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Tobacco-Cigars, Smokeless [1]

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Pipe Tobacco Should Not Be Included in the Settlement Agreement

The Pipe Tobacco Council (PTC)

The PTC is the national trade organization of manufacturers and importers of pipe tobacco. Its 12 members represent 98% of the pipe tobacco sold in the United States.

Industry Position

The PTC and its members strongly oppose inclusion of pipe tobacco in any legislation intended to discourage underage youth from using tobacco products.

- . children do not smoke pipes

- . both the Food and Drug Administration (FDA) and the State Attorneys General chose not to include pipe tobacco in their tobacco efforts

- . the industry is very small, in steep decline, and would be greatly hurt by the costs implicit in the recent tobacco Settlement Agreement.

- . The industry has not been the subject of any product liability or Medicaid lawsuits.

Background on the Pipe Tobacco Industry

1. **Sales:** Pipe tobacco sales in the United States have declined **85.4%** since 1970. In 1970, an estimated 52 million pounds of pipe tobacco were sold. By 1990, sales had fallen to 12.4 million pounds. In 1996, only 7.6 million pounds were sold. For the first five months of 1997, sales are down another 9%. Pipe tobacco sales at retail amount to approximately \$140 million, or about one quarter of 1% of the total \$53.3 billion spent by consumers on tobacco products in 1996.

2. **Advertising:** The pipe tobacco industry does virtually no consumer advertising with the recent exception of a few companies which advertise in Pipes and Tobaccos, a new consumer publication aimed at smokers of luxury, high-end pipes.

3. **Demographics:** The best data of the pipe tobacco industry indicates that the three million pipe smokers in the United States account for a mere 3.3% of the total male population over age 21. Nearly 90% of all pipe smokers are white males, and 50% are over the age of 46. Sixty percent of pipe smokers are

currently married, and roughly 50% attended college or received a college degree. In terms of occupation, most pipe smokers are employed in the clerical, sales and repair fields. Seventy percent of pipe smokers earned less than \$50,000 in 1994 -- 40% earned less than \$30,000.

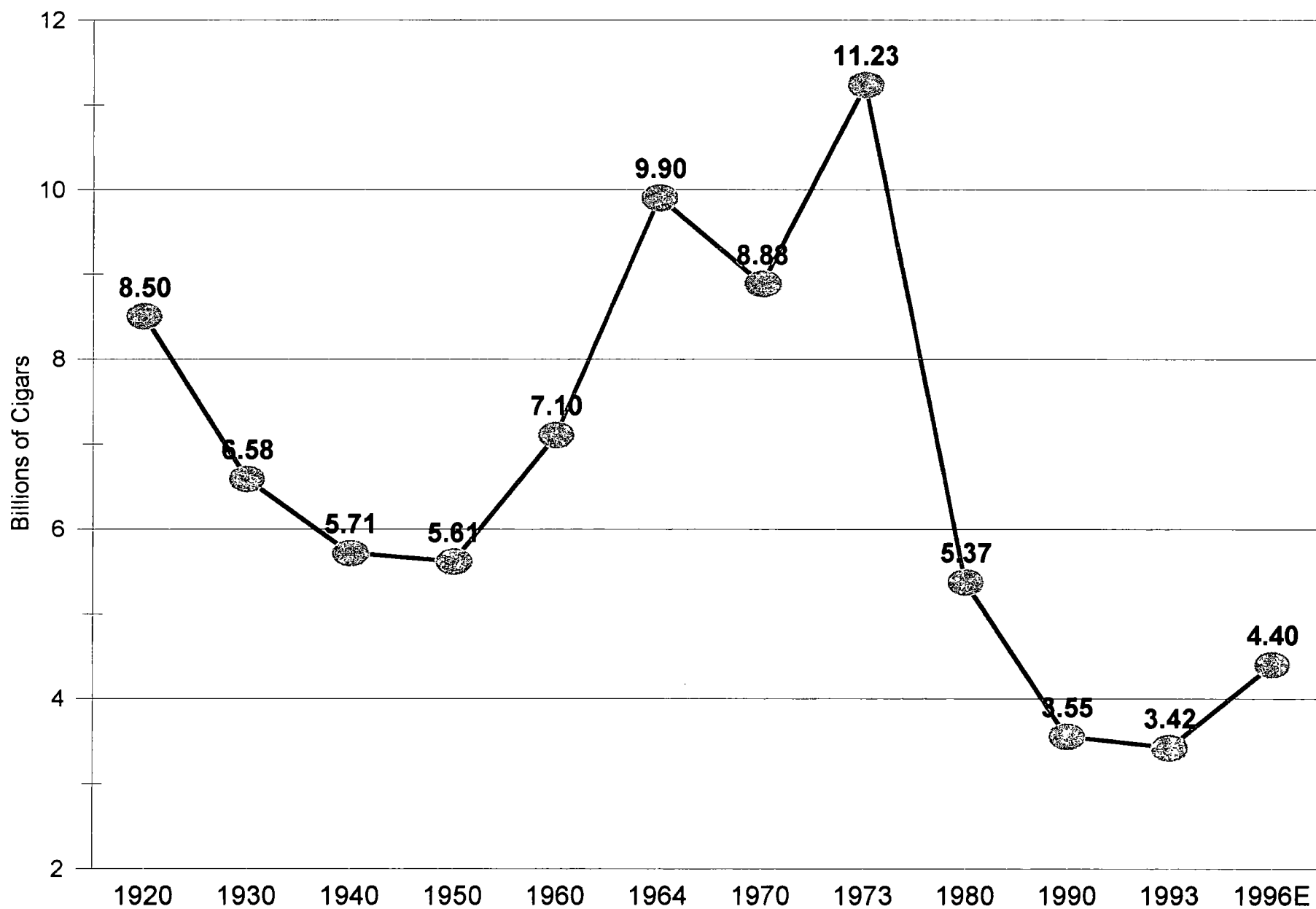
4. Taxation: The federal excise tax on pipe tobacco is \$0.675 per pound and brings the U.S. Treasury less than \$5 million per year, an amount which has been declining each year since the tax was re-imposed in 1989. In addition, 42 states tax pipe tobacco on an ad valorem basis, which means that as prices are increased, more tax revenue is generated.

Pipe Tobacco Not Included in FDA Regulations or Tobacco Settlement Agreement

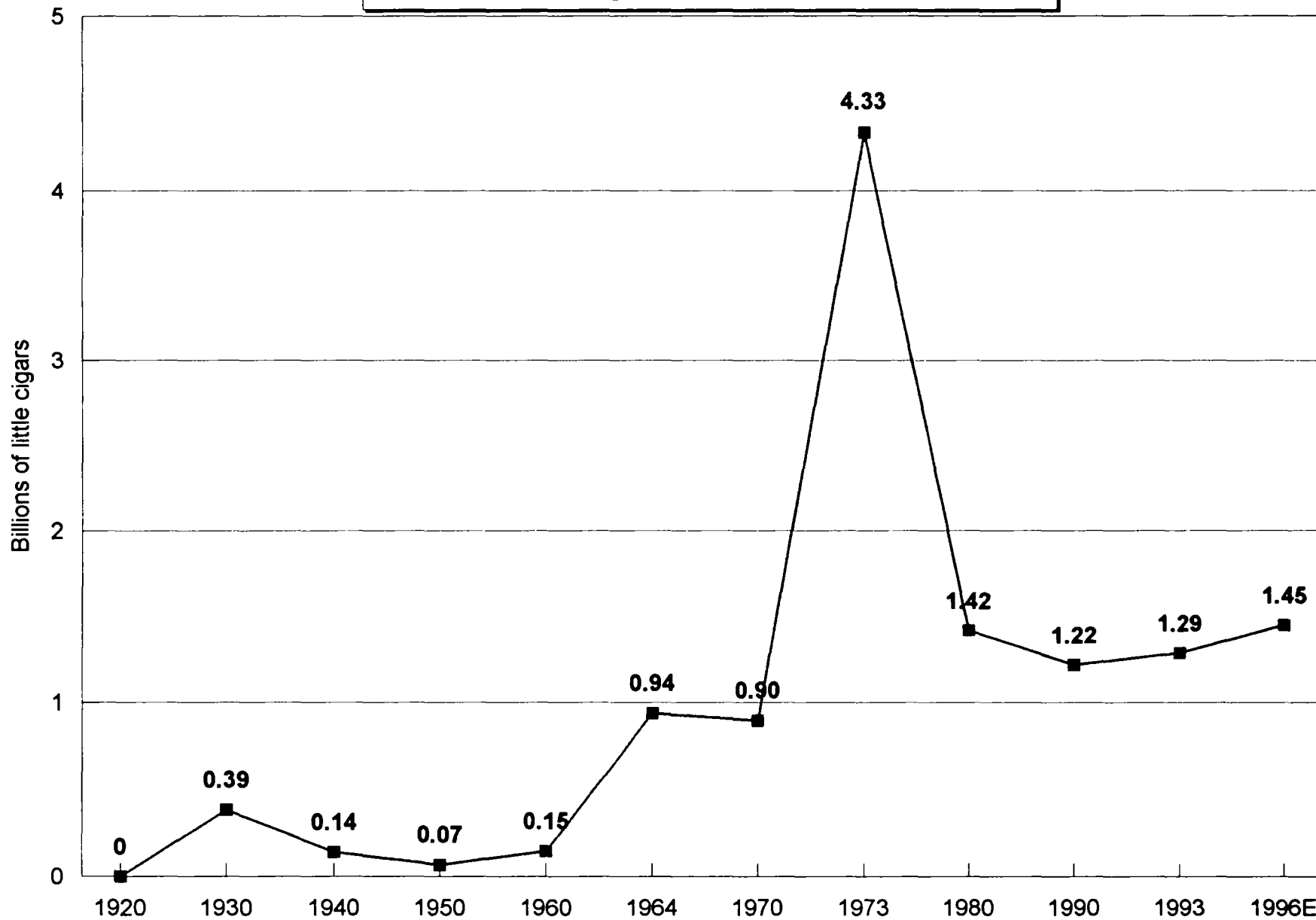
The FDA, in its proposed 1995 tobacco regulations, noted that "(t)he proposed rule would not apply to pipe tobacco ... because the agency does not currently have sufficient evidence that these products are drug delivery devices under the act. FDA has focused its investigation of its authority over tobacco products on cigarettes and smokeless tobacco products, and not on pipe tobacco..., because young people predominantly use cigarettes and smokeless tobacco products." [Proposed Rule S.897.1(a)] The FDA tobacco regulations, announced in August 1996, did not include or even mention pipe tobacco. Likewise, the Settlement Agreement negotiated by the cigarette industry and the state Attorneys General does not cover pipe tobacco.

The primary goal of the 1996 FDA tobacco regulations and one of the stated reasons for the recent tobacco Settlement Agreement was to reduce children's access to tobacco. The FDA correctly noted that regulating pipe tobacco would not impact underage tobacco use because children don't smoke pipes, and pipe tobacco was not included in the Settlement Agreement negotiated by the cigarette and smokeless tobacco industries and the state Attorneys General. Many pipe smokers are elderly, retired and on a fixed income. It would be unjustified and patently unfair to make pipe tobacco consumers, who can least afford it, pay to deter children from using other tobacco products.

Large & Little Cigar Sales in the U.S.



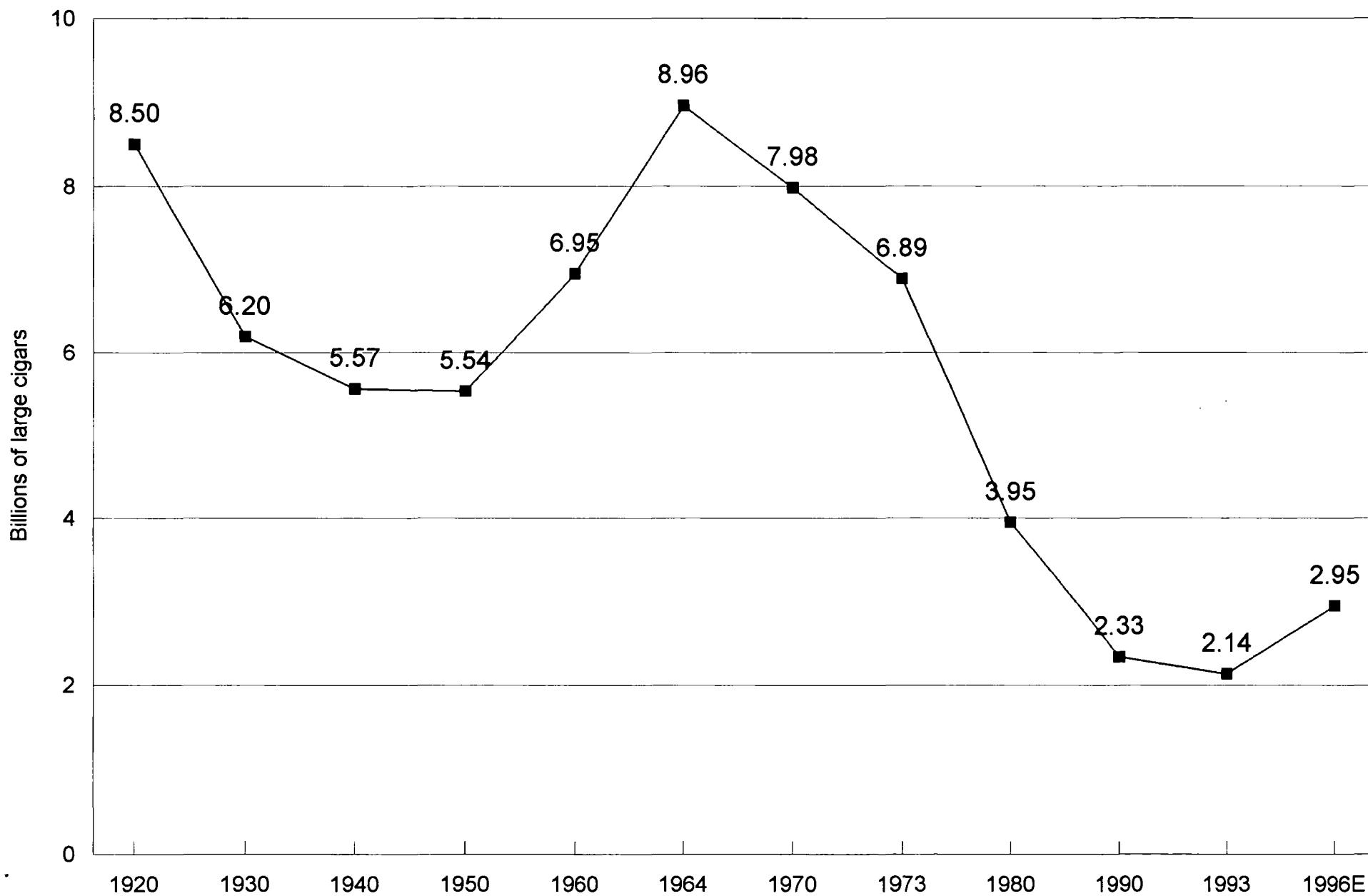
Little Cigar Sales in the U.S.



'73
Broadcast media
ban.

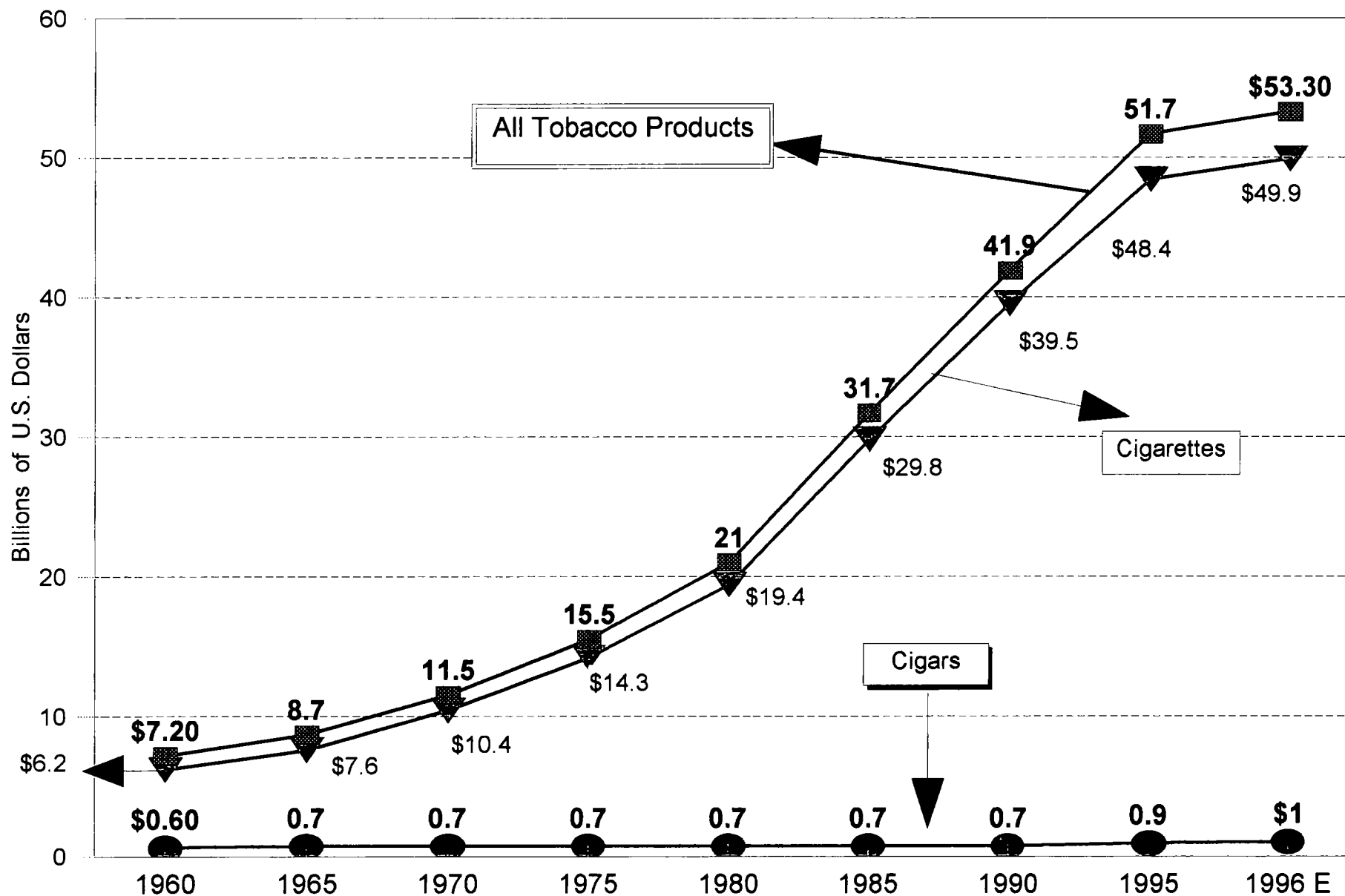
'73 - RJR - Winchester
BATF - pH > 7 for
cigars

Large Cigar Sales in the U.S.



Consumer Expenditures

Cigarettes vs. Cigars



Background Information on Cigar Use

1. Types of cigars: The federal government distinguishes between "large cigars" and "little cigars". Little cigars weigh 3 pounds or less per 1,000 while large cigars weigh more than 3 pounds per 1,000 cigars. Among large cigars there are two sub-categories: premium and popular-priced.

A premium cigar is (1) made by hand, (2) consists of long-filler tobacco (as opposed to the chopped up short filler tobacco used in machine-made cigars), and (3) costs a minimum of \$1.00 each. Premium cigars represent only 6.3% of all cigars sold, but they account for more than 40% of retail dollars spent on cigars. It is this segment of the industry which has seen the most dramatic growth and captured widespread media attention over recent years.

2. Sales:

. After three consecutive years of increases, 4.6 billion cigars were sold in the United States in 1996. Yet, this represents only 40% of the 11.2 billion cigars sold in 1973.

. While consumers spent slightly more than \$1 billion on cigars last year, this accounted for only 2.1% of the total \$53.3 billion which the USDA estimates that consumers spent on all tobacco products.

. little cigars: In 1996, about 1.5 billion little cigars (\$80 million at retail) were sold in the United States. This was about 35% of the 4.3 billion sold in 1973, the peak year.

. large cigars: Last year 3 billion large cigars were sold in the U.S. This was only one-third of the 9 billion sold in 1964.

. premium cigars: The three-year growth in cigar consumption can be attributable largely to the growth of the imported, expensive, handmade (i.e., premium) cigars. Sales of premium cigars have increased nearly 150% in the past three years -- 14.6% in 1994, 30.5% in 1995 and 67% in 1996 (to 282 million units). Accounting for only 6.3% of unit sales of all cigars, it is this segment of the cigar industry which has captured widespread media fascination over recent years and has led to the mistaken impression that sales of all cigars are booming.

3. Taxation: Large cigars are taxed at the federal level at a rate of 12.75% of the manufacturer's selling price with a ceiling of \$30 per 1,000. Little cigars are taxed at \$1.125 per 1,000. In addition, 42 states tax cigars -- mostly on an ad valorem

basis -- with rates ranging as high as 74.9% of the manufacturer's selling price.

4. Advertising: The total sum spent on advertising and promotion by the cigar industry is quite modest. One estimate puts the figure at \$5.7 million in 1996. This compares with the \$4.8 billion which the cigarette industry was reported to have spent in total advertising and promotion in 1994. Most of the consumer cigar advertising is done in Cigar Aficionado and Smoke magazines, various business publications and at the point of purchase.

5. Demographics: There are an estimated 10 million cigar consumers in the United States. Many of these are occasional smokers in the sense that they do not smoke frequently or regularly, but instead smoke only on special occasions (e.g. holidays, banquets or celebrations) or on sporadic impulse. Regular smokers smoke an estimated six cigars a week. Over 96% of all cigar smokers in the United States are men, and they smoke more than 99% of cigars annually.

1980
company
study

. We estimate that the highest concentration of cigar smokers is in the 40 to 65 age group, most of whom began smoking cigars in their early 30s.

. Cigar smoking has always been and remains predominantly a pastime among adult men. Cigars are not, and have never been, marketed to minors. The cigar manufacturers and importers who make up the Cigar Association are adamantly opposed to the use of cigars by underage individuals. This is a matter of principle and policy in the industry. In 1986 our members adopted voluntary guidelines on responsible advertising practices that include an admonition against advertising that might appeal to anyone under the age of 21. ("Cigar advertising should neither portray nor encourage use by individuals who are or appear to be below the age of 21.") That standard has been uniformly followed in the industry.

. Smokers of premium cigars tend to be more highly educated and more affluent than the population at large. Cigar Aficionado magazine reported in 1996 that the average household income for its 150,000 readers was \$148,000. The average net worth was \$1.1 million. Seventy-nine percent of the respondents had graduated from college, and 49% had taken post-graduate courses.

. Earlier this year, the Centers for Disease Control (CDC) issued a 9-page report on teenage cigar use in the United States which suggests a higher incidence of teenage cigar use than known to the cigar industry. The CDC itself did not conduct the surveys which it cited and we believe the results are flawed. For one thing, in deriving the number of teenage cigar smokers,

| First time survey, no baseline.

the surveys included 18 and 19 year-olds who are of legal age to buy tobacco products. In any event, while there are minors who may have tried a cigar out of natural curiosity, we believe the number of underage cigar smokers among the teenage population is negligible and aberrational.

6. Labeling: In 1986, California voters enacted Proposition 65, "The Safe Drinking Water and Toxic Enforcement Act of 1986." As the result of a judicial settlement between the industry and the State, a label is required to be placed on all cigars sold in California. The label states: "WARNING: This Product Contains/Produces Chemicals Known to the State of California to Cause Cancer, and Birth Defects Or Other Reproductive Harm." More than 90% of the cigars sold in the United States carry the California label.

Cigars Should Not Be Included in the Tobacco Settlement

The Cigar Association of America (CAA)

The CAA is the 60-year old national trade organization of cigar manufacturers, importers, and major suppliers to the industry. Its 79 member companies include domestic and foreign manufacturers, importers, leaf dealers, and packaging and equipment suppliers. Its 21 domestic and foreign manufacturers represent about 95% of the cigars sold in the United States. (There are no cigarette companies who make cigars in the U.S.)

Statement of Position

. Cigars are not covered by the tobacco settlement package. Nor were they intended to be covered for the simple reason that there are no pending suits brought by states or cigar smoker class actions against cigar companies. In short, there is nothing to "settle" where cigar manufacturers or importers are concerned. As a consequence, no cigar companies were represented at the negotiating table when this settlement agreement was hammered out. The Cigar Association and its members are concerned that cigars might be added to the tobacco settlement package currently under review by the Administration.* We would oppose such a result as entirely unjustified, unfair and very damaging to this small industry.

. It is important to understand that when the FDA promulgated its tobacco regulation in August 1996, it did not include cigars. The FDA considered extending its regulation to cigars, but determined there was no factual basis to do so under the pertinent statute. (61 FR 44396, 44423) Accordingly, cigars should not be included in any of the settlement provisions.

. The cigar industry is small and would be greatly harmed by the large increase in the cost of doing business that is contemplated by the settlement. To illustrate: Total cigar sales in the U.S. market are only 2% of the roughly \$50 billion spent on cigarettes. In fact, there are more cigarettes sold in one day than cigars are sold in a whole year in the United States. The \$13 billion which smokers paid in cigarette taxes last year is more than 16 times the total sales of the cigar industry. In advertising, the cigar industry spends less than 1% of what the cigarette industry spends.

*A single reference to "little cigars" was somehow made in the description of FDA jurisdiction in the settlement document even though the FDA had excluded little cigars from coverage less than 12 months earlier. We have been advised by those involved in the negotiation that the subject of cigars never came up and that this reference was inadvertent.

Compared to the cigarette industry, the cigar industry consists of more than 100 producers -- both foreign and domestic. Most of the foreign producers are located in the Caribbean Basin.

. There may be a concern in some circles that stringent regulation of cigarettes will merely encourage cigarette smokers to switch to cigars. Experience, however, shows that this would not happen because of the significantly different characteristics of cigars versus cigarettes. Thus, when the Surgeon General's report on smoking and health was issued in 1964, it prompted many cigarette smokers to switch to cigars and pipes. There was a surge of cigar sales that year as a result, but the increase proved to be temporary as these smokers found cigars to be unsatisfactory as a substitute for cigarettes.

. Cigar smoking has always been and remains predominantly a pastime among adult men in the 40 to 65-year old age group. Apart from teenagers who might try a cigar on occasion out of natural curiosity, we believe the incidence of cigar smoking among minors is negligible and aberrational.

Cigars

7.29.97

21 companies - U.S./Foreign - +90% of sales

Swisher (Tom Ryan) Cigars & smokeless including
little cigars.

Itavakampa (Tom Arthur) +\$100M ~~800~~ employees
2 plants - popular prices, machine made/ 95 yrs
23 yrs

Settlement -

3" or less/ 1000 - little cigars

3" ~~or~~

large cigars

— machine
Premium \$1-28
hand-rolled



American Society of Addiction Medicine

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11 August 97

Jerold Mande
Senior Advisor to the Director
White House Office of Science & Technology Policy
Old Executive Office Building, Room 346
17th Street & Pennsylvania Avenue, NW
Washington, DC 20502

RE: The FDA should regulate cigars

Dear Jerry:

Cigars are already a problem for kids, and unless they are regulated by FDA, they will become a much larger problem for them. Moreover, without explicit jurisdiction over cigars, FDA's regulation of cigarettes may be more difficult.

Any legislation which details FDA's jurisdiction over tobacco products must include cigars.¹ Cigars are already used more widely by kids, both male and female, than smokeless tobacco and, absent the inclusion of cigars in the regulatory scheme, cigars will be far more available than they are now relative to cigarettes and smokeless. Moreover, cigars are being

¹ The inclusion of little cigars, which have the same size, shape and packaging as cigarettes, in the proposed resolution's definition of cigarette (at I.E.1.) reflects the experience of the early 1970s when RJR did an end run around the broadcast ad ban by advertising its little cigar, Winchester, on TV. Sales of little cigars soared in direct response to this advertising and Congress, recognizing an important loophole, banned little cigars from TV (Tab A).

heavily promoted by celebrities and in popular entertainment. This dramatic push into popular culture has an unavoidable spillover into adolescence.

If cigars are not specifically included in FDA's purview, the agency would have to conduct an investigation about the intent of cigar makers and defend any assertion of jurisdiction in court. This would be difficult, somewhat uncertain and, most of all, a lengthy process. Moreover, until jurisdiction were established, industry practices that adversely affected public health could not be curtailed.

The recommendation that cigars be included under FDA in any legislation has been part of comments on the Proposed Resolution from public health and medical groups across the board although the specific reasons why this is important have not been emphasized.

Kids are smoking cigars (Tab B).²

In May, CDC reported three strikingly consistent surveys which show that cigar use is widespread among both male and female adolescents.

Overall, 37% of males and 16% of females in grades 9-12 had smoked a cigar in the past year.

While use is highest among those who also smoke cigarettes, 20% of males and 7.8% of females in grades 9-12 who were not cigarette smokers had smoked a cigar in the past year.

Among Massachusetts 7th and 8th graders, 7.6% had smoked a cigar in the past month. Among those in grades 9-12, the figure was 14.5%.

More kids are smoking cigars than dipping snuff.

² The industry has no data on use by kids. In an industry survey which goes down to age 18, the highest use was in the youngest age category (Tab C).

The use of cigars by kids will increase if cigars are not regulated like cigarettes and smokeless tobacco.

The FDA rule and the Proposed Resolution both contain a multi-layered, narrowly tailored set of limits that are specifically intended to accomplish the dual purpose of reducing underage use of cigarettes and smokeless tobacco while not interfering with the use of these products by adults.

If cigars are not included in the regulatory scheme, to the extent that the limits are successful in reducing underage use of cigarettes and smokeless tobacco, the underage market for cigars will receive an enormous boost.

Most cigars are inexpensive and machine-made, and the market for cheap cigars is rapidly growing (Tab C).

In 1996, 2.8 billion inexpensive cigars were sold.³ The market for expensive cigars was only 28 million.

Since 1992, the cigar market has grown by 39%.

Although virtually all of the promotions for cigars have been for the expensive ones, 83% of the increase in unit sales between 1993 and 1996 has been for inexpensive, mass-market stogies.

It is likely that this remarkable growth will continue. In the past, when cigarettes have come under fire, cigar use has surged.

So-called "Sweet" cigars are the most rapidly growing segment. These may be especially popular with young people.

The category leader, Swisher Sweets, was the most popular brand of cigar by far among adolescents at a drug treatment program which was surveyed last year.

³ Those costing less than \$1 apiece. Expensive cigars are classified as those costing a dollar or more each.

The cigar industry is highly concentrated.

Five companies controlled 95.4% of the market in 1996:

Swisher International	24.5%
Havatampa	23.3
Consolidated Cigar	20.5
General Cigar (Culbro)	17.1
Middleton	10.0

While each of these sells mainly mass market, cheap cigars, most also sell some expensive cigars.

General Cigar and Consolidated Cigar especially have developed highly sophisticated, integrated marketing efforts to boost sales across their entire lines, not just their expensive cigars.

UST sells a premium cigar brand, Don Tomás.

Philip Morris is at least considering entering the cigar business (Tab D).

Cheap cigars are largely sold through self-service displays in convenience stores and pharmacies.

One large retailer I visited last week already has placed all cigarettes and smokeless tobacco products behind the counter but still displays cigars as self-service items. Nonetheless, the store has found it necessary to put an antitheft device on each package of cigar.

In another store, cigars were adjacent to crayons (Tab H).

Cigar use has permeated popular entertainment in recent years.

Measured advertising spending for cigars is less than \$5 million for this \$1.2 billion industry. It is unlikely, though, that the use of cigars by celebrities and their presence in movies, etc. has been entirely spontaneous. An industry the size of this one might spend as much as \$100 million on advertising, promotion and public relations.

Celebrity endorsements for cigarettes came under criticism for their appeal to young people long ago and were abandoned by cigarette makers by 1965.

Cigar-branded promotional items are being used by cigar companies.

White Owl (an inexpensive brand) has offered a t-shirt featuring its trademark owl and a cartoon.

Garcia y Vega (another inexpensive, but somewhat higher priced brand from the same company) has offered a catalog of branded items in its packaging.

Both Consolidated and General Cigar are using branded sports clothing in various of their marketing strategies.

Vending machines for cigars have been developed, and announced plans for placement of these machines include locations which the Proposed Resolution would not allow for regulated products (Tab E).

Cigars are nicotine delivery devices.

A single cigar can contain more than 400 mg of nicotine (Tab F).

On May 22, 1973, E. W. Kelley, Chairman of the Consolidated Cigar Corporation made the following comment before the House Commerce Committee:

The smoke from the finished cigar should have a pH of 6.16 and above. Such a pH level is the break point at or above which inhalation is unnecessary to obtain a nicotine effect.

Mr. Kelley also noted that consumers of cigars "must learn that inhalation is not necessary to obtain smoking satisfaction."

Cigars which are put into the mouth without being smoked are being used as smokeless tobacco products. Even unlit, cigar tobacco contains carcinogens, and nicotine can be absorbed through the membranes of the mouth from unlit tobacco.

Cigars can be addicting.

Cigars will likely become a frequent starter product for kids if cigarettes and smokeless tobacco are relatively less available.

In the 1870s, when cigarettes were a handmade specialty item, Currier and Ives depicted a cigar as "The First Smoke" a young boy took. The fact that a cigar smoker no longer feels ill when smoking after overcoming the nausea from the first or second cigar means that tolerance has developed (Tab H).

With cigarette smoking, some symptoms of addiction often precede daily use. This is also seen with other addicting drugs.

Cigars cause serious illness.

Cigars cause cancer of the lip, tongue, mouth, throat and larynx even if smoke is not inhaled.

Many cigar smokers inhale the smoke (about 30% inhale according to data from the early 1970s), especially if they formerly smoked cigarettes. Cigar smoke which is inhaled can cause lung cancer, heart disease and emphysema.

Without explicit jurisdiction over cigars, FDA regulation of cigarettes will likely be more difficult.

The same part of the performance standards section of the Proposed Resolution that sets up the contraband hurdle also sets up an identical hurdle for "other tobacco products". As written, this means that if cigars would be advantaged relative to cigarettes by performance standards on cigarettes, the agency could not adopt those performance standards.

Even if the "contraband and other tobacco products" hurdle is taken out of the final legislation, the issue will remain one that FDA will have to weigh in its regulation of cigarettes and it will be an argument which cigarette makers can be expected to press in resisting performance standards.

If cigars are not regulated, this circumstance may make it needlessly more difficult to set otherwise appropriate performance standards for cigarettes.

Unless FDA has authority over cigars, performance standards cannot be established for these products even if there are feasible ways to reduce their toxicity.

To the extent that it may be appropriate, FDA can treat cigars differently from cigarettes and smokeless tobacco.

As I have previously discussed with you, the entire market for nicotine delivery devices, including those from conventional pharmaceutical companies as well as those from tobacco companies, should be under FDA's purview so the agency can develop an integrated array of approaches to best serve the public health.

The exclusion of a large category such as cigars from its authority will seriously undermine the agency's effectiveness in all phases of its work in this area.

What about pipes?

In the absence of specific regulation of pipe tobacco, it, too, is likely to be promoted and used in new ways. Already there is a pipe called Tattoo which has a modern design and a small bowl. It comes in an array of bright colors. Tattoo has been promoted in Europe as a with-it, cool way for young people to enjoy short, quick smokes.

Cigars and pipe tobacco should be regulated by FDA now.

If these products are not included in legislation, their use by kids will grow and their anomalous status will create distortions as FDA does its job with cigarettes and smokeless tobacco.⁴

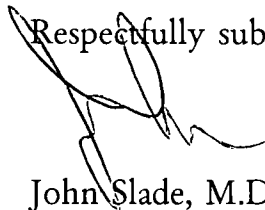
⁴ There are numerous examples of these sorts of unintended consequences in tobacco control history. Increasing taxes on cigarettes without attendant increases for other categories of tobacco products increases consumption of other products. Cigarette makers have even invented entirely new products -- rolls and rollies -- to evade taxes.

Waiting until later to include cigars and pipe tobacco will lead to years of delay and will ill serve the public health.

The inclusion of cigars and pipe tobacco as regulated tobacco products would also focus on protecting kids. Particulars of how this might fit into a legislative proposal are described at Tab G.

The prospect of Congressional action this fall on the Proposed Resolution is an historic opportunity to give FDA overall authority over all nicotine delivery devices. The kids need the protection. Omitting cigars and pipe tobacco now will complicate FDA's job in a number of ways. If cigars and pipe tobacco are left out, they will have to be put in later. That may be difficult, and it will take a long time to do.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'John Slade', with a stylized flourish at the end.

John Slade, M.D.

Chairman

Committee on Nicotine Dependence

American Society of Addiction Medicine

Enclosures

Attachments

- Tab A. Chart of little cigar consumption
- Tab B. MMWR article from May 1997 on cigar use by kids
- Tab C. Maxwell report on cigars, March 1997
- Tab D. Report from a trade journal that Philip Morris is considering entering the cigar business in the US.
- Tab E. Report from a trade journal that humidor-style vending machines for cigars have been developed and that the companies marketing these machines hope to place them in places that would not be permitted for cigarette vending machines under the FDA's final rule.
- Tab F. Report from Jack Henningfield and others about the nicotine content of cigars and a brief discussion related to toxicity and dependence.
- Tab G. Some practical considerations about including cigars under FDA's authority now.
- Tab ~~H~~. Photographs
- Self-service display for cigars and crayons, Edison, New Jersey, 7 August 1997
 - Currier and Ives Lithographs, 1870s
 - The First Smoke -- All Right
 - The First Smoke -- All Wrong
 - Big Butt Cigar t-shirt design
 - White Owl t-shirt design: Shoe Cartoon
 - White Owl t-shirt design: The Way Things Ought to Be
 - The Red Hot Chili Peppers on the cover of Smoke
 - Ad for the movie, "First Wives Club"
(although cigar smoking is depicted in the ads, it does not occur in the movie.)
 - Cover of New Yorker

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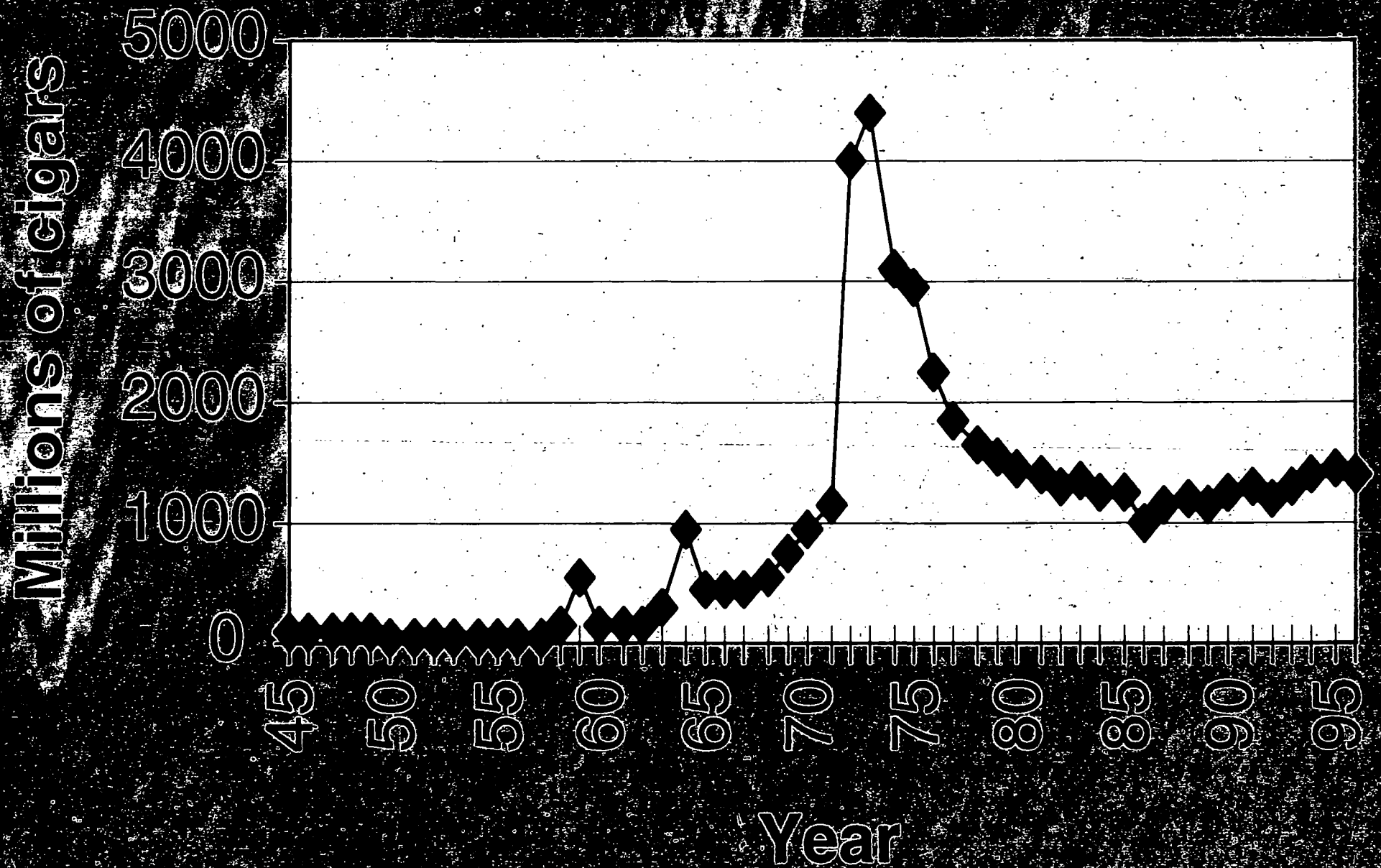
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A

Divider Title: _____

Small cigar production, US



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B

Divider Title: _____

Cigar Smoking Among Teenagers

-- United States, Massachusetts, and New York, 1996

Morbidity and Mortality Weekly Report

May 23, 1997/Vol. 46/No. 20

Cigar smoking can cause cancers of the oral cavity, larynx, esophagus, and lung (1) and chronic obstructive pulmonary disease (2). In addition, cigars contain substantial levels of nicotine, an addictive drug (3). Despite these health risks, total cigar consumption in the United States was approximately 4.5 billion cigars in 1996, and consumption of larger cigars increased by 44.5% from 1993 through 1996 (from 2,138 million cigars to 3,090 million cigars, respectively) (4). This report presents estimates of the prevalence of cigar smoking among youth based on analyses of data from the Robert Wood Johnson Foundation's (RWJF) 1996 National Study of Tobacco Price Sensitivity, Behavior, and Attitudes Among Teenagers and Young Adults; a 1996 survey by the Massachusetts Department of Public Health (MDPH) of high school and junior high school students; and the Roswell Park Cancer Institute's 1996 Survey of Alcohol, Tobacco, and Drug Use in two New York counties (5). The analyses indicate that, during the year before being surveyed, 26.7% of U.S. and 28.1% of Massachusetts high school students reported having smoked at least one cigar and that 13%-15% of ninth grade students in two New York counties reported having smoked cigars during the previous 30 days. National Survey

The RWJF survey employed a three-stage cluster sample design to produce a nationally representative sample of students in grades 9-12. Within the selected sample of 200 counties (primary sampling units), schools were randomly selected, with the probability of selection proportional to enrollment size. Four alternate high schools were simultaneously selected, matching the original school in size, type, location, and the race/ethnicity and socioeconomic status of the students. An alternate was substituted when the first school chosen for the study could not participate. A total of 202 schools (representing 146 [73%] of the 200 primary sampling units) participated in the study. Within each school, one class per grade was chosen randomly. All students in the selected classes were eligible to participate; 80% of the students enrolled in the sample of selected classes participated. A total of 16,556 students aged 14-19 years completed the survey; however, 139 were excluded from these analyses because of missing information on sex. Participants were asked, "How many cigars, if any, have you smoked in the past year?" Annual cigar smokers were defined as any student who reported smoking a cigar during the previous year; frequent cigar smokers were defined as any student who reported smoking greater than or equal to 50 cigars during the previous year. Data were weighted by age, race/ethnicity, sex, and region* to provide national estimates. Confidence intervals (CIs) were calculated using SUDAAN.

In 1996, an estimated 6.0 million (26.7% [95% CI=plus or minus 1.7%]) 14-19-year-olds reported having smoked a cigar during the previous year (4.3 million [37.0% (95% CI=plus or minus 2.4%)] males and 1.7 million [16.0% (95% CI=1.3%)] females) (Table 1). Cigarette smokers were more than three times as likely as noncigarette smokers to report having smoked a cigar (54.1% [95% CI=plus or minus 2.4%], compared with 14.2% [95% CI=plus or minus 1.2%], respectively). Among the 68.8% of students who did not smoke cigarettes, males were more likely than females to have reported smoking a cigar during the previous year (20.4% [95% CI=plus or minus 1.8%] versus 7.8% [95% CI=plus or minus 1.1%], respectively). Users of smokeless tobacco were more than three times as likely as nonusers to report having smoked cigars (73.4% [95% CI=plus or minus 3.4%], compared with 22.6% [95% CI=plus or minus 1.4%], respectively). Cigar smoking did not vary substantially by region or race/ethnicity, although prevalence was greatest among white, non-Hispanic males (41.6% [95% CI=plus or minus 2.7%]). Massachusetts Survey

The MDPH survey sample comprised two subsamples of students in grades 6-12: a statewide random sample, proportionately stratified by area and grade, and a separate random sample of five urban areas in the state, stratified by percentage of nonwhite students in each grade. These five urban areas were selected to oversample communities with racial/ethnic minorities to ensure adequate representation for analysis. Of the 191 schools meeting eligibility criteria, 171 (90%) participated in this survey. Of the 8236 students eligible to participate in the survey, 6844 (83.1%) participated. Data were collected during November 1996-January 1997. School and class selection was random, participation was voluntary, and all responses were anonymous. The questionnaires were self-administered. All students were asked "How often have you smoked cigars in your lifetime?"; "How often have you smoked cigars during the last 12 months?"; and "How often have you smoked cigars during the last 30 days?" The response categories were never, one to two times, three to five times, six to nine times, 10-19 times, 20-39 times, and greater than or equal to 40 times.

Among the 1020 students in grade 6, 9.9% (95% CI=plus or minus 1.8%) reported having ever smoked a cigar, 5.0% (95% CI=plus or minus 0.8%) smoked a cigar during the previous year, and 2.0% (95% CI=plus or minus 0.9%) smoked a cigar during the previous month. Among 1942 students in grades 7 and 8, 22.3% (95% CI=plus or minus 1.8%) reported having ever smoked a cigar, 14.1% (95% CI=plus or minus 1.5%) smoked a cigar during the previous year, and 7.6% (95% CI=plus or minus 1.2%) smoked a cigar during the previous month. Among the 3873 high school students in grades 9-12, 38.9% (95% CI=plus or minus 1.5%) reported having ever smoked a cigar, 28.1% (95% CI=plus or minus 1.4%) smoked a cigar during the previous year, and 14.5% (95% CI=plus or minus 1.1%) smoked a cigar during the previous month.

High school students who had used other tobacco products during

the previous month were also more likely to have smoked cigars during the previous month. Among students in grades 9-12, 30.3% (95% CI=plus or minus 2.5%) of those who had smoked cigarettes during the previous month also reported having smoked a cigar, compared with 3.4% (95% CI=plus or minus 6.6%) of those who had never smoked a cigarette; among those who had used smokeless tobacco during the previous month, 60.7% (95% CI=plus or minus 6.6%) also reported having smoked a cigar during the previous month, compared with 8.3% (95% CI=plus or minus 1.0%) of those who had never used smokeless tobacco. New York Survey

The Roswell Park Cancer Institute survey was conducted in Erie (predominantly urban) and Chautauqua (predominantly rural) counties in New York during the fall of 1996. The survey was administered to 9916 ninth grade students in 57 of the 60 public and parochial high schools in Erie County (81% of the 12,216 ninth grade students in the 60 schools) and to 1677 ninth grade students in 16 of the 18 public schools in Chautauqua County (80% of the 2102 ninth grade students in the 18 schools). Of the students who participated in the survey in Erie County, 79% were non-Hispanic white, 12% were non-Hispanic black, 3% were Hispanic, and 5% were of other racial/ethnic groups. Of those students who participated in the survey in Chautauqua County, 89% were non-Hispanic white. The median age of all students was 14 years. Students completed a self-administered questionnaire with three questions on cigar use and purchasing: "In the past 30 days, did you smoke a cigar?"; "Have you ever bought cigars for yourself?"; and "When you try to buy cigars, how often are you asked about your age?"

Response patterns were similar for the two counties (Table 2). In Erie County, of the 9916 students, 1253 (12.7%) of 9862 students who responded to the question reported having smoked a cigar during the previous 30 days (937 [19.5%] of 4810 boys and 304 [6.1%] of 4983 girls). In Chautauqua County, of the 1677 students, 246 (14.8%) of 1657 students who responded reported having smoked a cigar during the previous 30 days (201 [24.0%] of 836 boys and 43 [5.3%] of 809 girls). In comparison, 29.0% of students in Erie County and 30.6% of students in Chautauqua County reported having smoked cigarettes during the previous 30 days. Cigarette smokers also were more likely than noncigarette smokers to report having smoked a cigar during the previous 30 days (Table 2). The prevalence of reported smokeless tobacco use during the previous 30 days was 3.5% in Erie County and 7.3% in Chautauqua County. Among smokeless tobacco users, reported rates of cigar smoking were 62.4% (217 of 348 students who responded) in Erie County and 63.0% (75 of 119 students who responded) in Chautauqua County (Table 2).

Among students who reported ever purchasing a cigar for themselves, most (63.7% in Erie and 77.0% in Chautauqua) also reported having smoked a cigar during the previous 30 days. Among those who had ever purchased a cigar, 76.6% in Erie County and 71.7% in Chautauqua County reported that they were "rarely" or

"never" asked about their age when purchasing a cigar. In comparison, 59.0% in Erie County and 67.7% in Chautauqua County reported that they were "rarely" or "never" asked about their age when purchasing cigarettes.

Reported by: NJ Kaufman, SL Emont, CR Trimble, CT Orleans, The Robert Wood Johnson Foundation, Princeton, New Jersey. N Briton, T Clark, M Krakow, Health and Addictions Research, Inc, Boston; C Celebucki, D Cullen, G Connolly, Massachusetts Dept of Public Health. A Hyland, J Perla, KM Cummings, Roswell Park Cancer Institute, New York State Dept of Health, Buffalo; A Abdella, K Tippens, Chautauqua County Dept of Health, Mayville, New York. Epidemiology Br, Office on Smoking and Health, National Center for Chronic Disease Prevention and Health Promotion, CDC.

Editorial Note: This report is the first to estimate the prevalence of cigar smoking among youth in the United States and documents the level of access to and use of cigars. The risk for several cancers is higher for cigar smokers than for nonsmokers. Therefore, if cigar consumption continues to increase (4), cigar-related morbidity and mortality can be expected to increase.**

Although the findings from New York and from Massachusetts were from local surveys, they are consistent with the results from the national survey. However, a potential limitation to these data is that they represent the cigar use of only those adolescents attending school and, therefore, may not be representative of all adolescents.

Although federal law requires states to enact laws prohibiting the sale of cigars and other tobacco products to minors (6), young persons in New York reported being able to purchase cigars easily. These findings, especially if replicated in other communities, may warrant actions to curtail youth access to cigars that are consistent with measures for limiting access to cigarettes and smokeless tobacco (e.g., Food and Drug Administration regulations) (7). The findings from the surveys in this report also indicate that cigar smoking, once primarily an activity among older men (8), is now an activity of both male and female teenagers. Therefore, priorities include the need to further characterize the use of cigars in the United States, determine the prevalence of cigar smoking among adults, and continue monitoring the prevalence of cigar use among youth. Although the Surgeon General's health warning is legally mandated for some tobacco products, the law does not include cigars (9). Therefore, teenagers and other users of cigars may be unaware of the health risks of cigar smoking. Immediate efforts should be made to publicize the health risks of cigar smoking; deglamorize the product in magazines, movies, and television programs; and protect nonsmokers from secondhand cigar smoke.

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* The four regions were Northeast (Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont), Midwest (Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota,

Ohio, South Dakota, and Wisconsin), South (Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia), and West (Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming).

** The National Cancer Institute has announced that it will publish a comprehensive monograph on cigar smoking by the end of 1997 titled "Cigar Smoking in the U.S.: Health Effects and Trends."

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The Maxwell Consumer Report

John C. Maxwell, Jr., Managing Director

Wheat First
Butcher Singer

THE CIGAR INDUSTRY IN 1996

Total volume rose 13% in 1996

March 21, 1997

John C. Maxwell, Jr.

(804) 782-3630

The cigar industry exceeded a billion dollars in sales for the second year in a row in 1996. The fantastic growth of the premium cigar area continues with all companies having large backlogs. In 1996, total volume for the industry was up 13% and in dollars it was up 17%. We define the premium cigar as, first, being hand-made; second, being made entirely of natural, long filler tobacco; and third, retailing for \$1 to more than \$25 a unit. Indicated below are some of the main products and their growth within the cigar area:

	Million Units			
	1993	1994	1995	1996
General Cigar Co.				
Macanudos	-	-	23.1	26.3
Partagas	-	-	8.2	9.0
Canaria d'Oro	-	-	1.2	1.5
Other	-	-	4.2	4.8
Total	-	-	36.7	41.6
Swisher International				
Bering	7.8	8.3	9.3	10.0
Other	4.4	7.1	10.7	17.7
Total	12.2	15.4	20.0	27.7
M&N Cigar Co.				
Cuesta-Rey	5.9	6.9	8.2	-
LaUnica	3.9	5.1	6.2	-
Total	9.8	12.0	14.4	17.0
Lane Limited				
Total	4.8	5.7	7.3	9.6
Total Premium Cigars	114.6	131.0	170.0	280.0
% of Large Cigars	8.9%	9.6%	11.2%	15.6%
% of Total Industry	3.3%	3.5%	4.3%	6.2%

Premium cigar volume rose 64.7% in 1996

We believe the premium cigar industry will do over 350 million units in 1997. Below are the imports by Consolidated Cigars by country. We feel that its largest product, H. Upmann, is in the 10 million unit area, up from seven million units last year, and Te-Amo is just under nine million units.

	Million Units			
	1993	1994	1995	1996
Dominican	16.3	20.2	25.0	40.8
Honduran	5.2	6.7	12.0	12.0
Mexico	5.6	6.2	8.0	11.6
Brazil	—	—	—	1.4

The industry overall has a backlog estimated at 60-80 million units; however, we feel that some of this may be due to double-counting. Some retailers are probably placing orders for a quantity higher than they actually need. The industry has indicated that in the few cases where they have caught up with the demand, some of the retailers

Cigar industry has an estimated backlog of 60 to 80 million units

CIGAR.032197

*Large cigar volume
rose 18.6%*

*Little cigar volume
rose 5.8%*

*Consolidated Cigar's
market share continues
to decline*

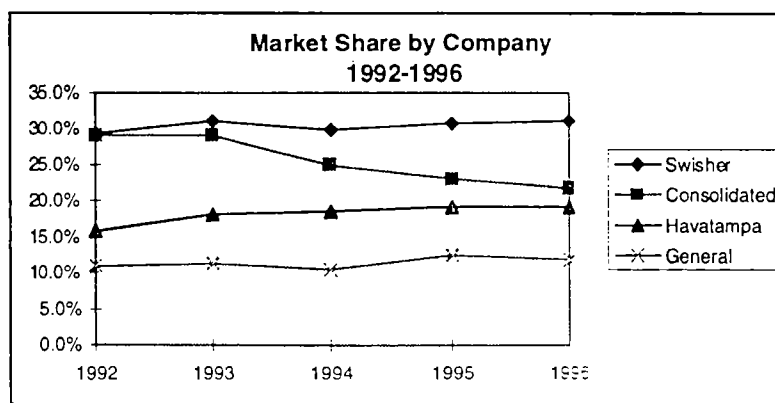
*Swisher's Sweets little
cigar market share rose
2.3 points in 1996*

decided that they did not need as many units as they had previously ordered. The industry currently has three major problems. First, inadequate leaf supply, particularly in wrappers. Second, training rollers. Third, it takes at least two to three years to make a good cigar. Another subjective problem is the fact that fly-by-night producers are getting into the industry using poor quality tobacco and releasing cigars made within a five- to six-month period. Obviously, over time, these people will go out of business as people realize the unfortunate taste of the product. Last year, there were over 120 brands introduced at a price of \$3.00 or more, which was more than triple the number that were introduced in 1995. We would anticipate that in 1997 to see even more new brands introduced than in 1996.

The cigar industry sales as a whole in 1996 saw volume rise to 4,490 million units, over 13% above last year's sales of 3,969 million units. This is the third consecutive year of an increase in unit sales. Industry sales have risen more than 26% since 1992. Volume for large cigars increased 18.6% in 1996 and volume for little cigars increased 5.8% for the year.

In the large cigar category, Swisher's market share fell 0.2 point and Havatampa's market share dropped 0.6 point for the year. General Cigar's market share fell 1.6 point to 17.5% of the large cigar market in 1996. Consolidated Cigar's market share fell slightly for the year, marking its fifth consecutive year of a decline in market share.

In the small cigar category, Swisher International held on to its number-one position, with volume unit sales of 632 million units, up almost 12% over 1995 numbers. The market share for Swisher's Sweets Little Cigars jumped 2.3 share points in 1996 the best growth in the group. Consolidated Cigar and Tobacco Exporters both dropped share with Havatampa and Lane Limited both increasing share by a point.



As reported by the Leading National Advertisers, the cigar industry increased advertising expenditures by 438% during the first nine-months of 1996. Please refer to Table 5 for additional details.

According to Mediamark Research, the likely users of cigars are white males, ages 18-44. Generally they live in the North Central states. In 1996, the typical cigar consumer had an average income of either of \$10,000-\$19,999 or \$50,000-\$74,999. With the increase in the popularity of cigars in recent years, more affluent consumers have begun to purchase the premium cigars.

Premium cigars are defined as those that are hand-made and sold at a retail price of over \$1.00 per unit. Premium cigars are made with natural leaf tobacco wrapper, binder, and long filler tobacco. These cigars are constructed by wrapping natural leaf binder tobacco

around the long filler tobacco, which creates a bunch. The bunch is then placed into a mold, creating the shape of the particular cigar. The bunch then has a natural leaf wrapper hand-rolled around it, creating a premium hand-rolled cigar.

Typically, **mass-market large cigars** are machine-made cigars with a retail price of under \$1.00 per unit. These cigars are generally machine-made from filler tobacco that is chopped into small, uniform pieces, then wrapped in either natural leaf wrapper or wrapper made from reconstituted tobacco. The type/quality of wrapper will generally determine the price of the finished product.

Little cigars are mass-market cigars weighing less than three pounds per thousand. Most little cigars are machine-made from cut filler tobacco within a reconstituted tobacco wrapper and are constructed with a filter.

Additional information is available upon request.

Table 1 Industry Sales: 1976 - 1996

	1976					1977					1978					1979					1980			
	Units		Dollars			Units		Dollars			Units		Dollars			Units		Dollars			Units		Dollars	
	Mil.	Pct	Mil.	Pct		Mil.	Pct	Mil.	Pct		Mil.	Pct	Mil.	Pct		Mil.	Pct	Mil.	Pct		Mil.	Pct		
Large	3,539	47	520	70	Large	3,373	50	535	76	Large	3,038	49	537	76	Large	2,771	49	529	77	Large	2,596	48	537	77
Cigarillos	1,790	24	133	18	Cigarillos	1,570	23	100	14	Cigarillos	1,635	26	109	15	Cigarillos	1,494	26	102	15	Cigarillos	1,357	25	104	15
Little	2,163	29	85	12	Little	1,849	27	72	10	Little	1,558	25	61	9	Little	1,441	25	59	9	Little	1,443	27	60	9
Total	7,492	100	738	100	Total	6,792	100	707	100	Total	6,231	100	707	100	Total	5,706	100	690	100	Total	5,396	100	701	100
	1981					1982					1983					1984					1985			
	Units		Dollars			Units		Dollars			Units		Dollars			Units		Dollars			Units		Dollars	
	Mil.	Pct	Mil.	Pct		Mil.	Pct	Mil.	Pct		Mil.	Pct	Mil.	Pct		Mil.	Pct	Mil.	Pct		Mil.	Pct		
Large	2,470	47	543	75	Large	2,363	48	525	75	Large	2,228	45	537	74	Large	2,173	47	582	77	Large	1,885	43	519	74
Cigarillos	1,385	26	118	16	Cigarillos	1,266	26	116	17	Cigarillos	1,338	27	126	17	Cigarillos	1,254	27	119	16	Cigarillos	1,225	28	124	18
Little	1,376	26	59	8	Little	1,272	26	56	8	Little	1,341	27	60	8	Little	1,240	27	56	7	Little	1,225	28	56	8
Total	5,231	100	720	100	Total	4,901	100	697	100	Total	4,907	100	723	100	Total	4,667	100	757	100	Total	4,335	100	699	100
	1986					1987					1988					1989					1990			
	Units		Dollars			Units		Dollars			Units		Dollars			Units		Dollars			Units		Dollars	
	Mil.	Pct	Mil.	Pct		Mil.	Pct	Mil.	Pct		Mil.	Pct	Mil.	Pct		Mil.	Pct	Mil.	Pct		Mil.	Pct		
Large	1,782	45	513	76	Large	1,667	43	459	72	Large	1,538	41	492	74	Large	1,503	42	499	74	Large	1,432	40	500	72
Cigarillos	1,191	30	119	18	Cigarillos	1,094	28	121	19	Cigarillos	1,003	27	117	18	Cigarillos	960	27	118	17	Cigarillos	904	25	127	18
Little	976	25	51	8	Little	1,159	30	59	9	Little	1,166	31	58	9	Little	1,153	32	58	9	Little	1,219	34	68	10
Total	3,949	100	683	100	Total	3,920	100	639	100	Total	3,707	100	667	100	Total	3,616	100	675	100	Total	3,555	100	695	100
	1991					1992					1993					1994					1995			
	Units		Dollars			Units		Dollars			Units		Dollars			Units		Dollars			Units		Dollars	
	Mil.	Pct	Mil.	Pct		Mil.	Pct	Mil.	Pct		Mil.	Pct	Mil.	Pct		Mil.	Pct	Mil.	Pct		Mil.	Pct		
Large	1,318	37	495	70	Large	1,305	37	505	70	Large	1,282	37	513	71	Large	1,363	37	597	71	Large	1,518	38	747	73
Cigarillos	916	26	134	19	Cigarillos	906	26	137	19	Cigarillos	854	25	134	18	Cigarillos	971	26	168	20	Cigarillos	1,043	26	197	19
Little	1,296	37	76	11	Little	1,332	38	78	11	Little	1,288	38	78	11	Little	1,383	37	79	9	Little	1,408	35	79	8
Total	3530	100	705	100	Total	3,543	100	720	100	Total	3,424	100	725	100	Total	3,717	100	844	100	Total	3,969	100	1023	100
	1996																							
	Units		Dollars																					
	Mil.	Pct	Mil.	Pct																				
Large	1,800	40	888	74																				
Cigarillos	1,200	27	229	19																				
Little	1,490	33	83	7																				
Total	4,490	100	1200	100																				

Table 2: Market Share by Retail Price for Large Cigars and Cigarillos

	1987	1988	1989	1990	1991	1992	1993	1994		1994	1995	1996E
Less than or equal to \$0.15	61.5%	60.4%	57.3%	43.5%	23.0%	20.0%	20.0%	18.0%	Less than or equal to \$1.00	94.3%	93.7%	93.5%
Over \$0.15-\$0.50	34.3%	33.0%	37.2%	50.8%	72.3%	74.0%	72.5%	73.0%	Greater than \$1.00	5.7%	6.3%	6.5%
Greater than \$0.50	4.2%	6.6%	5.5%	5.7%	4.7%	6.0%	7.5%	9.0%		100%	100%	100%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%				

Table 3: Sales of Large Cigars & Cigarettes (Millions)

	1985		1986		1987		1988		1989		1990		1991		1992		1993		1994		1995		1996	
	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.
SWISHER INT'L, INC.																								
Mass Market Large																								
King Edward	259.6	8.3	246.2	8.3	234.5	8.5	210	8.3	194.8	7.9	182.3	7.8	169	7.6	151	6.8	134	6.3	118	5.1	104	4.1	105	3.5
Swisher Sweets	421.2	13.5	453	15.2	443.3	16.1	411	16.2	417.1	16.9	408.4	17.5	400	17.9	391	17.7	402	18.8	422	18.1	499	19.5	576	19.2
Universal	62.98	2.0	58	2.0	58	2.1	46	1.8	41	1.7	33	1.4	29	1.3	26	1.2	24	1.1	21	0.9	21	0.8	24	0.8
Swisher Sweets	13	0.4	13	0.4	11	0.4	10	0.4	9	0.4	9	0.4	10	0.4	11	0.5	12	0.6	10	0.4	8	0.3	25	0.8
Sub-Total	756.7	24.3	770.2	25.9	746.7	27.0	677	26.6	661.9	26.9	632.7	27.1	608	27.2	579	26.2	572	26.8	571	24.5	632	24.7	730	24.3
Premium Large																								
Bering	19	0.6	18	0.6	16	0.6	13	0.5	10	0.4	8	0.3	9	0.4	8	0.4	8	0.4	8	0.3	9	0.4	10	0.3
Other Premium	NA	NA	NA	NA	NA	NA	3	0.1	3	0.1	2	0.1	3	0.1	4	0.2	4	0.2	7	0.3	11	0.4	18	0.6
Sub-Total	19	0.6	18	0.6	16	0.6	16	0.6	13	0.5	10	0.4	12	0.5	12	0.5	12	0.6	15	0.6	20	0.8	28	0.9
Total	776	25.0	788	26.5	763	27.6	693	27.3	675	27.4	643	27.5	620	27.8	591	26.7	584	27.3	586	25.1	652	25.5	758	25.3
HAVATAMPA INC																								
Havatampa	191	6.1	198	6.7	199	7.2	203	8.0	209	8.5	210	9.0	220	9.8	225	10.2	228	10.7	234	10.0	237	9.3	258	8.6
Phillies	160	5.1	157	5.3	154	5.6	157	6.2	152	6.2	148	6.3	160	7.2	181	8.2	236	11.0	298	12.8	348	13.6	462 *	15.4
Sub-Total	351	11.3	355	11.9	353	12.8	360	14.2	361	14.7	358	15.3	380	17.0	406	18.4	464	21.7	532	22.8	585	22.8	720	24.0
PHILLIES																								
Erik Filter Natural	58	1.9	51	1.7	46	1.7	42	1.7	41	1.7														
Erik Filter Menthol	28	0.9	25	0.8	22	0.8	21	0.8	21	0.9	70	3.0	67	3.0	62	2.8	58	2.7	45	1.9	46	1.8	- *	-
Erik Filter Cherry	17	0.5	14	0.5	14	0.5	12	0.5	12	0.5														
Sub-Total	103	3.3	90	3.0	82	3.0	75	3.0	74	3.0	70	3.0	67	3.0	62	2.8	58	2.7	45	1.9	46	1.8	-	-
TOTAL HAVATAMPA INC.	454	14.6	445	15.0	435	15.8	435	17.1	435	17.7	428	18.3	447	20.0	468	21.2	522	24.4	577	24.7	631	24.6	720	24.0
*Erik now incorporated in Phillies brand share																								
CONSOLIDATED CIGAR																								
Consolidated																								
Muriel	250	8.0	232	7.8	219	7.9	203	8.0	197	8.0	187	8.0	180	8.1	160	7.2	146	6.8	120	5.1	110	4.3	100	3.3
Dutch Masters	200	6.4	176	5.9	165	6.0	154	6.1	146	5.9	139	6.0	134	6.0	126	5.7	118	5.5	103	4.4	116	4.5	138	4.6
El Producto	117	3.8	105	3.5	95	3.4	90	3.5	87	3.5	83	3.6	79	3.5	74	3.3	68	3.2	55	2.4	50	2.0	53	1.8
Backwoods	41	1.3	39	1.3	36	1.3	36	1.4	37	1.5	37	1.6	36	1.6	34	1.5	40	1.9	50	2.1	66	2.6	98	3.3
Others	75	2.4	56	1.9	47	1.7	44	1.7	44	1.8	44	1.9	44	2.0	42	1.9	45	2.1	65	2.8	75	2.9	101	3.4
Sub-Total	683	22.0	664	22.3	562	20.4	527	20.7	511	20.7	490	21.0	473	21.2	436	19.7	417	19.5	393	16.8	417	16.3	490	16.4
American Cigar																								
Antonio y Cleopatra	138	4.4	131	4.4	106	3.8	100	3.9	96	3.9	96	4.1	102	4.6	102	4.6	100	4.7	97	4.2	106	4.1	124	4.1
La Corona	40	1.3	27	0.9	20	0.7	18	0.7	18	0.7	17	0.7	15	0.7	10	0.5	11	0.5	11	0.5	11	0.4	13	0.4
Roi-Tan	38	1.2	26	0.9	21	0.8	18	0.7	16	0.6	14	0.6	13	0.6	12	0.5	10	0.5	9	0.4	8	0.3	7	0.2
Casa Silva	4	0.1	3	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	5	0.2	5	0.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	225	7.2	192	6.5	147	5.3	136	5.4	130	5.3	127	5.4	130	5.8	124	5.6	121	5.7	117	5.0	125	4.9	144	4.7
Total Consolidated	908	29.2	856	28.8	709	25.7	663	26.1	641	26.0	617	26.4	603	27.0	560	25.3	538	25.2	510	21.9	542	21.2	634	21.1

Table 3: Sales of Large Cigars & Cigarettes (Millions) (continued)

	1985		1986		1987		1988		1989		1990		1991		1992		1993		1994		1995		1996	
	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.
GENERAL CIGAR																								
White Owl	165	5.3	150	5.0	135	4.9	118	4.6	112	4.5	114	4.9	115	5.1	116	5.2	118	5.5	124	5.3	164	6.4	184	6.1
Garcia y Vega	118	3.8	125	4.2	128	4.6	118	4.6	114	4.6	112	4.8	110	4.9	110	5.0	109	5.1	106	4.5	107	4.2	138	4.6
Robert Burns	115	3.7	99	3.3	85	3.1	71	2.8	61	2.5	61	2.6	58	2.6	57	2.6	55	2.6	50	2.1	100	3.9	87	2.9
William Penn	82	2.6	75	2.5	67	2.4	57	2.2	56	2.3	51	2.2	50	2.2	50	2.3	49	2.3	46	2.0	47	1.8	44	1.5
Tijuana Smalls	53	1.7	51	1.7	48	1.7	45	1.8	39	1.6	39	1.7	37	1.7	36	1.6	37	1.7	38	1.6	37	1.4	34	1.1
Others	40	1.3	38	1.3	27	1.0	22	0.9	20	0.8	20	0.9	19	0.9	17	0.8	17	0.8	22	0.9	37	1.4	40	1.3
Total	573	18.4	538	18.0	490	17.7	431	16.9	402	16.3	397	17.1	389	17.4	386	17.5	385	18.0	386	16.4	492	19.1	527	17.5
MIDDLETON	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	220	8.6	310	10.3
M&N STANDARD CIGAR																								
Rigoletto	35	1.1	33	1.1	30	1.1	27	1.1	26	1.1	24	1.0	22	1.0	22	1.0	22	1.0	21	0.9	22	0.9	23	0.8
Cuesta-Rey and others	23	0.7	21	0.7	21	0.8	21	0.8	21	0.9	20	0.9	19	0.9	21	0.9	21	1.0	23	1.0	23	0.9	24	0.8
Total	58	1.9	54	1.8	51	1.8	48	1.9	47	1.9	44	1.9	41	1.9	43	1.9	43	2.0	44	1.9	45	1.8	47	1.6
HOUSE OF WINDSOR	73	2.3	70	2.4	65	2.4	63	2.5	62	2.5	61	2.6	60	2.7	59	2.7	57	2.7	52	2.2	42	1.6	30	1.0
UNIVERSAL CIGAR																								
Optimo	57	1.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL WODISKA Y CO.	33	1.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	178.0	5.7	222.0	7.5	248.0	9.0	208.0	8.2	201.0	8.2	146.0	6.3	74.0	3.3	104.0	4.7	7.0	0.3	179.0	7.7	(63.0)	(2.5)	(26.0)	(0.9)
Grand Total	3,110	100%	2,973	100%	2,761	100%	2,541	100%	2,463	100%	2,336	100%	2,234	100%	2,211	100%	2,136	100%	2,334	100%	2,561	100%	3,000	100%

Table 4: Sales of Little Cigars (Millions)

	1985		1986		1987		1988		1989		1990		1991		1992		1993		1994		1995		1996E	
	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.	Units	Pct.
SWISHER INT'L INC.																								
Swisher Sweets Little	NA	NA	NA	NA	177.2	15.3	223.3	19.2	280.6	24.3	319.9	26.2	385.1	29.7	431.5	32.4	455.7	35.4	490.5	35.5	531.5	37.7	596.2	40.0
Other	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	18.1	1.4	16.7	1.3	23.8	1.8	29.8	2.2	33.2	2.4	35.8	2.4
Total	NA	NA	NA	NA	177.2	15.3	223.3	19.2	280.6	24.3	319.9	26.2	403.2	31.1	448.2	33.6	479.5	37.2	520.3	37.6	564.7	40.1	632.0	42.4
CONSOLIDATED																								
Dutch Treats	530.0	43.3	456.0	46.7	462.0	39.9	483.0	41.4	479.0	41.6	462.0	37.9	453.5	35.0	440.0	33.0	-	-	-	-	-	-	-	-
Super Value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17.0	1.3	-	-	-	-	-	-	-	-
El Pro	-	-	20.0	2.0	22.0	1.9	23.0	2.0	22.5	2.0	19.0	1.6	17.5	1.3	5.0	0.4	-	-	-	-	-	-	-	-
Muriel Sweet	-	-	-	-	-	-	-	-	13.5	1.2	12.0	1.0	11.0	0.8	6.0	0.5	-	-	-	-	-	-	-	-
Sub-total	530.0	43.3	476.0	48.8	484.0	41.8	506.0	43.4	515.0	44.7	493.0	40.4	482.0	37.2	468.0	35.1	-	-	-	-	-	-	-	-
American Cigar																								
Roi-Tan(85mm and 100mm)	4.0	0.3	2.0	0.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Antonio y Cleopatra(100)	6.0	0.5	3.0	0.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deringer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	10.0	0.8	5.0	0.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total	540.0	44.1	481.0	49.3	484.0	41.8	506.0	43.4	515.0	44.7	493.0	40.4	482.0	37.2	468.0	35.1	455.0	35.3	415.0	30.0	370.0	26.3	340.0	22.8
TOBACCO EXPORTERS INT'L																								
(USA) Ltd. of Atlanta																								
Winchester	454.0	37.1	398.0	40.8	393.0	33.9	387.0	33.2	384.0	33.3	366.0	30.0	359.0	27.7	355.0	26.7	345.0	26.8	346.0	25.0	334.0	23.7	316.0	21.2
HAVATAMPA INC.																								
Omega Natural 85s	10.5	0.9	8.1	0.8	7.2	0.6	6.4	0.5	5.4	0.5)														
Omega Natural 100s	33.3	2.7	29.3	3.0	25.9	2.2	23.8	2.0	21.6	1.9)	33.0	2.7	38.0	2.9	35.0	2.6	-	-	-	-	-	-	-	-
Cherry 100s	3.3	0.3	2.7	0.3	2.0	0.2	1.6	0.1	3.4	0.3)														
Menthol 100s	2.9	0.2	2.2	0.2	1.8	0.2	1.3	0.1	3.2	0.3)														
Sub-Total Havatampa (Omega)	50.0	4.1	42.3	4.3	36.9	3.2	33.1	2.8	33.6	2.9	33.0	2.7	38.0	2.9	35.0	2.6	-	-	-	-	-	-	-	-
Between the Acts (90mm)	36.0	2.9	30.7	3.1	27.8	2.4	26.4	2.3	25.3	2.2)	36.0	3.0	36.0	2.8	32.0	2.4	-	-	-	-	-	-	-	-
Madison (80mm)	22.5	1.8	19.1	2.0	16.9	1.5	15.5	1.3	14.1	1.2)														
Hav-a-tampa	-	-	-	-	-	-	-	-	-	-	17.0	1.4	21.0	1.6	26.0	2.0	-	-	-	-	-	-	-	-
TOTAL HAVATAMPA	108.5	8.9	92.1	9.4	81.6	7.0	75.0	6.4	73.0	6.3	86.0	7.1	95.0	7.3	93.0	7.0	96.0	7.5	109.0	7.9	126.0	8.9	139.0	9.9
LANE LIMITED																								
Captain Black	-	-	-	-	-	-	-	-	-	-	34.0	2.8	35.0	2.7	48.0	3.7	52.3	4.1	65.3	4.7	61.5	4.4	75.6	5.4
HOUSE OF WINDSOR																								
Little Nippers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4.0	0.3	8.0	0.6	5.0	0.4	3.0	0.2	1.5	0.1
Change in Inventory	122.7	10.0	5.2	0.5	23.4	2.0	(25.4)	(2.2)	(100.0)	(8.7)	(80.1)	(6.6)	(77.9)	(6.0)	(85.1)	(6.4)	(147.8)	(11.5)	(77.6)	(5.6)	(51.2)	(3.6)	(14.1)	(0.9)
Grand Total	1,225.2	100%	976.3	100%	1,159.2	100%	1,165.9	100%	1,152.6	100%	1,218.8	100%	1,296.3	100%	1,332.0	100%	1,288.0	100%	1,383.0	100%	1,408.0	100%	1,490.0	100%

Sales of Premium Cigars in the U.S
Derived from Tracking Class H Imports from 8 Key Countries
(in thousands of cigars)

	<u>1977</u>	<u>1981</u>	<u>1985</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
Canary Islands/Spain	21,357	5,862	1,154	558	260	179
Dominican Republic	5,803	33,740	41,418	46,492	52,114	48,297
Honduras	15,789	23,111	27,108	24,174	29,864	32,485
Jamaica	13,398	17,616	17,906	9,247	9,443	7,526
Mexico	8,150	12,275	8,027	7,934	7,391	6,781
Nicaragua	13,403	8,286	4,571	0	1,249	1,580
Panama	0	0	237	376	450	317
Philippine Rep.	<u>582</u>	<u>652</u>	<u>1,166</u>	<u>907</u>	<u>597</u>	<u>657</u>
Totals	78,482	101,542	101,587	89,688	101,368	97,822
		<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Canary Islands/Spain		0	43	110	431	1,678
Dominican Republic		46,775	55,401	66,300	81,093	138,622
Honduras		38,498	37,676	40,809	53,474	83,719
Jamaica		6,723	8,246	10,972	15,339	15,545
Mexico		5,859	6,987	6,470	9,680	14,476
Nicaragua		833	994	605	3,525	18,036
Panama		210	265	238	308	680
Philippine Rep.		<u>463</u>	<u>363</u>	<u>369</u>	<u>429</u>	<u>1,519</u>
Totals		99,361	109,975	125,873	164,279	274,275

Country of Origin	Declared Value (Dollars)	
	1996	1995
Canary Islands/Spain	\$1,768,542	\$435,125
Dominican Republic	105,991,549	52,736,367
Honduras	39,635,061	19,664,817
Jamaica	9,103,480	8,160,379
Mexico	10,649,755	5,722,038
Nicaragua	9,266,361	878,774
Panama	553,745	204,104
Philippine Rep.	<u>962,080</u>	<u>137,939</u>
Totals	\$177,930,573	\$87,939,543

Average Value Per 1000	
1996	1995
\$1,053.96	\$1,009.57
\$764.61	\$650.32
\$473.43	\$367.75
\$585.62	\$532.00
\$735.68	\$591.12
\$513.77	\$249.30
\$814.33	\$662.68
<u>\$633.36</u>	<u>\$321.54</u>
\$648.73	\$535.31

TABLE 5
1996 NINE MONTH ADVERTISING EXPENDITURES
FOR THE CIGAR INDUSTRY
(\$ in Millions)

	1995	1996	% Change
	----	----	
CULBRO, CORP.			
Macanudo Cigars	0.2	1.6	NM
Partagas Cigars	-	0.1	-
Others	0.1	0.1	-
	----	----	
Total	0.3	1.8	NM
MACANDREWS & FORBES HOLDINGS			
Don Diego Cigars	-	0.4	-
H. Upmann Cigars	0.1	0.4	NM
Te-Amo Cigars	0.1	0.3	NM
Other	0.1	-	-
	----	----	
Total	0.3	1.1	NM
RICHMONT AG			
Dunhill Cigars	-	0.2	-
Winchester Little Cigars	-	0.1	-
	----	----	
Total	-	0.3	-
TRIPLE C ACQUISITION CORP			
Consolidated Cigar Corp Cigars	0.1	0.3	NM
THOMPSON CIGAR CO	-	0.3	-
SWISHER INTERNATIONAL			
Swisher Sweets Little Cigars	-	0.3	-
DAVIDOFF OF GENEVA INC			
Davidoff Cigars	0.1	0.2	100.0%
TE-AMO Cigars	0.1	-	-
TOTAL	0.8	4.3	NM

Source: Wheat First Butcher Singer Research and Leading National Advertisers, Inc.

Index of Cigar Usage by Demographics Characteristics of All Adults
Index: 100

According to 1996 Mediamark Research data, the most likely profile of a cigar purchaser is as follows:

- *Male
- *18-44
- *White
- *High School Graduate, Attended or Graduated from College
- *Employed Full-Time
- *Single or Parents
- *Living in a household with 3 or more persons
- *Living in a household with an income of \$10,000-\$19,999 or \$50,000-\$74,999
- *Living in a household with children under 5 years old
- *Living in the North Central Region

Age						Sex	
18 - 24	25 - 34	35 - 44	45 - 54	55 - 64	65 or over	Male	Female
151	135	122	71	38	41	100	-

Marital Status				Educational Status			
Married	Single	Other	Parents	Not High School Graduate	High School Graduate	Attended College	College Graduate
91	123	94	115	62	114	109	102

Household Income								
Less Than \$10,000	\$10,000 - \$19,999	\$20,000 - \$29,999	\$30,000 - \$39,999	\$40,000 - \$49,999	\$50,000 - \$59,999	\$60,000 - \$74,999	\$75,000 and Over	
79	156	83	94	85	103	104	91	

Any Child in Household				Census Region			
Under 2 Years	2 to 5 Years	6 to 11 Years	12 to 17 Years	Northeast	South	North Central	West
123	130	95	94	95	84	128	99

Employment Status			Household Size		
Full-Time	Part-Time	Not Employed	1 Person	2 Persons	3 or More
117	81	64	79	88	111

Race		
White	Black	Hispanic
104	83	58

Source: Mediamark Research, Inc.

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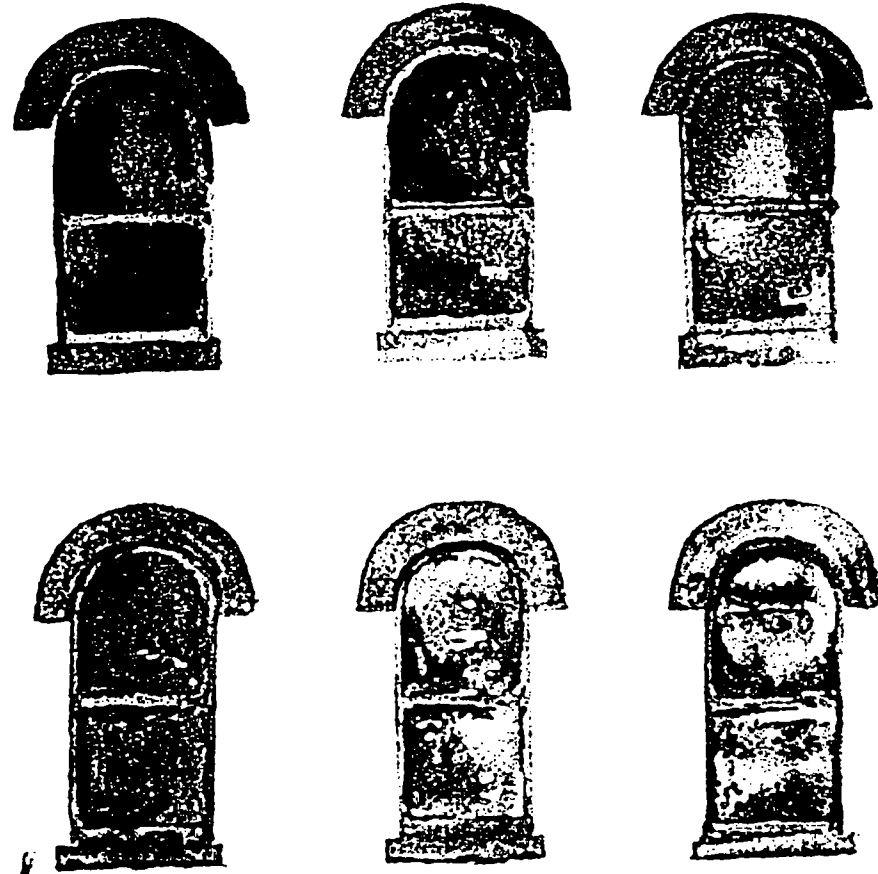
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November/December 19

SMOKE SHOP[®]

OFFICIAL PUBLICATION OF THE RETAIL TOBACCO DEALERS OF AMERICA



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Tobacco

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**Also: RTDA Review • Cigar Rationing
M&N Cigars • EBAS Looks To USA**

Philip Morris Considers U.S. Cigar Market

Philip Morris USA has begun research and development on a line of cigars that could be marketed in the U.S. in six to nine months, according to a *Chicago Tribune* report citing insider knowledge. The cigars are unlikely to be marketed under a name tied to Philip Morris' line of cigarettes, the sources say.

Manhattan-based Philip Morris, who's Marlboro cigarette brand outsells all brands of rival R.J. Reynolds Tobacco combined, hasn't launched

a new brand in two years ago. Leo Burnett Co., the company's principal advertising agency, is said to be working on the cigar line.

If Philip Morris ventures into cigars, competitors in the U.S. cigarette industry may follow soon, speculates the *Tribune*, noting that cigarette firms may be drawn to alternative profit centers. In some overseas markets, Philip Morris already distributes cigars under a variety of labels, but the firm doesn't currently manufacture them.

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Divider Title: _____

March/April 1997

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**Fine Writing
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**THE WAY IT WAS:
SHOPS THAT
REMEMBER**

**A Touch
of Class
Pheasant
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VENDING HUMIDORS

Retail opportunity or high-profile competitor?

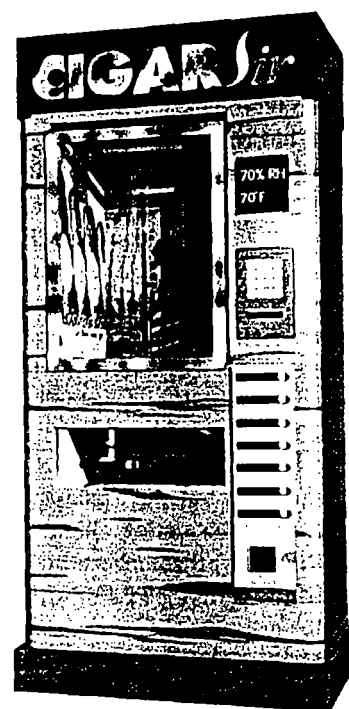
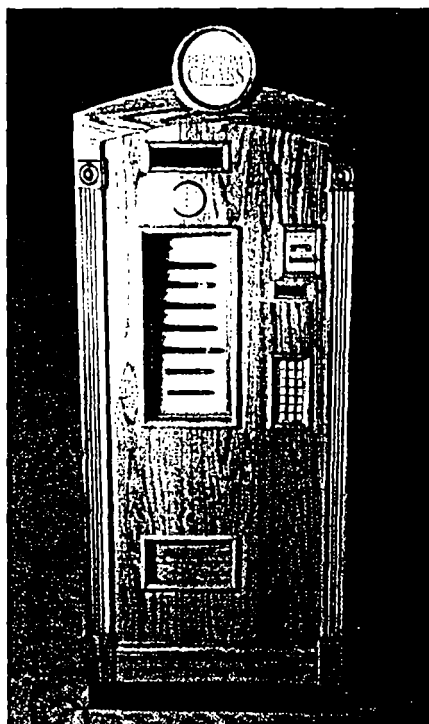
A rapidly expanding consumer interest in premium cigars continues to attract new distribution channels and methods of capitalizing on consumer demand. Increasing customers' access to fresh cigars is taking an entrepreneurial tone.

As such, it was only a matter of time before automated retail units would appear, in this case under the form of "vending humidors." Two companies are currently vying for their stake in this brand new arena: Cigar Vending Corporation of New York, which unveiled its first prototype unit at the Long Island Brewing Co. in Jericho, New York, in January, and the Critical Solutions Group Cos., which introduced its machine — the CigarSir — at the Galileo Restaurant in Washington D.C., in March.

Both companies' units offer advanced temperature and humidification maintenance and monitoring systems to keep cigars in proper condition at 70°F/70%RH, and both accept major credit cards.

"Being first to invent a vending humidior is a natural progression for us," says Rudy Kraus, vice president of Cigar Vending Corp. "We already have the experience with humidification through...Data Support Associates, Inc., where we are involved in supplying specialty humidification for industries such as cigar storage facilities and cigar stores."

Cigar Vending's unit takes a visually classier approach, featuring a furniture-grade oak cabinet. The humidior holds over 200 cigars priced from \$5 to \$10. The Jericho prototype machine featured a limited selection — three Honduran brands called Il Fiore D'Oro, Don Salvatore, and Rogelio in three sizes each. Steve Friedman, president of Cigar Vending, says plans are underway to widen the brand selection. An LCD scrolling display fea-



The contenders are, from left, The Vending Humidor from Cigar Vending Corp.; and the CigarSir from The Critical Solutions Group.

tures additional highlights about the available product types. Customers can also call-in direct, quantity orders for cigars via a telephone located on the side of the machine. A temperature and humidity alarm is equipped with a remote modem that notifies an offsite monitor of improper conditions. A bill validation system accepts \$5, \$10, and \$20 bills.

CigarSir utilizes state-of-the-art robotic arm technology and vends up to 25 different brands with total capacity of up to 1,000 various sized cigars in a hand-crafted cedar interior. Prices for a premium cigar range from \$2 to \$18. The unit accepts up to a \$100 bill. The company also introduced its own premium cigar, the CigarSir CSInaugural Limited Edition MCMXCVII, a handmade Dominican.

"Presently premium cigar smokers are forced to purchase cigars from sparsely located tobacco retailers during normal business hours or stock pile cigars in per-

sonal or rented humidors," says Joseph Preston, Principal of The Critical Solutions Group Cos.

According to the manufacturers, potential sites for the machines include country clubs, private clubs, golf courses, casinos, bars, nightclubs, pubs, and restaurants. With tougher FDA regulations restricting minor's access to cigarette machines on the horizon, though, both companies may find long-term difficulties in with such planned sites as ski resorts, supermarkets, airports, and train stations.

Cigar Vending offers franchise deals for its machines, whereby gross sales are shared. CigarSir sells its machines outright, priced from \$10,500 to \$15,500, depending on configuration. CigarSir's Preston says that retailers, who already have access to cigar supplies, have been among those considering vending humidior purchases.

S

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F

Divider Title: _____

Nicotine Content and Health Risks of Cigars

Q Although much has been said about the health risks associated with cigarette smoking, one hears relatively little regarding the hazards associated with cigar smoking. Could you provide a health-oriented analysis of these 2 products as to composition (types of tobaccos), noxious components (eg, tar, nicotine, carbon monoxide), and risks related to their long-term use?

MD, Pennsylvania

A Most modern tobacco research has focused on the composition, use, and effects of cigarettes, but it is clear that cigars are also toxic and addicting. Cigarette smoking results in the premature death of approximately 50% of smokers.¹ Cigar and cigarette smokers have a similarly increased risk of laryngeal and oral cancers; however, the risk of lung cancer and chronic obstructive lung disease is lower in cigar smokers.^{2,3} Cigarette but not cigar smoking has been definitively shown to be a risk factor for coronary heart disease.⁴

A variety of tobacco types are used to produce cigarettes

Edited by Phil B. Fontanarosa, MD, Senior Editor
We welcome questions from readers. Please include your name and address, but these will be omitted on request. Questions are submitted to consultants at the discretion of the editor, are subject to editing, and are published as space permits.

Code	Length, mm	Diameter, mm	Weight, g	Nicotine Concentration, mg/g	Total Nicotine Content, mg	pH
A†	68.0	8.0	0.77	14.95	16.59	6.2
B	79.0	8.0	1.12	9.00	10.08	6.6
C	124.0	17.0	9.56	17.40	166.30	6.8
D	125.0	12.0	4.20	4.70	19.74	7.55
E	138.0	17.0	12.60	8.43	106.22	7.3
F	148.0	12.0	5.78	10.74	62.07	7.15
G	149.0	16.0	10.06	7.75	77.97	7.95
H	170.0	17.0	15.37	16.35	251.30	6.65
I	198.0	20.5	22.00	22.00	444.00	7.1
J	213.5	19.5	21.29	8.90	189.50	8.2

*Nicotine content was determined by the HPLC method.¹² Smoke pH was not assessed; however, we determined the pH of the tobacco by suspending 2 g of tobacco in 10 mL of water, mixing, then testing at fixed intervals up to 60 minutes.⁷

†This cigar was equipped with a plastic mouthpiece that added 32 mm of length and 0.34 g of weight to the values presented.

and cigars. Cigarette tobacco is generally flue cured, resulting in a mildly acidic product (pH range, 5.5-6.5), but the slower curing methods used in cigar tobacco typically render a mildly alkaline product (Table). Because nicotine has a pK_a of 8.0, it is readily absorbed through the buccal mucosa when delivered from alkaline smoke, whereas the acidic smoke of cigarettes must be inhaled to permit effective absorption.⁷ Tar and carbon monoxide (CO) are combustion products produced when cigars and cigarettes are burned. The tobacco and tobacco combustion products are the primary source of biological toxins, although the possibility that various additives may contribute to health risks has not been ruled out.

The main problem in assessing the level of dependence and risk of disease in individual cigar smokers is the wide variation in product types and patterns of smoking. As shown in the Table, among 10 commercially available cigars, weight ranged from 0.77 to 21.29 g and nicotine content from 10 to 444 mg. Cigars with the highest pH values might provide more rapid delivery of nicotine than cigars with lower pH but higher nicotine content.⁷ Size is not an accurate predictor of nicotine content because of variation in nicotine concentration. In contrast, cigarettes are more homogeneous, ranging in length from about 70 to 120 mm and weighing somewhat less than 1 g. Cigarette nicotine content ranges from 6 to 11 mg, of which the smoker typically obtains 1 to 3 mg.⁸⁻¹⁰

How people smoke is also a strong determinant of toxin exposure and probably of the risk of dependence and other diseases. With respect to cigarettes, most smokers inhale the smoke of a pack or more of cigarettes per day, taking an average of 10 puffs per cigarette over 6 minutes.¹⁰ Thus, nicotine and CO intakes are well correlated with cigarettes smoked per day.¹⁰ In contrast, some cigar smokers actively inhale very little (although they inadvertently inhale the environmental smoke), whereas others regularly inhale; in noninhalers, nicotine levels could be elevated with minimal evidence of CO absorption.¹¹

Cigar smokers might spend an hour smoking a single large cigar, and these cigars may contain as much tobacco as a pack

of cigarettes (Table). Moreover, the common practice of holding an unlit cigar in the mouth could enable nicotine absorption. Thus, consumption of a few fat cigars could produce the daily burden of smoke exposure produced by the consumption of a pack of cigarettes.

A further complication is that cigar smokers who initially smoked cigarettes and/or continue to smoke cigarettes are more likely to inhale cigar smoke than those who have never smoked cigarettes.¹¹ It may be difficult for former cigarette smokers to smoke cigars without inhaling because inhalation is required for the rapid effects of nicotine to which cigarette smokers are accustomed. Thus, there may be less risk reduction for a patient who switches from cigarette to cigar smoking than would be suggested by population data.¹²

Although cigar smokers as a group appear to be at lower risk for certain causes of death than cigarette smokers, individual cigar smokers may exceed typical cigarette smokers in their intake of nicotine and other toxins, depending on the cigar type smoked and how they smoke it. The number of cigars smoked per day provides little predictive information. Unfortunately, there is little publicly available information to help consumers estimate their likely level of exposure from specific cigar brands. This is also true of smokeless tobacco and pipe tobacco.

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G

Divider Title: _____

Incorporating Cigars and Pipe Tobacco into the Regulatory Scheme

Advertising

Advertising and promotional restrictions for cigarettes and smokeless tobacco can be applied across the board to cigars and pipe tobacco with the possible exception of internet catalogs (Cigar manufacturers, retailers and promoters operate a diverse array of web sites. See discussion below about mail order for this category).

Availability

Cigars and pipe tobacco should not be self-service items.

Cigars and pipe tobacco should not be available from vending machines.

Retailers should be held responsible for selling cigars and pipe tobacco to minors.

There is a fairly large and diverse mail order cigar and pipe tobacco business. Much of this activity apparently involves expensive cigars. It is not clear how large this market is. If it is substantial, it may be reasonable for mail order sales in this category to be permitted in a limited manner. This might be modeled on the way liquor sales by mail are limited: Only credit card orders are taken, delivery is only to the billing address, and only premium priced products are sold through the mail. There might also be a minimum order size requirement. Any provision which permits mail order under some circumstances for cigars and pipe tobacco should be subject to review by FDA as experience is gained.

If mail order is allowed, it may be reasonable to permit retailers to operate text-only web sites for this purpose, but only if each site is registered with the FDA and if the FDA reviews them on a regular basis and is able to limit their activities if problems develop.

Warning labels

The FDA should develop a system of warning labels for cigars and pipe tobacco through its routine rule-making procedure.

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MiniStampers
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16 CRAYONS

64 Crayola CRAYONS

64

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CRAYONS

CRAYONS
brilliant colors
made in USA
64 CRAYONS

CVS CRAYONS
MADE IN USA
\$3.99

CVS CRAYONS
MADE IN USA
\$2.99

Crayola Sketchbook

SCRIBBLE

Crystals *Crystals* *Crystals*

New! New! New!

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RESIDENT

Dutch Masters

Dutch Masters
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Dutch Masters
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White Owl
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White Owl

White Owl

White Owl

SALE! 2

5

5

5

5

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5



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TO: Jerold Mande

FROM: John Slade, M.D.

DATE: 13 August 97

Number of pages: 12 (including cover)

Here is the information I promised.

Among those who you might try to draw in for the September meeting is Greg Connolly because of his work on the additives and nicotine disclosure regulation in Massachusetts.



American Society of Addiction Medicine

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13 August 97

Jerold Mande

Senior Advisor to the Director

White House Office of Science & Technology Policy

Old Executive Office Building, Room 346

17th Street & Pennsylvania Avenue, NW

Washington, DC 20502

Dear Jerry,

Thank you very much for the time and careful attention you gave to the concerns I brought to you the other day about cigars.

This fax includes some material I did not have with me on Monday and clarifies several things we talked about.

Two studies show that more kids are using cigars than are using smokeless tobacco.

The survey done among ninth graders (median age 14 years old) in Erie (urban) and Chautauqua (rural) counties in New York by the Roswell Park Cancer Institute published in the MMWR last May (tab B from Monday's notebook) includes the following information:

Group	Tobacco Product	Percent of ninth graders currently using (30 days)
Erie County	Cigars	12.7%
	Smokeless	3.5%
Chautauqua County	Cigars	14.8%
	Smokeless	7.3%

In this survey, males were more likely than females to have used within the past 30 days (19.5% vs 6.1% in Erie County and 24.0% vs 5.3% in Chautauqua County).

Similar results were found in a survey of 7-12 grade students in Massachusetts which the Department of Public Health reported this past May. (pertinent tables attached.)

Overall, current use of cigars was nearly three times as common among 7-12 grade students in Massachusetts. Among 7-12 graders, 4.5% had used smokeless tobacco in the past 30 days while 12.2% had smoked a cigar.

Among females, 6.2% were classified as current users of cigars while only 0.8% were current users of smokeless. Comparable figures for males were 18.2% and 8.3%. This pattern was evident at every grade level and ethnic group and carried through across communities of widely varying sizes. In other words, this was a very robust finding.

A story published in the Boston Herald on 11 August (enclosed) describes this phenomenon. It emphasizes that the cigars used by kids are the inexpensive, machine-made ones, not the expensive ones.

Most of the increase in cigar consumption has been in the inexpensive part of the market.¹

Between 1993 and 1996, the market for non-premium cigars increased from 2,023 million to 2,810 million, an increase of 787 million pieces.

¹ The material at tab C that I gave you on Monday, combined with data from USDA's publication, Tobacco Situation Outlook Reporter (April 1997) permits the construction of the three tables that are attached.

The increase in the non-premium segment over this period is nearly three times greater than the entire premium market in 1996, 280 million pieces.

The increased visibility premium cigars have achieved in the past few years seems to have pulled along non-premium cigars to a remarkable degree. Most of the promotion of cigars at the level of popular culture has not focused on brands, and since the cigar market is dominated by a few companies with diverse offerings across the spectrum, all parts of the business have benefitted from what has mainly been a marketing focus at the high end.

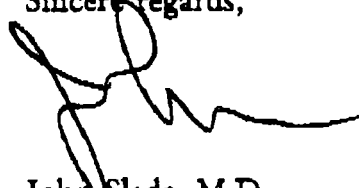
Legislation on tobacco can treat cigar companies differently from cigarette companies.

The fact that cigar companies have not been defendants in the lawsuits related to the Proposed Resolution should not be a barrier to including cigars under FDA jurisdiction under federal legislation.

Cigar manufacturers can be exempted from any feature of legislation which is tailored to defendant companies and others which make cigarettes and smokeless tobacco such as requirements for payments into a settlement fund. As it stands today, the settling companies are not pressing for cigar makers (other than makers of little cigars, perhaps) to contribute to the settlement funds. It would be surprising for there to be pressure that cigar makers receive such treatment were the legislation to give FDA jurisdiction over cigars.

I will keep you apprised as I come across further information about this and related topics.

Sincere regards,

A handwritten signature in black ink, appearing to read 'John Slade', with a stylized, flowing script.

John Slade, M.D.
Chair
Committee on Nicotine Dependence
American Society of Addiction Medicine

Attachments

1984-1996

Adolescent Tobacco Use in Massachusetts

Cigarettes - Cigars - Smokeless Tobacco

TRENDS AMONG PUBLIC SCHOOL STUDENTS

**Commonwealth of Massachusetts
Department of Public Health**

Prepared by Health and Addictions Research, Inc.

May 1997

THE COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES
DEPARTMENT OF PUBLIC HEALTH

**ADOLESCENT TOBACCO USE IN
MASSACHUSETTS
TRENDS AMONG PUBLIC SCHOOL STUDENTS
1984-1996**

May 1997

William F. Weld, Governor
Joseph Gallant, Secretary, Executive Office of Health and Human Services
David H. Mulligan, Commissioner, Department of Public Health
Gregory N. Connolly, Director, Massachusetts Tobacco Control Program,
Bureau of Family and Community Health
Mayra Rodriguez-Howard, Director, Bureau of Substance Abuse Services

Study Conducted and Report Prepared by

Nancy J. Briton, Ph.D.
Thomas W. Clark, B.A.
Allison K. Baker, B.A.
Joel Posner, B.A.
Stephen Soldz, Ph.D., Research Director
Milly Krakow, Ph.D., Executive Director

Health and Addictions Research, Inc.
419 Boylston Street, Suite 801
Boston, MA 02116

Table 1

**Weighted Sample and Population Characteristics of 6th-12th Grade Public School Students
 1996 Massachusetts Prevalence Study**

	Sample percent ^a (n = 6,844)		State population percent (N = 442,441)	
	Number	Percent of total	Number	Percent of total
<i>Grade</i>				
6	1125	16.5	1018	14.9
7	1045	15.3	1007	14.7
8	1014	14.9	936	13.7
9	977	14.3	1029	15.1
10	907	13.3	1062	15.5
11	867	12.7	907	13.3
12	892	13.1	878	12.8
<i>Ethnicity</i>				
White	3216	47.4	5356	78.9
Hispanic	1544	22.8	558	8.2
Black	1537	22.7	569	8.4
Asian	369	5.4	216	3.2
Native American	118	1.7	81	1.2
<i>Total</i>	6844	100.0	6844	100.0

^a Sample is weighted. See Appendix A for explanation.

Table 4

**Lifetime and Current Use of Tobacco, by Grade
1996 Massachusetts Prevalence Study**

	Grade							Avg 7-8	Avg 9-12	Avg 7-12
	6 (n=1020)	7 (n=1006)	8 (n=936)	9 (n=1029)	10 (n=1064)	11 (n=901)	12 (n=880)	(n=1942)	(n=3873)	(n=5816)
<i>Lifetime^a</i>										
Cigarettes	20.4	34.3	49.8	54.1	63.8	64.5	67.9	41.8	62.4	55.5
Smokeless Tobacco	3.8	5.5	12.8	13.5	20.6	22.0	26.0	8.9	20.3	16.5
Cigars	9.9	18.2	26.7	29.9	42.6	42.4	42.4	22.3	38.9	33.5
<i>Current^b</i>										
Cigarettes	8.1	16.2	26.0	30.3	33.6	38.9	40.6	20.9	35.6	30.7
Smokeless Tobacco	1.3	1.4	3.4	2.7	6.3	7.1	6.7	2.4	5.6	4.5
Cigars	2.0	4.4	10.9	10.4	16.0	18.4	13.4	7.6	14.5	12.2

Note. Cell entries are percentages of students reporting use.

^a Used at least once in lifetime.

^b Used at least once in 30 days prior to survey.

Massachusetts Department of Public Health
Prepared by Health and Addictions Research, Inc.

SENT BY: St. Peter's Medical Ctr: 8-13-97 : 1:28PM :
FROM: MCP 817 824 5921
DB-12-97 11:18AM TO

Dept of Medicine
SCI & TECH POLICY: # 8
173221-98508
*87 P.2/15

Table 10

**Lifetime and Current Use of Tobacco, by Gender and Grade
1996 Massachusetts Prevalence Study**

	6		7		8		9		10		11		12		Avg. 7-12	
	Female (n=525)	Male (n=495)	Female (n=487)	Male (n=519)	Female (n=437)	Male (n=499)	Female (n=559)	Male (n=470)	Female (n=503)	Male (n=561)	Female (n=476)	Male (n=425)	Female (n=461)	Male (n=419)	Female (n=2923)	Male (n=2893)
<i>Lifetime^a</i>																
Cigarettes	15.8	25.4	32.9	35.6	48.0	51.3	54.3	53.8	68.4	59.6	65.7	63.2	69.0	66.6	56.4	54.4
Smokeless Tobacco	2.0	5.9	2.0	8.4	3.8	20.8	6.6	21.6	7.3	32.7	7.5	38.2	8.1	45.7	5.9	27.2
Cigars	7.4	12.7	16.0	20.3	19.8	32.7	23.0	38.3	29.0	54.8	30.5	55.8	25.3	61.2	24.0	43.3
<i>Current^b</i>																
Cigarettes	5.7	10.7	19.0	13.7	27.5	24.6	33.0	27.2	35.3	32.2	42.0	35.5	36.6	45.1	32.3	29.1
Smokeless Tobacco	0.1	2.6	0.2	2.5	0.8	5.7	1.3	4.4	1.2	10.9	0.5	14.3	0.6	13.6	0.8	8.3
Cigars	0.8	3.2	4.6	4.3	8.4	13.0	6.6	14.9	6.1	24.9	7.7	30.3	4.1	23.7	6.2	18.2

Note: Cell entries are percentages of students reporting use.

^a Used at least once in lifetime.

^b Used at least once in 30 days prior to survey.

Table 12

**Lifetime and Current Use of Tobacco, by Ethnicity, Grades 7 - 12
1996 Massachusetts Prevalence Study**

	Black (n=1333)	Asian (n=301)	Hispanic (n=1235)	Native American (n=83)	White (n=2758)	Avg 7-12 (n=5710)
<i>Lifetime^a</i>						
Cigarettes	56.4	44.4	53.7	60.0	55.8	54.6
Smokeless Tobacco	9.5	3.1	10.0	20.8	18.3	13.7
Cigars	23.6	15.9	20.7	18.0	32.3	29.9
<i>Current^b</i>						
Cigarettes	17.7	20.1	26.5	48.1	32.7	27.5
Smokeless Tobacco	1.0	0.5	2.5	5.2	5.2	3.4
Cigars	7.5	2.4	6.6	4.3	11.8	10.4

Note. Cell entries are percentages of students reporting use.

^a Used at least once in lifetime.

^b Used at least once in 30 days prior to survey.

Table 15

**Lifetime and Current Use of Tobacco, by Ethnicity and Gender, Grades 7 - 12
1996 Massachusetts Prevalence Study**

	Black		Asian		Hispanic		Native American		White	
	Female (n=619)	Male (n=714)	Female (n=158)	Male (n=143)	Female (n=636)	Male (n=999)	Female (n=33)	Male (n=50)	Female (n=1393)	Male (n=1366)
<i>Lifetime^a</i>										
Cigarettes	57.8	55.2	36.4	53.2	58.0	49.0	76.8	48.7	56.7	55.0
Smokeless Tobacco	3.0	15.1	2.8	3.4	3.7	16.6	20.5	21.0	6.4	30.4
Cigars	19.5	31.0	12.6	23.3	19.5	29.1	26.4	25.4	25.1	46.9
<i>Current^b</i>										
Cigarettes	18.5	17.1	17.1	23.5	28.9	24.0	54.5	43.7	34.2	31.1
Smokeless Tobacco	0.2	1.7	0.0	1.0	0.3	4.8	1.1	8.0	0.9	9.7
Cigars	6.3	9.9	0.3	6.0	7.0	9.1	2.3	8.8	6.3	20.7

Note. Cell entries are percentages of students reporting use.

^a Used at least once in lifetime.

^b Used at least once in 30 days prior to survey.

Table 16

**Lifetime and Current Use of Tobacco, by Size of Community, Grades 7-12
 1996 Massachusetts Prevalence Study**

	> 90,000 ^a (n=1002)	50,000- 90,000 (n=323)	25,000- 50,000 (n=1701)	10,000- 25,000 (n=1597)	10,000 or less (n=1193)	Total (N=5816)
<i>Lifetime^a</i>						
Cigarettes	52.2	62.8	60.2	51.6	54.6	55.5
Smokeless Tobacco	9.2	13.5	21.2	15.8	17.5	16.5
Cigars	24.8	26.1	38.9	33.1	35.7	33.5
<i>Current^b</i>						
Cigarettes	21.1	32.4	35.6	29.3	31.4	30.7
Smokeless Tobacco	2.7	4.5	6.0	5.0	3.4	4.5
Cigars	7.7	13.5	14.8	12.8	10.9	12.2

Note. Cell entries are percentages of students reporting use.

^a Used at least once in lifetime.

^b Used at least once in 30 days prior to survey.

^c Based on 1990 U.S. census data.

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**DRILLS OF
SMOKE:** Teen-
ers are turn-
ing to cigars in
order to mimic
celebrities and
superstars, ex-
perts say.

Staff photo by
Michael Saunders



To you, are cigars as dangerous to smoke as cigarettes?

● You don't inhale so
what's the big deal?

— John McCourt, 14,
South Boston

● I think all tobacco
products are pretty bad
for you, but I think cigars
aren't as bad as ciga-
rettes because most nor-
mal people only smoke a
cigar a day at most. Ciga-
rette smokers smoke
about 40 cigarettes a
day.

— Don Jones, 13,
Brighton

● I think they are just
as dangerous. They have
the same potential to
cause the health prob-
lems that cigarettes do.

— Chris McCabe, 13,
Brockton

● Yes, I think they are
as dangerous because
they can give you lung

'Tempting tobacco

Cigars are vying for kids' attention at the smokeshop



BY LAUREN BECKHAM

The popularity of cigar smoking by superstars and socialites has ignited a trend among teenagers, experts contend, and Massachusetts anti-smoking activists plan to launch an attack on the fast-growing fad.

An estimated 6 million American teenagers — more than a quarter of 14-to-19-year-olds — have smoked all or part of a cigar in the past year, the Centers for Disease Control reported in May.

"It's shocking how many kids have smoked cigars, and we are ready to start a very aggressive campaign," said Greg Connolly, director of the tobacco control program for the Massachusetts Department of Public Health.

Low prices, celebrity promotions and the uptown lifestyle associated with cigars have contributed to their popularity, Connolly said.

"Kids follow what's chic and trendy," he said. "Arnold (Schwarzenegger), Demi Moore and Michael Jordan have all appeared in magazines with cigars. (The movie) 'Independence Day' was one big cigar commercial. It's reminiscent of the '60s, back when athletes hawked cigarettes."

Kids also buy what's cheap. Instead of purchasing high-end cigars, they are going for the corner-store variety, which, said singly, only cost about 30 cents.



CHOICE: Kids choose cheap cigars.

Staff photo by Michael Saunders

"I smoke the Phillies or the White Owls," said Jay Ceven, 17, of Taunton, who smokes about five cigars a month and inhales. "They're stronger than cigarettes."

The report, the result of three studies, including one conducted in Massachusetts, also found that young people who used cigarettes and smokeless tobacco were more likely than others to smoke cigars.

"I've tried them," said Meghan Donnelly, 17, of Mansfield, who smokes cigarettes. "But they're too harsh for me."

An assistant manager of Simply Cigars at the CambridgeSide Galleria said he's seen more kids try to buy cigars.

"Oh, yes, but we check IDs all the time," he said. "They aren't going for high-end ones."

Cigar manufacturers contend the study, which was the first ever to ask teens about cigar smoking, is flawed and has sparked an unnecessary attack against the industry.

"We are adamantly opposed to the use of cigars among young people," said Norman

Sharpe, president of the Cigar Association of America. "And while there are minors who have tried cigar smoking, the number of regular cigar smokers (who are teens) is negligible. If it had been a one-can-of-beer-a-year, no one would have batted an eye."

Nonetheless, anti-tobacco officials are looking at education plans and other policies to curb teen cigar smoking.

A legislative initiative filed by state Sen. Warren Tolman (D-Waterbury) would require cigar companies to disclose tar and nicotine levels and to require warning labels on all packages.

"It's to let people, particularly casual smokers of cigars and kids, know that cigar smoking is not the healthful, pleasant, macho image that they need to present themselves to their peers," Tolman said. "We want to let them know that cigar smoking is dangerous."

The bill was unanimously backed by the state's joint health care committee and Tolman hopes it will pass by the fall's end, making Massachusetts the second state to require warning labels on cigars (California has required it since the late '80s).

"We are not trying to take away the cigar that a person smokes on occasion," Tolman said. "We are targeting the lower-end cigars that come in a package."

According to the National Cancer Institute, a cigar has more nicotine than a cigarette and the tobacco in a cigar is the equivalent of 15 cigarettes. And cigar smoking poses serious health risks, including cancer of the throat, lip, larynx and esophagus, as well as the chance of heart attack, stroke, heart damage and chronic obstructive lung disease.

"There is a fantasy that cigar smoking is healthier because you don't inhale," said Dr. Gregory Gillane, an otolaryngologist at Boston Medical Center. "There is no healthy amount of smoking."

Still, if someone wants to smoke, they'll do it, teens said.

"It's something I do when I hang around or celebrate or something," Ceven said. "I'm worried about the health risks later."

Id not smoke.
— Sophia Mullings, 19
Dorchester

● No, I don't think cigars are dangerous if you don't inhale.

— David Bookout, 14
Weston

● Well, I think cigars are more dangerous than cigarettes. They have more tobacco and nicotine in them. Cigarettes are smaller.

— Samantha Stillman, 12
Brookline

● I think both are equally as dangerous because they both contain the same ingredients.

— Daniel Reische, 15
Brookline



PHONE SURVEY

YES..... 68%

NO..... 32%

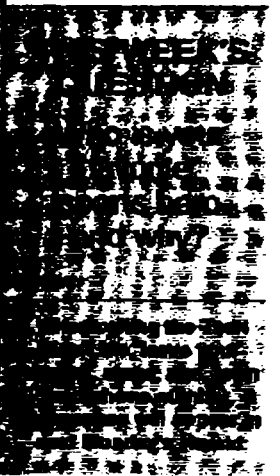


Table 1

Consumption of large cigars and cigarillos, United States
1987-1996, millions

Year	Domestic Sales minus Exports	Imports	Total US Consumption
1987	2,615	113	2,728
1988	2,419	112	2,531
1989	2,367	103	2,470
1990	2,234	111	2,345
1991	2,137	109	2,246
1992	2,108	111	2,219
1993	2,011	127	2,138
1994	2,191	146	2,337
1995	2,371	195	2,566
1996	2,767	320	3,087

Source: USDA, 1997. 1996 data are preliminary.

Table 2

Large cigars and cigarillos, United States, 1993-1996
 Premium vs non-premium, millions and percent

Category	1993		1994		1995		1996	
Non-premium	2,023	94.6%	2,206	94.4%	2,396	93.4%	2,810	90.9%
Premium	115	5.4%	131	5.6%	170	6.6%	280	9.1%
Total	2,138	100.0%	2,337	100.0%	2,566	100.0%	3,090	100.0%

Note: A premium cigar is hand-made, is comprised entirely of natural, long filler tobacco, and has a retail price of more than \$1.00.

Sources: Data on premium cigars, Maxwell, 1997. Data on total U. S. consumption, USDA, 1997.

Table 3

Year to year change in consumption of large cigars and
cigarillos, United States, 1993-1996,
millions and percent

Category	93 - 94		94 - 95		95 - 96	
Non-premium	183	92.0%	190	83.0%	414	79.0%
Premium	16	8.0%	39	17.0%	110	21.0%
Total	199	100.0%	229	100.0%	524	100.0%

Note: A premium cigar is hand-made, is comprised entirely of natural, long filler tobacco, and has a retail price of more than \$1.00.

Sources: Data on premium cigars, Maxwell, 1997. Data on total U. S. consumption, USDA, 1997.