http://www.bat.com/group/sites/uk_3mnfen.nsf/vwPagesWebLive/DO52ADCY?opendocument&SKN=1

BAT also manufactures and supplies a range of other tobacco products, including cigars, RYO and pipe tobacco and smokeless snus. In New Zealand, BAT supplies cigars under the Dunhill brand name. BAT does not currently supply pipe tobacco in New Zealand.

In recent years, BAT's strategy has been to market and sell cigars under its well-established global cigarette brands. For example:

- in 2001, BAT launched the Dunhill Signature Range of cigars in a number of countries, including Australia, New Zealand, Hong Kong, Indonesia, Korea, Malaysia, the Philippines, Singapore, the UK, Russia, Uzbekistan, Belarus and the USA;
- Dunhill branded miniature cigars have been available in Australia since October 2006. The packaging of these miniature cigars is very similar to STG's Café Crème and SM's Wee Willem cigar packs; and
- Pall Mall branded miniature cigars and cigarillos have been introduced in a number of overseas markets, including Switzerland, Germany and Finland.

In New Zealand, BAT's products are imported and distributed by British American Tobacco New Zealand (**BAT NZ**). BAT NZ is a wholly owned subsidiary of BAT which imports and supplies BAT branded products directly to retailers (eg, Foodstuffs). BAT does not use any 3rd party wholesalers or distributors to supply its products in New Zealand.

Further information regarding BAT can be found at: <http://www.bat.com>

Swisher International

Swisher International Inc (**Swisher International**) is a leading global manufacturer of cigars and smokeless tobacco products. The company is headquartered in Florida, USA and operates manufacturing facilities in the USA, the Dominican Republic and Honduras. Swisher International manufactures and supplies a range of machine-made and premium cigars under the following brand names:

- *Machine-made cigars*: Swisher Sweets, Sante Fe, Optimo, Goodies, Black Stone and Kind Edward;
- *Premium cigars*: Swisher Sweets Premium, Casino Gold, Clasico, Macbeth, Law Intimididad, Mirama and Vieja Tradicion.

The Parties understand that King Edward cigars are currently imported into New Zealand by Toops.

Further information regarding Swisher international is available at: <http://www.swisher.com/web/main/map>

Burger & Söhne

Burger & Söhne AG (**Burger & Söhne**) is a privately owned Swiss company involved in the manufacture and supply of cigars and cigarillos. In New Zealand, Burger & Söhne supplies Ritmeester branded cigars through SM NZ.

Internationally, Burger & Söhne also manufactures and supplies Dannemann branded cigars. The Dannemann website indicates that it is the number one brand in Austria, Germany and

Switzerland, number two in Spain and number three worldwide.⁶⁷ Further information regarding Dannemann cigars can be found at: <http://www.dannemann.com/com/>

von Eicken

von Eicken is a German based company which manufactures and supplies a range of tobacco products, including cigarettes, RYO and pipe tobacco and cigars. The company's key cigar brands include Don Antonio, Candlelight and Floras.

The Parties understand that von Eicken's Candlelight branded cigars are currently supplied in New Zealand by the NZ Group.

Further information regarding von Eicken can be found at: http://www.von-eicken.com/von_eicken/en/home/index.php

Oettinger

Oettinger is a privately owned Swiss company involved in the manufacture and supply of cigars and pipe tobacco. Oettinger's key cigar brands include AVO, Davidoff, Winston Churchill and Zino.

The Parties understand that, in New Zealand, the majority of Davidoff branded cigars are imported by SM NZ. Davidoff branded cigars are also imported directly by DFS Galleria NZ Ltd for sale in its duty free stores.⁶⁸

Further information regarding Oettinger is available at: <http://www.davidoff.com/davidoff/en/pub/root.cfm?>

Verellen

Verellen NV (**Verellen**) is a privately owned company, based in Wuustwezel, Belgium. The company manufactures approximately 250 million cigars each year and has an annual turnover of €30 million.

Verellen's cigar brands include Alternativos, Brevas, Cigarittos, Cohiba, Fintas, Fleur Savane, Gold, Montecristo, Havana, Ninas, Palm, Partagas, Pncho, Ronditas, Real AL Pedro, Stompen and Tierra Dorada. Of these, the Parties understand that Alternativos and Real AL Pedro are available in New Zealand.

Further information regarding Verellen can be found at: http://www.verellen.be/HetBedrijf_ENG/tabid/54/language/en-US/Default.aspx

Villiger

Villiger is a privately owned German company which manufactures and supplies cigars and cigarillos. The company's key cigar brands include Villiger 1888, Villiger Premium, Villiger Virginia, Villiger Export, Bock, Braniff, Constellation, La Libertad, La Meridiana, Krumme and St Louis. Of these, the Parties understand that the Villiger Premium, Virginia and Villiger export brands are currently available in New Zealand. Further information regarding Villiger can be found at: <http://www.villiger.ch/>

⁶⁷ See: <http://www.dannemann.com/com/company/presentation/#>

⁶⁸ The Parties note that DFS Galleria Ltd no longer holds the duty free concession. As a result, it is unclear whether it will import cigars in 2010.

Annexure 5: STG and SM pipe tobacco brands & products

Brand	Product
STG	
WO Larsen	Various products*
Skandinavik	Various products*
Erinmore ⁶⁹	Erinmore Mixture
	Erinmore Flake
SM	
Borkum Riff	Original
	Whiskey
	Cherry Cavendish
	Cherry Liqueur
	Vanilla Cavendish
	Honey & Orange
	Genuine

Source: STG | SM

* As noted above, the STG brands WO Larsen and Skandinavik are supplied to Charles Vella in Australia and Charles Vella re-exports a very small volume to New Zealand.

⁶⁹ Distributed by SM.

Annexure 6: Global pipe tobacco manufacturers

Company	Primary brands	Website
Lane Limited	Captain Black	
Imperial Tobacco	Amphora, Bank, Capstan, Champion, Dr Pat, Drum, Golden Virginia, Log Cabin	www.imperial-tobacco.com
Mac Baren	Mac Baren	http://www.mac-baren.com
Poschl	Exclusiv, Golden Blend's, Sunday's Fantasy	http://www.poeschl-tobacco.com
STG	Clan, Danske Club, Erinmore, Orlik, Sail, Stanwell, Sweet Dublin, WO Larsen and Alsbo	http://www.st-group.com
SM	Borkum Riff	www.swedishmatch.com

Source: STG | SM

Annexure 7: Post-merger pipe tobacco manufacturer shares

Table 22 below shows the pipe tobacco brands supplied by the various manufacturers and their respective market shares.

Table 22: Post-merger market shares

Manufacturer	Brands	Volume (kg)	Share (%)
STG (merged firm)	Erinmore, WO Larsen, Skandinavik, Borkum Riff	[c-i-c]	[c-i-c]
Imperial Tobacco	Amphora	■	■
Oettinger	Davidoff	■	■
TOTAL		4895	100%

Source: SM estimates based on New Zealand Ministry of Health data

Annexure 8: Existing pipe tobacco competitor profiles

Imperial Tobacco / Altadis

As discussed above, Imperial Tobacco is a UK based company listed on the London Stock Exchange. Imperial Tobacco manufactures and supplies pipe tobacco to more than 160 countries worldwide.

Imperial Tobacco's most popular pipe tobacco brands are Amphora and Dr Pat. Further information regarding Imperial Tobacco is available at: <http://www.imperial-tobacco.com/>.

As discussed above, Imperial Tobacco also owns Altadis. Altadis manufactures and supplies a range of tobacco products, including cigars, cigarettes and pipe tobacco throughout Europe, the USA and Asia. The company's key pipe tobacco brands include: Great Outdoors, R-Blend, BRG Mixture, Navigator, Maple Street, Sunrise, CD Blend, Man's Best Friend, Blend 5 and French Quarter. While these Altadis pipe tobacco brands are not currently sold in New Zealand, the company has a portfolio of pipe tobacco brands that it could be easily import into New Zealand in response to appropriate market conditions. As noted above, Imperial Tobacco has its own established sales force to promote its products and therefore could in a timely manner introduce Altadis pipe tobacco as part of the range of tobacco products it offers to retails at a low incremental cost to its existing operations. Further information regarding Altadis is available at: <http://www.altadisusa.com/index2.asp>

Oettinger

Oettinger is a privately owned Swiss company involved in the manufacture and supply of cigars and pipe tobacco. The company supplies nine pipe tobacco products under the widely recognised "Davidoff" brand name. Further information regarding Oettinger is available at: <http://www.davidoff.com/davidoff/en/pub/root.cfm>.

Annexure 9: Potential pipe tobacco competitor profiles

BAT

BAT is the world's second largest quoted tobacco group by global market share.⁷⁰ The company supplies a wide range of tobacco products, including cigarettes, cigars, pipe and RYO tobacco and smokeless snus, in more than 180 countries worldwide.

In New Zealand, BAT is best known for its cigarette brands, including Dunhill, Pall Mall, Rothmans and Benson & Hedges. As outlined above, BAT also supplies a range of cigars in New Zealand under the Dunhill brand name. These products are imported into New Zealand by BAT's local subsidiary (ie BAT New Zealand), which then on-supplies them directly to retailers.

Internationally, BAT also supplies a range of pipe tobacco products, under the Dunhill and Captain Black brand names. As far as the Parties are aware, BAT pipe tobacco is not currently available in New Zealand.

Mac Baren

Mac Baren is a privately owned Danish company which manufactures and supplies more than 35 pipe tobacco products worldwide. The company employs 130 people and has facilities in Denmark. Mac Baren is the world's second largest pipe tobacco manufacturer and exports its products to around 64 countries. The company's most popular brands are Mac Baren and Irish Cake, both of which are available in a number of overseas countries including Australia.

Further information regarding Mac Baren is available at: <http://www.mac-baren.com/TopMenu/Main-2.aspx>.

von Eicken

von Eicken is a German based company which manufactures and supplies a range of tobacco products, including pipe tobacco. The company's key pipe tobacco brands include: Barsdorfs Bester, Springwater, Calumé Kiowa Cut, Rosebud, Private Club, Ashford and Wild Geese. While these brands are not actively distributed in New Zealand, they are imported on occasion. Currently, the New Zealand Tobacco Group imports/wholesales von Eicken cigars.

Further information regarding von Eicken is available at: http://www.von-eicken.com/von_eicken/en/home/index.php

Pöschl

Pöschl Tabak (**Pöschl**) is a leading international tobacco manufacturer, supplying pipe tobacco, smokeless snus and cigarettes. In 2009, the company sold over 5.1 million kilos of tobacco products worldwide.

Pöschl is the largest producer of smokeless tobacco products in the world and accounts for approximately 94% of snus sales and 15% of pipe tobacco sales in Germany.⁷¹ The company's most popular pipe tobacco brands include Exclusiv (which is the most successful pipe tobacco brand in Germany), Brookfield and Golden Blend's.

⁷⁰ See: http://www.bat.com/group/sites/uk_3mnfen.nsf/vwPagesWebLive/DO52ADCY?opendocument&SKN=1

⁷¹ <http://www.poeschl-tobacco.com/facts-and-figures.html>

Further information regarding Pöschl is available at: <http://www.poeschl-tobacco.com/company.html>

John Middleton

John Middleton is a leading international supplier of cigar and pipe tobacco products. The company's key pipe tobacco brands include: Apple, Black and Mild, Carter Hall, Middleton's Cherry Blend, Gold & Mild, Kentucky Club, Prince Albert, Royal Comfort, Sugar Barrel, Walnut and Wine Berry. As far as the Parties are aware these brands are not currently available in New Zealand.




Further information regarding John Middleton's pipe tobacco products can be found at: <http://www.johnmiddletonco.com/en/cms/Home/default.aspx>

JTI

JTI is a leading supplier of tobacco products, including cigarettes, cigars and pipe tobacco. In April 2007, JTI acquired the UK based Gallaher Group (**Gallaher**). Gallaher is a global tobacco company, which supplies a range of cigars, cigarettes and pipe tobacco. In Australia, Gallaher's supplies the popular pipe tobacco brand Clan. In New Zealand, JTI supplies its Camel Filter cigarettes.

Further information regarding JTI can be found at: <http://www.jti.com/home>.

Annexure 10: Trademarks to be divested

Trade mark	Name	Logo	Registered owners	Registration date
74015	Schimmelpenninck		Schimmelpenninck Sigarenfabrieken v/h Geurts en van Schuppen B.V.	07 Dec 1964
74016	Schimmelpenninck		Schimmelpenninck Sigarenfabrieken v/h Geurts en van Schuppen B.V.	07 Dec 1964
314340	Van Hartog		Henri Wintermans Cigars B.V.	12 Aug 1999
314341	Van Hartog		Henri Wintermans Cigars B.V.	12 Aug 1999
90239	Jacob Van Hartog Elfinos		Henri Wintermans Cigars B.V.	14 May 1969

Source: STG

Annexure 11: Pacific Cigar product list

Source: NZ Tobacco Returns available at <http://ndp.govt.nz/moh.nsf/indexcm/ndp-tobacco-returns-2009>.

PCC CIGAR WEIGHTS

CODE	BRAND	DESCRIPTION	Unit Weight (Gms)
20834014	BELINDA	CORONAS CELLO 25'S	7.64
58109001	BOLIVAR	BELICOSOS FINOS 25'S	12.45
58109041	BOLIVAR	BELICOSOS FINOS SLB 25'S	12.45
29009002	BOLIVAR	BELVEDERES CELLO 25'	6.21
50409055	BOLIVAR	BOLIVAR TUBOS NO.1 A/T 25'S	9.29
42109056	BOLIVAR	BOLIVAR TUBOS NO.2 A/T 25'S	8.46
43309057	BOLIVAR	BOLIVAR TUBOS NO.3 A/T 25'S	5.27
42009004	BOLIVAR	BONITAS 25'S	7.29
60909059	BOLIVAR	CHURCHILLS A/T 25'S	15.07
50409036	BOLIVAR	CORONAS 25'S	9.29
50809039	BOLIVAR	CORONAS EXTRA SLB 50'S	10.27
50809005	BOLIVAR	CORONAS EXTRAS 25'S	10.27
60909006	BOLIVAR	CORONAS GIGANTES 25'S	15.07
60909032	BOLIVAR	CORONAS GIGANTES SLB 50'S	15.07
42309008	BOLIVAR	CORONAS JUNIOR 25'S	7.46
50709028	BOLIVAR	INMENSAS 25'S	11.86
50309044	BOLIVAR	LONSDALES 25'S	10.80
42109022	BOLIVAR	PETIT CORONAS 25'S	8.46
42109037	BOLIVAR	PETIT CORONAS SLB 50'S	8.46
43309024	BOLIVAR	REGENTES 25'S	5.27
43509025	BOLIVAR	ROYAL CORONAS 25'S	11.66
00200010	COHIBA	10 ANIVERSARIO DE LA LINEA 1492	10.12
01000001	COHIBA	CIGARETTE 20'S	0.73
00100078	COHIBA	CLUB C/P 20'SX5, 100'S	1.10
51339011	COHIBA	CORONAS ESPECIALES BN 25'S	8.15
51339021	COHIBA	CORONAS ESPECIALES C/P 5X5'S, 25'S	8.15
00200024	COHIBA	DOUBLE CORONAS BN 25'S 2003 LTD EDN	17.86
00100193	COHIBA	ESPLENDIDOS C/P 3'SX5, 15'S	15.07
60939017	COHIBA	ESPLENDIDOS SBN-B 25'S	15.07
51739036	COHIBA	EXQUISITOS C/P 5'SX5, 25'S	5.01
51739019	COHIBA	EXQUISITOS SBN-B 25'S	5.01
00200011	COHIBA	GRAN CORONA, CABINET 50'S	18.79
61139010	COHIBA	LANCEROS BN 25'S	20.29
61139022	COHIBA	LANCEROS CELLO C/P 5X5'S, 25'S	10.29
00100170	COHIBA	MINI 10'S X 10', 100	1.00
71265965	COHIBA	MINI CIGARILLOS 20'SX5, 100'S	1.00
42839012	COHIBA	PANETELAS BN 25'S	2.81
42839020	COHIBA	PANETELAS C/P 5X5'S, 25'S	2.81
00200005	COHIBA	PIRAMIDES EDICION LIMITADA 25'	14.26
68149001	COHIBA	PIRAMIDES MILLENIUM (PORCELAIN JAR) 25'S	14.26
43539037	COHIBA	ROBUSTOS C/P 3'SX5, 15'S	11.66
43539018	COHIBA	ROBUSTOS SLB 25'S	11.66
00200012	COHIBA	SELECCION RESERVA CABINET 30'S	11.63
43239031	COHIBA	SIGLO I C/P 5X5'S, 25'S	5.91
43239026	COHIBA	SIGLO I SLB 25'S	5.91
42139032	COHIBA	SIGLO II C/P 5X 5'S, 25'S	8.46
42139027	COHIBA	SIGLO II SLB 25'S	8.46
50639033	COHIBA	SIGLO III C/P 5X5'S, 25'S	10.14
50639028	COHIBA	SIGLO III SLB 25'S	10.14
50539034	COHIBA	SIGLO IV C/P 5X5'S, 25'S	11.41
50539029	COHIBA	SIGLO IV SLB 25'S	11.41
50739035	COHIBA	SIGLO V C/P 5X5'S, 25'S	11.86
50739030	COHIBA	SIGLO V SLB 25'S	11.86
00100207	COHIBA	SIGLO VI A/T C/P 3'SX5, 15'S	14.67
00100178	COHIBA	SIGLO VI SLB 10'S	13.00
00100158	COHIBA	SIGLO VI SLB 25'S	13.00
00200034	COHIBA	SUBLIMES 25'S - LIMITED EDITION 2004	16.65
00200025	COMBINACIONES	SELECCION PIRAMIDES Case - Humidor 5'S	14.26
00200023	COMBINACIONES	SELECCION ROBUSTOS Case - Humidor 5'S	11.66
00100353	CORDOVA	CHERRY SUMATRA 10'S	2.55

00100351	CORDOVA	CHOCOLATE SUMATRA 10'S	2.55
00100352	CORDOVA	COFFEE SUMATRA 10'S	2.55
00100348	CORDOVA	HONEY SUMATRA 10'S	2.55
00100354	CORDOVA	MANDARIN SUMATRA 10'S	2.55
00100350	CORDOVA	NATURAL SUMATRA 10'S	2.55
00100349	CORDOVA	RUM SUMATRA 10'S	2.55
00100347	CORDOVA	VANILLA SUMATRA 10'S	2.55
00200009	CUABA	CABINET 10'S	19.80
00100333	CUABA	DIADEMAS SLB 1'SX5, 5'S	21.62
00100200	CUABA	DISTINGUIDOS 10'S	13.22
58946001	CUABA	DIVINOS 25'S	6.09
59246004	CUABA	EXCLUSIVOS 25'S	8.91
59146003	CUABA	GENEROSOS 25'S	7.64
00100202	CUABA	GENEROSOS C/P 5X5'S, 25'S	13.00
00100171	CUABA	SALOMONES 10'S	19.80
59046002	CUABA	TRADICIONALES 25'S	7.70
50337001	DIPLÓMATICOS	DIPLOMATICOS NO.1 25'S	10.80
68137002	DIPLOMATICOS	DIPLOMATICOS NO.2 25'S	14.26
50437003	DIPLÓMATICOS	DIPLOMATICOS NO.3 25'S	9.29
42137004	DIPLOMATICOS	DIPLOMATICOS NO.4 25'S	8.46
43237005	DIPLOMATICOS	DIPLOMATICOS NO.5 25'S	5.91
00100213	DON DIEGO	CORONAS MAJOR TUBE A/T 10'S	9.84
00100212	DON DIEGO	CORONAS MAJOR TUBES 5'SX5,25'S	9.84
00100006	DON DIEGO	MONARCHS TUBES 10'S	14.50
00100075	DON DIEGO	ROBUSTO C/P3'SX5, 15'S	13.35
00100009	DON DIEGO	ROBUSTOS 25'S	12.70
00100003	DON DIEGO	TORPEDOS 10'S	14.50
00100363	DON DIEGO ANIVERSARIO	BELICOSO WITH ASHTRAY 5'S	3.23
00100364	DON DIEGO ANIVERSARIO	CORONA WITH ASHTRAY 5'S	2.19
00100211	DON DIEGO ANIVERSARIO	LORD ROTHCHILD 12'S	14.96
00100365	DON DIEGO ANIVERSARIO	ROBUSTO WITH ASHTRAY 5'S	2.95
00100210	DON DIEGO ANNIVERSARIO	CORONA NO.3 12'S	12.02
00100108	DON DIEGO EUROPEAN	CORONA CRISTAL (GLASS TUBES) 10'S	9.84
00100111	DON DIEGO EUROPEAN	CORONA MAJOR TUBE 25'S	9.84
00100116	DON DIEGO EUROPEAN	MONARCH TUBE A/T 10'S	15.42
00100118	DON DIEGO EUROPEAN	PETTIT CORONA NO. 4 25'S	9.84
00100117	DON DIEGO EUROPEAN	PETTIT CORONA NO. 4 5'SX5, 25'S	9.84
00100120	DON DIEGO EUROPEAN	ROBUSTO 25'S	12.93
00100119	DON DIEGO EUROPEAN	ROBUSTO 3'SX5, 15'S	12.93
00100122	DON DIEGO EUROPEAN	TORPEDO NO. 2 10'S	13.83
00100131	DON DIEGO RESERVE	BELICOSO ECU 20'S	19.96
00100127	DON DIEGO RESERVE	BELICOSO MADURO 20'S	21.00
00100134	DON DIEGO RESERVE	CHURCHILL ECU 20'S	19.50
00100133	DON DIEGO RESERVE	LONSDALE ECU 20'S	13.83
00100129	DON DIEGO RESERVE	NO. 4 ECU 20'S	10.43
00100125	DON DIEGO RESERVE	NO. 4 MADURO 20'S	10.70
00100132	DON DIEGO RESERVE	PETITE BELICOSO ECU 20'S	14.52
00100128	DON DIEGO RESERVE	PETITE BELICOSO MADURO 20'S	14.52
00100130	DON DIEGO RESERVE	ROTHCHILDE ECU 20'S	14.06
00100126	DON DIEGO RESERVE	ROTHCHILDE MADURO 20'S	13.50
00200016	ESTUCHE	510 ANIVERSARIO CABINET 100'S	0.00
40828004	FONSECA	COSACOS 25'S	8.84
40828010	FONSECA	COSACOS P/C 3'SX10 30'S	8.84
77328011	FONSECA	DELICIAS 25'S	6.90
40628001	FONSECA	FONSECA NO.1 25'S	11.27
40428008	FONSECA	KDT CADETES 25'S	5.43
27321004	GISPERT	HABANERAS 25'S	6.90
00100146	GUANTANAMERA	COMPAY 10'S	5.64
00100147	GUANTANAMERA	COMPAY 5'S	6.90
00100142	GUANTANAMERA	CRISTALES TUBES 10'S	9.12
00100141	GUANTANAMERA	CRISTALES TUBES 25'S	9.29
00100143	GUANTANAMERA	CRISTALES TUBES 5'S	9.29
00200030	H. UPMANN	160TH ANIVERSARIO 100'S	14.68
22004056	H. UPMANN	AROMATICOS CELLO 25'S	7.77
29004001	H. UPMANN	BELVEDERES CELLO 25'S	6.21

41704002	H. UPMANN	CONNOISSEUR NO.1 SLB 25'S	10.86
40404122	H. UPMANN	CORONAS JUNIOR L/C A/T 25'S	5.43
42104007	H. UPMANN	CORONAS MAJOR A/T 25'S	8.46
71404093	H. UPMANN	CORONAS MAJOR A/T 25'S	8.74
00100330	H. UPMANN	CORONAS MINOR A/T 25'S	6.35
20804058	H. UPMANN	ESPECIALES CELLO 1/40	7.64
43804126	H. UPMANN	GRAN CORONAS 1/40	8.46
72004114	H. UPMANN	KINGS 1/40	7.77
50304025	H. UPMANN	LONSDALES 25'S	10.80
50504129	H. UPMANN	MAGNUM 46 SLB 25'S	11.41
00100223	H. UPMANN	MAGNUM 46 SLB 50'S	11.41
00200042	H. UPMANN	MAGNUM 50 SLB 25'S - LIMITED EDITION 2005	15.05
70804115	H. UPMANN	MAJESTICS 25'S	7.64
20804026	H. UPMANN	MAJESTICS CELLO 2/C 1/40	7.35
00100064	H. UPMANN	MINI 20'S X 5, 100'S	0.84
00100162	H. UPMANN	MONARCAS SLB 25'S	15.07
60904030	H. UPMANN	MONARCHS A/T 25'S	15.07
60904029	H. UPMANN	MONARCHS 25'S	15.07
42104036	H. UPMANN	PETIT CORONAS 25'S	8.46
21804038	H. UPMANN	PETIT UPMANN CELLO 25'S	3.57
21804039	H. UPMANN	PETIT UPMANN PETACAS CELLO C/P 5'SX20, 100'S	3.57
00100065	H. UPMANN	PURITOS CELLO 5'SX10, 50'S	2.29
20704045	H. UPMANN	SINGULARES A/T 25'S	6.35
60904046	H. UPMANN	SIR WINSTON CABINET 25'S	15.07
50304051	H. UPMANN	UPMANN NO. 1 25'S	10.80
68104052	H. UPMANN	UPMANN NO.2 25'S	14.26
60906006	HOYO DE MONTERREY	CHURCHILLS 25'S	15.07
72006071	HOYO DE MONTERREY	CORONATIONS A/T 25'S	7.70
61206007	HOYO DE MONTERREY	DOUBLE CORONAS 25'S	17.86
00100181	HOYO DE MONTERREY	DOUBLE CORONAS C/P 3'SX5, 15'S	17.86
61206066	HOYO DE MONTERREY	DOUBLE CORONAS SLB 50'S	17.86
00200036	HOYO DE MONTERREY	EPICURE ESPECIAL 25'S - LIMITED EDITION 2004	12.00
00100188	HOYO DE MONTERREY	EPICURE NO.1 C/P 3'SX5, 15'S	11.41
50506008	HOYO DE MONTERREY	EPICURE NO.1 SLB 25'S	11.41
50506009	HOYO DE MONTERREY	EPICURE NO.1 SLB 50'S	11.41
00100179	HOYO DE MONTERREY	EPICURE NO.2 C/P 3'SX5, 15'S	11.66
43506010	HOYO DE MONTERREY	EPICURE NO.2 SLB 25'S	11.66
43506011	HOYO DE MONTERREY	EPICURE NO.2 SLB 50'S	11.66
50606017	HOYO DE MONTERREY	LE HOYO DES DIEUX 1/20	10.14
50606081	HOYO DE MONTERREY	LE HOYO DES DIEUX C/P5'X5'S	10.14
50606018	HOYO DE MONTERREY	LE HOYO DES DIEUX SLB 25'S	10.14
43906021	HOYO DE MONTERREY	LE HOYO DU DEPUTE SLB 25'S	5.80
51406019	HOYO DE MONTERREY	LE HOYO DU GOURMET SLB 25'S	6.76
41206023	HOYO DE MONTERREY	LE HOYO DU MAIRE SLB 25'S	3.27
40106084	HOYO DE MONTERREY	LE HOYO DU PRINCE C/P5'X5' 25'S	7.52
40106025	HOYO DE MONTERREY	LE HOYO DU PRINCE SLB 25'S	7.52
50406028	HOYO DE MONTERREY	LE HOYO DU ROI 50'S	9.29
50406085	HOYO DE MONTERREY	LE HOYO DU ROI P/C5'X5'S	9.29
50406027	HOYO DE MONTERREY	LE HOYO DU ROI SLB 25'S	9.29
00206001	HOYO DE MONTERREY	MIDI 5'SX10, 50'S	2.70
00206002	HOYO DE MONTERREY	MINI 20'SX5, 100'S	1.20
60706086	HOYO DE MONTERREY	PARTICULARES SLB 1'SX5, 5'S	18.79
00100229	HOYO DE MONTERREY	PETIT ROBUSTO C/P 3'SX 5, 15'S	9.59
00100220	HOYO DE MONTERREY	PETIT ROBUSTO SLB 25'S	9.59
00200037	HOYO DE MONTERREY	SELECCION HOYO 2004, 100'S	0.00
42106037	HOYO DE MONTERREY	SHORT HOYO CORONAS 25'S	8.46
79314024	JOSE L. PIEDRA	BREVAS C/P 5X5'S 25'S	8.21
79414025	JOSE L. PIEDRA	CAZADORES C/P 5X5'S 25'S	10.00
79514029	JOSE L. PIEDRA	CONSERVAS C/P 5X5'S 25'S	9.20
79814026	JOSE L. PIEDRA	CREMAS C/P 5X5'S 25'S	7.60
26114030	JOSE L. PIEDRA	MINI 20'S X 5	0.90
79714027	JOSE L. PIEDRA	NACIONALES C/P 5X5'S 25'S	8.28
79614028	JOSE L. PIEDRA	PETIT CETROS C/P 5X5'S 25'S	6.32
50418001	JUAN LOPEZ	CORONAS 25'S	9.29
42118005	JUAN LOPEZ	PETIT CORONAS 25'S	8.46

50518013	JUAN LOPEZ	SELECCION NO.1 25'S	11.41
43518015	JUAN LOPEZ	SELECCION NO.2 25'S	11.66
43518016	JUAN LOPEZ	SELECCION NO.2 SLB 50'S	11.18
42127019	LA FLOR DE CAÑO	CORONAS SBN-B 1/40	8.46
77327027	LA FLOR DE CAÑO	PETIT CORONAS 25'S	6.90
77327028	LA FLOR DE CAÑO	PETIT CORONAS C/P 5X5'S 25'S	6.90
27327004	LA FLOR DE CAÑO	PETIT CORONAS CELLO 2/C 1/40	6.90
27327003	LA FLOR DE CAÑO	PREDILECTOS TUBULARES A/T 25'S	6.90
00100334	LA FLOR DE CAÑO	PREFERIDOS 25'S	6.10
27427007	LA FLOR DE CAÑO	PREFERIDOS CELLO 2/C 1/40	6.40
27427014	LA FLOR DE CAÑO	PREFERIDOS CELLO P/C3'X10 30'S	6.40
60517112	LA GLORIA CUBANA	MEDAILLE D'OR NO.1 10'S	8.90
50717102	LA GLORIA CUBANA	MEDAILLE D'OR No.2 25'S	11.86
51517114	LA GLORIA CUBANA	MEDAILLE D'OR NO.3 10'S	5.01
43017104	LA GLORIA CUBANA	MEDAILLE D'OR No.4 25'S	5.68
00100066	LA GLORIA CUBANA	MINI 20'S X 5	0.79
50617006	LA GLORIA CUBANA	SABROSOS 25'S	10.14
60917007	LA GLORIA CUBANA	TAINOS 10'S	14.61
00100077	MONTECRISTO	CLUB C/P 20'S X 5, 100'S	1.10
00200044	MONTECRISTO	COLECCION MONTECRISTO 20'S	16.20
00200008	MONTECRISTO	DOUBLE CORONAS 25'S LTD EDN 2001	17.86
00100205	MONTECRISTO	EDMUNDO 25'S	12.34
00100206	MONTECRISTO	EDMUNDO C/P 3'SX5, 15'S	12.34
61102008	MONTECRISTO	ESPECIAL SBN-B 25'S	10.29
51302009	MONTECRISTO	ESPECIALES NO.2 SBN-B 25'S	8.15
42802011	MONTECRISTO	JOYTAS 25'S	2.81
20102002	MONTECRISTO	MINI CIGARILLOS 50	1.00
20102001	MONTECRISTO	MINI CIGARILLOS C/P 20	1.00
00100076	MONTECRISTO	MINI CIGARILLOS C/P10'SX10,100	1.05
60702001	MONTECRISTO	MONTECRISTO A 25'S	18.79
00100227	MONTECRISTO	MONTECRISTO A SLB 1'SX5, 5'S	14.00
00200021	MONTECRISTO	MONTECRISTO C 25'S - LIMITED EDITION 2003	11.41
00200043	MONTECRISTO	MONTECRISTO D 10'S - LIMITED EDITION 2005	11.86
50302003	MONTECRISTO	NO.1 25'S	10.80
68102017	MONTECRISTO	NO.2 10'S	14.60
68102004	MONTECRISTO	NO.2 25'S	14.26
00100167	MONTECRISTO	NO.2 C/P 3'SX5, 15'S	14.26
50402005	MONTECRISTO	NO.3 25'S	9.29
50402046	MONTECRISTO	NO.3 C/P 5'SX5 25'S	9.29
50402059	MONTECRISTO	NO.3 P/C 3'S DISPLAY 15'S	9.29
42102006	MONTECRISTO	NO.4 25'S	8.46
42102044	MONTECRISTO	NO.4 C/P 5'SX5 25'S	8.46
42102058	MONTECRISTO	NO.4 P/C 3'S 15'S	7.84
43202007	MONTECRISTO	NO.5 25'S	5.91
00100169	MONTECRISTO	NO.5 C/P 5'SX5, 25'S	5.91
42102061	MONTECRISTO	PETIT TUBOS 25'S	8.46
00100161	MONTECRISTO	PETIT TUBOS A/T C/P 5'SX5 25'S	8.46
43502062	MONTECRISTO	ROBUSTO 25'S	11.66
00200050	MONTECRISTO	ROBUSTOS EDICION LIMITADA 25'S	11.66
00200029	MONTECRISTO	SERIE ESPECIAL 100	17.39
50602010	MONTECRISTO	TUBOS A/T 25'S	10.14
50602013	MONTECRISTO	TUBOS A/T 10'S	10.14
00100182	MONTECRISTO	TUBOS A/T C/P 3'SX5, 15'S	13.52
00200047	PARTAGAS	160 ANIVERSARIO CABINET 100'S - NEW	14.50
50601041	PARTAGAS	8-9-8 UNVARNISHED CABINET	10.14
00100337	PARTAGAS	8-9-8 VARNISHED 25'S	11.86
50701042	PARTAGAS	8-9-8 VARNISHED CABINET 25'S	11.86
71901330	PARTAGAS	ARISTOCRATS 25'S	7.04
21901003	PARTAGAS	ARISTOCRATS CELLO 25'	7.04
29001005	PARTAGAS	BELVEDERES CELLO 25'	6.21
26101020	PARTAGAS	CHICOS CELLO 25'S	3.00
26101022	PARTAGAS	CHICOS CELLO C/P 5'SX10, 50'S	3.00
60901024	PARTAGAS	CHURCHILLS DE LUXE 25'S	15.07
00100068	PARTAGAS	CLUB 20'S X 5	1.14
50401011	PARTAGAS	CORONAS 25'S	9.29

50401092	PARTAGAS	CORONAS 50'S	9.29
20701014	PARTAGAS	CORONAS JUNIOR 25'S	6.35
00100172	PARTAGAS	CORONAS JUNIOR A/T 25'S	6.35
71401341	PARTAGAS	CORONAS SENIOR A/T 25'S	8.74
21001017	PARTAGAS	CULEBRAS 25'S	6.67
79001348	PARTAGAS	HABANEROS C/P 5'SX10, 50'S	6.21
29001081	PARTAGAS	HABANEROS CELLO 25'	6.21
71901352	PARTAGAS	LONDRES EXTRA C/P 5'SX10 50'S	7.04
21901036	PARTAGAS	LONDRES FINOS CELLO 2/C 25'S	7.04
50301326	PARTAGAS	LONSDALES 25'	10.80
50301093	PARTAGAS	LONSDALES 50'S	16.97
61201039	PARTAGAS	LUSITANIAS 25'S	17.86
61201085	PARTAGAS	LUSITANIAS SLB 50'S	17.86
22001089	PARTAGAS	MILLE FLEURS CELLO 10'S	7.77
20501047	PARTAGAS	PANETELAS CELLO 1/40	5.29
70801360	PARTAGAS	PARTAGAS DE LUXE A/T 10'S	7.64
70801361	PARTAGAS	PARTAGAS DE LUXE A/T 25'S	7.64
50701050	PARTAGAS	PARTAGAS DE PARTAGAS #1 1/40	23.00
29201051	PARTAGAS	PERFECTOS CELLO 25'S	7.36
42101053	PARTAGAS	PETIT CORONAS 1/40	8.46
68101097	PARTAGAS	PIRAMIDES 25'S LTD EDN 2000	14.26
58601077	PARTAGAS	PRESIDENTE 25'S	10.79
50701064	PARTAGAS	SELECCION PRIVADA NO. 1 25'S	11.86
60401117	PARTAGAS	SERIE CONNAISSEUR No.1 SLB 25'S	10.29
51601116	PARTAGAS	SERIE CONNAISSEUR No.2 SLB 25'S	8.90
50101115	PARTAGAS	SERIE CONNAISSEUR No.3 SLB 25'S	6.39
00200033	PARTAGAS	SERIE D NO.1 25'S - LIMITED EDITION 2004	15.98
00200019	PARTAGAS	SERIE D NO.2 25'S LTD EDN 2003	15.00
00200007	PARTAGAS	SERIE D NO.3 25'S LTD EDN 2001	11.41
00200051	PARTAGAS	SERIE D NO.3 EDICION LIMITADA 25'S	11.41
00100217	PARTAGAS	SERIE D NO.4 C/P 3'SX5, 15'S	11.66
00200038	PARTAGAS	SERIE D NO.4 RESERVA, 20'S	11.66
43501068	PARTAGAS	SERIE D NO.4 SBN-B 25'S	11.66
00100335	PARTAGAS	SERIE P NO. 2, 10'S	14.26
00100332	PARTAGAS	SERIE P NO. 2, 25'S	14.26
42301069	PARTAGAS	SHORTS 25'S	6.97
42301096	PARTAGAS	SHORTS SLB 50'S	7.46
70801375	PARTAGAS	SUPER PARTAGAS 25'S	7.64
22501070	PARTAGAS	TOPPERS CELLO 25'	8.33
00100367	POR LARRANAGA	MONTECARLOS 25'S	6.23
77407055	POR LARRANAGA	PANETELAS 2/C 25'S	6.10
42107035	POR LARRANAGA	PETIT CORONAS SLB 50'S	8.46
60905010	PUNCH	CHURCHILLS 25'S	15.07
60905083	PUNCH	CHURCHILLS SLB 50'S	15.07
00100069	PUNCH	CIGARRITOS 20'S	1.00
00100070	PUNCH	CIGARRITOS RESERVA TIN 20'SX5, 100'S	1.00
50405005	PUNCH	CORONAS 1/40	9.29
72005099	PUNCH	CORONATIONS A/T 25'S	7.77
61205013	PUNCH	DOUBLE CORONAS 25'S	17.86
61205065	PUNCH	DOUBLE CORONAS SLB 50'S	17.86
42105031	PUNCH	PETIT CORONAS DEL PUNCH 25'S	8.46
42105081	PUNCH	PETIT CORONAS PUNCH SLB 50'S	8.46
70705115	PUNCH	PETIT CORONATIONS A/T 25'S	6.35
43205091	PUNCH	PETIT PUNCH 25'S	5.91
43205034	PUNCH	PETIT PUNCH C/P 5'S 1/10	5.91
50505039	PUNCH	PUNCH PUNCH 25'S	11.41
50505063	PUNCH	PUNCH PUNCH SLB 50'S	11.41
50505045	PUNCH	ROYAL SELECTION No.11 SLB 25'S	11.41
42105046	PUNCH	ROYAL SELECTION No.12 SLB 25'S	8.46
50605055	PUNCH	SUPER SELECTION No.1 SLB 50'S	10.14
50505056	PUNCH	SUPER SELECTION NO.2 SLB 1/20	11.41
42305039	PUNCH	TRES PETIT CORONAS 2/C 25'S	7.46
50435001	QUAI D'ORSAY	CORONAS 25'S	9.26
50635004	QUAI D'ORSAY	GRAND CORONAS 25'S	10.14
60935005	QUAI D'ORSAY	IMPERIALES 25'S	15.07

77208020	QUINTERO	BREVAS 25'S	8.28
00100222	QUINTERO	LONDRES EXTRA 25'S	6.90
00100079	QUINTERO	MINI C/P 20'S X 5, 100'S	0.75
77208024	QUINTERO	NACIONALES 25'S	8.28
77408026	QUINTERO	PANETELAS 25'S	6.10
50516002	RAFAEL GONZALEZ	CORONAS EXTRA 25'S	11.41
50316006	RAFAEL GONZALEZ	LONSDALES 25'S	10.80
00100218	RAFAEL GONZALEZ	PANETELAS EXTRA 25'S	6.10
42116008	RAFAEL GONZALEZ	PETIT CORONAS 25'S	8.46
50711019	RAMON ALLONES	8-9-8 VARNISHED CABINET 1/40	11.86
43511031	RAMON ALLONES	ALLONES SPECIALLY SELECTED 25'S	11.66
26111006	RAMON ALLONES	BITS OF HAVANA CELLO 25'S	3.00
00100224	RAMON ALLONES	ESPECIAL SELECTION SLB 50'S	11.66
61211011	RAMON ALLONES	GIGANTES 25'S	17.86
42111016	RAMON ALLONES	PETIT CORONAS 25'S	8.46
40511022	RAMON ALLONES	RAMONITAS 25'S	2.94
00100366	RAMON ALLONES	SMALL CLUB CORONAS 25'S	7.46
41715003	REY DEL MUNDO	CHOIX SUPREME 25'S	10.86
41715028	REY DEL MUNDO	CHOIX SUPREME 50'S	10.86
00100368	REY DEL MUNDO	CORONAS DE LUXE 25'S	9.29
41215004	REY DEL MUNDO	DEMI TASSE 25'S	3.27
51515005	REY DEL MUNDO	ELEGANTES 25'S	5.01
50515007	REY DEL MUNDO	GRAN CORONAS 2/C 1/40	11.41
00100225	REY DEL MUNDO	GRANDES ESPANA 25'S	10.29
41615010	REY DEL MUNDO	LUNCH CLUB 25'S	6.72
60915023	REY DEL MUNDO	TAINOS SLB 25'S	15.07
00200046	ROMEO Y JULIETA	130 ANIVERSARIO CABINET 100'S	15.20
58103203	ROMEO Y JULIETA	BELICOSOS 25'S	12.45
79003311	ROMEO Y JULIETA	BELVEDERES 25'S	6.21
40603005	ROMEO Y JULIETA	CAZADORES 25'S	11.27
50303007	ROMEO Y JULIETA	CEDROS DE LUXE NO.1 25'S	10.80
50403008	ROMEO Y JULIETA	CEDROS DE LUXE NO.2 25'S	9.29
42103009	ROMEO Y JULIETA	CEDROS DE LUXE NO.3 25'S	8.46
60903018	ROMEO Y JULIETA	CHURCHILLS 2/C 25'S	15.07
60903021	ROMEO Y JULIETA	CHURCHILLS A/T 10'S	15.07
60903019	ROMEO Y JULIETA	CHURCHILLS A/T 25'S	15.07
00100192	ROMEO Y JULIETA	CHURCHILLS A/T C/P 3'SX2, 6'S	15.08
00100355	ROMEO Y JULIETA	CHURCHILLS A/T C/P 3'SX5, 15'S	15.07
60903020	ROMEO Y JULIETA	CHURCHILLS A/T P/C3'SX8+1',25'	15.07
00100081	ROMEO Y JULIETA	CLUB C/P 20'S X 5, 100'S	1.10
00200035	ROMEO Y JULIETA	COLECCION 2004, 20'S	16.00
50403013	ROMEO Y JULIETA	CORONAS 25'S	9.29
50503025	ROMEO Y JULIETA	EXHIBICION NO.3 25'S	11.41
41703026	ROMEO Y JULIETA	EXHIBICION NO.4 25'S	10.86
41703090	ROMEO Y JULIETA	EXHIBICION NO.4 SLB 50'S	10.86
00200020	ROMEO Y JULIETA	HERMOSOS NO.1 25'S - LIMITED EDITION 2003	14.26
00200032	ROMEO Y JULIETA	HERMOSOS NO.2 25'S - LIMITED EDITION 2004	12.94
00100180	ROMEO Y JULIETA	LOS 3 ROMEOS A/T - 3 Tubes Pack (Romeo 1,2 &3)	7.26
VC000005	ROMEO Y JULIETA	LOS TRES ROMEOS HAMPER	0.00
24021000	ROMEO Y JULIETA	MEDIUM C/P 5'SX10, 50'S	2.25
72003327	ROMEO Y JULIETA	MILLER FLEURS 25'S	7.70
29003079	ROMEO Y JULIETA	MINI CIGARILLOS C/P 20SX5, 100'S	0.93
43103040	ROMEO Y JULIETA	PANETELAS 1/40	4.94
29203043	ROMEO Y JULIETA	PERFECTOS CELLO 1/40	7.36
42103044	ROMEO Y JULIETA	PETIT CORONAS 25'S	8.46
00100168	ROMEO Y JULIETA	PETIT CORONAS C/P 5'SX5, 25'S	8.46
00100336	ROMEO Y JULIETA	PETIT CORONAS SLB 25'S	8.46
41203045	ROMEO Y JULIETA	PETIT JULIETAS 25'S	3.27
00200040	ROMEO Y JULIETA	PETIT PIRAMIDES 25'S - LIMITED EDITION 2005	11.16
00100208	ROMEO Y JULIETA	PETIT PRINCESS 25'S	5.91
00100194	ROMEO Y JULIETA	PIRAMIDES 25'S	14.26
60903048	ROMEO Y JULIETA	PRINCE OF WALES 25'S	15.07
00200006	ROMEO Y JULIETA	ROBUSTOS 25'S	11.66
70803335	ROMEO Y JULIETA	ROMEO NO.1 A/T 10'S	7.64
70803336	ROMEO Y JULIETA	ROMEO NO.1 A/T 25'S	7.64

00100356	ROMEO Y JULIETA	ROMEO NO.1 A/T C/P 3'SX5, 15'S	14.00
50403050	ROMEO Y JULIETA	ROMEO NO.1 DE LUXE 1/40	9.29
72003338	ROMEO Y JULIETA	ROMEO NO.2 A/T 25'S	7.70
00100372	ROMEO Y JULIETA	ROMEO NO.2 A/T 10'S	8.46
72003337	ROMEO Y JULIETA	ROMEO NO.2 A/T C/P 5'SX10, 50'S	7.70
00100379	ROMEO Y JULIETA	ROMEO NO.2 C/P 3'S A/T 15'S	8.46
42103052	ROMEO Y JULIETA	ROMEO NO.2 DE LUXE A/T 25'S	8.46
70703341	ROMEO Y JULIETA	ROMEO NO.3 A/T 10'S	6.35
70703342	ROMEO Y JULIETA	ROMEO NO.3 A/T 25'S	6.35
00100357	ROMEO Y JULIETA	ROMEO NO.3 A/T C/P 3'SX5, 15'S	6.78
41603056	ROMEO Y JULIETA	ROMEO NO.3 DE LUXE A/T 1/40	6.72
00100377	ROMEO Y JULIETA	SHORT CHURCHILLS 10'S	11.66
00100376	ROMEO Y JULIETA	SHORT CHURCHILLS 25'S	11.66
22403069	ROMEO Y JULIETA	SPORT LARGOS CELLO 25'S	4.88
41603060	ROMEO Y JULIETA	TRES PETIT CORONAS 25'S	6.72
00100026	S.T. DUPONT	CHURCHILL 4'S	15.40
00100054	S.T. DUPONT	CORONAS 4'S	9.60
00100031	S.T. DUPONT	MINI 20'S	1.10
00100028	S.T. DUPONT	ROBUSTOS 4'S	12.40
60920019	SAINT LUIS REY	CHURCHILLS 25'S	15.07
50420015	SAINT LUIS REY	CORONAS 25'S	9.29
61220029	SAINT LUIS REY	DOUBLE CORONAS SLB 50'S	17.00
50320004	SAINT LUIS REY	LONSDALES 25'S	10.08
50320011	SAINT LUIS REY	LONSDALES 50'S	10.80
41720005	SAINT LUIS REY	REGIOS 25'S	10.86
41720009	SAINT LUIS REY	REGIOS SLB 50'S	10.86
50520010	SAINT LUIS REY	SERIE A SLB 50'S	11.41
50520006	SAINT LUIS REY	SERIE A 2/C 25'S	11.41
61451001	SAN CRISTOBAL	EL MORRO 25'S	15.07
42351003	SAN CRISTOBAL	EL PRINCIPE 25'S	7.46
43651002	SAN CRISTOBAL	LA FUERZA 25'S	11.66
58151004	SAN CRISTOBAL	LA PUNTA 25'S	12.45
00100370	SAN CRISTOBAL	MERCADERES 25'S	14.28
00100371	SAN CRISTOBAL	MURALLA 25'S	17.08
00100369	SAN CRISTOBAL	OFICIOS 25'S	9.42
00200031	SAN CRISTOBAL	V ANIVERSARIO 100'S	14.15
58110003	SANCHO PANZA	BELICOSOS 25'S	12.45
58110017	SANCHO PANZA	BELICOSOS SLB 50'S	12.45
50410004	SANCHO PANZA	CORONAS 25'S	9.29
60910006	SANCHO PANZA	CORONAS GIGANTES 10'S	15.07
50310010	SANCHO PANZA	MOLINOS 25'S	10.80
42110011	SANCHO PANZA	NON PLUS 25'S	8.46
60710014	SANCHO PANZA	SANCHOS 10'S	18.79
00200004	TRINIDAD	CABINET 20'S	13.35
00100197	TRINIDAD	COLONIALES 24'S	9.18
00100198	TRINIDAD	COLONIALES C/P 5'SX5, 25'S	9.18
61348001	TRINIDAD	FUNDADORES 24'S	10.29
61348002	TRINIDAD	FUNDADORES 50'S	10.29
00100195	TRINIDAD	FUNDADORES C/P 5'S, 25'S	13.91
00100151	TRINIDAD	FUNDADORES C/P 5'SX5, 25'S	13.91
00100209	TRINIDAD	REYES 12'S	6.37
00100199	TRINIDAD	REYES 24'S	6.37
00100204	TRINIDAD	REYES C/P 5'SX5, 25'S	6.37
00100196	TRINIDAD	ROBUSTO EXTRA 12'S	14.58
00100203	TRINIDAD	ROBUSTO EXTRA C/P 3'SX5, 15'S	14.58
27331002	TROYA	CORONAS CLUB TUBULARES 25'S	6.90
27031006	TROYA	UNIVERSALES CELLO 25'S	7.13
00100092	VEGA FINA	CORONITA 25'S	9.98
00100094	VEGA FINA	PERIA 25'S	7.26
00100136	VEGA FINA EXP	PETACAS CORONAS 5X4, 20'S	10.89
00200015	VEGAS ROBAINA	5TH ANNIVERSARY CABINET 100'S	13.08
50347002	VEGAS ROBAINA	CLASICO 25'S	10.80
61247001	VEGAS ROBAINA	DON ALEJANDRO 25'S	17.86
50447003	VEGAS ROBAINA	FAMILIAR 25'S	9.29
41747004	VEGAS ROBAINA	FAMOSOS 25'S	10.86

68147005	VEGAS ROBAINA	UNICOS 25'S	14.26
61143002	VEGUEROS	ESPECIALES NO. 1 25'S	10.29
51343003	VEGUEROS	ESPECIALES NO. 2 25'S	8.15
42143004	VEGUEROS	MAREVAS C/P 5'SX5, 25'S	8.46
51743005	VEGUEROS	SEOANE C/P 5'SX5, 25'S	5.01