

# CAMPAIGN For TOBACCO-FREE Kids®

## A STATE CIGARETTE TAX INCREASE WILL NOT HARM NORTH CAROLINA'S TOBACCO FARMERS

North Carolina's cigarette tax rate is currently 5 cents per pack (and the average among all states is more than 72 cents). Increasing the State's cigarette tax would bring in new state revenues while also reducing smoking, especially among children and low-income communities. By prompting these declines in smoking, increasing the cigarette tax would also reduce the number of people in North Carolina who suffer and die from smoking-caused lung cancer, heart disease, and other illnesses – thereby reducing related public and private healthcare costs, as well.<sup>1</sup>

At the same time, North Carolina has a long and proud tradition of tobacco farming, and many of the state's tobacco farmers, and their communities, are dependent on tobacco farming for their economic well being. Indeed, many tobacco-farming families are currently finding it hard to make ends meet. Accordingly, people and policymakers in North Carolina may worry that any increase to the State's cigarette tax will, by reducing smoking, end up hurting the State's tobacco farmers and tobacco-farming communities, and perhaps even harm the State's economy. Fortunately, these worries are groundless.

Smoking in North Carolina is responsible for only a tiny fraction of the overall demand for the burley and flue-cured cigarette tobacco grown in North Carolina or elsewhere in the United States. Even if all cigarette sales in the State were totally eliminated (and not replaced by any increased cigarette sales in other states), that would reduce the total annual sales of American-grown burley and flue-cured leaf by only less than two percent. By reducing cigarette consumption in North Carolina by about -11.2%, a State cigarette tax increase of 100 cents per pack would reduce the overall demand for American-grown burley and flue-cured leaf by less than two-tenths of one percent.

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### **The Calculations**

Of all the American-grown burley and flue-cured tobacco sold in 2001 and 2002, more than 35% of the burley and 40% of the flue-cured was sold to foreign buyers for use in overseas cigarette manufacturing and consumption.<sup>2</sup> The rest of the burley and flue-cured was used for American-made cigarettes, but more than 24% of all the cigarettes made in the United States were exported out of the United States.<sup>3</sup> Accordingly, smoking in the entire United States accounts for only about 50% of the total demand for burley tobacco and 45% of the total demand for flue-cured leaf. In addition, cigarette sales in North Carolina account for only about 4.1% of all sales of cigarettes in the United States.<sup>4</sup> That means that smoking in North Carolina accounts for only about 2.1% of the total demand for American-grown burley leaf and 1.9% of the total demand for flue-cured. Accordingly, reducing cigarette consumption in North Carolina by about -11.2% through a tax increase of 100 cents per pack would only reduce the overall demand for American-grown burley and flue cured by approximately -0.23% and -0.21%, respectively.<sup>5</sup>

<sup>1</sup> See, e.g., Campaign For Tobacco-Free Kids fact sheet, *Raising State Tobacco Taxes Always Increases State Revenues and Always Reduces Tobacco Use*, and others at <http://tobaccofreekids.org/reports/prices>.

<sup>2</sup> Economic Research Service, U.S. Dep't of Agriculture, *Tobacco Briefing Room*, [www.ers.usda.gov/Briefing/tobacco](http://www.ers.usda.gov/Briefing/tobacco).

<sup>3</sup> ERS, USDA, *Tobacco Briefing Room*, [www.ers.usda.gov/Briefing/tobacco](http://www.ers.usda.gov/Briefing/tobacco).

<sup>4</sup> Orzechowski & Walker, *Tax Burden on Tobacco*, 2003 [annual compilation of state tobacco tax data].

<sup>5</sup> The rough consensus from numerous research studies is that a 10% increase in cigarette prices will reduce overall cigarette consumption by 4% and reduce the number of kids who smoke by 6.5%. See, e.g., Chaloupka, F., "Macro-

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Social Influences: The Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products,"  
*Nicotine and Tobacco Research* (1999) and other studies at <http://tiger.uic.edu/~fjc> & [www.uic.edu/orgs/impacteen](http://www.uic.edu/orgs/impacteen).