

### THE TOBACCO INDUSTRY



#### Key Messages

What does this Chapter tell us?

- The production of tobacco in Canada and Ontario has declined since the 1970s. Most of the tobacco grown in Canada continues to be grown in a highly concentrated area of south-western Ontario.
- In Ontario, approximately 11 billion cigarettes were sold in 2010; down from 22 billion in 1980.
- Ontario has approximately 14,000 tobacco retailers; 780 of which are located in Peel. While there are some areas in Peel with a higher density of tobacco retailers per population, there does not appear to be a relationship between vendor density and smoking prevalence.

**Definition**

The **tobacco industry** refers to the people and companies involved in the cultivation, processing, shipment, marketing, distribution and advertisement of tobacco and tobacco related products.

The production, manufacturing, advertising, selling and use of tobacco are all heavily regulated in Canada through a patchwork of federal, provincial and, in some cases, municipal legislation.

Legislation impacting the tobacco industry, or use of tobacco, exists in the form of:

- Regulation on raw leaf tobacco,
- Regulation of the contents of tobacco products,
- Regulation of tobacco product disclosures,
- Packaging and labelling of tobacco products,
- Tobacco advertising, promotion and sponsorship,
- Tobacco sales,
- Tobacco taxation, and
- Protection from exposure to second-hand smoke.

**Definition****What is tobacco?**

Tobacco is a plant from the Solanaceae family, better known as Nicotiana (genus). Grown worldwide, the tobacco plant is harvested when the leaves begin to turn yellow.

After picking, the tobacco leaves are dried and then cured through flue-curing, air-curing or sun-curing.

- **Flue-curing** – This method is carried out in an enclosed building that contains a heat source. The interior temperature is gradually increased until the tobacco leaves are completely dry. This process takes approximately one week.
- **Air-curing** – This drying method is carried out in an open-frame building in which tobacco leaves suspended from cross beams are sheltered from the wind and sun. This process takes approximately four to eight weeks.
- **Sun-curing** – The tobacco leaves are dried in nets under the action of the sun. This process takes approximately one month (depending on weather conditions).

The cured leaves are sold to a processor, who shreds the leaves and makes the tobacco product.

**Did You Know**

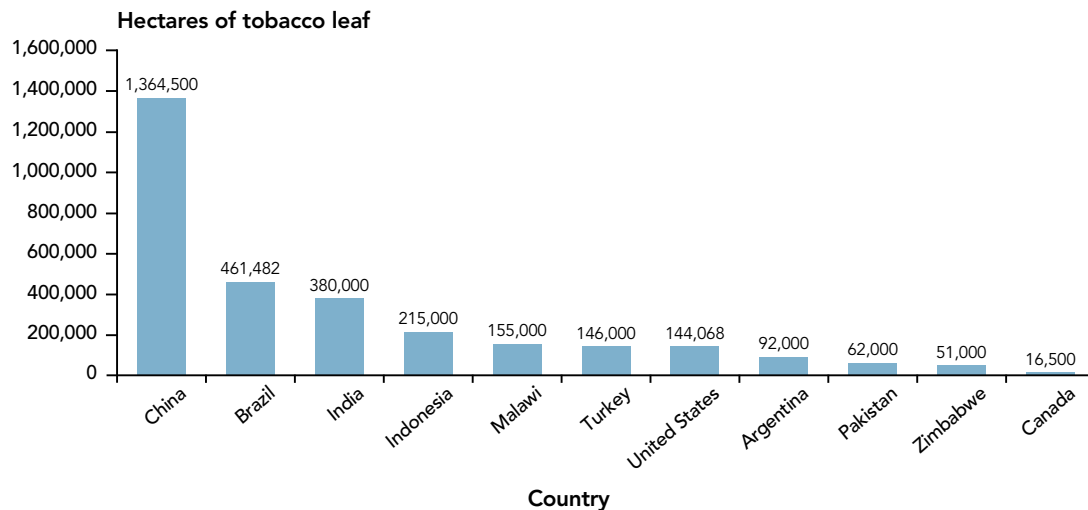
Worldwide, more than one billion people smoke. In 2009, six trillion cigarettes were consumed, an increase of 13% from 1999.<sup>31</sup>

**Tobacco Production and Manufacturing**

Tobacco production in Canada has decreased steadily since 1970 when over 43,000 hectares of land were devoted to tobacco growth.<sup>56</sup> By 2009, the amount of land devoted to tobacco had decreased to 16,414 hectares.<sup>56</sup> As a comparator, the United States still has 144,000 hectares devoted to tobacco growth.

Over 90% of the tobacco grown in Canada is produced in a highly concentrated area in south-western Ontario, on the north shore of Lake Erie.<sup>57</sup>

**Figure 9.1**  
**Leading Producers of Tobacco Leaf (Hectares) by Country of Production, 2007**



Source: The Tobacco Atlas 3rd edition. [Internet]. Atlanta, Georgia, U.S.A.: The American Cancer Society; cited November 18, 2011]. Available from: <http://www.tobaccoatlas.org/growing.html>.



### Did You Know

#### Tobacco Transition Program

In 2008, Agriculture and Agri-Food Canada initiated a program called the Tobacco Transition Program. The program was created in response to the decline in demand for Canadian flue-cured tobacco. The program had three main goals:

- Replace the supply-managed quota system with a licensing system,
- Assist the transition of Ontario flue-cured tobacco producers to exit the tobacco industry, and
- Bolster the viability of the remaining tobacco producers in southern Ontario.<sup>58</sup>

With this program came a major change to Canada's tobacco leaf supply system. The quota and auction system that had been in place for decades was replaced with a manufacturer-controlled contract buying system. Under the new system, a tobacco grower must have a contract for purchase from a licensed tobacco manufacturer before being granted a license to grow tobacco by the Ontario Flue-Cured Tobacco Growers Marketing Board.

Approximately 1,050 quota holders accepted payment under the Tobacco Transition Program in exchange for agreeing to exit the industry. It is believed that only four quota holders opted out.<sup>59</sup> Each farmer received \$1.05 per pound of quota. In total \$284 million was paid out.<sup>60</sup>

### Tobacco Manufacturing – Employment

Estimating the true size and economic impact of the Canadian tobacco industry is difficult because of the uncertainty surrounding the underground tobacco industry that exists in Ontario and Quebec, and the impact of illegal tobacco entering from the United States and other parts of the world.



**Did You Know**

Both tobacco production and manufacturing declined in Canada between the years 1999 and 2008.<sup>61</sup>

The Canadian tobacco manufacturing sector has experienced a 10% decline in employees between 1999 and 2008, as demonstrated in Table 9.1. By comparison, total employment in the manufacturing sector showed a decrease of 1.6% per year over the 1999 to 2008 period.<sup>61</sup>



**Table 9.1**

**Number of Canadians Employed in Tobacco Manufacturing, Canada, 1999, 2008 and 2009**

Year	Cigarette Manufacturing Employees*		
	Production <sup>†</sup>	Administration <sup>‡</sup>	Total
1999	2,287	1,706	3,993
2008	953	428	1,381
2009	NA	NA	1,281

<sup>†</sup> Production employees include those employees engaged in processing, assembling, storing, inspecting, handling, packing, maintenance, repair, janitorial, watchmen services and working foremen.

<sup>‡</sup> Administrative employees include all employees that are not involved directly in production and related manufacturing activities. Examples include those involved in management, personnel, secretarial, sales, finance and other similar activities.

NA – data not available

\* Prior to 2004, data covers incorporated establishments with employees, primarily engaged in manufacturing and with sales of manufactured goods equal or greater than \$30,000.

Source: Statistics Canada, special tabulation, unpublished data, Annual Survey of Manufactures, 2000 to 2003; Annual Survey of Manufactures and Logging, 2004 to 2009. Canadian Industry Statistics. Employment Tobacco Manufacturing. NAICS 3122.

Imperial Tobacco, Philip Morris International and JTI-MacDonald are the largest tobacco producers in Canada<sup>62</sup>. In 2008, their combined sales accounted for approximately 98% of the Canadian market.<sup>63</sup> Ontario is home to seven of the 14 legal tobacco manufacturing employers in Canada.<sup>64</sup>

## Tobacco Sales

### Did You Know

In 2010, 31 billion cigarettes were sold in Canada, down from 64 billion in 1980.<sup>62</sup> Between 2010 and 2011, provincial and federal revenues from tobacco sales in Canada were \$3,011,472,182.<sup>65</sup>

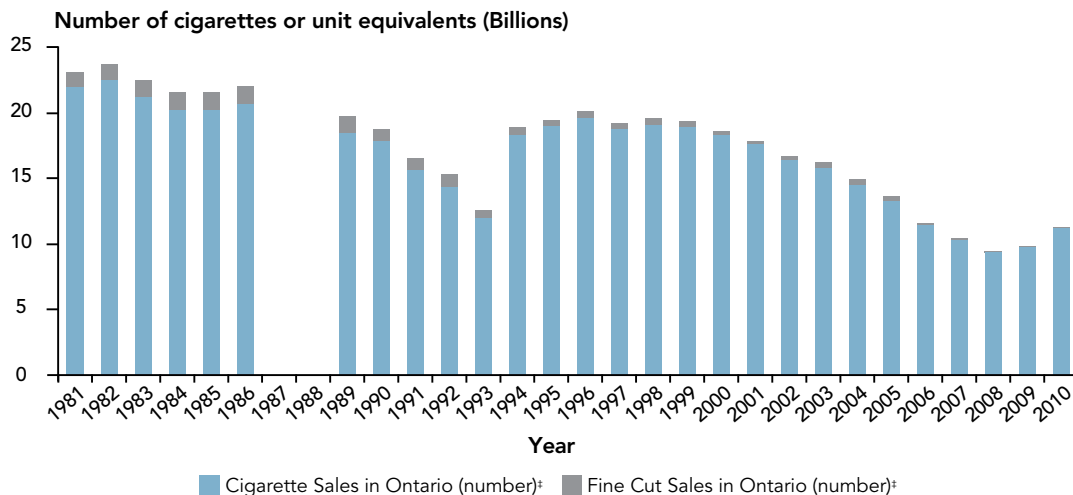
### Definition

**Fine Cut Tobacco** is loose tobacco used with rolling papers or filter tubes (includes roll your own and make your own cigarettes).

There is no direct measure of tobacco sales in Peel. However, approximately 11 billion cigarettes were sold in Ontario in 2010. An additional 91 million unit equivalents of fine cut tobacco were sold in the same year.<sup>62</sup> In 1980, the number of cigarettes sold in Ontario each year was almost double what was sold in 2010 (Figure 9.2).



**Figure 9.2**  
Number of Legal Cigarettes and Fine Cut Tobacco Units<sup>†</sup>, Sold in Ontario, 1980-2009



<sup>†</sup> One unit of fine cut tobacco is equivalent to one cigarette

<sup>‡</sup> Sales not available for 1997 and 1998

Source: Wholesale sales data - Cigarette and Fine-cut Sales in Ontario, 1980-2010 [Internet].: Health Canada; 2011 [updated October 5, 2011; cited March 7, 2012]. Available from: [http://www.hc-sc.gc.ca/hc-ps/tobac-tabac/research-recherche/indust/\\_sales-ventes/on-eng.php#fine](http://www.hc-sc.gc.ca/hc-ps/tobac-tabac/research-recherche/indust/_sales-ventes/on-eng.php#fine).

**Did You Know**

In 2010, over 11 billion cigarettes (plus 91 million cigarette equivalents) were sold in Ontario, down from 22 billion equivalents for 1980.

**Peel Program**

Peel Public Health ensures that all tobacco retailers are aware of the requirements of the Smoke-Free Ontario Act by conducting annual inspections on each tobacco retailer in the region. The purpose of these inspections is to monitor for compliance with the Act and to provide education to the owner or operator on the requirements of the Act. The Region also employs youth between 15 to 17 years of age to monitor tobacco vendors for compliance with youth access laws.

## Tobacco Vendors in Peel

There are approximately 14,000 tobacco vendors in Ontario.<sup>57</sup> Approximately 780 are located in Peel.

**Table 9.2**  
Vendor Density by Data Zone,  
Peel, 2011

Data Zone	Number of Vendors <sup>†</sup>	Population Size <sup>‡</sup>	Vendors/10,000 pop	Per cent Current Smokers <sup>€</sup>
C1	30	41,599	7.2	11.5*
B4	19	89,015	2.1	12.7*
B1	44	106,489	4.1	13.1*
M5	36	64,689	5.6	14.4
M1	28	131,368	2.1	15.4*
M4	105	96,947	10.8	15.5
B3	77	85,626	9.0	16.0
M6	54	70,999	7.6	16.9
M3	19	73,868	2.6	17.2*
M8	104	102,975	10.1	18.7
B5	76	123,107	6.2	20.6
M7	85	109,621	7.8	20.8
M2	39	74,557	5.2	21.2
C2	16	24,800	6.5	26.7*
B2	30	102,509	2.9	27.6

\* Use estimate with caution.

Sources:

† Number of vendors: Tobacco Inspection System, extracted January 2011, Peel Public Health

‡ Population Size: Projected estimate for 2010 using 2006 Census, Statistics Canada

€ Per cent of Current Smokers: Canadian Community Health Survey 2003, 2005, 2007/08 combined, Statistics Canada, Share File, Ontario Ministry of Health and Long-Term Care

Tobacco retailers are required to abide by the provincial Smoke-Free Ontario Act and Tobacco Tax Act. Under the provincial Tobacco Tax Act, retail dealers of tobacco products are required to have a valid “tobacco retail dealer’s permit.” Tobacco retailers are also responsible for ensuring that they purchase tobacco products from wholesalers who have a valid wholesaler’s permit.<sup>68</sup>

In addition to federal and provincial laws, retailers are also subject to municipal licensing by-laws. In Peel region, the lower tier municipalities of Brampton and Mississauga require tobacco retailers to have a tobacco business licence, in addition to the provincial dealer’s permit.<sup>66</sup>

Tobacco vendors are unequally distributed across Peel neighbourhoods. While some neighbourhoods have two tobacco vendors per 10,000 population, others have 10 or 11 vendors per 10,000 population (Table 9.2). Vendor density (number vendors per population size) does not appear to be related to smoking prevalence in Peel neighbourhoods.

## Summary

The production of tobacco in Canada and Ontario has declined since the 1970s. Most of Ontario tobacco continues to be grown in a highly concentrated area of south-western Ontario.

In Ontario, approximately 11 billion cigarettes were sold in 2010; down from 22 billion in 1980.

Ontario has approximately 14,000 tobacco vendors; 780 of which are located in Peel. While there are some areas in Peel with a higher density of tobacco vendors per population, there does not appear to be a relationship between vendor density and smoking prevalence.