

Economics Facts About U.S. Tobacco Use and Tobacco Production
Fact sheet May 2006

- An estimated 378 billion cigarettes were consumed in the United States in 2005,¹ and cigarettes account for more than 90 percent of expenditures on all tobacco products in this country. Total United States expenditures on tobacco were estimated to be \$88.8 billion in 2005², of which \$82 billion were on cigarettes.²
- Five cigarette companies accounted for more than 90% of all sales in the United States in 2004.³ They were Altria Group Inc. [Philip Morris USA] (47.5%), Reynolds American Inc. (28.8%), Lorillard (8.8%), Commonwealth Brands (2.9%), and Liggett (2.3%).³
- Total reported company revenue for the five largest cigarette companies were as follows: Altria Group Inc. (parent company of Philip Morris USA), \$9.4 billion [2004]; Reynolds American Inc., \$688 million [2004]; Lowes Corporation (parent company of Carolina Group which owns Lorillard), \$1.23 billion [2004]; Houchens Industries, not reported [2004]; and Vector Group Ltd. (parent company of Liggett), \$6.7 million [2004].⁴ Altria Group Inc. was ranked 17th, Loews 144th, and Reynolds American Inc. 321st on the Fortune 500 list of the largest corporations in the United States in 2004.⁴
- In 2003, cigarette companies spent \$15.2 billion, or more than \$41 million per day, on advertising and promotion.⁵ This amounted to more than \$53 for every person in the United States,^{5,6} or \$340 for each adult smoker,^{5,7} and was a 22% increase over the amount spent in 2002.⁵ Cigarette advertising and promotional expenditures have more than doubled since 1998.⁵
- Tobacco is grown in 21 states.⁸ The largest tobacco producing states are Kentucky and North Carolina, accounting for two-thirds of tobacco grown in the United States.⁸ The number of tobacco-growing farms declined from 512,000 in 1954 to 57,000 in 2002.⁹
- United States Tobacco, Conwood, and Swedish Match are the largest smokeless tobacco companies in the United States, accounting for nearly 90% of total sales.¹⁰ 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.¹¹
- Consumers in the United States spend about \$2 billion on smokeless tobacco products¹² and \$2 billion on cigars each year.²

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

- For 1997–2001, cigarette smoking was estimated to be responsible for \$167 billion in annual health-related economic losses in the United States (\$75 billion in direct medical costs, and \$92 billion in lost productivity),¹³ or about \$3,750 per adult smoker.^{7,13}
- The total economic costs associated with cigarette smoking are estimated at \$7.18 per pack of cigarettes sold in the United States.¹⁴
- Cigarette smoking results in 5.5 million years of potential life lost in the United States annually.¹³

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

- As of 2004, the average retail price of a pack of cigarettes in the United States was \$4.11, but ranges widely across states.¹⁵
- The federal excise tax is 39 cents per pack of cigarettes.¹ The median state cigarette excise tax rate, as of January 1, 2005, was 69.5 cents, but varied from 3 cents in Kentucky to \$2.46 in Rhode Island.¹⁶
- Increases in cigarette prices lead to significant reductions in cigarette smoking.¹⁷ A 10 percent increase in price has been estimated to reduce overall cigarette consumption by about 3 to 5 percent. 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.¹⁷

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