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GPO Box 1170  
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## Motivations of home-grown tobacco (chop-chop) smokers

Tim R.L. Fry\*<sup>a</sup>, Linda Grahlmann<sup>a</sup>, Tristan Masters<sup>a</sup> and Campbell Aitken<sup>b</sup>

<sup>a</sup> School of Economics, Finance and Marketing, RMIT University, Melbourne

<sup>b</sup> Centre for Epidemiology and Population Health Research, Macfarlane Burnet

Institute for Medical Research and Public Health, Melbourne

\* **Corresponding Author:** Professor Tim R.L. Fry, School of Economics, Finance & Marketing, RMIT University, GPO Box 2476V, Melbourne, Victoria 3001, Australia.  
Email: [tim.fry@rmit.edu.au](mailto:tim.fry@rmit.edu.au)

**Abstract:** Survey evidence suggests that over a third of Australians are aware of unbranded tobacco (chop-chop); however, such data does not tell us why smokers choose to smoke chop-chop. We present results from a qualitative study of chop-chop smokers, particularly focusing on our participants' motivations for smoking chop-chop relative to licit tobacco. Our results show that economic factors play a large role in the decision to smoke illicit tobacco.

**Keywords:** illicit tobacco, chop-chop, motivations

# 1 Introduction

Australia is the only nation in the world that licenses tobacco growers. Every aspect of the growing, cultivation and distribution process, from the sale of seed to the sale of the finished tobacco product is highly regulated (Bittoun, 2004). Australian growers are organised into co-operatives that distribute tobacco to manufacturers, namely British American Tobacco Australia Limited (BAT), which accounts for 45% of the Australian tobacco market, Imperial Tobacco Group (15%), and Phillip Morris (40%). A combination of excise tax and GST accounts for approximately seventy per cent of the cost of legal tobacco products (ANAO, 2002; Bittoun, 2004). Excise is paid to the Australian Taxation Office (ATO) when tobacco leaves the manufacturer, and sales tax is levied on the consumer when it is purchased from a retailer (Bittoun, 2004). In 1998, a 'per stick' excise was implemented on legal tobacco; in 2006, the rate of excise on each cigarette with a tobacco content of up to 0.8g was 23.259 cents (approx. US\$0.20 in December 2007) (Health and Ageing, 2006).

In 2004-05, the efforts of fewer than 150 Australian tobacco growers earned the federal government \$5.21 billion in taxes (ATO, 2005). However, the sale of 'chop-chop' costs the federal Government approximately \$200 million per annum in excise loss alone (Bittoun, 2004). 'Chop-chop' refers to illicit, unbranded loose tobacco, which bypasses the regulated channels of tobacco manufacture and sale, including taxation and excise mechanisms (Bittoun, 2004), and thus can be sold illegally for a greatly reduced price to the consumer. Chop-chop is currently widely available in Australia, sold in plastic bags from delicatessens, markets, pubs and from cars parked in back streets. (Geis, 2005).

While current levels of excise in Australia are regarded as being in line with those in other developed nations, for example European Union countries (Merriman, 2006), conventional wisdom states that demand for chop-chop is driven by its lower price compared to legal tobacco products. Bittoun (2004) reported the price of chop-chop in Sydney in 2003 being \$90 per 500g. By comparison, in 2003 the ATO estimated the price of legal hand-rolled or 'roll-your-own' tobacco as being \$320 per kg (ATO, 2003). Margins on chop-chop are so high due to the absence of tax that distributors will pay growers around \$6,000 per 105 kg bale of tobacco – ten times more than

cigarette manufacturers, who currently pay growers around \$600 per bale (Geis and Houston, 2004).

On October 27, 2006 the Australian Federal government, in conjunction with Philip Morris, announced that all commercial tobacco cultivation in Victoria (and therefore, Australia) would cease by mid-2008 (Australian Broadcasting Corporation, 2006). This was the latest in a series of efforts to dismantle the tobacco farming industry in Australia going back as early as 1994, when the Victorian Government allocated incentives of \$3 million to growers to voluntarily leave the industry. In the same year the entire New South Wales tobacco-growing enterprise was dismantled by a similar approach. The recent decision to stop commercial tobacco cultivation in Victoria, hence in Australia, is likely leave backyard operators and small-scale market gardeners the only producers; however, assuming that demand for chop-chop remains constant on account of the price discrepancy between legal and illegal tobacco products, it is reasonable to assume that untaxed tobacco will be continue to be smuggled illegally into Australia, probably in much greater quantity to compensate for the decrease in local product. Thus the tax burden associated with illicit tobacco use is likely to persist to an as yet unknown extent.

As described briefly above, there is a small body of Australian literature on illicit tobacco, its economic costs, and strategies to lessen the impact of the illegal trade; what is lacking is information about chop-chop consumers and their motivations . Building on figures from the 2004 National Drug Strategy Household survey (AIHW, 2005), this paper aims to determine recent characteristics of individuals who are aware of or who currently use chop-chop. Furthermore, this paper tests the hypothesis that the primary motivation for chop-chop use in Australia is its low cost in comparison to legal, branded tobacco. The results presented in this paper are drawn from focus groups conducted in order to extract new information regarding health-related and economic perceptions of chop-chop use.

## **2 National Drug Strategy Household Survey Data**

The 2004 National Drug Strategy Household Survey (NDSHS) (Australian Institute of Health and Welfare, 2005) surveyed over 29,000 Australians aged 14 years and over about their illegal and legal drug use. In this section we present results of analysis based on the small number of questions in NDSHS that relate to chop-chop.

The NDSHS asks whether respondents have “seen or heard of unbranded loose tobacco (also called ‘chop-chop’) sold in plastic bags or rolled into unbranded cigarettes”. Table 1 shows the awareness of chop-chop across States and Territories.

**Table 1: Awareness of chop-chop by State and Territory, 2004**

<b>State/Territory</b>	<b>% Aware</b>
New South Wales	28.9
Victoria	50.2
Queensland	46.5
Western Australia	20.1
South Australia	27.0
Tasmania	32.8
Australian Capital Territory	34.7
Northern Territory	33.3
<b>Total</b>	<b>36.4</b>

The data show a high level of awareness of chop-chop amongst the general public, with 36.4% of surveyed individuals reporting an awareness of this form of tobacco. Levels of awareness of chop-chop are highest in Victoria and Queensland; this is likely due to the fact that they are the only states in which tobacco has recently been legally grown in Australia. The table also demonstrates relatively low levels of chop-chop awareness among residents of Western Australia and South Australia.

Large differences in awareness are also evident by both gender and age, with awareness highest in men and women aged 20-29, and for males overall (table 2).

**Table 2 – Percentage awareness of chop-chop by age and gender**

<b>Age Group</b>	<b>Male</b>	<b>Female</b>
14 – 19	35.2	40.4
20 – 29	50.7	46.3
30 – 39	49.5	36.2
40 – 49	44.9	35.4
50 – 59	43.3	31.4
60 +	31.1	20.1
<b>Total</b>	<b>41.6</b>	<b>33.4</b>

Interestingly, in contrast to the expectation that the price advantage of chop-chop would appeal more strongly to lower-income Australians, awareness does not differ much by personal income level (table 3).

**Table 3: Awareness of chop-chop by personal pre-tax income**

<b>Personal income (Aus\$ p.a.)</b>	<b>% Aware</b>
100,000 +	39.5
60,000 – 99,999	42.7
40,000 – 59,999	39.6
20,000 – 39,999	38.4
12,000 – 19,999	35.8
6,000 – 11,999	39.6
1 – 5,999	28.4
Nil Income	26.4
Unknown/Prefer not to say	30.0

Amongst those reporting awareness of chop-chop 23.7% also report having ever smoked it, yielding an estimate that 8.6% of the Australian population that has smoked chop-chop. Amongst those who report having smoked chop-chop the vast majority - 95% - either no longer uses it or uses it occasionally. Unfortunately these proportions yield sample sizes much too small to examine differences in usage by age, gender and income in the NDSHS.

The NDSHS data provide us with an indication of demographic features of the Australian population who are aware of chop-chop; they do not reveal why people use chop-chop, nor their views on the product. The remainder of this paper examines some primary data collected to shed light on some of these issues.

### **3 Research Methods**

Part of our research is generative in that we wish to explore both motivations and perceptions concerning use of chop-chop. Qualitative data, in this case from focus groups, is ideal for such research. The data are useful both for what they reveal about Australian participants in this illicit market and for our design of a national telephone survey conducted in the first half of 2007. Herein we deal solely with the analysis of qualitative focus group data.

Qualitative data relating to tobacco and particularly chop-chop use were collected at three focus groups in central Melbourne (capital of the state of Victoria, Australia) over three consecutive weeks in September 2006. Full details of the recruitment and data collection procedures can be found in Aitken, Fry, Grahlmann & Masters (2008).

Ethics approval for the research was obtained from RMIT University ethics committee in June 2006.

A total of 24 (8 per group) participants took part in the focus groups. All were regular smokers, with 23 smoking every day and one smoking 3-4 days a week. Of our 24 participants, 23 were regular chop-chop users and one had smoked chop-chop in the past but was no longer doing so. Most participants had been smoking for 15 years or more; one participant had smoked for over 50 years. The majority of our participants were male (20/24) and most reported low income – less than AUS\$400 per week – and were either unemployed or employed in casual/part-time positions. The age range of participants was 18 to 55 with most aged 25-34 years.

The participants took part in discussions lasting approximately one hour in which they were asked about their tobacco smoking histories, their motivations for smoking chop-chop, and their experiences smoking it relative to licit tobacco. Discussions were audio-recorded and subsequently transcribed, then the results were coded and analysed using NVIVO software. The NVIVO analysis revealed no differences in themes between the focus groups and so in the sections below no distinction is made between participants from different focus groups.

## **4 Results**

This section contains the main findings which emerged from the focus group discussions. We present data regarding the availability and recent purchase prices of various quantities of chop-chop by focus group participants, to illustrate the current price difference between chop-chop and legal tobacco. These price data inform the analysis which aims to determine the extent to which the lower price of chop-chop is a motivation for its consumption. Following the discussion of availability and price, we present extracts from the focus group data about the influence of price on users' decisions to smoke chop-chop. Data are also presented on other motivations for chop-chop use.

### **4.1 Availability**

One theme which emerged from the focus group data surrounded the availability of chop-chop, and whether it had recently become more widely available or prevalent.

As the following two extracts from the focus group data show, several participants mentioned a recent increase in the availability of chop-chop.

*(Respondent) "It [chop-chop] has only been, in my life, like, five or seven years where it has been readily available. Like, before that it was unknown to me. I didn't know that I can just go and buy it. I would have been saving money a lot sooner. But yeah, over the last five or seven years, probably a bit longer, it has become, you know, cheap and easy to get. So - yeah. That is why I sort of converted ..."*

*Interviewer: "Is it more freely available - are there more people aware of it and smoking it than a few years ago?"*

*R: Yeah, definitely, yeah.*

*R: I mean even our son, he smokes um, chop-chop preferably than - than the rollies".*

Conversely, some participants felt that chop-chop was becoming increasingly difficult to purchase (arguably showing that availability is far from uniform) .

*R: "I don't have a habit of buying chop-chop fortnightly. It is freely available, but not the times that I go outside.*

*R: I find it a bit hard to get, now, too. There are not as many places that used to sell it ..."*

*R: They shut a lot.*

*R: Yeah".*

While the majority of respondents felt that chop-chop was becoming more widespread, our data also show that the retail outlets where chop-chop is available are often very selective in terms of to whom they will sell, as the following two quotes demonstrate:

*R: "You've got to know somebody to know somebody basically... and if you're not told where it is - well, then you're not sure ... you can't get it".*

*R: "They sell to the regulars. You can't just come in as a stranger - they won't sell it".*

*R: The tobacco shop[s] have got some regular chop-chop, but they sell it to their regulars”.*

## **4.2 Price and Quantity**

A key issue is how users obtained chop-chop and in what form it was bought. Our participants had bought chop-chop or seen it purchased in bags of loose tobacco and pre-packed chop-chop cigarettes. Focus group participants reported varying prices for the same quantities of chop-chop.

*I: “So you were just saying you get a kilo for ...*

*R: \$50. Half a kilo is \$20 to \$30.*

*R: I bought some last week and I paid \$55 for half a kilo.”*

*R: “A kilo’s gone up from \$50 to \$60 in the last three years*

*R: When I started smoking it, a kilo was only like I think about \$18, \$16 or something a kilo, you know.”*

*R: “The price goes up and down. It has actually come down. At one stage I was paying \$62 last year.*

*I: for a kilo?*

*R: [Yes] - it is down now to \$55, now I think \$55, all this year.”*

Two respondents described buying chop-chop in much smaller quantities. The extracts below show that, in addition to kilo and half-kilo bags, chop-chop is sold in bags which are comparable in size to legal ‘roll-your-own’ tobacco:

*R: “Yeah. I can get \$5 bags of Chop-Chop, and they are about the same [as a pouch of loose legal tobacco]. They are about 50 grams”.*

*R: “I am getting about – 30 and 50 gram bags for \$5. So that would cost me between \$12 and \$18 to buy production tobacco.”*

Another way is to purchase chop-chop tobacco packed into prefabricated paper tubes, complete with filters.

*R: “There is a place [where I can get]... a hundred home made chop-chop [cigarettes] - in a box [for] \$20.”*

Although this is a very small sample of consumers, these data suggest that;

- prices for a kilo of chop-chop in Melbourne, in late 2006, varied from \$50 to \$85, while half a kilo cost from \$20 to \$65
- A 50g pouch of chop-chop seems to be standard at \$5.
- Pre-packed chop-chop cigarettes can be purchased in boxes of 100 and are around \$20 a box.

These prices are approximately one third of those of legal cigarettes, which cost about \$15 for a packet of 40 cigarettes or \$20 for loose tobacco in packs of 30grams. It is important to notice that this is an approximation, as the prices for chop-chop vary by the amount bought. That means, the higher the quantity the lower the prices, and vice versa. Prices of chop-chop quoted by focus group participants are presented in Table 4 below.

**Table 4: Prices and Quantities of Chop-chop**

<b>Reported Price</b>	<b>Weight</b>	<b>Pre-rolled</b>
\$5	50g	
\$20 - \$65	500g	
\$50 - \$85	1000g	
\$20		100 cigarettes

### **4.3 Is price the purchase trigger?**

The considerably lower price of chop-chop relative to licit tobacco was repeatedly noted by focus group participants. While we showed in the previous section that there was some variation in the purchase price of chop-chop, many participants claimed that the low price compared to legal tobacco was a key motivation for smoking chop-chop:

*R: “It is so cheap. It is a lot cheaper than buying a pouch that will last a couple of days, you get a pouch of illicit tobacco and it will last the week, you know” and it is half the price, if not like a quarter. You are mad if you don’t.”*

R: *“[I used to buy] three packets [of licit tobacco] at about \$12 each [so] \$36 for the week, and now I buy one [bag of chop-chop] for \$20, so I’m saving ... \$16 a week.*

R: *“[If you] buy it from the shop you’re paying \$20-odd for a pouch of 50 gram pouch – where[as] I pick up a quarter of a kilo for \$35 and it lasts me two or three weeks”*

R: *“Probably for 20 years, smoking, and only tobacco in the last 10. And mostly, like, produced tobacco. Drum, White Ox, stuff like that. But over the last five years with the Chop-Chop, just as an economical choice, mostly”.*

R: *“[I was] forced into smoking Chop-Chop through financial situations, you know? [...] They used to sell fifteens [a packet of 15], Peter Jackson's [...for] like a couple of bucks of something. And these days, you know, you buy a packet of Peter Jackson's for what, nearly 15 bucks, or 10 bucks or something, you know? So I got forced into it.*

R: *“I pick up a quarter of a kilo for \$35 and it lasts me two to three weeks, [...] and I found it really good. I like chop-chop. You know, but I smoke purely for the economical part of it, do you know what I mean”.*

R: *“I used to smoke um, tailor makes, but of late it's been ah chop-chop, 'cause things are just gettin' dearer and dearer, you know, everything just - price wise, just general cost of living is getting just far too expensive. So I've been going to chop-chop. I know it's a bit harsher and a bit coarser on the old throat and everything else, but when ah push comes to shove, you've gotta save money where you can save money, you know - so just being going chop-chop lately”.*

These extracts support our contention that demand for chop-chop is driven by its low price compared to legal forms of tobacco.

#### 4.4 Response to price

When we asked participants what they would do if the price of legal tobacco fell to half its current level, opinions were split. Some stated they would switch to licit tobacco immediately:

I: *"...if tailor-mades came down to half price tomorrow?"*

R: *I'd be snapping them up.*

R: *YEAH!"*

R: *Tailor-mades? Yeah, I love my tailor-mades."*

However, some respondents were not sensitive to price, claiming they would not switch to legal, tailor-made cigarettes even if they came down in price:

R: *"I wouldn't go back to tailor-mades, even if they came down. Not now:"*

R: *"I'd still buy the Chop-Chop.*

R: *Yeah, I prefer the taste, and it would still be cheaper, I think. Even if [legal tobacco] came down to half price".*

#### 4.5 Affordability Issues

Previous studies by Taylor, Langdon & Campion (2001) and Wiltshire, Bancroft Amos and Parry (2005) have shown that affordability is a strong driver of the use of illicit forms of tobacco - meaning the combination of low price, low income and the need to budget personal expenditures determines the usage of such forms of tobacco. Our focus group data provide support for this finding.

R: *"And now that cost of everything - not of just cigarettes, but of everything - living in general, going up - more people will turn to it. And I think that's one of the main reasons of it spreading, `cause you know, at the end of the day food and everything else has gotta come before your smoking habit, so - if the cost of living goes up, you're gonna have to try and find a cheaper alternative to smoking"*

R: *"Particularly kids too. I mean they have very limited, ah, incomes as well"*

R: *"So if it comes down to - and they've got a party on this weekend, they're - either have um - buy some cans and some chop-chop, or buy - you know, a*

*deck, and maybe one or two cans. Then you know, they're - they're pretty um, wise and smart as far as economics go too these days”*

*R: “Yeah, they have to be, they've got limited resources”*

#### **4.6 Other factors**

While economic motivations seemed most significant in terms of choosing between tobacco products, some participants identified other reasons for purchasing chop-chop. Of these, the more commonly mentioned reasons were taste and convenience.

As noted earlier, several focus group participants expressed a preference for the taste of chop-chop over legal tobacco products, so would continue to purchase chop-chop instead of licit tobacco regardless of price:

*R: “I'd still buy the chop-chop.*

*R: Yeah, I prefer the taste, and it would still be cheaper, I think. Even if they [tailor-mades] came down to half price.”*

*I: “...so it wouldn't matter how cheap the legal stuff became, some people wouldn't use it. [What] if [licit tobacco] came to the same price? You still wouldn't use it?”*

*R: No, I still wouldn't go back. I like my chop-chop.”*

*R: “And when I smoke it - I've smoked every brand of tobacco out there, and I reckon Chop-Chop shits on most rollies out there. I just like the way it tastes like tobacco, you know what I mean? [...] Chop-Chop is just raw and straight”.*

Nevertheless, other participants indicated a dislike for the taste of chop-chop:

*R: “It got to the point where some of them were too dark, too heavy, I didn't like the taste of it so it made me feel pretty sick, so I went back to normal cigarettes and I'm just smoking normal tailor makes now but, yeah, chop-chop I used for practicality reasons, being cheaper”*

The issue of convenience associated with legal tobacco was a consideration for some chop-chop users, as one participant noted:

*R: "I think all things being equal, if they were all the same price, there was no difference ... I would smoke branded. Only for convenience, because I can't be bothered rolling it."*

*R: "It is ease."*

*R: And just - when you have a cigarette while you are driving, instead of [...] trying to steer with your knees or whatever".*

## **5 Concluding Remarks**

While chop-chop use in Australia is a significant concern from a government perspective due to lost taxation revenue, little is known about the motivations for chop-chop consumption in Australia. Data analysed in this paper were drawn from a focus group study with individuals with histories of smoking chop-chop. The results show that chop-chop was regarded as having become more available in recent years, and that there is significant fluctuation in the price of chop-chop by weight. The data presented in this paper strongly suggest that economic considerations are paramount for most chop-chop smokers – that chop-chop's lower price is its greatest attraction. Factors such as taste and convenience are minor influences on purchase decisions. Some chop-chop smokers would revert to smoking legal tobacco if there was parity, or near-parity, in price between legal and illegal tobacco; however, in such circumstances some smokers would continue to smoke chop-chop. These results underpin our nationwide telephone survey of tobacco and chop-chop smokers (analysis of which is ongoing), and provide a new understanding of the motivations of Australian illicit tobacco users.

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