

# A COMPETITIVE FIELD

*The following companies have been nominated for Golden Leaf Awards. The winners will be announced during TABEXPO 2007.*

TR Staff Report

This year's Golden Leaf Awards competition is turning out to be a nail biter. The quality of entries has been outstanding and, at press time, our judges were still agonizing about their selections. The following pages contain short profiles of the nominees. Which of them will be taking home the coveted trophies and cash prizes this year? Find out during the Golden Leaf Award luncheon on Tuesday, Nov. 27, in Les Cariatides restaurant upstairs in Hall 6 of the TABEXPO Paris exhibition center. Tickets are free, but seating is limited. The event, which is sponsored by BMJ, starts at 1:30 p.m.

## Category: Most impressive public service initiative

### CTA

Continental Tobacco Alliance (CTA) of Brazil has been nominated in the "Most impressive public service initiative" category because of its generous employee benefits and extensive public works. The company carefully looks after the nourishment, health, education and overall quality of life of its employees.

In addition to serving daily meals, it provides a monthly food package, which is also made available to seasonal employees during the off-season. Among other programs it provides, CTA is working to improve ergonomics in the workplace and prevent cardiovascular disease. It also provides access to flu vaccines, nutritionists and dental care.

To serve and retain its female employees, the company operates a preschool at its premises. As a bonus, all employees enjoy access to a well-equipped social club, with six swimming pools, game courts and a lake with pedal boats. On the social front, CTA has donated more than \$1 million to improve several units at São Sebastião Mártir hospital in Venâncio Aires.

In addition, the company has made permanently available two units of tenecteplase, which is used to treat coronary thrombosis and is unavailable at any other federal hospital in Brazil.

### ITC-ILTD

ILTD has been nominated for a Golden Leaf Award in the "Most impressive public service initiative" for its community projects in Chirala, Andhra Pradesh. Motivated by its "commitment beyond the market," ILTD has always felt a larger societal purpose on top of its commercial objectives. Even as the company attains new milestones in wealth creation, it remains eager to enlarge its contribution to Indian society.

As a big employer in Chirala, ILTD takes a keen interest in the well-being of its community. Many of its initiatives have targeted women and children, aiming to improve the community's overall quality of life. This has had powerful incremental benefits contributing to better nutrition, health and education. Helping to build family incomes and assets, women are emerging as a positive force for social change and community enterprise.

ILTD's initiatives cover 20 villages, with more than 100 micro-credit groups, 1,000 active members and more than 200 female entrepreneurs.

In addition to the Chirala initiative, ILTD is helping India's rural communities by campaigning against child labor. The company is also investing in water-conservation and harvesting projects.

### Universal Leaf

Universal Leaf Tobacco Co.'s citizen program has been nominated for a Golden Leaf Award in the "Most impressive public service initiative" category. The company is a strong believer in supporting the communities in which it operates. Created in 2001, the citizen program has been helping the needy in the Santa Cruz do Sul region, the center of cigarette tobacco production in Brazil.

By 2004, Universal had assisted more than 700 families in one of Santa Cruz's poorest communities, Bairro Menino Deus. The company assisted with job training, education, health care, sanitation, housing and environmental preservation, among other

activities. As a result of the program, many participants managed to secure their first formal jobs.

Universal has taken a holistic, bottom-up approach to its project. Rather than dictating what should be done, this involves listening to the community, identifying its leaders and working with them to define the priorities.

The company now plans to launch a similar project in Joinville, Santa Catarina, where it opened a processing factory two years ago. It also intends to expand the program to neighboring Argentina.

## Most exciting newcomer to the industry

### McCroft Tobacco Holdings

McCroft Tobacco Holdings was established in 2005 by a group of entrepreneurs who wanted to create a fully integrated tobacco company. With skills in growing, auctioneering, blending, threshing, primary, secondary, retail and finance, the company is in a unique position to offer all tobacco-related services. Its management boasts more than 120 years of combined tobacco experience.

McCroft has growing schemes, buying teams, secondary manufacturing facilities and distribution networks on various continents. The company is active in Africa, the Middle East, Central Asia and eastern Europe. It is currently in the process of constructing a 12-ton-per-hour GLT in Zambia to produce cut rag, fully expanded stem, RYO and cigarettes. To round out its portfolio, the company will soon commence production of flavored cigars in the United States.

To guarantee the continuity of its blends, McCroft has entered into a strategic partnership with American Cigarette Co. of Winston-Salem, North Carolina, USA. ACC smokes and evaluates all of McCroft's blends to make sure that only the most suitable tobaccos are used.

Devoted to transparency, the company encourages its customers to be present during the manufacturing process.

### DataEdge

DataEdge is a true client/server software suite designed for the automated and real-time collection, storage and analysis of quality control data (measurements such as cigarette weight, circumference and pressure drop) from product test stations into a centralized SQL database. Based on a login hierarchy, the collected information is then made available to anyone connected to QMS, including operators, quality assurance and production personnel/management.

The system is designed for cigarette and filter operations and uses readily available Windows-based PCs and customers' local area networks. It is scalable and totally modular and allows for data mining and exporting in non-QMS statistical packages in MS Excel format. It also allows for interconnectivity with third-party databases.

DataEdge allows for process improvement, through SPC charting and analyses, and accountability to quality-control standards during real-time production while providing a reference for historical reports. The system can automatically and seamlessly process quality assurance data provided by the three main quality assurance stations—those manufactured and marketed by Sodim, KC Borgwaldt and Cerulean.

Originally developed for Baumgartner United States, DataEdge was redesigned to be employed at any customer using automated quality assurance stations.

### UTA

Like death and taxes, uncommitted tobacco stocks are hard to avoid. Contracts, political considerations and the whims of nature mean leaf traders sometimes end up with more tobacco than confirmed orders. While uncommitted stocks are nothing new, they are increasingly hard to justify. Operating on thin profit margins, leaf merchants are under pressure to control cost. What's more, with overall business fundamentals deteriorating, tobacco companies no longer enjoy the easy access of credit they once had.

UTA, which stands for Uncommitted Tobacco Auction, provides tobacco companies with an additional avenue to sell their stocks. By connecting companies who weren't trading previously, UTA hopes to fill a gap in the system. The company stresses that it's not out to change the existing leaf trading system but merely to add to it. The first UTA auction took place in late 2006 at the warehouses of Tabaknatie in Antwerp, Belgium. During its most recent auction, in September, customers viewed more than 20 million kg of tobacco from 17 origins. UTA's mission is to be accepted as a serious cost-effective facilitator and provide a neutral platform to the trade.

## Most promising new product introduction

### GCH

GCH's fully automated burley harvester has been nominated for a Golden Leaf Award in the "Most promising new product introduction" category. The machine was developed to eliminate some of the grueling manual tasks that have been a way of life for more than two centuries. The burley harvester can harvest between four and five acres per day and reduces labor requirements by approximately 80 percent—a welcome development in a time when many farmers are facing labor shortages.

The machine cuts, conveys and inverts the leaves, which are then hung down along the stalk to prevent breakage. Because the only mechanical contact occurs near the base of the stalk, the only leaves at risk of detachment are the least valuable ones.

The harvester dispenses and fills portable curing frames, which are offloaded in the field and then moved to a nearby area by tractor. After approximately one week of wilting, the portable frames are covered by waterproof material. The tobacco remains in the covered frames until curing is complete.

In addition to labor savings, the machine eliminates the need for storage and curing barns.

### Filtrona

Filtrona's Superslim Active Patch filters have been nominated for a Golden Leaf award in the "Most promising new product introduction" category. Superslim Active Patch provides all the benefits of carbon filtration without the drawbacks.

Cigarette manufacturers use carbon filters to capture harmful elements in gases or vapors—elements that elude simple monoacetate filters. Such filters offer improved performance but also add complexity and cost. Because carbon is black and dusty, it must be kept away from the mouth end of the filter, thus necessitating a multistage filter manufacturing process. ►

The industry-standard carbon can present housekeeping problems as carbon can fall out of the end of the filter. Multisegment filters can also raise draw resistance variability. What's more, carbon filters change the smoke's taste.

Filtrona's active patch is a single-segment filter that can be produced on one machine, reducing manufacturing cost. The technology allows for significantly higher carbon loadings while retaining optimal filter draw resistance.

Most importantly, Active Patch has a lower taste impact than do carbon duals or other multisegment carbon filters. This can be a massive benefit when introducing carbon filtration into nontraditional markets.

### **Les Technologies Biofiltre**

Les Technologies Biofiltre (LTB) of Canada has developed a cigarette filter that mimics the natural filtration properties of plants. While the company is careful not to make a health claim pending additional studies, LTB says the initial testing leads it to believe that the biofilter has a positive impact on reducing the harm caused by smoking.

LTB's scientists have succeeded in reproducing plant filtration properties and transferring them to a synthetic medium (acetate). The biofilter works by preventing damage to the cells that protect the respiratory tract. Company studies revealed that the smoke from a cigarette without a biofilter significantly diminished the lungs' ability to fight aggressors. However, when exposed to smoke from a cigarette with a biofilter, the lungs continued to effectively protect themselves.

Focus group studies suggest the cigarette filter does not change the smoking experience or alter the tobacco taste. While Canada's restrictive tobacco environment makes communication with consumers and tobacco product introductions difficult, LTB is hopeful the initial favorable feedback will encourage word-of-mouth about its revolutionary product. LTB's parent company, Groupe ADL, has already converted all its cigarette brands to biofilter.

### **Tobacco Technology Inc.**

Tobacco flavoring house Tobacco Technology Inc. (TTI) is constantly looking for developments to improve quality, reduce complexity, and/or reduce cost. One way to achieve this is to substitute a blend component at a comparable cost, but use it at half the rate of the ingredient it replaces. TTI's 2X licorice substitute has been nominated for a Golden Leaf Award in the "Most promising new product introduction" category.

Historically, the price and quality of natural licorice has varied from year to year and from region to region. Additionally, some of the principal growing areas are politically unstable.

In toasted burley casings and total leaf casings, the 2X licorice substitute (a liquid) performs on a level equal to natural licorice. Compared with semi-liquid—the industry standard—TTI's 2X licorice substitute costs about the same but yields a 50 percent cost savings because it is a two-fold concentrate. TTI's 2X licorice also reduces shipping, handling and storage cost because users will need to purchase only half the volume of the natural licorice.

Since its introduction in 2006, sales of 2X licorice substitute have grown substantially.

### **TriCity Machine Works**

TriCity Machine Works' Hawktech FPC 2000 smoking machine has been nominated for a Golden Leaf Award in the "Most promising new product introduction" category. The Hawktech can replicate human topography profiles.

Until recently, building a machine capable of replicating human smoking profiles was beyond the technological capabilities and financial resources of most tobacco companies. The Sodim SPA line of human topography profilers has made this technology available to everyone. Until recently, however, there was no way to replicate these profiles on a machine that had been validated for laboratory use.

TriCity's Hawktech FPC 2000 has been validated for FTC, ISO, Massachusetts, Texas and other smoking regimes. With Sodim's line of human topography profilers and the Hawktech FPC 2000, everyone can now be on the cutting edge of technology at a cost that will not devastate their budgets.

Because it's impossible to predict what regulators will come up with next, TriCity built the most versatile machine possible. Along with the largest puff volume (10-150 ml) and puff duration (1-10 seconds), the machine's human topography smoking technology gives scientists all of the tools they need.

### **EvenCure System**

EvenCure System's Tobacco-4A curing control and heat exchanger has been nominated for a Golden Leaf Award in the "Most promising new product introduction" category. This multi-programmable microprocessor device controls the drying process in curing barns for a variety of agricultural products, including tobacco.

EvenCure developed Tobacco-4A to help farmers cure tobacco more cost effectively and reduce the environmental impact of their activities. The system offers energy savings of between 35 and 45 percent and reduces curing times by one or two days. Its emissions are well below U.S. government regulations. At the end of the day, Tobacco-4A allows the farmer to produce more tobacco at less cost.

Tobacco-4A features state-of-the-art humidity controls and heat exchangers. The patent-pending EvenCure process will cure and order every barn to exactly 17-18 percent moisture content.

The system is completely modular. After eight to 10 years, the grower needs to replace only the furnace chamber. Replacing all parts, including gas valves, limit switches, induction fan systems, costs less than \$900, according to EvenCure—a considerable savings over conventional systems.

Tobacco-4A is also easy to operate. A novice tobacco farmer can become proficient within one growing season.

### **Category: Most outstanding service to the industry**

#### **Universal Leaf**

Universal Leaf Tobacco Co.'s Supply Chain Integrity Program (SCIP) has been nominated for the "Most outstanding service to the industry" award. While creating its program to eliminate non-tobacco-related materials (which has separately been nominated in the Golden Leaf Awards' "Most committed to quality" category), the company recognized the need to bring its many programs under one umbrella to ensure consistency across the organization.

The SCIP comprises several modules: the NTRM elimination program, good agricultural practices, social responsibility, environmental performance, health and safety, product integrity and industry involvement.

The SCIP helps Universal be a good steward to its employees, customers, the environment and the communities in which it operates.

While implementing an extensive program such as the SCIP in a large, global organization such as Universal inevitably presents challenges, the company benefited greatly from the fact that most of its operations are ISO certified. Blending the SCIP policies and requirements was easier than it would have been without having sound management and quality systems in place.

To heighten awareness, Universal mailed SCIP packages to every customer. In addition, company representatives visited customers to introduce the program and discuss its details.

### **ITC-ILTD**

ILTD has been nominated for a Golden Leaf Award in the "Most outstanding service category" for its leaf production initiatives in India. Pioneering the production of flue-cured and burley tobaccos in its growing areas, ILTD has built an enduring partnership with several thousand farming communities in Andhra Pradesh and Karnataka.

The company's sustained leadership in this area has contributed to the expansion of India's export basket, professionalization of the Indian tobacco production system and enhancement of the image of India as a leading source of leaf tobacco. In addition, it has helped create value for ILTD's customers.

The company's efforts have not gone unnoticed. Customers around the world have recognized and rewarded the ILTD's initiatives by purchasing ever-larger volumes of Indian tobacco. In 2006-2007, the company exported 50 million kg, up from 19 million kg in 2001-2002.

ILTD prides itself in being a total-solutions provider. Aside from a portfolio of specific grades with unique blends, the company offers exclusive service propositions such as storage and shipment and long-term arrangements covering product and prices—all targeted at providing its customers with peace of mind guarantee.

### **Colin Mear Engineering**

In today's highly regulated tobacco market, creative packaging presents an opportunity to support marketing efforts and boost sales. Changing cigarette pack styles at regular intervals keeps brands relevant and in the forefront of the consumer's mind but also carries risk. Existing packaging machinery is not always sufficiently flexible to accommodate frequent style changes, creating additional cost and lead times.

CME has structured its business to help its customers develop special pack styles. Using a combination of creative approaches and proven technologies, the company is not tied to one particular solution but has the ability to use whatever is best to meet the customer's needs. Among other projects, the company's engineering efforts enabled British American Tobacco to produce its famous wallet pack.

CME is continuously looking for ways to work through its

processes more efficiently. By thoroughly analyzing a proposed solution upfront, it can bring ideas and answers into the process early, thereby preventing delays later.

CME believes its technical knowledge, flexible manufacturing capability and willingness to work intimately with customers put it into a league of its own and qualify as "outstanding service."

### **Andromeda Forwarding**

Andromeda Forwarding of Rotterdam, Netherlands, was nominated for "Most outstanding service to the industry" by a whopping 32 business partners, which is a significant endorsement in itself. With international trade booming, shipping has become a scarce "commodity," and Andromeda has clearly created a following among its clients.

To service its customers in the tobacco industry even better, the company has recently created a specialized tobacco forwarding department, which sets itself apart through its flexibility and attention to detail. While many shipping companies and air-freight companies have grown to the point that they are no longer in a position to provide specialized service when necessary, Andromeda retains its personal touch.

When customers contact Andromeda, they will be connected to their dedicated service representative, who will arrange everything. Andromeda provides a one-stop shop for door-to-door delivery, including warehousing, fumigation, customs formalities and other services, allowing its customers to focus on their core business, tobacco.

Andromeda recently moved to a new building in Rotterdam, close to every major shipping company. The move enables the company to obtain solutions quickly and offer even better service.

### **EvenCure Systems**

EvenCure Systems has been nominated for its involvement in the U.S. Department of Agriculture's grant programs. In 2006, the company noticed that the U.S. Farm Bill benefits were being overlooked by the farmers of Virginia and the Carolinas, while most of the funding was being awarded to Midwestern states such as Nebraska.

In response, the company decided to help Virginia and Carolina farmers accessing funds for energy-efficient programs. Considering the substantial increase in energy costs in the United States—a whopping 400 percent over the past seven years—many growers were interested in participating.

EvenCure has been taking the information to the farms and providing farmers with the details required to complete and file their applications. While not charging growers for its services, EvenCure obviously hopes that some growers will consider its energy-efficient products, which meet or exceed the requirements of the Energy Efficient Grant Program.

Recent testing revealed that EvenCure System's Star Barns offer energy savings of up to 45 percent. Inspired by the slogan "Curing for the farmer's future," the company is determined to earn growers' trust and respond to their needs.

### **Altria**

Altria has been nominated for a Golden Leaf Award in the "Most outstanding service to the industry" category because of its con-



tinued innovation and ability to create shareholder value in a challenging environment.

As the global market leader, Altria has carried the brunt of anti-tobacco attacks in court and in the news media. Despite the difficult trading conditions, the company has managed to turn a healthy profit year in, year out, while entering into new markets and launching innovative products.

Altria is committed to tobacco risk reduction: witness its \$350 million investment in a research center in Richmond, Virginia, USA. Recently, the company launched a snus product under the Marlboro trademark. Prior to that, the company made headlines by developing a Marlboro kretek. In 2005, the company signed a groundbreaking agreement to manufacture cigarettes in China.

Altria is currently in the process of separating its U.S. and international tobacco businesses. While some have questioned the rationale and timing of the move, saying that the company could create more value by staying together, the new companies are likely to be formidable players in their own rights.

### **BMJ most committed to quality**

#### **Universal Leaf**

Universal Leaf Tobacco Co. has been nominated for the “BMJ most committed to quality” award because of its NTRM elimination program. The tobacco industry has invested considerable time and resources in developing machinery to detect and reject non-tobacco-related materials (NTRM). Unfortunately, no machine is 100 percent effective in removing NTRM.

Universal believes that NTRM is best addressed at the source. If you can prevent NTRM from getting into the product in the first place, there is less need to invest in expensive technology to remove it later.

Universal’s program addresses NTRM from farm to final shipment. It comprises policies regarding farm and product inspections and the training of farmers, vendors, employees. The program describes the materials that are prohibited from coming into contact with tobacco.

Preventing NTRM requires close cooperation among the company’s agronomic, processing, quality control and operations personnel worldwide. By working with farmers and other parties in the supply chain, the company has managed to eliminate many opportunities for contamination.

Universal’s commitment to quality allows customers to focus on their business and minimize their investments in NTRM detection technology.

#### **Sopariwala Exports**

Sopariwala Exports of Mumbai, India, has been nominated for a Golden Leaf Award in the “BMJ most committed to quality” cat-

egory. Assisted by India’s rich soils and favorable climate, which are most suitable for tobacco production, the company is able to produce a high-quality leaf. Sopariwala consistently achieves desirable levels of nicotine, tar, sugars, moisture and filling values, among other quality factors. In addition, it operates six world-class processing and packaging facilities spread over 500,000 square feet.

To ensure quality and consistency, Sopariwala carefully evaluates all tobaccos. Before being sent to customers, all leaf is subjected to rigorous quality tests.

As customers get more demanding, Sopariwala continues to invest in its products. Among other initiatives, the company is constantly conducting soil research, seed storage studies and pesticide residue analyses. In recent years, it has started placing more emphasis on organic cultivation practices, including the use of organic fertilizers.

In addition to quality, Sopariwala believes successful tobacco cultivation depends on greater accountability for chemical residues and an increased focus on individual customer requirements.

Continued improvements help the company serve clients in more than 60 countries.

#### **ITC-ILTD**

ILTD’s international quality rating system (IQRS) has been nominated for a Golden Leaf Award in the “BMJ most committed to quality” category. IQRS is a business excellence model designed to steer organizations to grow their maturity levels in total quality management. It has 10 levels, with level 3 being equivalent to ISO 9000. ILTD has achieved level 7.

IQRS covers all aspects of business, including management controls, primary processes, and feed-forward and feedback loops. Management controls comprise areas such as leadership and strategy, employee involvement and communication and management systems and documentations; primary processes covers marketing and sales, design and development, purchasing and contracting, etc., while feed-forward and feedback loops include monitoring and measurement, quality audits, and stakeholder satisfaction and relationship management.

The system helps ILTD provide its customers with a common approach to quality and related processes. It also enables company managers to find answers to questions through self-assessment and initiation of actions.

In the ultimate analyses, the system translates into operational excellence, people alignment and cost savings across the value chain, leading to improved quality of ILTD’s products and services at competitive prices.



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