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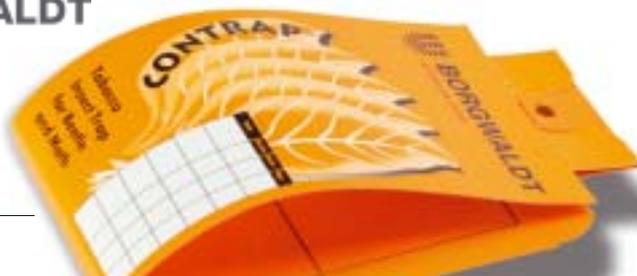
CHANGING ASIAN MARKETS



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Photo: WT

Tipping papers on display at the recent WT Asia Process and Machinery show in Jakarta

Regulatory curves not all bad

New regulations have a huge impact on suppliers and it's not all bad. For companies active in the plug wrap and tipping sectors, the EU's revised Tobacco Products Directive (TPD2) has recently boosted volumes and led to new ideas in product design. TJI asked three companies to explain.

Glatz Feinpapier is a German company with origins dating back to 1885, when the first Glatz paper mill was founded at Neidenfels in the Palatinate Forest of Germany. Since then it has been developing steadily and in 1990 became the first supplier in the world to produce fine papers and cigarette papers in TCF (totally chlorine-free) quality. Company Sales Manager, Michaela Ehrmann, bemoans the fact that many of

the details of TPD2 were not known about until just before implementation. "The problem has been that many regulations were only finalised just before the implementation, which placed a lot of stress and pressure on all manufacturers related to the tobacco industry. It also caused a great deal of activity amongst customers in efforts to keep to their deadlines. The impact of all this has been a building up of stock, increased production and an increase in

orders. We have made sure that we have been able to fulfil all our requirements so there will be no shortages."

Ehrmann has, however, been pleasantly surprised that the greatly increased production volumes are showing no signs of stopping, even though the directive has now already been implemented. "It appears that the reasons why manufacturers have been producing so much are not only related to TPD. After all, they still have a one-year transitional period ▶



Photo: Glatz Feinpapiere

Glatz Feinpapiere in Neidenfels, the Palatinate Forest, Germany

to sell their pre-TPD stock. Manufacturers are even producing large volumes of paper grades that are not affected by TPD, so could it be that the market is generally healthier than it was last year? Let's hope so." Ehrmann feels that, while cigarette consumption in Europe is continuing to decline, this year the decline in many countries appears to be less steep than in recent years, so there could be genuine justified reason for optimism.

She says that, in any case, the market is more stable for tipping base paper than for conventional cigarette paper and that there is an increasing focus on quality and flexibility. There is a continuing trend towards more complexity in all cigarette paper products, higher requirements and an increasing number of specifications. "In terms of plug wrap, we got the impression that when the acetate tow market heated up, the plug wrap market got very nervous," she says. "Prices rose enormously, everyone got stressed and started looking for alternative products and solutions. Since the calming down of the acetate tow market, however, there has been more stability and consistency in the plug wrap market, but the filter sec-

tor is still showing a lot of movement. In the filter sector, there are many new innovations from the producers, which means different requirements for plug wrap manufacturers, and various new



Photo: Glatz Feinpapiere

Michaela Ehrmann of Glatz

requirements, all the way from low-cost and simple products up to high-quality and technically elaborate ones, which also results in a larger product portfolio for us."

Returning to the topic of TPD, according to Ehrmann, the company's clients have been committing so many staff to ensuring that TPD requirements are met in time that there has been little time to concentrate on new innovations, which need a lot of time for samples, for testing and for qualification. "On our side, however, there have been continuous developments in our R&D department in terms of new products and projects in the pipeline, but this we would rather keep as a surprise," she says. "What I can say is, for example, that you are increasingly seeing additive-free editions from cigarette manufacturers, and we are developing papers for this, which we call 'the organic look'."

With regard to future of the market, Ehrmann is cautiously optimistic, partly because of the increased production levels this year and the above-mentioned apparent levelling off this year in the decline of cigarette consumption in Europe. She says that things might slow down in the second half of the year but does not believe that it will be disruptive or as bad as some people believe.

Ehrmann feels that, generally speaking, there are still a lot of challenges with fierce competition among the few ▶

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Based in northeastern China and established in 1952, Hengfeng Paper is a leading manufacturer of high-quality cigarette papers with a maximum capacity of producing up to 160,000 tons of paper and 3,000 tons of flax pulp annually. The company's portfolio includes cigarette papers, plugwrap papers, innerliner base papers, tipping base papers, low-ignition propensity papers, etc. Hengfeng was listed on the Shanghai stock exchange in 2001. The firm has 18 paper machines and more than 2,400 employees.



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global leaders in paper manufacturing. “Our trump card, however, is that we are still a family-run business with a simple but flexible structure and short communication channels, which enables us to react very quickly.”

Product design driven by regulation

Tannpapier, based at Traun, Austria, is one of the world’s leading companies in tipping paper. Stephan Schmidt, managing director of the company, explains how regulation, among other things, is stimulating creative thinking at the company. “For cigarette manufacturers, creative product design is more important than ever,” he explains. “With increased

into new project work and this is a key factor that drives our development. We also have a team of young talented people in the design department who are constantly monitoring the trends in packaging or print in other industries, and trying to transfer them to tipping paper.”

According to Schmidt, unlike some companies that have been focusing less on R&D in order to tackle the ramifications of TPD2, Tannpapier has continued to apply itself strongly to product innovation and development. On the tipping paper side, the main innovation has been the Super Lip Release Tipping, which offers a plurality of advantages and benefits, such as: better tipping paper release from the lips compared to standard nitrocellulose (NC) lacquer;

Moreover, the pure paper employed reduces the CO2 footprint of the packaging, is of biodegradable origin and reduces aluminium import tax.

Tannpapier is also now offering Clear Closure Labels, which are used for soft cigarette packs in order to properly close the Innerliner’s upper straps prior to the enveloping of the pack with plastic foil. In some markets specifically printed labels also serve as identification markings for the taxation of tobacco products. The regulatory changes in many markets often require the health warnings to be placed in the upper part of the pack. Thus, conventional paper sleeves would partly cover up these warning message boxes. With these new labels, this is not the case. Also, thanks to the use of the BOPP (biaxially oriented polypropylene) as a base material, adhesive is saved and the cigarette maker is able to carry out the on-line adhesive bonding just as in traditional paper brands. This clear cellulose film represents an environmentally friendly and less fault-prone alternative compared to plastic sleeves, due to its obsolete gluing line.

With regard to the future, according to Stephan Schmidt, smoking habits in many markets are changing. “We see different developments around the world,” he says. “You have some emerging markets where disposable income is increasing, so people are trading up and demanding more premium cigarettes with more sophisticated designs. On the other hand, you have many Asian markets where cigarettes are sold per stick, with the cigarette itself, not the pack, being the only surface for branding seen by consumers. So here the tipping design plays an important role.

“You have the EU, where smoking consumption is slightly decreasing every year, and regulation is making brand communication or brand building increasingly difficult or nearly impossible, such as in the UK and France, with plain packaging. We understand that brand marketers have to use the remaining space inside the pack, and Tann offers many solutions to this task. Then you have the US market, where the FDA regulation has hindered the design development of cigarettes so far, but as competition increases and especially young adult smokers expect their brand



Photo: Tannpapier

Clear Closure labels from Tannpapier

regulation reducing the available communication space on the pack, brand communication is moving to the inside of the pack, or the cigarette itself. For marketers, it is critical to have a flexible partner with great know-how who understands the dynamic environment and offers innovative solutions.”

Schmidt says that tipping paper design is becoming increasingly important. “That’s why Tannpapier offers not only the highest quality in terms of tolerances, colour-proofness and runnability, but also many innovations around haptic and organoleptic consumer experiences. Our innovations and developments are driven by the requirements of both the mature markets as well as new emerging markets. Finding solutions to particular market needs leads

unchanged appearance for the tipping paper; runnability during the cigarette manufacturing process comparable to standard tipping paper; and no additional requirements for machine settings.

Tannpapier has also been expanding into other product segments such as Infoliner, a type of inner liner which reflects the marketer’s need to move brand communication to the inside of the pack. The company now offers complex designs, texture, hotfoil and other special effects. The Infoliner offers many advantages such as additional space for branding, an increase in the impact of promotional and limited edition packs, new and pleasant tactility of paper, retention of cigarette freshness and almost unlimited design options.



Glatz Feinpapiere

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to be entertaining, interesting and modern, marketers will also have to modernise their products. Tann provides solutions in line with FDA requirements, some of them not even needing approval, and we are seeing an increasing interest in that area.”

Tipping paper perforation important for regulatory and flavour reasons

Micro Laser Technology GmbH (MLT), located in Kirchheim near Munich, was founded in 2000. The company manufactures tailor-made laser material processing systems which it sells worldwide, focusing on industrial applications and operations such as perforation, scribing, scoring and marking.

“Why Perforation?” asks Axel Näther, head of sales and marketing at the company. “Today it is state-of-the-art technology that routes external fresh air into the mouth piece of cigarettes. There are different reasons for it, some based on regulations and others on improving flavour and the smoking experience, production needs and marketing advantages.”

Näther says that the tobacco industry uses MLT laser perforation systems for the offline and online perforation of cigarette tipping paper. High-quality laser perforation ensures that the applicable limits for modern cigarettes are observed. Offline, in this context, means the stand-alone perforation of paper bobbins on designated and independent laser machinery. These machines include all necessary components, from the unwind unit, laser sources, beam path and other MLT-patented polygon technology that multiplexes the laser beam without any energy losses to various



Photo: Tampapapier

Innerliners get info inside the pack

perforation heads, cooling and suction components and finally the rewind unit. Inline systems are modular units that are customer-specifically manufactured to be perfectly integrated into a cigarette-making machine. The perforation is produced in one row, compared to up to four rows per zone at offline machine. The speed is determined by the cigarette-making machine. Both system types – offline and online – offer different advantages and the decision on which to choose depends, amongst other things, on existing products. In terms of productivity and the flexibility of the product range, the offline production has clear advantages.

The company’s machines which specialise in laser perforation of tipping paper include the MLP-10 system for perforating single bobbins at an annual volume of up to approximately 200

tonnes. It can perforate up to eight rows and up to 228,800 holes per second at a maximum web speed of 600 m/min. The maximum web width is 100m. The system perforates an extremely consistent holder whole quality, which results in minimum standard deviation and makes the system highly reliable. The MLP-50 TWIN is for perforating multiple bobbins at an annual volume of up to 800 tonnes. It can handle up to 32 rows and 1 million holes per second at a speed of 700 m/min. For online perforation in cigarette manufacture, the company offers customer-specific laser modules, both as initial equipment and as a retrofit.

All in all, Axel Näther is optimistic about the future of the market. “It’s pretty difficult to make forecasts, but what can be seen in the market is a rising demand for micro perforated tipping paper, especially in high quality,” he explains. “The reasons for this might be legal and regulatory changes and a decrease in permitted particles in cigarette smoke. Moreover, in price-sensitive markets where small brands can very often be found, ventilation of the cigarette is becoming more and more common.”

Tim Glogan

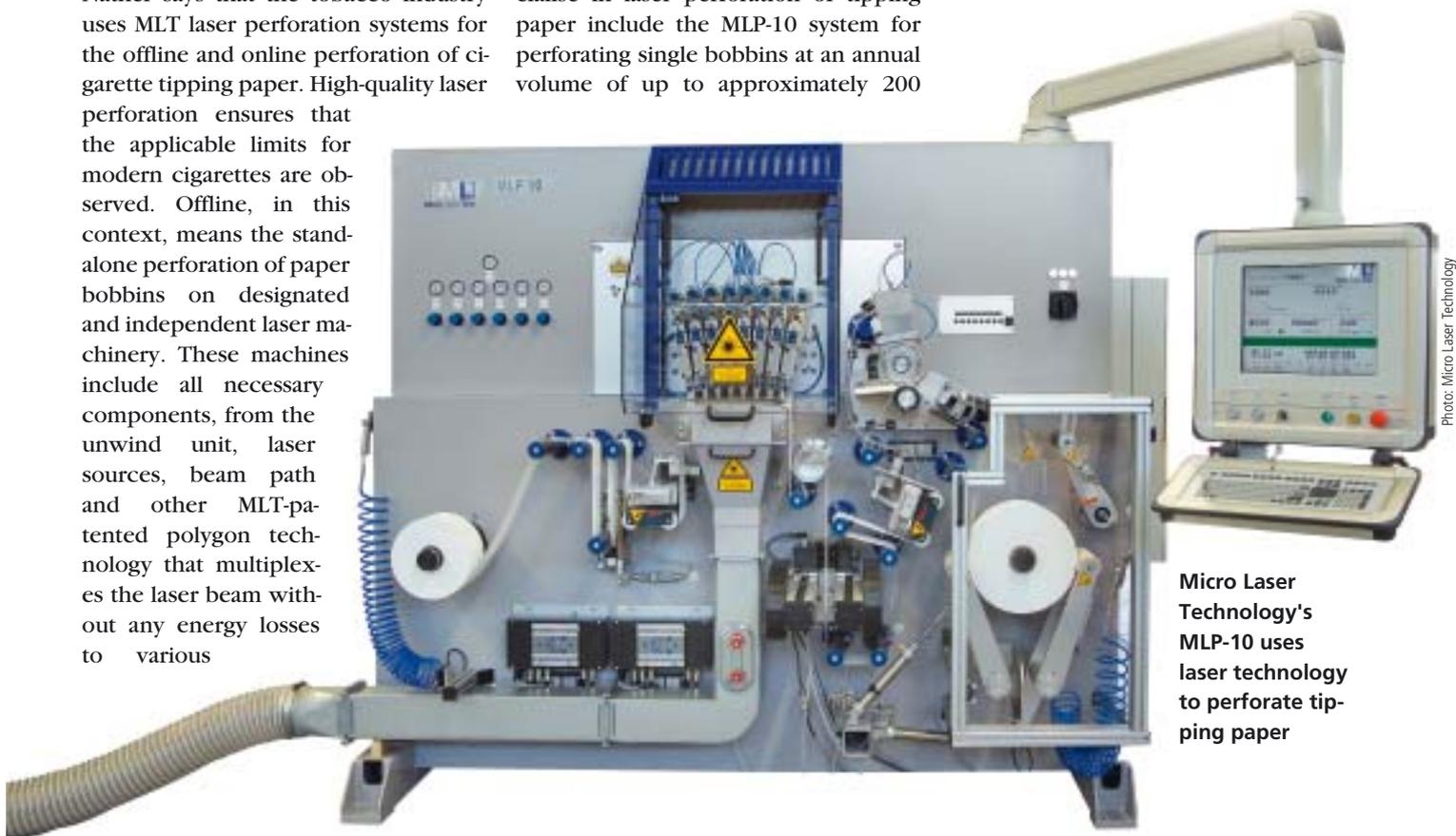


Photo: Micro Laser Technology

Micro Laser Technology's MLP-10 uses laser technology to perforate tipping paper