

# Smoking & Tobacco Use



## Fact Sheet

### Economic Facts about U.S. Tobacco Use and Tobacco Production

- An estimated 371 billion cigarettes were consumed in the United States in 2006,<sup>1</sup> and cigarettes account for approximately 91% of expenditures on all tobacco products in this country.<sup>2</sup> Total United States expenditures on tobacco were estimated to be \$88.7 billion in 2005,<sup>2</sup> of which \$82 billion were spent on cigarettes.<sup>2</sup>
- Five cigarette companies accounted for more than 90% of all sales in the United States in 2006.<sup>3</sup> They were Altria Group Inc. (Philip Morris USA; 49.2%), Reynolds American Inc. (27.8%), Lorillard (9.7%), Commonwealth Brands (3.7%), and Liggett (2.4%).<sup>3</sup>
- Total reported company revenue for the five largest cigarette companies were as follows: Altria Group Inc. (parent company of Philip Morris USA), \$10.4 billion (2005); Reynolds American Inc., \$1.2 billion (2006); Loews Corporation (parent company of Carolina Group, which owns Lorillard), \$2.49 billion (2006); Houchens Industries (parent company of Commonwealth Brands), \$2.36 billion (2005); and Vector Group Ltd. (parent company of Liggett), \$52.4 million (2005).<sup>4</sup> Altria Group Inc. was ranked 20th, Loews 145th, and Reynolds American Inc. 280th on the Fortune 500 list of the largest corporations in the United States in 2006.<sup>4</sup>
- In 2005, cigarette companies spent \$13.11 billion on advertising and promotion, down from \$15.12 billion in 2003,<sup>5</sup> but nearly double what was spent in 1998.<sup>5</sup> This amounted to more than \$36 million per day,<sup>5</sup> more than \$45 for every person in the United States,<sup>5,6</sup> and more than \$290 for each U.S. adult smoker.<sup>5,7</sup>
- Tobacco is grown in 21 states.<sup>8</sup> The largest tobacco producing states are Kentucky and North Carolina, accounting for two-thirds of tobacco grown in the United States.<sup>8</sup> The number of tobacco-growing farms declined from 512,000 in 1954 to approximately 57,000 in 2002.<sup>9</sup>
- United States Tobacco, Conwood, and Swedish Match are the largest smokeless tobacco companies in the United States, accounting for nearly 90% of total sales.<sup>10</sup> Altadis USA and Swisher International Inc. are the largest cigar companies, accounting for about 60% of total United States sales of large cigars, cigarillos, and little cigars.<sup>11</sup>
- In 2005, consumers in the United States spend \$2.61 billion on smokeless tobacco products,<sup>12</sup> and more than \$1 billion on cigars each year.<sup>11</sup>

### Economic Costs and Years of Potential Life Lost Associated with Cigarette Smoking

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- During 2000–2004, cigarette smoking was estimated to be responsible for \$193 billion in annual health-related economic losses in the United States (\$96 billion in direct medical costs and approximately \$97 billion in lost productivity).<sup>13</sup>
- The total economic costs (direct medical costs and lost productivity) associated with cigarette smoking are estimated at \$10.47 per pack of cigarettes sold in the United States.<sup>14</sup>
- Cigarette smoking results in 5.1 million years of potential life lost in the United States annually.<sup>13</sup>

## Cigarette Pricing, Excise Taxes, and the Effect of Increased Cigarette Prices

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- As of 2007, the average retail price of a pack of cigarettes in the United States was \$4.20, but prices vary widely across states.<sup>15</sup>
- The federal excise tax is 39 cents per pack of cigarettes.<sup>1</sup> The median state cigarette excise tax rate, as of January 1, 2008, was \$1, but varied from 7 cents in South Carolina to \$2.58 in New Jersey.<sup>16</sup>
- Increases in cigarette prices lead to significant reductions in cigarette smoking.<sup>17,18</sup> A 10-percent increase in price has been estimated to reduce overall cigarette consumption among adolescents and young adults by about 4%.<sup>17</sup> Increases in cigarette prices can lead to significant reductions in smoking prevalence by increasing cessation among smokers and reducing smoking initiation among potential young smokers.<sup>17</sup>

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## For Further Information

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