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The Oliva family, (from left): Jeannie; Carlos; Gilberto, Sr.; Jose; and Gilberto, Jr.

Oliva Cigar Family, Estelí, Nicaragua

Oliva's Odyssey

The story of the Oliva family begins in Cuba's legendary tobacco heartland, spans five generations, encompasses nearly every cigar-making and tobacco-growing nation, and reaches its zenith with the long-anticipated creation of a cigar fine enough to bear the Oliva name. SMOKE discusses the family's intriguing history and its bold plans for the future with Jose Oliva, the man in charge of sales, distribution, and product development.

SMOKE: How far back does your family go in the tobacco business?

OLIVA: Our family is from Pinar del Rio in Cuba, and we've grown tobacco there at least since my great-grandfather, who fought in the Spanish-American War. My mother is from the same area, and her parents were in the tobacco business as well. It's been on both sides of my family for at least that long.

SMOKE: When your father, Gilberto, first started out in Cuba, how did he become so successful there?

OLIVA: He came from a poor family. His father grew tobacco, which he would sell locally to the co-ops, but my father wanted to branch out from that. By time he was 16 or 17, he was out of school and had begun to buy and sell tobacco, mostly the leftover scraps from cigar rolling. There wasn't a tremendous market for this, but enough of one that he could go around and collect scraps from the local growers and then sell it. By the time he was 24, he had established himself very well, and he had a number of people, including my grandfather, growing for him. He actually had a bit more vision in that regard than my grandfather. Of course, it was a different generation.

In late 1972 or early '73, when my mother and the children left [Nicaragua], the political situation was not extremely stable, and it became volatile in '76-'77. Once again everything father owned had been seized, and he had to leave. To this day, when we drive by the Jalapa Valley, we see the land that used to be his and has never been returned. — Jose Oliva

SMOKE: How did Fidel Castro's rise to power affect your family's business?

OLIVA: It affected us severely. By the time Castro came into power in 1959, my father was 28 years old. He was married to my mother and had three children by then. At that point, he was selling tobacco to the cigar factories in Havana, and he had large storage facilities. When Fidel arrived, my father's business didn't really get affected immediately, but you have to understand that it took a couple of years for even the larger industries to be taken over. But early on, my father realized that the smaller ones were next.

SMOKE: Cigars weren't considered a large industry in Cuba back then?

OLIVA: Even today in Cuba, there are just a few very large growers, and then there are many more small growers, or *cosecheros*, who provide for those larger ones. The industries that were affected first were the gas and the petroleum companies that were in there, and the U.S.-owned fruit companies and sugar conglomerates. Then [the nationalization] began to trickle down at a very quick rate. Little by little, the government got more control over what my father could do and how he could do it. Eventually, he knew that he was going to have to leave the country if he was going to be able to continue the business.

SMOKE: What was the final straw that made him decide to leave Cuba?

OLIVA: Basically, when the military in the area went from macro-oppression to micro-oppression. Little by little they started to put pressure down on everybody, and we all lost more and more of our ability to do business. At one point, someone said to my father, "I need you to [transport] this tobacco for me in your truck." Later on, the truck was stopped — by the same people who'd made the request! — and he was asked, "Why do you have this tobacco in here?" He realized that he could easily end up in jail, or never do business again. It came to a point where there was nothing to do but leave the island.

SMOKE: Why did he decide to go to Nicaragua after that?

OLIVA: A certain contingent of the growers had gone to Nicaragua, while others had gone to the Dominican Republic. Daniel Rodriguez — who owned the famous El Corojo plantation in Cuba, where the Corojo wrapper originated — had gone to Nicaragua, along with some other Cuban cigar makers. My father had options, but I suppose he was closer to the people who went to Nicaragua, especially to Daniel Rodriguez. As far as the conditions there, he felt that the soil, and the leaf produced from the soil, were very similar to Cuba's.

SMOKE: When was his family finally able to join him there?

OLIVA: In late 1966 the rest of the family — Gilberto Jr., Carlos and my older sister, Maria — were able to leave Cuba through Spain. They were separated for about two years. I was the last one born, and my mother and father were concerned that if we could not get to Cuba anytime soon, we should be educated in the United States. So the decision was made that my mother and all the children would come to the U.S.

SMOKE: Why did your father leave Nicaragua?

OLIVA: In late 1972 or early '73, when my mother and the children left, the political situation was not extremely stable, and it became volatile in '76-'77. Once again everything father owned had been seized, and he had to leave. To this day, when we drive by the Jalapa Valley, we see the land that used to be his and has never been returned. After that he went to Honduras until about 1982. He was growing and brokering tobacco, but would not be making cigars until 1984, when he moved to Panama.

SMOKE: Why would he choose Panama to open his first cigar factory?

OLIVA: He went there initially to grow tobacco, mostly shade tobacco. There had been some minor experimenting with tobacco-growing in Panama; in fact, it's rarely mentioned, but there's still a good amount of tobacco grown in Panama every year to be blended into cigars. My father decided there that he wanted a factory to roll cigars that he could sell to other manufacturers.

SMOKE: What ultimately led him to leave Panama?

OLIVA: The growing conditions there were good, but unfortunately a storm ruined the shade tobacco crop — the fabric and everything. With all the moving and rebuilding, it was a very costly affair. I was 10 years old and I can recall that being particularly heartbreaking for him. Panama's political situation was more stable than other countries in the region, being under U.S. control — which may have been a reason he moved there — but then he was ruined again by forces beyond his control. Yet, whenever I tell him that it was just bad luck, he always says there's no such thing; there are only circumstances. He always felt extremely lucky. He never really looked at what was taken from him. He always focused on the fact that he was able to go on and start somewhere else. That's always amazed me, I'm 32 years old now and I hope, in the same situation, that I could have that kind of resolve.

SMOKE: He also made a few more stops before returning to Nicaragua. What were some of those?

OLIVA: This is all almost a blur to me — he went to the San Andrés Valley in Mexico for a while, and then he went to the Philippines around 1989-1990.

SMOKE: While all this was going on, your older brother Gilberto, Jr. was working toward creating a cigar with the Oliva family name?

OLIVA: My father always kept an office here in Miami, but the cigar business in the mid-1980s was not very strong. During the summer, my brother and I would find ourselves selling or labeling cigars for other people, putting them in boxes or bundles, just trying to keep afloat. It was a real mom-and-pop operation. I remember thinking that I did not want to be in the cigar business if that's what it was — just so labor-intensive and difficult. We'd go around Miami and people who'd buy the cigars would only take them on consignment, even the people you'd made the labels for. We didn't have anything made under our own name.

With some [dealers], whatever they sold from their shelf is what they paid you for, and sometimes they had the money and sometimes they didn't. It was a difficult business.

SMOKE: When did you finally produce the first Oliva Family cigar?

OLIVA: It happened in 1994. My father was back in Honduras running a factory for Nestor Plasencia that was producing about 40,000 cigars. By then, the boom was on the way. We made a cigar at that factory called Gilberto Oliva. My father oversaw the production, we imported it, and within eight months we'd saved up enough money from cigar proceeds that we were able to open our own factory — in Nicaragua, because Nicaragua had the kind of tobacco that we really wanted to use. My brothers Gilberto and Carlos went to Nicaragua to open the factory, while my father stayed in Honduras to continue running the operation for Mr. Plasencia. Of course, he eventually came to Nicaragua and joined us. We opened the factory in Ocotal, which is very close to the Honduran border, because of the proximity to my father. He could drive over on weekends and make sure everything was the way it should be. Once he was

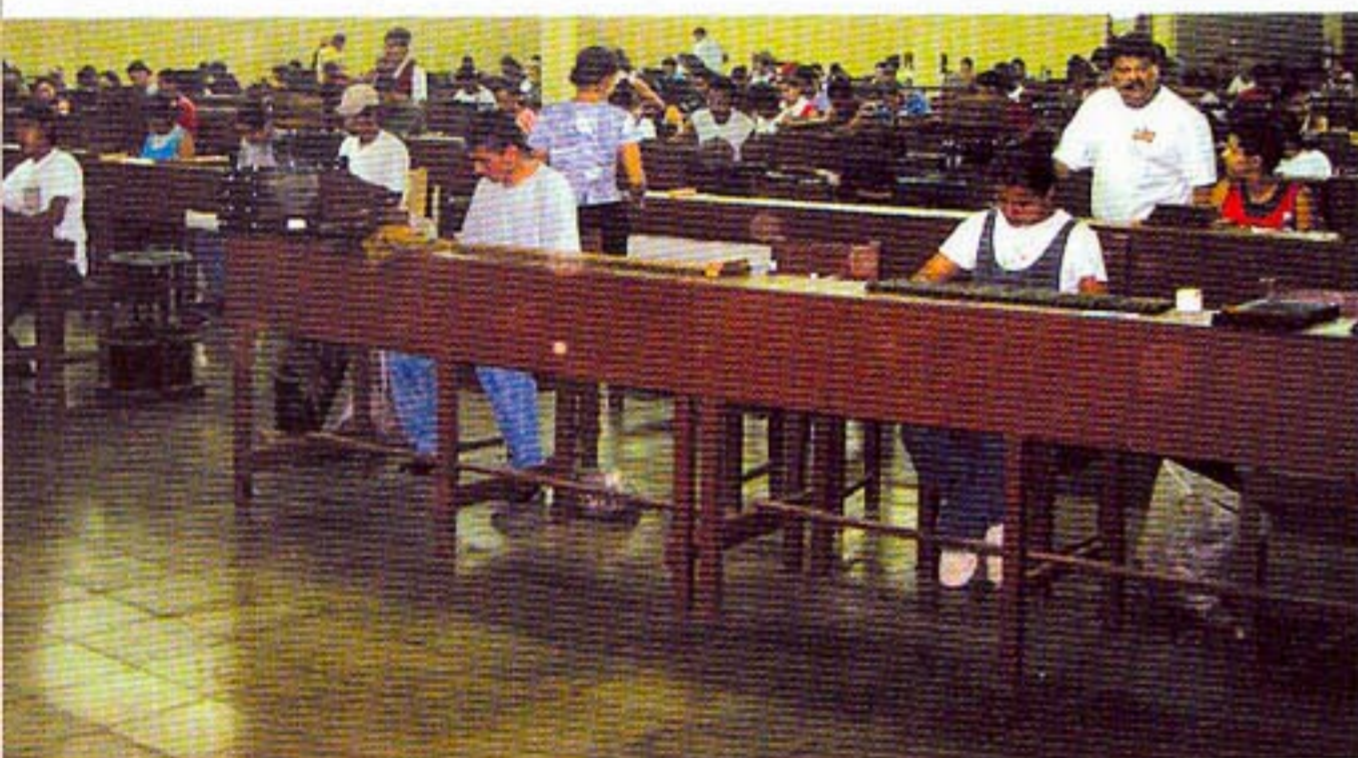
pounds of tobacco now aging, and I don't know if many manufacturers can say that.

SMOKE: Let's discuss the various Oliva Cigar Family lines, starting with the bundles.

OLIVA: Oliva Cigars fall into three basic categories. Flor de Oliva is our bundle brand, and it is actually one of the country's best-selling cigar brands. It's offered in Indonesian Sumatra, maduro, Connecticut shade, and Corojo wrappers. Those are all packaged in bundles of twenty-five, all handmade with premium tobacco — we don't produce any short-filler or machine-made cigars — priced at a very good retail price. In a way, it's really the foundation of our company.

In our midrange category, we have a Box-Pressed line, which includes a Grand Cameroon, Box Pressed — that's Cameroon wrapper actually grown in Africa. There's also a Box Pressed Maduro, at a slightly higher price point, but all under \$5.00.

Then we have the O, which is our higher-end, flagship line. There's O Classic, with a Habano wrapper; O Bold, which has a much stronger, full-



Cigar smoking is way up since the boom, and consumers' tastes are constantly maturing. They want to see certain complexities in cigars. It used to be that the type of cigars my father personally smokes would have no place in the American market, but today, you are seeing a tremendous demand for these highly complex, powerful cigars.

able to leave Honduras, and when my brothers had a clear understanding of what they were doing and the way that things should be done, we moved the whole operation to Estelí.

SMOKE: What was in the blend of the first Gilberto Oliva Cigar?

OLIVA: It had Dominican and Honduran filler, and an Ecuador/Connecticut wrapper. Definitely more on the mild-bodied side.

SMOKE: How many cigars were you producing when you started, and how many are produced today at the current factory in Estelí?

OLIVA: When we started in Ocotal we were doing about 3,000 cigars a day. Our first factory in Estelí made up to 7,000 a day, and in our current Estelí facility, which will be two years old this July, we are up to about 30,000 a day.

SMOKE: How many acres of tobacco is the family growing right now?

OLIVA: We are the second largest grower in Nicaragua. We grow over 500 acres a year, all in Nicaragua.

SMOKE: Do you sell any of that crop to other cigar makers?

OLIVA: We sell a portion of it — probably only 15% to 20% — but the majority remains with us. We have an inventory of just over a million

bodied blend inside the same Habano wrapper; and O Maduro, which has the same filler blend as O Classic but with a Connecticut broadleaf wrapper.

SMOKE: You also introduced the Master Blend series, with the gorgeous box packaging. What's the story behind that line?

OLIVA: The Master Blend is a very limited-run cigar; only 15,000 boxes were made. We had a tremendous time doing it, and it is something that we hope to continue to do in the future. We took tobaccos that were not plentiful enough for a production cigar, one you are going to make year-in and year-out. Usually these tobaccos come from trial crops on a small piece of land to see how a strain develops or how it handles certain conditions. Sometimes you end up with tremendous tobacco in very small quantities. So we rolled some of this tobacco, put a Habano wrapper around it, and created Master Blend.

SMOKE: How will future Master Blend versions be different?

OLIVA: The packaging will be different, and possibly the sizes offered could be different, because those will be decided by how that tobacco best smokes — whether it's best in a thinner ring gauge, etc. Each Master Blend will be very, very unique. The only thing that they will share, obviously, is the name and that same concept of using limited tobacco. I can

tell you that a new Master Blend will be debuting in August 2005; we're introducing it in August at the RTDA (Retail Tobacco Dealers of America) trade show in New Orleans. [The concept of a Master Blend] is really something that develops as time goes by.

SMOKE: *Are there any plans to introduce even more lines?*

OLIVA: What we have now is a very consumer-driven market that continues to develop. Cigar smoking is way up since the boom, and consumers' tastes are constantly maturing. They want to see certain complexities in cigars. It used to be that the type of cigars my father personally smokes would have no place in the American market, but today, you are seeing a tremendous demand for these highly complex, powerful cigars. Obviously, we don't like to rush into new brands. The idea of a new brand every few months just to try to get some shelf space is unhealthy for the quality and consistency of your product. But we certainly like to think of ourselves as innovators, and if we can bring a new smoking experience to somebody, we are always very eager to do it.

SMOKE: *Are the other members of your family still playing a role in running the company?*

OLIVA: Absolutely. Our father is still very much in charge of all of the growing; that and the processing plants are run entirely by him. He also has a hand in blending. My brother, Gilberto, works under him in charge of the growing; eventually he will have take over all of that. He's also very involved, more so than my father, in creating blends for the new products. My brother, Carlos, oversees production; he runs the factory on a day-to-day basis. There are 11 employees here, stateside, including my sister Jeannie and me. We share many tasks, including the packaging. My sister has actually designed all the packaging for our cigars. Everyone in the family has a direct hand in the products, from the blending to the way they're sold. We do all our own importing, distributing, and shipping. It's a very vertical organization, and there's a family member at every single step.

SMOKE: *What do you see on the horizon for the cigar business, and how do you see your company's place in it?*

OLIVA: As far as the industry is concerned, obviously we have to continue to fight aggressive tobacco taxation. I think the CAA (Cigar Association of America) is really starting to sink their teeth into that, and I they should have as much support as they can, because it's something that's important to all of us. Smoking bans, unfortunately, are only going to continue. The largest states have them, and they're going to trickle down. I think it's important that legislation be written in a way that respects non-smokers' desires, but does not snuff out an industry. Interestingly enough, in the states where bans have been implemented, we've seen an increase in sales. The reason is that most people who can now only smoke in a cigar shop, or in a cigar club or bar that sells cigars, find themselves going there much more often. Once you're in a cigar shop more often, you tend to buy more cigars and you tend to have more camaraderie with other cigar smokers, which is always healthy for the industry. Obviously, as a company, we continue to expect steady growth. I think we showed a tremendous amount of resilience to survive the saturation of the market that followed the cigar boom. We've had tremendous growth over the last few years and we expect to continue. We're not expecting to slow down anytime soon.