

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.¹ 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.

¹ 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.² These revisions clarified (and, in some cases, expanded) the definitions of certain categories, split several categories into smaller subcategories, and specified where money should

² 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.¹⁰ 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

¹⁰ 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.¹¹

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.¹² This question is

¹¹ 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.

¹² 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.¹⁴

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.

¹⁴ 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

AdvertiENDITURES

TABLE 2

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

		Less than 1 oz.	1 oz. to less than 2 oz.	2 oz. to less than 5 oz.	5 oz. to less than 10 oz.	10 oz. to less than 15 oz.	15 oz. or 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 [*]	\$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

^{*} 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 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				

_

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

^{*} 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

	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 Tobacco Product	\$13,686,000	\$16,004,000	\$14,950,000	\$9,310,000
Retail Value Added – Non-Smokeless 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 Promotional 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 Promotional <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 Promotional <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 Promotional <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>: ^SAll 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