

the **TOBACCO** *industry*

Growing tobacco in Australia

Tobacco use was brought to Australia with white settlement, and tobacco was soon planted for use by the colony. However the leaf was considered to be very poor quality, and tobacco growing was officially banned by Governor Phillip in 1791, to give priority to food production instead. Even so, it was still grown, and in the 1800s the Government encouraged people to learn how to grow it properly.¹ Tobacco growing reached Victoria and Queensland in the 1850s. The crops were not only grown for smoking tobacco. Nicotine was also taken out of the tobacco plant and used as a pesticide, and tobacco was often made into sheep dip.² This TAP unit looks at the industry that started from the tobacco plant.

... and now

Australia has about 270 tobacco growers based in Queensland and Victoria, cultivating around 8,000 tonnes of tobacco.^{3,4} Tobacco grows best in sandy, well-drained soil, with warm growing seasons, high humidity, and no frost. Over the past decade Queensland normally produced around 60% of the leaf, however now the percentage grown in Victoria has increased significantly so that Victoria is currently the largest production region.³ At its peak in 1990, the total value of the Australian tobacco crop was \$79.37 million,⁵ but had dropped to \$49 million by 1994.⁴

Over the years, tobacco growers have received assistance from the Federal Government. As Australian growers do not produce enough tobacco for the requirements of the cigarette manufacturers here, tobacco is imported into Australia. Tobacco grown overseas tends to be cheaper than home-grown tobacco. The Federal Government used to ensure that the Australian cigarette companies use the locally grown leaf first, by putting higher taxes on the cheaper imports.⁵ Tobacco farmers also received financial support in other ways, making tobacco growing the most assisted agricultural activity in Australia.⁶ However the Government reviewed its assistance to the tobacco growing industry, and most support was stopped after 1995.⁷ It is expected to fall to 2% in 1999-2000 with the

completion of the restructuring program.⁸ This means that Australian tobacco growers now have to compete between themselves and with overseas growers in the marketplace. Restructuring meant the demise of tobacco growing in New South Wales and tobacco production has decreased since the early 90s.

And around the world

Most tobacco is grown in developing countries: major producers are China, India, Brazil, Turkey, Zimbabwe and Indonesia.⁹ In some countries, farmers prefer to plant tobacco rather than food crops. The cigarette companies pay them well for their harvest, and help them in other ways, such as with the purchase of farm equipment or with low interest loans. Tobacco companies can make tobacco growing attractive to governments as well, as cigarettes are easy to tax and can help them raise money. Food crops simply don't get the same financial support, even though many of these tobacco growing countries need food aid.^{10, 11}

Tobacco growing also brings environmental concerns. Tobacco plants need insect and weed killers, which can harm the soil and pollute water systems. Then the leaf must be dried and cured before it can be processed into tobacco products. In many developing countries wood from natural forests is the only fuel available to do this, which raises serious concerns about deforestation.¹⁰

As well as using Australian-grown tobacco leaf, Australia imports tobacco from many other countries, including the United States of America, Malawi, Zimbabwe, Greece, Korea, Thailand, Taiwan, Brazil, Zambia and Italy.⁴

The tobacco manufacturing industry in Australia

Two companies manufacture tobacco products in Australia.³ These companies are completely owned by overseas companies. Because less tobacco is being smoked in Australia, the companies are competing for a shrinking market. They are also looking for ways to increase their market by expanding into the Pacific and Asia.¹² The overseas markets are especially attractive. Most nearby countries do not have the same strict laws and regulations about advertising, health warnings and contents labelling as Australia.¹³

Employment

In 1988-1989, around 3,100 people¹⁴ were directly employed in tobacco manufacturing, compared to 5,150 people four years before.¹⁵ In 1996/97 this was down to 1,153 people.¹⁶ The number of people working in tobacco manufacturing has been declining as improved technology for making cigarettes has made some workers redundant, and tobacco manufacturing plants have been closing down.

Appealing to the Australian smoker

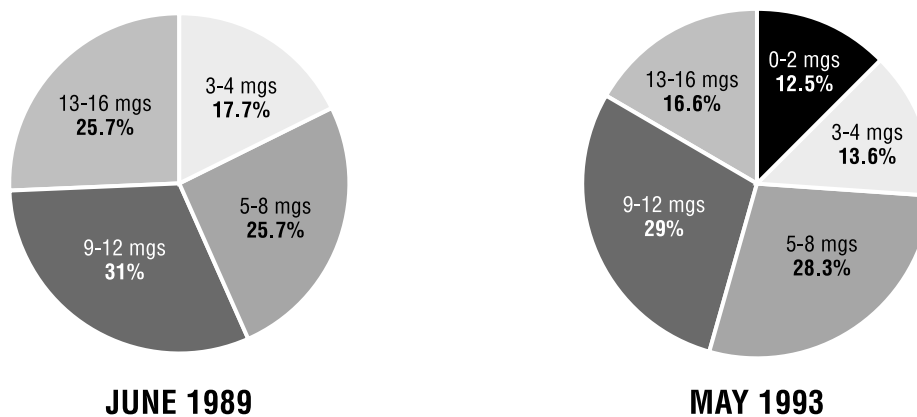
Big packs

For many years the standard pack size for cigarettes was 20s, but now cigarettes may be bought in packs containing up to 50 cigarettes. The larger pack sizes are unique to Australia, and came about because before 1999, the government taxed all tobacco by weight. The cigarettes in the larger pack sizes were generally smaller and lighter than those sold in the smaller packs, and were cheaper per cigarette. These large economy packs were designed to appeal to the price-conscious smoker, including young people.¹⁷ However, in 1999, the Commonwealth Government changed the tax system to a per stick basis, so that now each cigarette is taxed the same, regardless of its size or weight.

Lower tar, nicotine and carbon monoxide levels

Because of the health problems due to smoking, the tobacco companies have introduced more brands with lower levels of these chemicals. As we can see in Figure 1, between 1989 and 1993 more people have started smoking these brands. However as noted in TAP 4, there is no safe cigarette and no safe level of smoking.¹⁸

FIGURE 1: Share of the cigarette market in Australia according to level of tar measured *1989-1993 [Market share chart]



* Maximum level of CPM (Corrected Particulate Matter) or tar measured in milligrams/cigarette, as per government agreed method. Source: Australian Retail Tobacconist.¹⁹

New ideas

The decline in consumption has made the tobacco companies look for other ways to attract new smokers, or stop current smokers from quitting. These have included developing a 'smokeless' cigarette, intended to give the smoker nicotine without producing environmental tobacco smoke that may bother others,²⁰ and the invention of 'safer' cigarettes, which have some of the harmful by-products from smoking removed.²¹ Specially perfumed cigarettes have been tested out in other countries, the perfume being intended to cover the smell of the cigarette smoke.^{22,23} None of these new cigarettes has been commercially successful to date.

The tobacco industry's views on the health effects of smoking

With over 57,000 reports on the health effects of smoking,²⁴ it's hard to believe that anyone could seriously deny that smoking is dangerous. In fact, the tobacco companies' own research showed a link between tobacco and cancer.²⁵ However, they kept this secret²⁵ while, at the same time, being very careful not to say that smoking was safe. In 1972, a memo from an American tobacco company outlined a strategy of 'creating doubt about the health charge without actually denying it'.²⁵ Tobacco companies have consistently attempted to confuse and cloud the issue. In the words of a former Australian tobacco industry executive:

The facts about smoking are: no-one knows the cause of cancer, no-one knows the cause of heart disease ...what we do know is that there is a relationship between those people who smoke and the risks of certain diseases, and the appropriate answer to that is more research, and that is what we're doing about it'.²⁶

By giving the impression that the evidence is unclear, and that smoking is just one of many risks, if any smoker who gets sick does try to sue a tobacco company, that company can say:

There have been many warnings about the dangers. We never said it was safe. You should have known.'

Do tobacco company executives smoke? According to a U.S. media expert these executives used to tell a model in their advertisements (privately):

'We're not that stupid ... this (smoking)is for the young, the poor, the blacks and the stupid'.²⁷

The economics of smoking in Australia

The impact of smoking on the Australian economy is complex, and it could be argued that there can be no benefit to the economy great enough to compensate for 19,000 deaths annually.²⁸ An analysis of the economics of smoking needs consideration of a number of different factors, including:

- The number of deaths caused smoking
- The amount of sickness and suffering caused by smoking
- The costs of medical treatment for illness
- Lost productivity through days of work lost
- The amount of employment the industry provides
- The amount of taxation revenue collected by State and Federal Governments

Other factors that are difficult to calculate, but are still important include:

- Environmental impact involving deforestation and pollution
- Exploitation of developing countries.

Taxation

Over 70% of the final price of a packet of cigarettes goes in tax to government. The Federal Government places a tax on the manufacture of tobacco products. State Governments used to place a charge on sales of the products, however in 1998 a court ruled this was not allowed. Now this money is collected by the Federal government and handed back to the states. In 1999/2000 the tax revenue from tobacco totalled over \$5 billion.²⁹ In Victoria, South Australia, Western Australia, the Australian Capital Territory and Queensland, part of this tax income is spent on health education, medical research and support for sporting and cultural bodies.

Costs of smoking

The best estimate available for the economic costs of tobacco use in Australia is a 1992 figure of a total of \$12.7 billion per year.³⁰ Included in this figure are losses in production through sickness and death, and health care costs. The calculations take no account of the pain and suffering experienced by those with diseases and their families, which are extremely difficult to quantify. They also do not include costs for welfare payments, ambulances, absenteeism from work, or costs of fires caused by smoking. Because of this, the final figure is likely to even be much higher.

Economic benefits

Estimates of the economic benefits of smoking take into consideration factors such as employment in the tobacco growing and manufacturing sectors, profits, taxation, and flow-on effects of employment in advertising companies, shops, distributors of tobacco goods and so forth. The only report that has tried to place a value on the tobacco industry is one that has been commissioned by the industry itself, and it takes into account an extremely broad number of factors, coming up with a final figure of \$8 billion. According to the report, half of this sum is generated directly by the industry, and the remainder from 'flow on effects generated elsewhere in the domestic economy'.³¹

Reports like this are usually intended to show people, particularly politicians, how important the tobacco industry is to the economy. The tobacco industry hopes that decision-makers will then be discouraged from making any changes that will badly effect the industry, in case it results in unemployment and lost tax dollars. But whatever changes governments introduce, the tobacco industry is in no danger of disappearing overnight. The reality is that because tobacco is addictive, declines in tobacco consumption occur gradually, which gives time for industry and government to plan for the future. Governments do not usually find it hard to find new ways of increasing taxes if they need to, and people with extra money in their pockets from not buying tobacco are likely to spend their money on something else, stimulating industry in other areas.³²

Even so, there is no doubt that the tobacco industry is a significant contributor to the Australian economy. It does seem a little strange that so much effort and money is being used to generate sickness and death. Wouldn't it be better to be productive in non-harmful areas?

To survive, industry needs to be able to change with new developments and the needs of the community it serves. Thirty years ago there was no such thing as a home computer or a compact disc, and thirty years from now, vinyl LP records and turntables will be a thing of the past. Economies withstand changes in science, technology and fashion. The continuing decline in tobacco consumption in Australia will not ruin the Australian economy.

The Tobacco Industry in Australia - Activities

1. There are many costs associated with smoking, some of which are outlined in the following list. Choose an area and examine it in more detail:
 - ▼ Costs of buying cigarettes
 - ▼ Costs of accessories such as matches, lighters etc
 - ▼ Cleaning costs for clothing, furniture, litter removal from the streets etc
 - ▼ Costs for replacement or repair of clothing and equipment, contamination of food, computer equipment etc
 - ▼ Environmental costs from soil degradation, forest destruction, soil and water pollution, impact on flora and fauna
 - ▼ Costs from illness, medical costs, reduction in quality of life, dental treatment, funeral expenses, increased insurance fees, complications of pregnancy, interference with quality of work, days lost from work
 - ▼ Community costs such as profits to overseas companies, subsidies to tobacco industry, increased demands on medical facilities, lost earning capacity and productivity.
2. Imagine that you are living 200 years in the future. Write a brief history report about the unusual activity known as 'cigarette smoking' which people used to do in the twentieth century.
3. Debate the issue: 'The tobacco industry is an economic Tyrannosaurus rex (dinosaur): enormous, ferocious, and destined for extinction. The world, and its economies, will survive the industry's gradual demise quite well'.³⁰

References

- 1 Walker R. Under Fire. A History of Tobacco Smoking in Australia. Melbourne: Melbourne University Press, 1984.
- 2 Department of Customs and Excise. Tobacco - Survey of progress of the Australian tobacco growing industry under the "percentage system" of Tariff Protection. Canberra: Department of Customs and Excise, November, 1963.
- 3 Tobacco Research & Development Corporation. Annual report 1999/2000. Canberra: AusInfo, 2000.
- 4 Australian Tobacco Advisory Committee Annual Report 1994. Year ended 31 December 1994 regarding the operation of the Tobacco Marketing Act 1965. Canberra: Canberra Times Fine Print, 1995.
- 5 Australian Tobacco Marketing Advisory Committee Annual Report 1990. Year ended 31 December 1990 regarding the operation of the Tobacco Marketing Act 1965. Canberra: Canberra Times Fine Print, 1991.
- 6 Industry Commission Annual Report 1989 - 1990. Canberra: Australian Government Publishing Service, 1991.
- 7 Australian Tobacco Marketing Advisory Committee, 1995 Annual Report, Year ended 31 December 1995 regarding the operation of the Tobacco Marketing Act 1965. Canberra: Canberra Times Fine Print, 1996.
- 8 Industry Assistance: Productivity Commission Report. Productivity Commission, AGPS, Canberra 1998.
- 9 Tobacco Research and Development Corporation, Annual Report, 1996/97. Canberra: 1997.
- 10 Chapman S, Leng WW. Tobacco Control in the Third World. A resource atlas. International Organisation of Consumers Unions, Penang, Malaysia, 1990.
- 11 Geist HJ. Global assessment of deforestation related to tobacco farming. Tobacco Control. 1999 Spring; 8(1):18-28.
- 12 Australian Stock Exchange Company Review Service: Rothmans Holdings Limited R56. Compiled to 11/07/90; printed 9 August 1990. Sydney: Australian Stock Exchange.
- 13 Corrao MA, Guindon GE, Sharma N, Shokoohi DF (eds). Tobacco Control Country Profiles. Atlanta, Georgia: American Cancer Society, 2000.
- 14 Australian Bureau of Statistics. 1988-1989 Manufacturing Industry Details of Operations Australia. Catalogue No 8203.0.
- 15 Australian Bureau of Statistics. Manufacturing Establishments, Details of Operations by Industry Class. Catalogue No 8203.0. In: Department of Community Services and Health. Tobacco in Australia: A summary of related statistics. Canberra: Australian Government Publishing Service, 1990.
- 16 Australian Bureau of Statistics. Manufacturing Industry 1996/97. Catalogue No 8221.0.
- 17 Victorian Office of Prices. Does smoking make cents? An Australian study of the relationship between cigarette pricing, consumption and health costs. Melbourne: Victorian Office of Prices, April 1990.
- 18 US Department of Health and Human Services. The Health Consequences of Smoking: The Changing Cigarette. A report of the Surgeon General. Rockville, Maryland: US Department of Health and Human Services, Public Health Service, Office on Smoking and Health, 1981.
- 19 Phillbrook J. Inside. Trends to lighter brands. Australian Retail Tobacconist, 1994; June:2.
- 20 Anonymous. United States: RJR still backing high-tech products. World Tobacco 1989 May: 7.
- 21 Anonymous. Industry patents. CA Blockers: Manufacturing a safer cigarette. Tobacco Reporter 1991 August: 60.
- 22 Anonymous. Brand News. Spring Lemon Lights offers an appealing new twist. Tobacco Reporter 1989 June: 40.
- 23 Anonymous. West Lemon Fresh is summer sensation. Tobacco Reporter 1991 November: 49.
- 24 US Department of Health and Human Services. Reducing the Health Consequences of Smoking: 25 Years of Progress. A report of the Surgeon General. Rockville, Maryland: US Department of Health and Human Services, Public Health Service, Centers for Disease Control, Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 1989. DHHS Publication No (CDC) 89-8411.
- 25 Gostin LD, Brandt AM, Cleary PD. Tobacco Liability and Public Health Policy. JAMA 1991; 266(22):3178-3182
- 26 Attwood A. Smoking under siege. (Quoting Mr John Dollison, the then Corporate Affairs Manager for Philip Morris Australia.) Time 1987; 48: 54-61.
- 27 American Cancer Society. An Interview with Tony Schwartz. Countering Tobacco Ads. World Smoking and Health 1991; Vol 16 No 3:4.
- 28 Ridolfo B, Stevenson C. *The quantification of drug-caused mortality and morbidity in Australia, 1998.* (Drug Statistics Series No. 7) Canberra: Australian Institute of Health and Welfare, 2001.
- 29 Australian Bureau of Statistics. Federal Budget Paper No 1 - Budget Strategy and Outlook, Statement 5 Revenue, May 2000 Budget papers.
- 30 Collins DJ, Lapsley HM. The Social Costs of Drug Abuse in Australia in 1988 and 1992. Monograph Series No. 30. Canberra: Australian Government Publishing Service, 1996.
- 31 Tobacco Institute of Australia. Australia's golden leaf: the economic impact of the tobacco industry in Australia - 1990. Sydney: Tobacco Institute of Australia, 1991.
- 32 Warner KE. Tobacco taxation and economic effects of declining tobacco consumption. In: Durston B, Jamrozik K (eds). Tobacco and Health 1990 - The global war. Proceedings of the Seventh World Conference on Tobacco and Health, 1st - 5th April 1990. Perth: Health Department of Western Australia, 1990: 81-87.

Tobacco Action Pack © 1990 ISBN 1 875186 10 7

Original TAP Logo design by Asprey Di Donato Design

100 Drummond Street, Carlton, Victoria. PO Box 888 Carlton, Victoria 3053 Australia
Telephone: (03) 9663 7777 Fax: (03) 9635 5510 (International: +61 3 9635 5510)

The Victorian Smoking and Health Program is a joint initiative of the Anti-Cancer Council of Victoria,
the Department of Human Services, the National Heart Foundation and the Victorian Health Promotion Foundation.

© The Quit logo is a registered trademark of the Anti-Cancer Council of Victoria.