



DAILY NEWS CLIPS

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NEW STATE LAW SHUTTERS ROLL-YOUR-OWN SHOPS

By Sally York

Argus-Press (MI)

June 14, 2012

Rollin' Smokes customer Ryan Dankert of Owosso liked rolling his own cigarettes on the store's machines for about half the price of prepackaged smokes.

"This was saving me money, and now it's gone," Dankert said Wednesday. "I think it's rotten."

Dankert was referring to the state House of Representatives passing SB 930 last week, a bill that defines roll-your-own shops as cigarette manufacturers subject to the same hefty taxes levied against the big tobacco companies.

The bill — waiting only for Gov. Rick Snyder's signature to become law — is likely to shut down roll-your-own operations in 31 stores across the state, including Rollin' Smokes, 201 W. Main St.

"We can't afford to pay that tax," said owner Rob Bitz. "And we don't qualify for a manufacturer's license (issued by the federal government). I'm pretty upset about this."

Bitz said he's planning a blowout sale on roll-your-own smokes and extending store hours to give customers a chance to stock up. But once the law is in effect, his machines — two in each of his three stores, totaling \$195,000 — will be turned off for the last time.

"We're going to keep rolling until we get a notice from the (state) Department of Treasury," he said.

Even after the rolling stops, Bitz said he's "going to try" to keep Rollin' Smokes and his other stores in Flint and Lansing open as tobacco shops, expanding their inventories with unique products. He does not know at this point if all of his employees will be able to keep their jobs, he said.

Rollin' Smokes cashier Tony Koan said he's concerned.

"Obviously, I don't like what's happened," he said. "If this doesn't work out as a tobacco shop, I could be out of a job."

Back in February, 36 state senators — including state Sen. Joe Hune, R-Howell — said yes to SB 930, with only two voting against. Last week, the vote was much closer: 58-49.

State Rep. Ben Glardon (R-Owosso) voted against the measure.

“What it came down to finally — and there were compelling arguments both ways — was that I was not totally convinced it was truly manufacturing,” said Glardon, who toured Rollin’ Smokes a few months ago to watch the process.

He said he’s not one to promote smoking, but doesn’t want to see any small businesses shuttered.

“I’m hoping they’ll be able to offset this and continue to employ people and put food on their table,” Glardon said.

Bitz and other self-service cigarette shop owners have been aggressively fighting SB 930 since it was introduced in February, arguing that they and their customers are not manufacturers, the shops do not compete with big tobacco and they invested hundreds of thousands of dollars relying on existing law.

The fight, Bitz said, is not over.

“We have our attorneys all over this thing,” he said. “These guys aren’t getting off scot-free.”

Longtime customer Kristina Villasurda of Owosso said she’s rooting for the roll-your-own shops.

“I don’t think it’s fair,” she said. “I’m going to have to start buying them at the store again — I don’t have a choice.

“Where’s the smoker’s rights? I guess we don’t have any.”

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QUINN SIGNS \$2.7B MEDICAID CUTS, CIGARETTE TAX

By Bill Cameron

WLS 890-AM (Chicago, IL)

June 14, 2012

Illinois Gov. Pat Quinn achieved one of his top legislative priorities Thursday, signing a \$2.7 billion package of cuts and taxes designed to repair a long-term deficit in the state's Medicaid program.

The Chicago Democrat signed five bills, including a tax increase on cigarettes of \$1 per pack and \$1.6 billion in Medicaid spending reductions.

"One of our most important missions in Springfield this year was to save Medicaid from the brink of collapse," Gov. Quinn said in a statement. "I applaud the members of our working group and of the General Assembly, who worked together in a bipartisan manner to tackle a grave crisis."

The cuts will mean leaner services for the state's 2.7 million Medicaid patients. More than 25,000 working parents will lose state-funded insurance coverage.

Opponents of the legislation have said the cuts will decrease access to health services and hurt the poor, elderly and disabled.

Illinois is eliminating extras such as regular dental care for adults. Medicaid will no longer cover visits to chiropractors and only people with diabetes can see podiatrists.

Eyeglasses will be limited to one pair every two years. Prior state approval will be required for wheelchair repairs, heart bypass surgery and obesity surgery. Patients will be limited to four prescription drugs per month without prior approval.

The cuts end a program called Illinois Cares Rx that helped nearly 200,000 senior citizens with prescription drug costs.

Investor-owned hospitals got a new tax break in the legislation, and nonprofit hospitals, which were in jeopardy of losing valuable property tax exemptions because of an Illinois Supreme Court ruling, won a broad definition of charity care that will allow them to avoid paying property taxes.

Cook County's health system gained a clear path to federal matching money in an early Medicaid expansion tied to President Barack Obama's federal health care overhaul.

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QUINN SIGNS BILLS TO REDUCE HEALTH CARE, RAISE TOBACCO TAX

WGN News (Chicago, IL)
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Gov. Pat Quinn signed a package of bills into law Thursday that will slash health care coverage for the poor and hike cigarette taxes by \$1-a-pack to help pay for the struggling Medicaid program.

The \$1.6 billion in cuts to the program come amid the state's ongoing budget problems despite last year's major income tax increase.

"One of our most important missions in Springfield this year was to save Medicaid from the brink of collapse," Quinn said in a statement, adding. "we preserved our health care program that millions of our most vulnerable rely upon."

The package will take health coverage away from hundreds of thousands of lower income people on July 1st, unless they fall under stricter qualification standards.

The bills will also kill a prescription drug program for seniors.

Doctors and hospitals, that provide care to the poor, will be paid less.

The Illinois Department of Healthcare and Family Services has already sent out letters informing recipients that they will no longer qualify for care or face reduced services.

Quinn is also signing a bill that raises the state taxes on tobacco products by one dollar.

That additional revenue will also go toward funding Medicaid.

Opponents say that will push smokers to buy their cigarettes in neighboring states.

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SMOKERS: WE'LL EITHER PAY HIGHER TAX OR QUIT

By John Reynolds

The Springfield State Journal-Register (IL)

June 15, 2012

A few customers at Discount Tobacco, 1701 W. Wabash Ave., said the new \$1 increase in the state cigarette tax may be just the encouragement they need to kick the habit.

"I'm hoping that it will make me quit," said Springfield resident Colleen Sheeran. "I smoke a little less than a pack a day. An extra dollar every day would be tough on my budget. This is probably the little kick in the pants I need."

Sheeran was one of the customers who stopped by Discount Tobacco Thursday afternoon. Earlier in the day, Gov. Pat Quinn signed several bills, including the higher tobacco tax.

Chance Teater of Springfield doesn't like the tax hike.

"I understand that everybody is having money problems, but just taxing one set of people, it doesn't seem very fair," Teater said.

"It's too much money. It's insane," Teater said. "When you're addicted to something, you're addicted. It takes time and effort to get off it."

While he usually smokes Newport cigarettes, Teater said he was buying loose tobacco so he could roll his own.

"I'm trying to take a cheaper route. This is my first step toward quitting – rolling my own," Teater said.

Brett Ivers, another customer at Discount Tobacco, said she wasn't happy about the new tax, but prefers it to a higher tax on gasoline.

“Most people do need to buy gas, but this is choice,” Ivers said. “So, I’ll either decide that I want to continue smoking and pay it, or I will decide to quit.”

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LOCAL TOBACCO STORES BRACE FOR NEW STATE TAX

By Sarah Small

Suburban Life Publications (Villa Park, IL)

June 15, 2012

Some local tobacco retailers are worried Illinois’ plan to more than double the tax on cigarettes could put them out of business.

Illinois lawmakers recently approved a plan to raise taxes on cigarettes by \$1-a-pack, more than doubling the state’s previous cigarette tax, which was 98 cents.

Gov. Pat Quinn signed the bill Thursday morning, and the increase on all tobacco products, including roll-your-own cigarettes, chewing tobacco and pipe tobacco, will go into effect June 24.

“People are just going to go to other states to buy cigarettes and our business is going to be hurt very badly,” said Krishna Agarwan, owner of Lover Cigar, 176 N. York St. in Elmhurst. “They should match with the neighboring states.”

After the increase goes into effect, Illinois tax will be more than double the average tax per pack in Indiana, which is \$.995, according to Campaign for Tobacco-Free Kids.

The legislature hopes the increased tax will bring in \$350 million. The plan is part of Quinn and lawmakers’ efforts to come up with \$2.7 billion through cuts and new revenue for the state’s struggling Medicaid program. The measure also allows Illinois to gain another \$350 million from a federal government match to pay for taxpayer-subsidized healthcare for the poor.

Increasing the tax is also encouraged by anti-smoking groups, like the Campaign for Tobacco-Free Kids, because it has been shown to reduce the number of packs sold.

The organization concedes that some reduction in the number of packs sold in states that significantly increased its taxes was caused by interstate smuggling, and from smokers going to other lower-tax states to buy cigarettes, but said that the reduced consumption is more from smokers “quitting and cutting back.”

Elmhurst tobacco retailers such as Agarwan said they expect their customers to switch to cheaper brands, or make the drive to Indiana rather than quitting, potentially putting them out of business.

“We’re going to be affected,” said Rafiq Jaka, owner of York Cigarette Center, 573 York St. “If we don’t do business, we’ll close. That’s it.”

Little Shopper Cigarettes and Cigars clerk Mohammed Uddin said he expects the customers to decrease the amount they smoke when the price goes up, but not quit entirely, and was not concerned that the store would go out of business. Uddin said he thinks customers that come from Cook County to DuPage County to buy cigarettes will now just go to Indiana instead.

Current taxes, local and state, on a pack of cigarettes in the city of Chicago are \$3.66. Illinois was ranked as 32nd-highest among the states and the District of Columbia with its cigarette taxes. With the new tax, the state will rank as 16th-highest in the country. Neighboring Missouri has the lowest tobacco tax in the country, at 17 cents a pack.

At Al's Smoke Shop in Villa Park, which reopened last September at Ardmore Avenue and Park Boulevard, owner Robin Battaglia said she, too, is worried about the new cigarette tax, but there's another more pressing issue on her mind at the moment.

She usually gets between 25 and 50 cartons of cigarettes in her weekly shipment. This week she received zero cartons. In the two previous weeks, combined, she's only had 20 cartons come through, and right now the lack of merchandise is worrying her more than a new tax.

Battaglia said she was reluctant to place large orders of cigarettes for fear that the higher tax would deter people from buying them, but many of her competitors apparently had the opposite idea and stocked up. Now she's faced with not having the product her customers demand.

"My loyal customers have been coming here still, and they're willing to try other brands," she said. "People who aren't my regular customers have been coming here looking for their brands since the regular places are out."

As far as the new tax is concerned, she said it's not something she can worry about until she knows how the money will break down. Tobacco products aren't the only source of revenue at her business, and she plans to readjust what merchandise she sells, depending on how the tax ultimately affects sales.

"I'll wait and see what it costs, and see what comes of it," she said. "If they're raising taxes, these are luxury items, they're not necessary. I'd rather see this than my property tax increase, my food tax, gasoline tax, things people need."

Originally published here: http://www.mysuburbanlife.com/bensenville/topstories/x1106455793/Local-tobacco-stores-brace-for-new-state-tax?zc_p=1

UNEMPLOYMENT UP SLIGHTLY IN MAY

By Hugh McQuaid

Ct News Junkie

June 15, 2012

Despite adding 1,400 jobs in May, Connecticut's unemployment numbers ticked up a tenth of a percent to 7.8 percent, according to the Labor Department's monthly jobs report.

In the report, Andy Condon, director of DOL's Office of Research, said people may be sensing better employment prospects and attempting to re-enter the workforce.

"Growth in the civilian labor force, if it continues, is a sign that more people are actively searching for work and is significant since the labor force had declined four months in a row," Condon wrote.

In a statement, Gov. Dannel P. Malloy expressed cautious optimism and pointed out that Connecticut's unemployment rate is still below the national average of 8.2 percent.

"Given the fact that more people are trying to enter the workforce because they're more optimistic they can actually find a job, the change in the unemployment rate is not a surprise; we saw an example of that increase in job seekers just yesterday in Norwich," Malloy said.

"As I've said all along, changing an economy that failed to grow jobs in a meaningful way for a generation won't happen overnight. But I am committed to seeing this through," he said.

Peter Gioia, an economist from the Connecticut Business and Industry Association, said the jobs report showed "painfully slow" growth in the state's economy.

Gioia said there was good news in the report "but we're still 82,000 jobs behind where we were in March of 2008 and at this rate we've got a long, long way to go to get to where we need to be in terms of job growth in Connecticut."

The Labor Department report supports Gioia's assertion that the state is far from out of the woods with regard to the recession. Of the 117,500 non-farm jobs lost between March 2008 and February 2010, the state has recovered 34,900, or 29.7 percent. The private sector has fared a little better, having restored 39.6 percent of the 110,200 jobs lost during the recession.

The report notes that while the unemployment rate is up from where it stood in April at 7.7 percent, it's down substantially from last May when it was at 8.9 percent.

However, House Minority Leader Lawrence Cafero said the number is misleading.

"I personally believe unemployment is far higher," he said. "Many people have just stopped looking and they're not being counted. People are truly struggling out there."

Cafero acknowledged that global markets play a role in the state's economy and unemployment rates, but he said the state must take responsibility for what he called spending and policy problems.

As an example, he pointed to this week's special session during which lawmakers passed a bill aimed at helping job growth. Cafero questioned how much the bill, which primarily expands business eligibility for pre-existing jobs programs, will actually accomplish. But it was another provision packaged in the same bill that Cafero said made the state look "schizophrenic" to businesses.

"Right next to it in the same bill is an increase in taxes on roll-your-own cigarette shops that will essentially put them out of business," he said. "It's schizophrenic policy. We're doing nothing to help ourselves."

The governor anticipated criticism in his press release on the report.

“It’s going to be easy for critics to say that what we’re doing in our state isn’t working. But the facts tell a different story: the most recent report by the U.S. Bureau of Economic Analysis showed Connecticut’s economy grew faster than 41 other states in 2011,” he said. “So while it’s clear we have a lot more work to do, it’s also clear we’re in the process of turning this thing around.”

Cafero said comparative statistics don’t help struggling job seekers. He said he could produce statistics as well, like one naming Connecticut the 44th most business friendly state.

“With all do respect, I’m so tired with the governor’s desperate search for some statistic that makes Connecticut look better than anyone else,” he said.

The state should stop making excuses and get its fiscal house in order, Cafero said.

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SETTING THE RECORD STRAIGHT ON THE TOBACCO TAX CAMPAIGN

By Bill Wong

Capitol Weekly

June 14, 2012

The recent post in Capitol Weekly by Jakada Imani and Vien Truong representing the Ella Baker Center for Human Rights and the Greenlining Institute was filled with as many misstatements of the truth as the No on Prop. 29’s \$50 million tobacco industry funded campaign to mislead California voters.

Imami and Truong give credit to the No on Prop. 29 campaign for its token effort to enlist the few ethnic organizations that have funding ties to Big Tobacco to oppose Prop. 29. Of note, one of the few American Asian and Pacific Islander (AAPI) organizations to oppose Prop. 29 - the National Asian American Coalition (formerly the Mabuhay Alliance) - is a Greenlining Institute coalition member. At the same time, the authors totally ignore the fact that the No on 29 website was completely in English. In contrast, the Yes on Prop. 29 website featured pages for the African American, Latino and AAPI communities with downloadable information in Spanish, Chinese, Korean and Vietnamese. The Yes on Prop. 29 campaign developed specific strategies to reach out to and organize the LGBT, African American, Latino and AAPI communities.

Imami and Truong failed with their cursory attempt to examine the long list of ethnic community support for Prop. 29. No less than 29 respected AAPI community-based organizations, seven AAPI medical researchers and doctors and 29 AAPI local, state and federal elected officials were listed in support of Prop. 29. The complete list is available at www.californiansforacure.org/asianamerican. Similar lists can be found on the corresponding pages for African American, Latino and LGBT communities.

Furthermore, the Yes on Prop. 29's public relations campaign secured multiple broadcast stories and articles on AAPI support for Prop. 29 on KTSF, NTD TV, Sing Tao USA, World Journal, Rafu Shimpo, Nichi Bei Weekly, Chinese Times, among others. Editorials in support of Prop. 29 by prominent AAPIs like Dr. Paul Song were published in AAPI papers. More importantly, the Yes on Prop. 29 campaign engaged in a groundbreaking volunteer field effort that produced more 375,000 calls to voters throughout the state – of all backgrounds. Unlike many other campaigns, a portion of these calls were conducted in Spanish, Korean, Cantonese, Mandarin and Vietnamese.

Imami and Truong point to their efforts on Prop. 23 as the model for political success. However, political experience shows that the ethnic turnout model for a general election is far different than for a primary election where both presidential candidates have already locked in their party nominations. Historically, the former has the benefit of higher ethnic turnout and the latter has a lower turnout. Imami and Truong also conveniently ignore the collateral impact of the California Labor Federation's \$600,000 statewide campaign to reach out to hundreds of thousands of AAPI voters in November 2010 in support of Jerry Brown with poll-tested messaging and mail that focused on AB 32. Turnout for November 2010 was nearly 60 percent - the highest since the 1994 gubernatorial campaign. In stark contrast, turnout for June's primary was approximately 35 percent. To take credit for defeating Prop. 23 and criticize the Yes on Prop. 29's efforts to reach out to AAPIs at the same time in light of the significant difference in election scenarios is naïve at best and self-serving at worst.

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Ed's Note: Bill Wong is a political consultant with over 20 years of experience who worked on the AAPI outreach for Yes on Prop. 29 and the California Labor Federation's groundbreaking effort to reach AAPI voters in 2010 to support the election of Jerry Brown.

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WHY INVESTORS ARE NERVOUS ABOUT ALTRIA'S FUTURE

Seeking Alpha (National Stock Futures Blog)

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The tobacco industry has been incredibly popular since its inception. It is a well-known fact that people all over the world make use of, and enjoy, the easy access that they have to tobacco in its various forms. Once seen as an exotic past-time signifying wealth or travel, smoking is now a habit that transcends class, economic and cultural boundaries.

In more recent years, links between smoking and life-threatening diseases such as lung cancer have caused significant controversy, and in countries across the world, smoking in public places has been banned, and could lead to prosecution.

Additionally, health warnings have appeared on cigarette packaging, some including graphic images of diseased body parts affected by smoking. So in the modern world, when more and more people are

turning away from smoking in order to improve and preserve their health, how are leading tobacco companies such as Altria (MO) faring?

Currently, Altria's stock is trading at around \$33, with strong cash flow and a lower share price in comparison to other competing companies providing 'sin' goods. Price-to-earnings ratio presently stands at 19.81, slightly behind the than the 18.55 that Reynolds American (RAI) can offer at a higher price per share. Although one of Altria's main brands, Marlboro, represents four of every 10 cigarettes bought and smoked in the US, Reynolds has an impressive stable of brands to offer. So, in a market which is seeing such widespread prosperity, will Altria be able to hold its own against its competitors?

Unfortunately, Altria has been bombarded with criticism recently after it made a decision to continue supporting the American Legislative Exchange Council (ALEC), a group which allows key figures in large corporations to have an input on state law and legal matters. Altria has come under fire because of its involvement in the ALEC, which is thought to be responsible for passing the gun law in the state of Florida which led to the shooting of Trayvon Martin earlier this year. Considering that Altria has to pay dues on an annual basis to remain a part of the ALEC, and that other key companies such as PepsiCo (NYSE: PEP) have withdrawn from the ALEC after it became the subject of severe criticism, Altria's decision to remain a member of the group may not benefit the company's public image. Whatever Altria's motivations for being a member of the ALEC, Altria needs to consider how its associations with the group will impact upon its consumer and public relations.

Additionally, Altria's leadership has come under fire recently after news reports claimed that the company's CEO received millions of dollars in a payout at the end of the financial year of 2011. The CEO, Michael E. Szymanczyk, apparently received a sum of \$10.2 million - and although this is about half of what he received the previous year, Szymanczyk and other leading figures in the company are being criticized for giving and receiving such payouts when Altria's net income has fallen by 13%.

Not only that, but Altria's leadership has faced instability since Szymanczyk retired in May, shortly after performing his last shareholder meeting. Although a new CEO has been chosen to replace Szymanczyk since, Martin J. Barrington, I expect that the loss of Szymanczyk will come both as a shock and a disruptive force to the functioning of the company, and unless the management change is handled very carefully, professionally and efficiently, Altria may lose the confidence of both its consumers and its shareholders. However, since Barrington has been with the Altria Group for the best part of 20 years (he joined in 1993,) I doubt there will be too much turbulence as he adjusts to the new role.

Altria staff has also made headlines recently after a well-known director went missing under circumstances which police are describing as "suspicious." Leyla Namiranian, the director of marketing and research at Altria, went missing earlier this month after finishing a day at work, and has not been seen since. Reports claim that Namiranian may have been planning to meet up with a man who she met online before she went missing. Of course, we all hope that Leyla is found safe and well, and I think that Altria should be doing more to publicize her disappearance.

Not only would this increase the awareness of the public to Namiranian's disappearance, and therefore increase the chances of locating her, but it would also create the impression that Altria is concerned for the well-being of its employees - which, I feel, is not the impression being created at the moment. At present, a suspect is being pursued by police, with the two cell phones used by Namiranian recovered recently by the authorities.

Finally, Altria (and its competitors) are facing increasing pressure from roll-up cigarette manufacturers. Roll-up cigarettes, which can cost as little as half as much as pre-rolled packs of cigarettes, are becoming more and more popular as the prices of packets of cigarettes increase - good news for Universal (UVV) who have seen a 16% boost in share price thanks to the demand for the tobacco leaf they source and process. Altria is currently involved in a legal and economic debate with Congress, which it hopes will lead to roll-up cigarettes being subject to the same amount of tax as packaged cigarettes and therefore more equal competition. However, I feel it is unlikely that roll-up cigarettes will come to cost the same as packaged cigarettes, and that companies such as Altria will continue to lose out.

Lorillard (LO) is making interesting steps to embrace the new technology on offer from cigarette companies, too. As sales of the company's key brand, Newport, have been on the slide, and first-quarter earnings in 2012 were down by \$9 million compared to Q1 of 2011 (presently standing at \$1.526 billion), the company has acquired an e-cigarette manufacturer in deal rumored to be worth \$135 million.

Overall, I believe the future is looking more and more bleak for Altria. Unless it makes some considerable changes in the way its management is both run and received by the public, I think that Altria will slowly but steadily lose the confidence of its consumers and investors. Throw in a little economic competition from roll-up cigarettes, and it will not take much for Altria's stock price to plummet.

Disclosure: I have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours.

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