



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

Issued in 2007

I. INTRODUCTION

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 PROMOTIONAL EXPENDITURES

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.

be reported when expenditures fell within two or more categories.³ The Commission also added new categories to pick up expenditures that may have previously been unreported or reported in the catch-all “other” category. Major changes are discussed below with respect to the specific expenditure categories, which are reported in Tables 3A through 3G.⁴

Spending on advertising in newspapers, which had been \$1.83 million in 2001, declined to \$722,000 in 2002, and then to \$262,000 in 2003, before rising to \$285,000 in 2004, and then to \$453,000 in 2005.⁵

Magazine advertising, which had reached an all time high of \$21.96 million in 2001, fluctuated over the next four years, with \$23.14 million spent in 2002, \$22.84 million in 2003, \$25.00 million in 2004, and \$21.0 million in 2005.

Spending on outdoor advertising rose from \$10,522 in 2001 to \$117,000 in 2002. This spending then declined to \$101,000 in 2003, before rising to \$184,000 in 2004, and \$207,000 in 2005.⁶

As they had each year since the Commission began collecting these data, the companies reported no expenditures for transit advertising. For the first time since 1986, however, they did

³ In some cases, the companies were asked to report these “dual” expenditures in a different category than they previously were reported.

⁴ Detailed definitions of the 2002-2005 expenditure categories are reported in Appendix A.

⁵ The Commission permitted the companies to report their 2002-2005 expenditures in thousands of dollars, rather than in actual dollars, as had previously been required.

⁶ The Commission’s orders for the years 2002-2005 defined “outdoor” advertising to mean billboards; signs and placards in arenas, stadiums, and shopping malls (whether they are open air or enclosed); and any other advertisements placed outdoors, regardless of their size, including those on smokeless tobacco retailer property. In prior years, “outdoor” advertising was not precisely defined. In particular, it was not clear that signs in arenas, shopping, stadiums, shopping malls, or on retailer property were to be reported in this category.

report expenditures for audio-visual or video advertising: \$7,000 in 2002, \$139,000 in 2003, \$7,000 in 2004, and \$119,000 in 2005.

In 2001, the companies reported spending \$16.34 million on direct mail advertising. The amount spent on direct mail fell in each of the next three years (to \$7.07 million in 2002, \$5.98 million in 2003, and \$5.67 million in 2004) before rising to \$8.24 million in 2005.

Point-of-sale advertising declined from \$17.41 million in 2001 to \$16.89 million in 2002, before rising to \$20.87 million in 2003, and \$23.12 million in 2004. Point-of-sale advertising then declined to \$20.75 million in 2005.

Beginning in the year 2002, the “promotional allowance” category was broken into four new categories: price discounts, promotional allowances paid to retailers, promotional allowances paid to wholesalers, and other promotional allowances. The largest promotional allowance category was price discounts paid to smokeless tobacco retailers or wholesalers in order to reduce the price of smokeless tobacco products to consumers (*e.g.*, off-invoice discounts, buy downs, and voluntary price reductions), which accounted for expenditures of \$99.0 million in 2002, \$106.53 million in 2003, \$86.98 million in 2004, and \$99.70 million in 2005. Price discounts represented between 37.6 percent and 43.9 percent of total industry spending during each of the four years covered by this report.

In addition, the industry spent \$3.25 million in 2002, \$5.10 million in 2003, \$4.29 million in 2004, and \$3.41 million in 2005 on promotional allowances paid to smokeless tobacco retailers in order to facilitate the sale or placement of smokeless tobacco products (*e.g.*, payments for stocking, shelving, displaying and merchandising brands, volume rebates, and incentive payments). The companies also reported paying \$16.76 million in 2002, \$12.63 million in 2003,

\$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.

In 2001, the companies spent \$324,694 to provide consumers with specialty promotional items (such as shirts and hats bearing the name or logo of a smokeless tobacco product) distributed through the mail, at promotional events, or by any means other than at the point of

sale with the purchase of smokeless tobacco.⁷ Beginning with the year 2002, the specialty item distribution category was broken into two new categories: branded and non-branded. In 2002, \$419,000 was spent on branded specialty item distribution; the companies also reported spending \$45,000 in 2003, \$22,000 in 2004, and \$119,000 in 2005.⁸ The companies reported no spending on non-branded specialty items in 2002 through 2004, and \$36,000 in 2005.

Expenditures for the new adult-only public entertainment category were reported to be \$0 in both 2002 and 2003, \$7,000 in 2004, and \$73,000 in 2005. This category includes public entertainment events (*e.g.*, sponsorship of bar nights or concerts) that take place in adult-only facilities and display the name or logo of a company's smokeless tobacco products or otherwise refer to smokeless tobacco. Spending on general-audience public entertainment – *i.e.*, events that do not take place in an adult-only facility and that display the name or logo of a company's smokeless tobacco products or otherwise refer to smokeless tobacco – was higher: \$1.45 million in 2002, \$1.64 million in 2003, \$1.35 million in 2004, and \$215,000 in 2005.⁹ In 2001, the companies reported spending \$18.06 million on public entertainment.

Spending on endorsements declined from \$255,000 in 2001 to \$130,000 in 2002, then rose to \$355,000 in 2003, and remained unchanged at that level through 2005.

⁷ This expenditure category does not include specialty items provided at retail with smokeless tobacco products (*e.g.*, “buy three, get a free key chain”), which are deemed retail value added.

⁸ Specialty item distribution includes the practice of selling or giving to consumers tobacco items, such as T-shirts, caps, sunglasses, key chains, calendars, lighters, and sporting goods, bearing the name or logo of a smokeless tobacco brand.

⁹ The companies also spent \$4.91 million in 2002, \$4.07 million in 2003, \$4.85 million in 2004, and \$5.05 million in 2005 on public entertainment events displaying their corporate name, but not displaying the name or logo of any brand of any smokeless tobacco product or otherwise referring to smokeless tobacco. These figures are not included in the total advertising and promotional expenditures reported herein.

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 reduce youth use of smokeless tobacco products.¹³ These figures do not include contributions to third parties that engage in such programs.

Smokeless tobacco manufacturers reported that they paid no money or other form of compensation in connection with the production or filming of any motion pictures or television shows in 2002, 2003, 2004, or 2005, and that they paid no money or other form of compensation to anyone engaged in product placement in motion pictures or television shows. The companies also reported that neither they nor anyone working for them solicited the appearance of any promotional items (clothing, hats, etc.) connected with a sporting event.

¹³ These expenditures are not included in the advertising and promotional expenditures reported in Table 1.

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 advertising and promotional expenditures by type of smokeless tobacco.

From 2002 through 2005, the number of pounds of moist snuff sold increased, while the number of pounds sold of loose leaf and chewing tobacco, of plug and twist, and of scotch snuff and dry snuff, all fell. The 75.67 million pounds of moist snuff sold in 2005 exceeded the combined sales of all of the other kinds of smokeless tobacco.

Similarly, moist snuff consistently generated more revenue than any other type of smokeless tobacco. In 2005, dollar sales for moist stuff were \$2.23 billion, representing 85.2% of total smokeless tobacco sales.

Tables 4A through D also indicate that moist snuff continued to receive the greatest advertising and promotional support. In 2005, for example, the companies spent \$210.43 million advertising and promoting moist snuff, compared to \$16.75 million for loose leaf/chewing tobacco, \$72,000 for plug/twist, and \$103,000 for scotch/dry snuff.

The companies also reported spending \$6.92 million in 2002, \$13.72 million in 2003, \$18.22 million in 2004, and \$23.44 million in 2005 marketing brands that encompass more than one type of smokeless tobacco product. The amounts spent on advertising and promotion of

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

<u>Year</u>	<u>Sales in Pounds</u>	<u>Sales in Dollars</u>	<u>Advertising and Promotional Expenditures</u>
1985	121,449,115	\$730,618,970	\$80,068,229
1986	118,778,334	\$797,777,885	\$76,676,706
1987	116,540,281	\$852,717,347	\$67,777,044
1988	114,433,782	\$901,654,382	\$68,223,671
1989	116,440,365	\$981,637,304	\$81,200,611
1990	117,415,326	\$1,091,170,201	\$90,101,327
1991	120,110,686	\$1,237,961,670	\$104,004,040
1992	118,372,693	\$1,361,360,729	\$115,346,708
1993	115,888,785	\$1,475,460,518	\$119,230,826
1994	115,495,201	\$1,612,098,989	\$125,972,408
1995	116,387,464	\$1,735,840,489	\$127,323,282
1996	116,404,222	\$1,790,406,160	\$123,877,458
1997	113,975,148	\$1,817,508,055	\$150,426,310
1998	110,036,380	\$1,886,328,217	\$145,486,899
1999	109,401,055	\$1,940,736,017	\$170,213,761
2000	111,741,335	\$1,988,875,535	\$224,582,757
2001	112,193,550	\$2,127,520,387	\$236,676,917
2002	112,148,366	\$2,362,166,931	\$234,645,000
2003	112,924,505	\$2,489,501,857	\$242,514,000
2004	116,768,672	\$2,617,388,686	\$231,084,000
2005	116,197,005	\$2,611,292,547	\$250,792,000

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
<u>All Other</u>	<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
BY CATEGORY
FOR 1988 - 1991**

	1988	1989	1990	1991
Newspapers	\$940,256	\$449,918	\$880,629	\$1,109,503
Magazines	\$5,778,582	\$6,410,401	\$10,214,280	\$9,652,958
Outdoor	\$4,801,955	\$2,913,074	\$2,650,471	\$1,644,287
Audio, Visual	\$0	\$0	\$0	\$0
Transit	\$0	\$0	\$0	\$0
Point-of-Sale	\$7,436,270	\$9,693,996	\$10,320,657	\$10,749,602
Promotional Allowances	\$6,360,041	\$8,327,225	\$9,936,022	\$14,771,597
Sampling	\$12,345,180	\$15,019,174	\$13,461,932	\$13,959,101
Distribution Bearing Names	\$4,055,180	\$4,611,457	\$2,854,289	\$3,866,263
Direct Mail	\$623,731	\$935,370	\$78,000	\$893,000
Public Entertainment	\$17,501,791	\$19,638,397	\$20,272,355	\$21,116,095
Endorsements	\$260,539	\$292,290	\$264,484	\$344,000
Coupons & Retail Value Added*	\$4,655,429	\$9,689,049	\$16,438,440	\$23,306,499
<u>All Other</u>	<u>\$3,463,919</u>	<u>\$3,220,210</u>	<u>\$2,729,768</u>	<u>\$2,591,135</u>
TOTAL	\$68,223,671	\$81,200,611	\$90,101,327	\$104,004,040

* 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 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	\$155,000	\$215,000	\$160,000	\$160,000
Coupons & Retail Value Added*	\$31,524,486	\$32,297,431	\$36,687,092	\$33,701,379
<u>All Other</u>	<u>\$8,529,058</u>	<u>\$6,956,120</u>	<u>\$3,674,240</u>	<u>\$4,170,687</u>
TOTAL	\$115,346,708	\$119,230,826	\$125,972,408	\$127,323,282
Sports & Sporting Events	\$20,970,580	\$22,742,986	\$24,521,715	\$25,863,187

* 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 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
<u>All Other</u>	<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
Distribution Bearing Names	\$347,124	\$324,694
Direct Mail	\$17,015,856	\$16,340,203
Public Entertainment	\$11,223,945	\$18,063,522
Endorsements	\$230,000	\$255,000
Coupons	\$32,746,769	\$31,526,860
Retail Value Added	\$64,883,152	\$43,235,466
Internet	\$155,405	\$262,296
<u>All Other</u>	<u>\$5,336,176</u>	<u>\$6,699,919</u>
TOTAL	\$224,582,757	\$236,676,917
Sports & Sporting Events	\$11,026,204	\$17,866,620

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
<u>All Other</u>	<u>\$4,480,000</u>	<u>\$6,832,000</u>	<u>\$9,006,000</u>	<u>\$8,011,000</u>
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**

<u>Year</u>	<u>Pounds Sold</u>	<u>Dollar Sales</u>	<u>Advertising and Promotional Expenditures</u>
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**

	<u>Pounds Sold</u>	<u>Dollar Sales</u>	<u>Advertising and Promotional Expenditures</u>
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

	<u>Pounds Sold</u>	<u>Dollar Sales</u>	<u>Advertising and Promotional Expenditures</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**

	<u>Pounds Sold</u>	<u>Dollar Sales</u>	<u>Advertising and Promotional Expenditures</u>
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.	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	0	699,115	203,476,178	5,426,568	0	2,800
2003	0	658,495	191,761,704	6,750,937	0	286,274
2004	0	542,335	180,401,587	7,586,542	0	2,002,084
2005	0	448,644	165,667,992	6,859,556	0	2,157,700

TABLE 5B

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

PLUG/TWIST CHEWING TOBACCO

	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	0	9,789,738	8,013,482	0	0	0
2003	3,960	9,057,230	7,417,331	0	0	1,184
2004	172,596	8,121,211	6,825,354	0	0	7,591
2005	229,638	7,388,766	6,041,214	0	0	7,848

TABLE 5C

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

SCOTCH/DRY SNUFF

	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	833,184	17,320,899	4,679,645	1,201,840	15,735	33,400
2003	800,640	16,092,214	4,388,662	1,097,114	15,936	34,994
2004	764,064	15,023,756	3,813,417	1,058,787	15,456	49,512
2005	734,976	13,637,790	3,303,851	1,042,565	14,064	47,134

TABLE 5D

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

MOIST SNUFF

	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	24,561,076	859,285,595	0	0	0	0
2003	37,078,414	892,925,591	0	0	0	30,984
2004	41,769,081	935,536,000	0	0	0	58,830
2005	46,142,758	958,614,204	0	0	0	62,706

APPENDIX A

2002-2005 Advertising and Promotional Expenditure Categories

Newspapers: Newspaper advertising; but excluding expenditures in connection with sampling, specialty item distribution, public entertainment, endorsements, sponsorships, coupons, and retail value added.

Magazines: Magazine advertising; but excluding expenditures in connection with sampling, specialty item distribution, public entertainment, endorsements, sponsorships, coupons, and retail value added.

Outdoor: Billboards; signs and placards in arenas, stadiums, and shopping malls, whether they are open air or enclosed; and any other advertisements placed outdoors, regardless of their size, including those on smokeless tobacco retailer property; but excluding expenditures in connection with sampling, specialty item distribution, public entertainment, endorsements, sponsorships, coupons, and retail value added.

Audio-visual: Audio-visual or video advertising on any medium of electronic communication not subject to the Federal Communications Commission's jurisdiction, including screens at motion picture theaters, video cassettes, and monitors in stores; but excluding expenditures in connection with Internet advertising.

Transit: Advertising on or within private or public vehicles and all advertisements placed at, on, or within any bus stop, taxi stand, transportation waiting area, train station, airport, or any other transportation facility; but excluding expenditures in connection with sampling, specialty item distribution, public entertainment, endorsements, sponsorships, coupons, and retail value added.

Direct Mail: Direct mail advertising; but excluding expenditures in connection with sampling, specialty item distribution, public entertainment, endorsements, sponsorships, coupons, retail value added, and Internet advertising.

Point-of-Sale: Point-of-sale advertisements; but excluding expenditures in connection with outdoor advertising, sampling, specialty item distribution, public entertainment, endorsements, sponsorships, coupons, and retail value added.

Price discounts: Price discounts paid to smokeless tobacco retailers or wholesalers in order to reduce the price of smokeless tobacco to consumers, including off-invoice discounts, buy downs, voluntary price reductions, and trade programs; but excluding retail value added expenditures for promotions involving free smokeless tobacco and expenditures involving coupons.

Promotional Allowances – Retail: 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.

Promotional Allowances – Other: 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 distributions. Sampling also includes the distribution of coupons for free 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, items the sole function of which is to advertise or promote smokeless tobacco products, or written or electronic publications), whether distributed by sale, redemption of coupons, or otherwise, that bears the name, logo, or an image of any portion of the package of any brand or variety of smokeless tobacco product, including the cost of the items distributed but subtracting any payments received for the item. The costs associated with distributing non-smokeless tobacco items in connection with sampling or retail value added programs are reported in those categories, not as specialty item distribution.

Specialty Item Distribution – Non-Branded: All costs of distributing any item (other than smokeless tobacco products, items the sole function of which is to advertise or promote smokeless tobacco products, or written or electronic publications), whether distributed by sale, redemption of coupons, or otherwise, that does not bear the name, logo, or an image of any portion of the package of any brand or variety of smokeless tobacco product, including the cost of the items distributed but subtracting any payments received for the item. The costs associated with distributing non-smokeless tobacco items in connection with sampling or retail value added programs are reported in those categories, not as specialty item distribution.

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.

Coupons: 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 for free smokeless tobacco and no purchase or payment is required to obtain the coupons or the smokeless tobacco, these activities are considered to be sampling and not couponing.

Retail Value Added – Bonus Smokeless Tobacco: Retail value added expenditures for promotions involving free smokeless tobacco products (*e.g.*, buy two, get one free), whether or not the free smokeless tobacco products are physically bundled together with the purchased smokeless tobacco products, including all expenditures and costs associated with the value added to the purchase of smokeless tobacco products (*e.g.*, excise taxes paid for the free smokeless tobacco product).

Retail Value Added – Non-Smokeless Tobacco Bonus: Retail value added expenditures for promotions involving free non-smokeless tobacco items (*e.g.*, buy two packs, get free key chain), including all expenditures and costs associated with the value added to the purchase of smokeless tobacco products.

Company Website: All expenditures associated with advertising on any company Internet website that can be accessed by computers located in the United States.

Internet – Other: Internet advertising other than on the Company’s own Internet website, including on the World Wide Web, on commercial on-line services, and through electronic mail messages.

Telephone: Telephone advertising, including costs associated with the placement of telemarketing calls or the operation of incoming telephone lines that allow consumers to participate in any promotion or

hear pre-recorded product messages; but excluding costs associated with having customer service representatives available for responding to consumer complaints or questions.

All Other: Advertising and promotional expenditures not covered by another category.

Sports and Sporting Events: All costs associated with sponsoring, advertising, or promotion of sports or sporting events, including football, weight lifting, sailing, rodeo, automobile, race car, funny car, motorcycle, bicycle, truck, monster truck, tractor-pull, fishing, and hunting events, competitions, tournaments, and races. This category is duplicative of expenditures for other categories.