

## Service bulletin

# Production and Disposition of Tobacco Products



August 2008

### Highlights

- Canadian manufacturers produced 1.4 billion cigarettes in August, up 9.9% from the previous month. The total number of cigarettes sold decreased by 10.2% to 1.5 billion and closing inventories decreased by 6.2% to 1.8 billion cigarettes in August.

**Note:** This survey collects data on the production of tobacco products in Canada by Canadian manufacturers and the disposition or sales of this production. It does not collect data on imported tobacco products. Therefore, sales information in this release is not a proxy for domestic consumption of tobacco products.

## Statistical tables

**Table 1**  
**Production and disposition of tobacco products, August 2008**

|  | Cigarettes <sup>1</sup><br>(SCG code 2402.20) | Cigars<br>(SCG code 2402.10) | Manufactured<br>tobacco, fine cut <sup>2</sup><br>(SCG code 2403.10.2) | Manufactured<br>tobacco, pipe tobacco<br>(SCG code 2403.10.1) | Non-manufactured,<br>tobacco, leaf <sup>3</sup><br>(SCG code 2401) |
|--|---|------------------------------|--|---|--|
|  | thousands                                     |                              | kilograms  |   |  |
| Opening inventory  | 1,905,900                                     | x                            | 120,884  | .   | 0  |
| <b>Total production</b>  | <b>1,396,651</b>                              | <b>x</b>                     | <b>61,225</b>  | .   | <b>0</b>   |
| <b>Total sales</b>   | <b>1,509,406</b>                              | <b>x</b>                     | <b>57,077</b>  | .   | <b>0</b>   |
| Domestic sales   | 1,172,765                                     | x                            | 56,398   | .   | 0  |
| Sales to ships, air stores, and<br>foreign embassies in Canada | x   | x                            | 640  | .   | 0  |
| Exports <sup>4</sup>   | x   | 0                            | 39   | .   | .  |
| Adjustments  | x   | 0                            | -564   | .   | .  |
| Closing inventory  | 1,788,002                                     | x                            | 124,468  | .   | 0  |
| <b>Year-to-date</b>  |   |                              |  |   |  |
| <b>Total production</b>  | <b>12,235,048</b>                             | <b>x</b>                     | <b>552,595</b>   | .   | ..   |
| <b>Total sales</b>   | <b>11,838,276</b>                             | <b>x</b>                     | <b>516,520</b>   | .   | ..   |
| Domestic sales   | 9,155,471                                     | x                            | 510,307  | .   | ..   |
| Sales to ships, air stores, and<br>foreign embassies in Canada | x   | x                            | 3,495  | .   | ..   |
| Exports <sup>4</sup>   | x   | x                            | ..   | .   | .  |
| Adjustments  | x   | x                            | -28,191  | .   | .  |

1. Cigarettes which contain tobacco including both regular and king sized, as well as filtered and plain varieties.
  2. Fine cut smoking tobacco intended for cigarettes.
  3. Non-manufactured leaf tobacco packaged for retail sale.
  4. The quantity of goods produced and sold by Canadian manufacturers to foreign markets which are not subject to excise duty.
- Note(s):** Standard classification of goods (SCG) code.

**Table 2**  
**Production and disposition of tobacco products, July 2008**

|  | Cigarettes <sup>1</sup><br>(SCG code 2402.20) | Cigars<br>(SCG code 2402.10) | Manufactured<br>tobacco, fine cut <sup>2</sup><br>(SCG code 2403.10.2) | Manufactured<br>tobacco, pipe tobacco<br>(SCG code 2403.10.1) | Non-manufactured,<br>tobacco, leaf <sup>3</sup><br>(SCG code 2401) |
|--|---|------------------------------|--|---|--|
|  | thousands                                     |                              | kilograms  |   |  |
| Opening inventory  | 2,355,633                                     | x                            | 146,816  | .   | ..   |
| <b>Total production</b>  | <b>1,270,621</b>                              | <b>x</b>                     | <b>56,027</b>  | .   | ..   |
| <b>Total sales</b>   | <b>1,680,543</b>                              | <b>x</b>                     | <b>66,322</b>  | .   | ..   |
| Domestic sales   | 1,337,219                                     | x                            | 65,865   | .   | ..   |
| Sales to ships, air stores, and<br>foreign embassies in Canada | x   | x                            | 457  | .   | ..   |
| Exports <sup>4</sup>   | x   | x                            | ..   | .   | .  |
| Adjustments  | x   | x                            | -15,637  | .   | .  |
| Closing inventory  | 1,905,900                                     | x                            | 120,884  | .   | ..   |
| <b>Year-to-date</b>  |   |                              |  |   |  |
| <b>Total production</b>  | <b>10,838,397</b>                             | <b>x</b>                     | <b>491,370</b>   | .   | ..   |
| <b>Total sales</b>   | <b>10,328,870</b>                             | <b>x</b>                     | <b>459,443</b>   | .   | ..   |
| Domestic sales   | 7,982,706                                     | x                            | 453,909  | .   | ..   |
| Sales to ships, air stores, and<br>foreign embassies in Canada | x   | x                            | 2,855  | .   | ..   |
| Exports <sup>4</sup>   | x   | x                            | ..   | .   | .  |
| Adjustments  | x   | x                            | -27,627  | .   | .  |

1. Cigarettes which contain tobacco including both regular and king sized, as well as filtered and plain varieties.
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  4. The quantity of goods produced and sold by Canadian manufacturers to foreign markets which are not subject to excise duty.
- Note(s):** Standard classification of goods (SCG) code.

**Table 3**  
**Production and disposition of tobacco products, August 2007**

|  | Cigarettes <sup>1</sup><br>(SCG code 2402.20) | Cigars<br>(SCG code 2402.10) | Manufactured<br>tobacco, fine cut <sup>2</sup><br>(SCG code 2403.10.2) | Manufactured<br>tobacco, pipe tobacco<br>(SCG code 2403.10.1) | Non-manufactured<br>tobacco, leaf <sup>3</sup><br>(SCG code 2401) |
|--|---|------------------------------|--|---|---|
|  | thousands                                     |                              |  | kilograms   |   |
| Opening inventory  | 1,609,126                                     | x                            | 218,632  | .   | ..  |
| <b>Total production</b>  | <b>1,593,183</b>                              | <b>x</b>                     | <b>81,288</b>  | .   | ..  |
| <b>Total sales</b>   | <b>1,543,894</b>                              | <b>x</b>                     | <b>82,706</b>  | .   | ..  |
| Domestic sales   | 1,291,330                                     | x                            | 80,608   | .   | ..  |
| Sales to ships, air stores, and<br>foreign embassies in Canada | x   | x                            | 694  | .   | ..  |
| Exports <sup>4</sup>   | x   | ..                           | 1,404  | .   | ..  |
| Adjustments  | x   | x                            | -73,878  | .   | ..  |
| Closing inventory  | 1,625,418                                     | x                            | 143,336  | .   | ..  |
| <b>Year-to-date</b>  |   |                              |  |   |   |
| <b>Total production</b>  | <b>11,834,183</b>                             | <b>x</b>                     | <b>779,310</b>   | .   | ..  |
| <b>Total sales</b>   | <b>11,575,291</b>                             | <b>x</b>                     | <b>796,104</b>   | .   | ..  |
| Domestic sales   | 9,441,552                                     | x                            | 785,172  | .   | ..  |
| Sales to ships, air stores, and<br>foreign embassies in Canada | x   | x                            | 4,492  | .   | ..  |
| Exports <sup>4</sup>   | x   | x                            | ..   | .   | ..  |
| Adjustments  | x   | x                            | -95,192  | .   | ..  |

1. Cigarettes which contain tobacco including both regular and king sized, as well as filtered and plain varieties.

2. Fine cut smoking tobacco intended for cigarettes.

3. Non-manufactured leaf tobacco packaged for retail sale.

4. The quantity of goods produced and sold by Canadian manufacturers to foreign markets which are not subject to excise duty.

**Note(s):** Standard classification of goods (SCG) code.

## Concepts, methodology and data quality

This publication presents the results of the survey, Production and Disposition of Tobacco Products. This survey measures, on a monthly basis, the quantities of tobacco products that are produced and sold by Canadian manufacturers. The target population for this survey includes all manufacturers in Canada of cigarettes and other tobacco products as defined in the Standard Classification of Goods (SCG) that report these products to the Annual Survey of Manufactures and Logging or ASML (Survey 2103). This means that estimates from this monthly survey do not cover the entire universe of tobacco producers in Canada because the ASML does not survey all businesses. Instead, the ASML uses administrative data to cover the small and medium-sized establishments. These manufacturers are not part of this survey.

### General methodology

Data are collected each month, directly from survey respondents using a mail-out / mail-back process. Data capture and preliminary editing are performed simultaneously to ensure validity of the data. Businesses from whom no response has been received or whose data may contain errors are followed-up by telephone or fax.

Missing data for the current month are imputed automatically by applying to the previous month's value, the month-to-month change observed for the same period in the previous year, for the unit in question. However, an option exists for analysts to manually override this imputation with a better estimate based on pertinent knowledge about the industry or the business.

Various confidentiality rules are applied to all data before they are released to prevent the publication or disclosure of any information deemed confidential. If necessary, data are suppressed to prevent direct or residual disclosure of identifiable data.

Direct disclosure could occur when the value in a tabulation cell is composed of a few respondents or when the cell is dominated by a few companies. Residual disclosure could occur when confidential information can be derived indirectly by piecing together information from different sources or data series.

Under normal circumstances, data are collected, captured, edited, tabulated and published within 4-5 weeks after the reference month.

### **Revisions**

Data may be revised to include amended information or reports from respondents that are received after the end of a collection cycle. Revisions are disseminated in subsequent periods and reflected in the CANSIM series and in the tables of this publication

### **Data Accuracy**

The methodology for this survey has been designed to promote data accuracy. Since data are collected from all Canadian producers of tobacco products within the target population, the resulting estimates are not subject to sampling error. However, the results are still subject to non-sampling errors associated with coverage, non-response, inaccurate reporting, and processing. Errors relating to coverage and non-response can be measured. All attempts are made to control inaccurate reporting and processing errors.

Moreover, the data are analyzed for consistency by comparing to historical series and economic conditions in the industry. Information available from other sources, such as the media and Monthly Survey of Manufacturing or MSM (Survey 2101) are also used in the validation process.

### **Coverage errors**

There is a degree of under coverage (referred to as coverage error) in the survey results as there is generally a lag between the time a new business comes into existence and when it is included in the universe of this sub-annual survey. This occurs because the list of businesses surveyed is derived from the latest available survey results for the ASML which are not available until 15 months after the reference period.

This under-coverage is however, kept at a minimum by using advance information from the ASML frame, feedback from the MSM and other sources such as trade journals and newspaper articles.

Based on the ASML 2004 (latest available survey results), the coverage error for the Production and Disposition of Tobacco Products survey was estimated at 0%.

### **Non-response:**

Some respondents may be unable to provide data for numerous reasons (i.e. fire, theft, strike, economic hardship, etc.), while others may be too late in responding. To minimize non-response, delinquent respondents are followed up rigorously by phone or FAX. Data for the non-responding units are imputed using industry trend and other related information. Data are revised at a later date, if completed questionnaires are received after the end of a collection cycle.

The average non-response error for the Production and Disposition of Tobacco Products survey was estimated at less than 1% for 2005 (the last completed cycle).

**Inaccurate response:**

Inaccuracy may result from poor questionnaire design or an inability on the part of respondents to provide the requested information or from misinterpretation of the survey questions. To reduce such errors, the format and wording in the questionnaire are reviewed from time to time and modified based on feedback from survey respondents and data users. Respondents are also reminded of the importance of their contribution and of the need for accurate reporting.

**Processing errors**

These errors may occur at various stages in the processing of survey data such as data entry, verification, editing and tabulation. Data are examined for such errors using automated edits along with an analytical review by subject matter experts. Several checks are performed on the collected data, to verify internal consistency and comparability over time.

**Definitions****Total production**

Total production refers to the quantity of goods manufactured in Canada during the reference period. These goods may be sold in Canada, exported for sale in foreign markets or retained in inventory.

**Total Sales**

Total sales refer to the quantity of goods which are manufactured and sold in Canada with or without duties, as well as exported for sale in foreign markets.

**Domestic sales**

Domestic sales refer to the net quantity of goods manufactured and sold in Canada during the reference period which are subject to excise duty. Included are sales to wholesalers, retailers and institutions in Canada net of returns. Samples are also included.

**Sales to ships, air stores and foreign embassies in Canada**

These sales refer to the quantity of goods manufactured and sold in Canada which are not subject to excise duty. Included are sales to ships, to air and border stores as well as to foreign embassies in Canada.

**Exports**

These sales refer to the quantity of goods produced and sold by Canadian manufacturers to foreign markets which are not subject to excise duty. Included are sales to diplomats outside Canada, as well as transfers into inventories held outside Canada in the month the transfer took place. Sales from inventories held outside Canada are excluded.

**Inventory (Closing and opening)**

Only domestic inventory is measured by the tobacco survey. Inventory held outside of Canada by Canadian manufacturers is recorded as an export for the month in which the transfer into inventory takes place.

Closing inventory equals opening inventory plus total production plus adjustments less total sales.

## Adjustments

Adjustments include all non-sales transactions, such as those related to goods damaged, destroyed, stolen and reworked as well as to stock adjustments. These adjustments may be positive or negative.

More detailed information is available from the Annual Survey of Manufactures and Logging, CANSIM Table 301-0003. Specific enquiries should be directed to: The Marketing and Dissemination Section, Manufacturing, Construction and Energy Division, Statistics Canada, Ottawa, Ontario, K1A 0T6 (Telephone: 1-866-873-8789 or (613) 951-9497; Fax line: (613) 951-9499; Internet: [manufact@statcan.ca](mailto:manufact@statcan.ca)).

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### Symbols

The following standard symbols are used in Statistics Canada publications:

|                |  |
|----------------|--|
| .              | not available for any reference period   |
| ..             | not available for a specific reference period  |
| ...            | not applicable   |
| 0              | true zero or a value rounded to zero   |
| 0 <sup>s</sup> | value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded |
| P              | preliminary  |
| r              | revised  |
| X              | suppressed to meet the confidentiality requirements of the <i>Statistics Act</i>                                   |
| E              | use with caution   |
| F              | too unreliable to be published   |

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