

# Federal Trade Commission Smokeless Tobacco Report for the Years 2002-2005

Issued in 2007

#### I. <u>INTRODUCTION</u>

This report is the latest in a series on smokeless tobacco sales, advertising, and promotion that the Federal Trade Commission ("the Commission") has prepared since 1987. The statistical tables contained within this report provide information on domestic smokeless tobacco sales and advertising and promotional activities.<sup>1</sup> Commission staff prepared these tables using information collected, pursuant to compulsory process, from the parent companies of the five major manufacturers of smokeless tobacco products in the United States: North Atlantic Trading Company, Inc. (the parent of National Tobacco Company); Swedish Match North America, Inc.; Swisher International Group, Inc. (the parent of Swisher International, Inc.); UST, Inc. (the parent of United States Smokeless Tobacco Company); and Conwood LLC (general partner of Conwood Sales Co., L.P.).

### II. TOTAL SMOKELESS TOBACCO SALES AND ADVERTISING AND <u>PROMOTIONAL EXPENDITURES</u>

The figures in Table 1 indicate that the total number of pounds of smokeless tobacco sold by manufacturers to wholesalers and retailers was 112.15 million pounds in 2002, 112.92 million pounds in 2003, 116.77 million pounds in 2004, and 116.20 million pounds in 2005. In 2001, the last year for which such totals were previously published by the Commission, total sales were 112.19 million pounds.

<sup>&</sup>lt;sup>1</sup> Some 1985 data are included. The 1985 data are less detailed than those from 1986 forward because they were collected retrospectively and were meant to serve as baseline data.

Sales revenues received by the manufacturers from wholesalers and retailers continued to increase – as they have every year since 1985 – through 2004, before declining slightly in 2005: \$2.36 billion in 2002, \$2.49 billion in 2003, \$2.62 billion in 2004, and \$2.61 billion in 2005. In 2001, the manufacturers reported revenues of \$2.13 billion.

The total amount spent on advertising and promotion by the five major manufacturers was \$234.65 million in 2002, \$242.51 million in 2003, \$231.08 million in 2004, and \$250.79 million in 2005, a new record. The previous record was \$236.68 million in 2001.

For the first time since it began collecting data on smokeless tobacco sales and marketing expenditures, the Commission required the companies to report the number of units of smokeless tobacco they sold and gave away in packages of various size (*e.g.*, less than 1 ounce, from 2 ounces to less than 5 ounces, 15 ounces or more). Those data are reported in Table 2, which shows that for each of the years covered by the report, more packages weighing 1 ounce to less than 2 ounces were sold and given away than any other size package.

## III. SMOKELESS TOBACCO ADVERTISING AND PROMOTIONAL EXPENDITURES BY CATEGORY

This report is the first one issued by the Commission since it substantially revised its definitions of the various smokeless tobacco advertising and promotional expenditure categories.<sup>2</sup> These revisions clarified (and, in some cases, expanded) the definitions of certain categories, split several categories into smaller subcategories, and specified where money should

<sup>&</sup>lt;sup>2</sup> The previous report, which was issued in 2003, contained data for 2000 and 2001.

\$11.22 million in 2004, and \$12.55 million in 2005 on promotional allowances paid to smokeless tobacco wholesalers (*e.g.*, payments for volume rebates, incentive payments, value added services, and promotional execution). Finally, between \$9,000 and \$41,000 was spent on promotional allowances paid to anyone else (other than retailers, wholesalers, and full-time company employees) involved in the smokeless tobacco distribution and sales process, in order to facilitate the sale or placement of smokeless tobacco products, during the years 2002-2005. When these four promotional allowance categories are combined, they account for 50.8% of total 2002 spending, 51.2% of 2003 spending, 44.4% of 2004 spending, and 46.0% of 2005 spending. In 2001, the last year before the Commission revised its definitions of promotional allowances, the companies reported expenditures of \$60.87 million, representing 25.7% of total spending.

The companies reported spending \$25.75 million in 2002, \$22.48 million in 2003, \$25.16 million in 2004, and \$28.18 million in 2005 giving smokeless tobacco samples to the public ("sampling"). The new definition of "sampling" makes clear that when coupons are distributed for free smokeless tobacco products and no purchase is required, such activities are to be reported as "sampling." In addition, the new definition clarifies that sampling includes the distribution of smokeless tobacco for consumer evaluation when consumers are able to use the product on their own (outside of a company facility). In 2001, the last year before the Commission clarified what expenses should be counted as sampling, the companies reported expenditures of \$17.89 million.

The companies reported spending \$8.86 million in 2002, \$8.17 million in 2003, \$9.02 million in 2004, and \$4.19 million in 2005, on the sponsorship of sports teams or individual athletes. This was the first time the Commission had required the companies to report these sponsorship expenditures separately.

The Commission's new definition of "coupons" makes clear that when coupons are distributed for free smokeless tobacco and no purchase is required to redeem them, such activities should be reported only as "sampling." In 2001, prior to this clarification, the companies reported spending \$31.53 million on coupons.<sup>10</sup> Using the new definition, the companies reported coupon expenditures of \$12.16 million in 2002, \$11.52 million in 2003, \$10.69 million in 2004, and \$28.62 million in 2005.

Retail value added expenditures are the costs associated with offers such as "buy one, get one free" and "buy three, get a free T-shirt," where the bonus item is distributed at retail when the smokeless tobacco product is purchased. Beginning in 2002, the retail value added category was broken into two new categories – one where the bonus item is additional smokeless tobacco and one where the bonus items are non-smokeless tobacco items. The companies spent \$13.69 million in 2002, \$16.00 million in 2003, \$14.95 million in 2004, and \$9.31 million in 2005 on retail value added involving free smokeless tobacco products. They also spent \$466,000, \$556,000, \$2.65 million, and \$4.43 million in those years, respectively, on retail value added

<sup>&</sup>lt;sup>10</sup> Prior to 1998, one company did not separately track expenditures for coupons. Instead, the company included these expenditures in the point-of-sale or promotional allowances categories in its submissions to the Commission. Accordingly, the figures reported for coupons prior to 1998 are understated and those reported for point-of- sale and/or promotional allowances are overstated; changes in spending on those categories between 1997 and 1998 should be viewed with this information in mind.

involving free non-smokeless tobacco items. In 2001, the companies reported spending \$43.24 million on retail value added.<sup>11</sup>

In 2001, the companies reported spending \$262,296 on Internet advertising. For the years 2002 through 2005, the Commission required the companies to report their expenditures for company Internet websites separately from their expenditures for other Internet advertising. The companies reported spending \$18,000, \$15,000, \$877,000, and \$272,000 for advertising on their websites, in the years 2002 through 2005, respectively, plus \$54,000 in 2002, \$25,000 in 2003, \$16,000 in 2004 and \$413,000 in 2005 on Internet advertising other than on their own websites.

Another new expenditure category was telephone advertising, which includes expenses associated with telemarketing calls or the operation of incoming telephone lines for consumers to participate in promotions or hear pre-recorded product messages (but excludes costs associated with customer service representatives for responding to consumer complaints or questions). The companies reported spending \$169,000 in 2002, \$374,000 in 2003, \$231,000 in 2004, and \$120,000 in 2005 on telephone advertising.

Since 1992, the Commission has required the manufacturers to report the total amount of money they spent advertising and promoting sports and sporting events.<sup>12</sup> This question is

<sup>&</sup>lt;sup>11</sup> Prior to 2000, one company did not separately track expenditures for retail value added. Instead, the company included these expenditures in the point-of-sale or promotional allowances categories in its submissions to the Commission. Accordingly, the figures reported for retail value added prior to 2000 are understated and those reported for point-of-sale and/or promotional allowances are overstated; changes in spending on those categories between 1999 and 2000 should be viewed with this information in mind.

<sup>&</sup>lt;sup>12</sup> This includes expenditures for: (1) the sponsoring, advertising, or promotion of sports or sporting events; support of an individual, group, or sports team; and purchase of or support for equipment, uniforms, sports facilities, and/or training facilities; (2) advertising in the name of the smokeless tobacco company or any of its brands in a sports facility, on a scoreboard, or in conjunction with the reporting of sports results; and (3) all expenditures for functional

separate from, and duplicative of, the reporting of the individual various advertising and promotion categories. For example, money spent on a magazine advertisement promoting a smokeless tobacco-branded sports tournament open to those of all ages is reported under the category "general-audience public entertainment" and is also reported as an expenditure on "sports and sporting events." Similarly, expenditures on sponsorship of sports teams and individual athletes are reported under the category "sponsorship" and are also reported as "sports and sporting events." These expenditures are only counted once, however, in computing the industry's total advertising and promotional expenditures. Expenditures for sports and sporting events rose from \$17.87 million in 2001 to \$21.06 million in 2002. Those expenditures then fluctuated over the next three years: \$16.94 million in 2003, \$20.65 million in 2004, and \$15.75 million in 2005.

The companies reported that they spent \$8.75 million, \$10.14 million, \$11.61 million, and \$13.19 million in 2002, 2003, 2004, and 2005, respectively, on advertisements directed to youth or their parents that were intended to reduc

smokeless tobacco product in any motion picture or television show, or granted permission for the appearance of any smokeless tobacco product in any motion picture or television show.

## IV. SMOKELESS TOBACCO SALES AND ADVERTISING AND PROMOTIONAL EXPENDITURES BY TOBACCO TYPE

There are several types of smokeless tobacco products, including dry snuff, moist snuff, plug/twist, and loose leaf chewing tobacco. Tables 4A through 4D present details on sales and

these products are included in the totals set forth in Table 3G, but not in Tables 4A through 4D.<sup>14</sup>

Tables 5A through 5D present details about the number of units sold in packages of various sizes for each type of smokeless tobacco product for 2002-2005. For plug/twist, scotch/dry snuff, and moist snuff, more packages weighing 1 ounce to less than 2 ounces were sold each year than any other size. For loose leaf/chewing tobacco, more packages weighing 2 ounces to less than 5 ounces were sold each year than any other size.

<sup>&</sup>lt;sup>14</sup> For the first time, the Commission allowed the companies to report marketing expenditures at the brand level, rather than at the variety level. For those smokeless tobacco brand families that encompass more than one type of product (*e.g.*, moist snuff and plug/twist), marketing expenditures are thus available only at the brand level, and not for each individual type of product within the brand family.

# TABLE 1 TOTAL SMOKELESS TOBACCO SALES AND ADVERTISING AND PROMOTIONAL EXPENDITURES FOR 1985 - 2005

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## TABLE 2

# NUMBER OF UNITS SOLD AND GIVEN AWAY – BY PACKAGE SIZE FOR 2002 - 2005

|      |            | Less than<br>1 oz. | 1 oz. to less<br>than 2 oz. | 2 oz. to less<br>than 5 oz. | 5 oz. to less<br>than 10 oz. | 10 oz. to less<br>than 15 oz. | 15 oz. or<br>more |
|------|------------|--------------------|-----------------------------|-----------------------------|------------------------------|-------------------------------|-------------------|
| 2002 | sold       | 25,394,260         | 887,095,347                 | 216,169,305                 | 6,628,408                    | 15,735                        | 36,200            |
|      | given away | 915,205            | 22,123,561                  | 3,792,001                   | 0                            | 0                             | 0                 |
| 2003 | sold       | 37,883,014         | 918,733,530                 | 203,567,697                 | 7,848,051                    | 15,936                        | 353,436           |
|      | given away | 2,663,753          | 14,474,790                  | 2,352,034                   | 0                            | 0                             | 0                 |
| 2004 | sold       | 42,705,741         | 959,223,302                 | 191,040,358                 | 8,645,329                    | 15,456                        | 2,118,017         |
|      | given away | 7,422,914          | 15,859,744                  | 2,247,914                   | 0                            | 0                             | 24                |
| 2005 | sold       | 47,107,372         | 980,089,404                 | 175,013,057                 | 7,902,121                    | 14,064                        | 2,275,388         |
|      | given away | 5,952,331          | 17,059,852                  | 1,983,417                   | 48                           | 0                             | 0                 |

# TABLE 3A

# SMOKELESS TOBACCO ADVERTISING AND PROMOTIONAL EXPENDITURES BY CATEGORY FOR 1985

| Television & Radio Advertising | \$26,584,731        |
|--------------------------------|---------------------|
| Total Print                    | \$8,719,379         |
| <u>All Other</u>               | <u>\$44,764,119</u> |
| Total                          | \$80,068,229        |

#### TABLE 3B

# SMOKELESS TOBACCO ADVERTISING AND PROMOTIONAL EXPENDITURES BY CATEGORY FOR 1986 AND 1987

|                                 | 1986               | 1987               |
|---------------------------------|--------------------|--------------------|
| Newspapers                      | \$626,979          | \$1,452,710        |
| Magazines                       | \$6,226,654        | \$9,237,988        |
| Outdoor                         | \$2,722,557        | \$8,321,315        |
| Television & Radio <sup>*</sup> | \$16,067,211       | \$0                |
| Audio, Visual                   | \$2,579,268        | \$0                |
| Transit                         | \$0                | \$0                |
| Point-of-Sale                   | \$4,234,207        | \$5,789,436        |
| Promotional Allowances          | \$8,231,580        | \$7,554,592        |
| Sampling                        | \$13,699,156       | \$13,877,923       |
| Distribution Bearing Names      | \$2,353,816        | \$4,312,094        |
| Direct Mail                     | \$20,844           | \$48,979           |
| Public Entertainment            | \$13,823,266       | \$14,844,425       |
| Endorsements                    | \$435,710          | \$245,105          |
| All Other                       | <u>\$5,655,458</u> | <u>\$2,092,477</u> |
| TOTAL                           | \$76,676,706       | \$67,777,044       |

<sup>\*</sup> Expenditures allocated for television and radio advertising on electronic media subject to Federal Communications Commission ("FCC") regulations cover approximately six months of 1986 because the statutory broadcast ban became effective on August 28, 1986.

# TABLE 3C

# SMOKELESS TOBACCO ADVERTISING AND PROMOTIONAL EXPENDITURES

## TABLE 3D

# SMOKELESS TOBACCO ADVERTISING AND PROMOTIONAL EXPENDITURES BY CATEGORY FOR 1992 - 1995

|                               | 1992         | 1993         | 1994         | 1995         |
|-------------------------------|--------------|--------------|--------------|--------------|
| Newspapers                    | \$269,032    | \$274,738    | \$128,849    | \$142,562    |
| Magazines                     | \$9,258,297  | \$8,040,702  | \$10,261,201 | \$11,533,093 |
| Outdoor                       | \$694,388    | \$855,643    | \$1,112,524  | \$1,474,121  |
| Audio, Visual                 | \$0          | \$0          | \$0          | \$0          |
| Transit                       | \$0          | \$0          | \$0          | \$0          |
| Point-of-Sale                 | \$12,133,489 | \$13,465,302 | \$13,555,569 | \$15,170,713 |
| Promotional Allowances        | \$11,397,882 | \$13,073,381 | \$10,244,241 | \$8,304,066  |
| Sampling                      | \$15,975,134 | \$15,794,391 | \$14,279,127 | \$15,748,393 |
| Distribution Bearing<br>Names | \$2,609,348  | \$4,246,353  | \$10,368,596 | \$9,915,589  |
| Direct Mail                   | \$1,289,000  | \$1,099,000  | \$103,000    | \$253,000    |
| Public Entertainment          | \$21,511,594 | \$22,912,765 | \$25,397,969 | \$26,749,679 |
| Endorsements                  |              |              |              |              |

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#### TABLE 3E

# SMOKELESS TOBACCO ADVERTISING AND PROMOTIONAL EXPENDITURES BY CATEGORY FOR 1996 - 1999

|                            | 1996               | 1997               | 1998               | 1999               |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
| Newspapers                 | \$236,765          | \$1,642,347        | \$2,807,281        | \$3,306,548        |
| Magazines                  | \$13,362,100       | \$11,874,395       | \$18,389,758       | \$18,436,630       |
| Outdoor                    | \$3,544,994        | \$4,991,256        | \$2,228,381        | \$7,258            |
| Audio, Visual              | \$0                | \$0                | \$0                | \$0                |
| Transit                    | \$0                | \$0                | \$0                | \$0                |
| Point-of-Sale              | \$13,568,572       | \$14,712,560       | \$25,202,972       | \$26,092,942       |
| Promotional Allowances     | \$12,722,615       | \$14,692,865       | \$14,959,694       | \$30,756,608       |
| Sampling                   | \$12,640,816       | \$11,155,411       | \$17,439,990       | \$17,884,888       |
| Distribution Bearing Names | \$11,728,976       | \$17,999,555       | \$3,768,161        | \$3,161,884        |
| Direct Mail                | \$314,599          | \$808,247          | \$6,948,300        | \$5,620,844        |
| Public Entertainment       | \$22,736,345       | \$28,940,337       | \$25,426,519       | \$22,136,453       |
| Endorsements               | \$162,500          | \$165,000          | \$165,000          | \$130,000          |
| Coupons                    | \$3,446,225*       | \$3,447,124*       | \$10,965,387       | \$24,221,899       |
| Retail Value Added         | \$22,390,838*      | \$34,938,115*      | \$11,204,800*      | \$11,135,604*      |
| Internet                   | \$0                | \$0                | \$0                | \$0                |
| All Other                  | <u>\$4,397,683</u> | <u>\$5,059,097</u> | <u>\$5,980,656</u> | <u>\$7,322,203</u> |
| TOTAL                      | \$123,877,458      | \$150,426,310      | \$145,486,899      | \$170,213,761      |
|                            |                    |                    |                    |                    |
| Sports & Sporting Events   | \$19,784,813       | \$25,751,503       | \$26,620,636       | \$23,401,714       |

<sup>\*</sup> One company reported no expenditures for this category because its accounting records were not maintained to allow calculation of these expenditures. Instead, these expenditures were reported to the Commission in the Point-of-Sale or Promotional Allowances categories.

## TABLE 3F

# SMOKELESS TOBACCO ADVERTISING AND PROMOTIONAL EXPENDITURES BY CATEGORY FOR 2000 - 2001

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|                        | 2000         | 2001         |
|------------------------|--------------|--------------|
| Newspapers             | \$2,413,104  | \$1,825,748  |
| Magazines              | \$13,890,399 | \$21,963,961 |
| Outdoor                | \$6,987      | \$10,522     |
| Audio, Visual          | \$0          | \$0          |
| Transit                | \$0          | \$0          |
| Point-of-Sale          | \$15,179,555 | \$17,412,893 |
| Promotional Allowances | \$45,393,210 | \$60,866,870 |
| Sampling               | \$15,761,075 | \$17,888,963 |

#### TABLE 3G

# SMOKELESS TOBACCO ADVERTISING AND PROMOTIONAL EXPENDITURES BY CATEGORY FOR 2002 - 2005

|   | 2002          | 2003          | 2004               | 2005          |
|---|---------------|---------------|--------------------|---------------|
| Newspapers  | \$722,000     | \$262,000     | \$285,000          | \$453,000     |
| Magazines   | \$23,142,000  | \$22,838,000  | \$25,002,000       | \$20,996,000  |
| Outdoor   | \$117,000     | \$101,000     | \$184,000          | \$207,000     |
| Audio, Visual   | \$7,000       | \$139,000     | \$7,000            | \$119,000     |
| Transit   | \$0           | \$0           | \$0                | \$0           |
| Direct Mail   | \$7,073,000   | \$5,982,000   | \$5,670,000        | \$8,237,000   |
| Point-of-Sale   | \$16,894,000  | \$20,874,000  | \$23,120,000       | \$20,748,000  |
| Price Discounts   | \$99,000,000  | \$106,531,000 | \$86,977,000       | \$99,699,000  |
| Promotional Allowances - Retailers                      | \$3,245,000   | \$5,103,000   | \$4,285,000        | \$3,406,000   |
| Promotional Allowances - Wholesalers                    | \$16,755,000  | \$12,632,000  | \$11,222,000       | \$12,550,000  |
| Promotional Allowances - Other                          | \$41,000      | \$29,000      | \$9,000            | \$29,000      |
| Sampling  | \$25,754,000  | \$22,483,000  | \$25,156,000       | \$28,180,000  |
| Specialty Item Distribution – Branded                   | \$419,000     | \$45,000      | \$22,000           | \$119,000     |
| Specialty Item Distribution - Non-Branded               | \$0           | \$0           | \$0                | \$36,000      |
| Public Entertainment – Adult Only                       | \$0           | \$0           | \$7,000            | \$73,000      |
| Public Entertainment – General Audience                 | \$1,453,000   | \$1,640,000   | \$1,349,000        | \$215,000     |
| Endorsements & Testimonials                             | \$130,000     | \$355,000     | \$355,000          | \$355,000     |
| Sponsorships  | \$8,864,000   | \$8,170,000   | \$9,018,000        | \$4,192,000   |
| Coupons   | \$12,156,000  | \$11,524,000  | \$10,686,000       | \$28,622,000  |
| Retail Value Added – Bonus Smokeless<br>Tobacco Product | \$13,686,000  | \$16,004,000  | \$14,950,000       | \$9,310,000   |
| Retail Value Added – Non-Smokeless<br>Tobacco Bonus     | \$466,000     | \$556,000     | \$2,650,000        | \$4,430,000   |
| Company Websites  | \$18,000      | \$15,000      | \$877,000          | \$272,000     |
| Internet – Other  | \$54,000      | \$25,000      | \$16,000           | \$413,000     |
| Telephone   | \$169,000     | \$374,000     | \$231,000          | \$120,000     |
| All Other   | \$4,480,000   | \$6,832,000   | <u>\$9,006,000</u> | \$8,011,000   |
| TOTAL   | \$234,645,000 | \$242,514,000 | \$231,084,000      | \$250,792,000 |
|   |               |               |                    |               |
| Sports & Sporting Events                                | \$21,063,000  | \$16,942,000  | \$20,649,000       | \$15,749,000  |

#### TABLE 4A

#### SMOKELESS TOBACCO SALES AND ADVERTISING AND PROMOTIONAL EXPENDITURES BY TOBACCO TYPE FOR 1986 - 2005

## **LOOSE LEAF/CHEWING TOBACCO**

|      |             |               | Advertising and<br>Promotional<br>Expenditures |
|------|-------------|---------------|--|
| Year | Pounds Sold | Dollar Sales  |  |
| 1986 | 65,697,634  | \$255,668,419 | \$32,249,750                                   |
| 1987 | 64,634,524  | \$267,766,776 | \$28,403,536                                   |
| 1988 | 60,648,126  | \$264,298,268 | \$26,198,078                                   |
| 1989 | 61,869,625  | \$281,701,402 | \$34,057,050                                   |
| 1990 | 60,896,991  | \$295,462,446 | \$35,194,561                                   |
| 1991 | 62,177,203  | \$321,458,416 | \$38,190,095                                   |
| 1992 | 58,850,933  | \$320,085,975 | \$42,820,544                                   |
| 1993 | 55,912,562  | \$319,672,867 | \$46,032,905                                   |
| 1994 | 54,242,322  | \$316,888,405 | \$44,807,716                                   |
| 1995 | 54,605,149  | \$323,156,639 | \$43,842,237                                   |
| 1996 | 54,204,655  | \$325,533,391 | \$36,387,774                                   |
| 1997 | 51,831,834  | \$330,903,053 | \$45,573,616                                   |
| 1998 | 46,887,918  | \$317,087,609 | \$26,780,236                                   |
| 1999 | 44,531,612  | \$278,670,311 | \$21,219,600                                   |
| 2000 | 44,077,019  | \$275,356,571 | \$15,592,978                                   |
| 2001 | 42,396,301  | \$278,982,298 | \$16,659,755                                   |
| 2002 | 40,703,148  | \$288,895,090 | \$17,211,000                                   |
| 2003 | 39,105,547  | \$294,705,352 | \$17,476,000                                   |
| 2004 | 39,183,779  | \$310,329,793 | \$18,218,000                                   |
| 2005 | 36,410,287  | \$307,026,071 | \$16,746,000                                   |

#### TABLE 4B

#### SMOKELESS TOBACCO SALES AND ADVERTISING AND PROMOTIONAL EXPENDITURES BY TOBACCO TYPE FOR 1986 - 2005

## PLUG/TWIST CHEWING TOBACCO

|      |             |              | Advertising and<br>Promotional<br><u>Expenditures</u> |
|------|-------------|--------------|---|
|      | Pounds Sold | Dollar Sales | Experiartares   |
| 1986 | 8,835,200   | \$44,870,900 | \$896,821   |
| 1987 | 8,351,803   | \$44,267,561 | \$559,597   |
| 1988 | 7,282,206   | \$40,429,972 | \$868,954   |
| 1989 | 6,308,415   | \$35,132,105 | \$1,787,775   |
| 1990 | 6,557,216   | \$41,316,133 | \$1,655,886   |
| 1991 | 5,913,172   | \$42,379,173 | \$1,326,216   |
| 1992 | 5,389,336   | \$42,625,799 | \$1,722,361   |
| 1993 | 4,778,107   | \$40,702,849 | \$1,367,877   |
| 1994 | 4,410,333   | \$39,102,541 | \$936,993   |
| 1995 | 4,156,158   | \$37,996,428 | \$1,032,856   |
| 1996 | 3,096,708   | \$29,469,575 | \$653,511   |
| 1997 | 2,800,859   | \$27,434,794 | \$682,887   |
| 1998 | 3,180,093   | \$33,610,369 | \$1,216,474   |
| 1999 | 2,824,198   | \$30,733,775 | \$1,583,271   |
| 2000 | 2,718,653   | \$26,905,139 | \$1,164,235   |
| 2001 | 2,543,800   | \$26,775,821 | \$1,284,627   |
| 2002 | 2,191,910   | \$28,178,852 | \$1,159,000   |
| 2003 | 2,023,068   | \$27,044,811 | \$179,000   |
| 2004 | 1,876,461   | \$27,059,654 | \$121,000   |
| 2005 | 1,712,921   | \$25,970,711 | \$72,000  |

#### TABLE 4C

### SMOKELESS TOBACCO SALES AND ADVERTISING AND PROMOTIONAL EXPENDITURES BY TOBACCO TYPE FOR 1986 - 2005

## SCOTCH/DRY SNUFF

|      |             |              | Advertising and<br>Promotional<br><u>Expenditures</u> |
|------|-------------|--------------|---|
|      | Pounds Sold | Dollar Sales | <u></u>   |
| 1986 | 8,110,168   | \$58,951,001 | \$181,977   |
| 1987 | 7,255,296   | \$56,709,742 | \$263,482   |
| 1988 | 7,069,754   | \$57,221,662 | \$501,543   |
| 1989 | 7,244,911   | \$62,155,826 | \$654,591   |
| 1990 | 6,185,410   | \$56,601,390 | \$472,404   |
| 1991 | 5,833,210   | \$56,881,288 | \$517,145   |
| 1992 | 5,623,404   | \$57,657,911 | \$354,774   |
| 1993 | 4,996,957   | \$54,302,829 | \$313,659   |
| 1994 | 4,814,130   | \$55,574,320 | \$272,038   |
| 1995 | 4,490,094   | \$53,885,040 | \$486,280   |
| 1996 | 4,218,705   | \$53,858,106 | \$437,339   |
| 1997 | 4,063,630   | \$54,725,929 | \$522,260   |
| 1998 | 3,781,891   | \$53,292,750 | \$155,484   |
| 1999 | 3,572,339   | \$53,229,345 | \$61,516  |
| 2000 | 3,463,705   | \$54,205,273 | \$54,878  |
| 2001 | 3,364,601   | \$56,339,020 | \$68,552  |
| 2002 | 3,077,100   | \$56,344,777 | \$79,000  |
| 2003 | 2,853,516   | \$56,087,685 | \$69,000  |
| 2004 | 2,656,336   | \$54,672,024 | \$125,000   |
| 2005 | 2,402,904   | \$52,986,545 | \$103,000   |
|      |             |              |   |

#### TABLE 4D

### SMOKELESS TOBACCO SALES AND ADVERTISING AND PROMOTIONAL EXPENDITURES BY TOBACCO TYPE FOR 1986 - 2005

## MOIST SNUFF

|      |             |                 | Advertising and<br>Promotional<br><u>Expenditures</u> |
|------|-------------|-----------------|---|
|      | Pounds Sold | Dollar Sales    |   |
| 1986 | 36,135,332  | \$438,287,565   | \$43,348,158  |
| 1987 | 36,298,658  | \$483,973,268   | \$38,550,429  |
| 1988 | 39,433,696  | \$539,704,480   | \$40,655,096  |
| 1989 | 41,017,414  | \$602,647,971   | \$44,701,195  |
| 1990 | 43,775,709  | \$697,790,232   | \$52,778,476  |
| 1991 | 46,187,101  | \$817,242,793   | \$63,970,584  |
| 1992 | 48,509,020  | \$940,991,044   | \$70,449,029  |
| 1993 | 50,201,159  | \$1,060,781,973 | \$71,516,385  |
| 1994 | 52,028,416  | \$1,200,533,723 | \$79,955,661  |
| 1995 | 53,136,063  | \$1,320,802,382 | \$81,961,909  |
| 1996 | 54,884,154  | \$1,381,544,888 | \$86,398,835  |
| 1997 | 55,278,825  | \$1,404,444,279 | \$103,647,547   |
| 1998 | 56,186,478  | \$1,482,337,489 | \$117,334,705   |
| 1999 | 58,472,906  | \$1,578,102,586 | \$147,349,374   |
| 2000 | 61,481,958  | \$1,632,408,551 | \$207,770,666   |
| 2001 | 63,888,848  | \$1,765,423,249 | \$218,663,983   |
| 2002 | 66,176,208  | \$1,988,748,212 | \$209,278,000   |
| 2003 | 68,942,374  | \$2,111,664,009 | \$211,070,000   |
| 2004 | 73,052,096  | \$2,225,327,215 | \$194,396,000   |
| 2005 | 75,670,894  | \$2,225,309,220 | \$210,430,000   |

## TABLE 5A

# NUMBER OF UNITS SOLD – BY PACKAGE SIZE FOR 2002 - 2005

## LOOSE LEAF/CHEWING TOBACCO

|      | Less than | 1 oz. to less | 2 oz. to less | 5 oz. to less | 10 oz. to less | 15 oz.  |
|------|-----------|---------------|---------------|---------------|----------------|---------|
|      | 1 oz.     | than 2 oz.    | than 5 oz.    | than 10 oz.   | than 15 oz.    | or more |
| 2002 | 0         | 699,115       | 203,476,178   | 5,426,568     | 0              | 2,800   |

# TABLE 5B

# NUMBER OF UNITS SOLD – BY PACKAGE SIZE FOR 2002 - 2005

\_ \_\_\_\_\_ \_\_\_\_\_ \_\_\_\_\_ \_\_\_\_\_

<u>Promotional Allowances – Retail</u>: Promotional allowances paid to smokeless tobacco retailers in order to facilitate the sale or placement of any smokeless tobacco product, including payments for stocking, shelving, displaying and merchandising brands, volume rebates, and incentive payments; but excluding expenditures in connection with newspapers, magazines, outdoor, audio-visual, transit, direct mail, point-of-sale, and price discounts.

**Promotional Allowances – Wholesale**: Promotional allowances paid to smokeless tobacco wholesalers in order to facilitate the sale or placement of any smokeless tobacco product, including payments for volume rebates, incentive payments, value added services, promotional execution and satisfaction of reporting requirements; but excluding expenditures in connection with newspapers, magazines, outdoor, audio-visual, transit, direct mail, point-of-sale, price discounts, and retail promotional allowances.

<u>Promotional Allowances – Other</u>: Promotional allowances paid to any persons other than retailers, wholesalers, and full-time company employees who are involved in the smokeless tobacco distribution and sales process in order to facilitate the sale or placement of any smokeless tobacco product; but excluding expenditures in connection with newspapers, magazines, outdoor, audio-visual, transit, direct mail, point-of-sale, price discounts, and retail and wholesale promotional allowances.

**Sampling**: Sampling of smokeless tobacco products, including the cost of the smokeless tobacco, all associated excise taxes, and the costs of organizing, promoting, and conducting sampling. Sampling includes the distribution of smokeless tobacco products for consumer testing or evaluation when consumers are able to use the smokeless tobacco outside of a facility owned or operated by the Company, but not the cost of actual clinical testing or market research associated with such smokeless tobacco, when no purchase or payment is required to obtain the coupons or the smokeless tobacco product.

Specialty Item Distribution – Branded: All costs of distributing any item (other than smokeless tobacco products, i -39/bfi(tsobatdije 08/0 0ffed(s))Tj4/e482j0.411(0/effet(uix))Fj3/07/0/0/fid(fi)moti smokeless)Tj57563 0

**Public Entertainment** – **Adult-Only**: Public entertainment events bearing or otherwise displaying the name or logo or an image of any portion of the package of any of the Company's smokeless tobacco products or otherwise referring or relating to smokeless tobacco, which take place in an adult-only facility, including all expenditures made by the Company in promoting and/or sponsoring such events.

**Public Entertainment – General-Audience**: Public entertainment events bearing or otherwise displaying the name or logo or an image of any portion of the package of any of the Company's smokeless tobacco products or otherwise referring or relating to smokeless tobacco, which do not take place in an adult-only facility, including all expenditures made by the Company in promoting and/or sponsoring such events.

Endorsements & Testimonials: Endorsements and testimonials.

**Sponsorships**: Sponsorships of sports teams or individual athletes, but excluding endorsements.

<u>Coupons</u>: All costs associated with coupons for the reduction of the retail cost of smokeless tobacco products, whether redeemed at the point of sale or by mail, including all costs associated with advertising or promotion, design, printing, distribution, and redemption. However, when coupons are distributed fo3 f006fd(72 @yehntsfljncols)/TJ64F0(Tre(d/otio)ffjrt0)TB4sfl56007/P( <kg/MfC/ED09Ta(BD)Cj f3B3F/331854 TfF0(04 hear pre-recorded product messages; but excluding costs associated with having customer service

representatives available for responding to consumer complaints or questions. <u>All Other</u>: Advertising and promotional expenditures not covered by another category. <u>Sports and Sporting Events</u>: <sup>S</sup>All costs associated with sponsoring, advertising, or promotion of sports are constrained and promotion are constrained and promotion of sports are constrained and promotion are constrained and p or sporting events, including football, weight lifting, sailing, rodeo, automobile, race car, funny car, motorcycle, bicycle, truck, monster truck, tractor-pull, fishing, anets(stions.)TjETEMC /StyleSpan <4uckendThis.508E