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**Testimony on “Reform the Tobacco  
Excise Tax Bill”:**

**Cigarette Tobacco vs. Pipe Tobacco**

Presented by the Pipe  
Tobacco Council



# Definitions

- Pipe Tobacco:
  - The term 'pipe tobacco' means any tobacco which, because of its appearance, type, packaging, or labeling, is suitable for use and likely to be offered to, or purchased by, consumers as tobacco to be smoked in a pipe.
- Roll-your-own (RYO):
  - The term "roll-your-own tobacco" means any tobacco which, because of its appearance, type, packaging, or labeling, is suitable for use and likely to be offered to, or purchased by, consumers as tobacco for making cigarettes or cigars, or for use as wrappers thereof.

# Major Brands of Traditional Pipe Tobacco

- Captain Black
- Sir Walter Raleigh
- Half & Half
- Cherry Blend
- Super Value
- Mixture 79



# Major Brands of Traditional RYO

- Bugler
- Kite
- Top
- Roll Rich
- Samson
- Drum



# Major Brands of Faux Pipe Tobacco

- Red Cap
- Southern Steel
- Criss Cross
- Golden Harvest
- Farmers Gold
- 4 Aces
- OHM
- Good Stuff
- Gambler
- KY Select



# Fake Pipe Tobacco vs. Traditional Pipe Tobacco

- Fake Pipe tobacco is thin cut (< 1/16<sup>th</sup> of inch wide)
- Fake Pipe tobacco is dry (14-16% Moisture)
- Fake Pipe Tobacco is lightly cased and has low reducing sugar content (< 18%)
- Fake Pipe Tobacco has no flavor added
- Does not contain Black Tobacco or Latakia
- Fake Pipe Tobacco has Menthol brands
- Did not exist on the market prior to January 1, 2009
- Traditional Pipe Tobacco is cut too wide for use in Cigarettes (greater than 1/16<sup>th</sup> of inch wide)
- Traditional Pipe Tobacco generally is far too wet for cigarettes > 18% moisture
- Traditional Pipe Tobacco generally is high (>18%) Reducing sugars
- Often contains Black and/or Latakia
- Traditional Pipe Tobacco comes in many flavors
- No such thing as “Menthol” Pipe Tobacco
- 99% of all Pipe Tobacco brands on market before January 1, 2009

# Traditional Pipe vs. Fake Pipe



# Size of Industry (National)

## ● Jul 10 – Jun 11: Sales by Volume

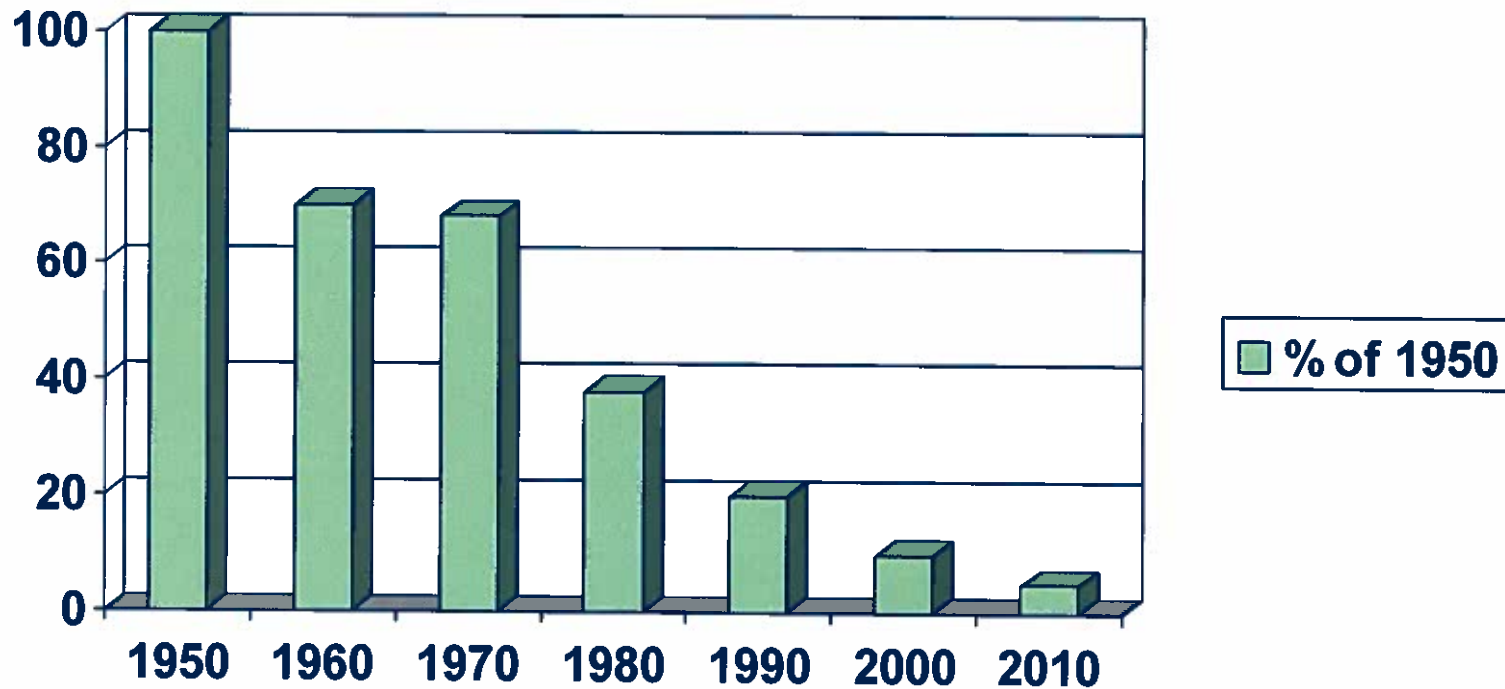
- Pipe Tobacco: 27,496,253 pounds
  - Traditional Pipe: 4,014,453 lbs (est)
  - Faux Pipe: 23,481,800 lbs (est)
- RYO: 5,496,978 pounds
- Cigarettes: 974,885,188 pounds (approx.)  
(324,961,729,323 units)

## ● Jul 10 – Jun 11: Sales by Dollars

- Pipe Tobacco: \$746 Million at retail (approx)
  - Traditional Pipe \$160 Million at retail (approx)
  - Faux Pipe \$586 Million at retail (approx)
- RYO: \$344 Million at retail (approx)
- Cigarettes: \$80 billion (approx.)



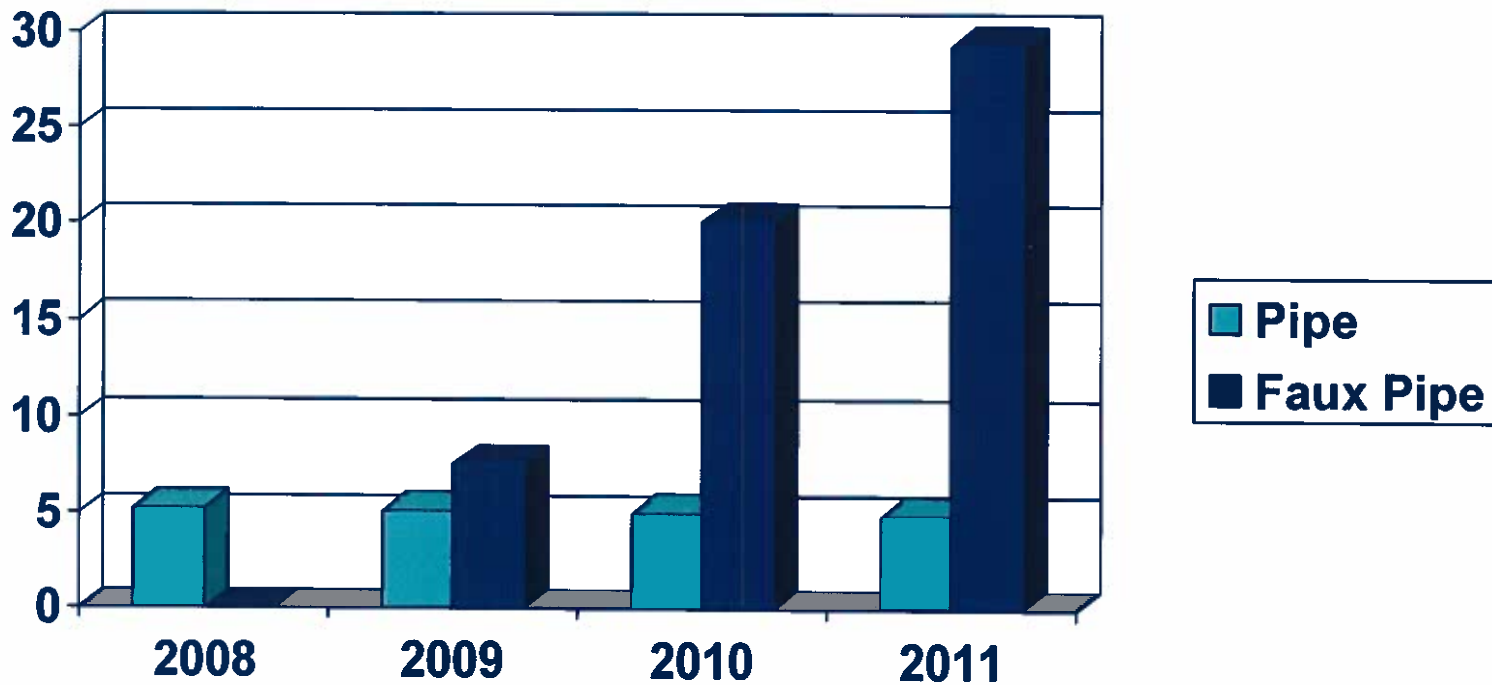
# Traditional Pipe Tobacco Industry has declined 95% since 1950



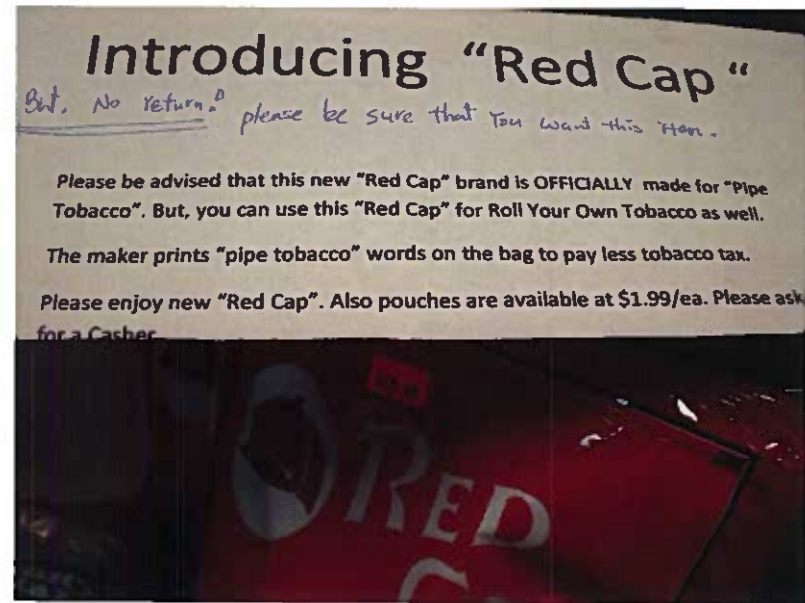
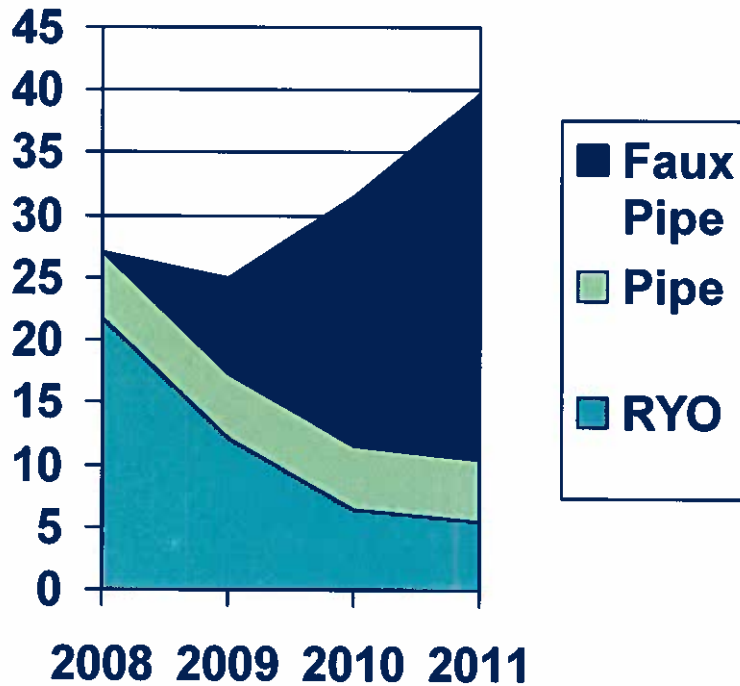
## CHIPRA Tax Increase

- Pipe Tobacco:
  - Pre-CHIPRA: \$1.097 per pound
  - Post-CHIPRA: \$2.83 per pound
- RYO:
  - Pre-CHIPRA: \$1.097 per pound
  - Post-CHIPRA: \$24.78 per pound

## Change in Defacto Pipe Tobacco Categories from 2008 to 2011



# Changes in RYO / Faux Pipe Tobacco since CHIPRA



## Effect of RYO Filling Station

- Speed of automatic filling stations has opened up the market for “RYO” to many more people (7 minutes vs several hours) to avoid tax
- Primarily using new “Faux Pipe Tobacco” for use in the machines.
- Traditional hand rolling tobacco will not work in machine
- Traditional high moisture or wide cut Pipe Tobacco will not work in the machine



# Effect of proposed Tax on Traditional Pipe Tobacco in New York

- Price per pack of Captain Black would soar 205% from \$8.74 to \$18 per pouch at retail
- Would finish off an already dying industry
- Would penalize wrong group



# Alternative methods to solve problem

- **Adopt definition of Pipe Tobacco that has been submitted to the TTB by the Pipe Tobacco Council**
- **Require operators of machines to register with TTB as Manufacturers (and thus pay tax)**
- **Require operators of machines to pay tax upon cigarettes produced (all machines have a counter)**
- **TTB is working on definition of Pipe Tobacco to solve problem on a national basis**
- **Ban consumption of tubes on presence of establishment who holds a tobacco license**
- **Any or all of these alternatives would solve the fake Pipe Tobacco tax evasion issue and not penalize traditional Pipe Tobacco or Chewing Tobacco consumers**

## Pipe Tobacco Definition

*To qualify as Pipe Tobacco a product must meet 1 of the following characteristics*

- < 18% Reducing Sugar
- > moisture greater than 22%
- > 10% of Latakia, Perique and/or Black
- Total fill value as measured by Borgwaldt Densimeter < 270
- On the market prior to January 1, 2009