

Century Distributors
15710 Crabbs Branch Way
Rockville, MD 20855

February 8, 2020

Delegate Lewis and Committee:

House Bill 134 if passed will put Century Distributors, family owned, out of business. Back in April of 2020 I thought Covid -19 would decimate our business, but Century Distributors was able to navigate and pivoted to remain a sustainable business in Montgomery County and the State of Maryland. If HB 134 passes this will not allow me to pivot or navigate-it will leave 100 square feet of industrial warehouse empty and the exit of 200 jobs in Montgomery County. Plus, thousands of retailers facing the same challenge, how to remain open and in business.

According to the New England Convenience Store & Energy Marketers Association press release, dated January 5, 2021, the excise tax losses in Massachusetts from menthol cigarettes continued to mount at a rate of \$10 million per month during the first 6 months of the state ban on flavored tobacco while New Hampshire and Rhode Island businesses and state coffers reaped the benefits of the Commonwealth's ill-conceived and now failed policy.

Jonathan Shaer, Executive Director of the NECSE Association stated, "All anyone needs to do is look at the excise tax stamp numbers from June through November to understand how ineffective and ridiculous this ban is. Rhode Island and New Hampshire have combined to sell 18.9, million more stamps than they did over the same period in 2019 while Massachusetts has sold 17.7 million fewer stamps. It is without question menthol cigarettes are purchased in neighboring states and then brought back to Massachusetts for personal consumption or illicit market sales." If you think Maryland bordering states are not looking for this additional revenue added to their coffers you are wrong. This is a huge windfall for our neighboring states if this legislation should pass.

Last year Century sold 3 million cartons of cigarettes into 1300 different types of outlets based on MSA data. Of which 59% were Menthol. \$3.6 million will be immediately lost just from Century with the ban of Menthol. Maryland as whole sold 15.5 million cartons and 8.5 million were menthol. 55% percent of the cigarette volume represents menthol. In lost excise tax for the state is over \$170 million year. In lost excise tax in the next 10 years would equal \$1.70 billion if cigarettes sales remained flat. The ban on menthol cigarettes will decimate Century Distributors as well as other wholesalers and retailers closing our doors. Cigar Sales into Retail in the State of Maryland pulling from all wholesalers through MSA data shows 79% is flavored out of the 96 million sticks sold. By placing a ban on flavored cigars the State of Maryland will only retain only 20% of sales. Century sold 16 million flavored sticks into Maryland.

Flavors represent 88% of total cigar sales. The only winner will be our neighboring state and their coffers collecting the additional OTP tax.

Moist Sales into Retail in the State of Maryland Pulling from all Wholesaler through MSA Data shows 86.5% is flavored. A total of 11.5 million cans sold of which 10 million were flavored. By placing a ban on moist snuff in Maryland, the state will only be retaining 13.5% of sales. 86% of the volume and tax collected on flavored products will be shifted to other states again a loss of huge revenue for Maryland. The only winner will be our neighboring states.

The data is even larger for Nicotine Pouches with a 97.6% of sales are flavored at 1.2 million.

Again, a ban on flavored moist tobacco and Nicotine will be a huge hardship on Century and our 1300 tobacco outlets we service. Jobs will be lost throughout the state. Cigars Moist Nicotine pouches

Cigars			Moist			Nicotine pouches		
State	Maryland		State	Maryland		State	Maryland	
Year	2020		Year	2020		Year	2020	
Row Labels	Net Units		Row Labels	Net Units		Row Labels	Net Units	
Cigars (Excluding Littles)			Moist Snuff			Nicotine Pouches		
Flavored	58,341,444		Flavored	9,997,990		Flavored	1,192,459	
Sweet	17,580,323		Unflavored	1,558,786		Unflavored	28,788	
Unflavored	20,404,856		Grand Total	11,556,776		Grand Total	1,221,247	
Grand Total	96,326,822							
With Sweet								
Unflavored	37,985,179	39.4%	Unflavored	1,558,786	13.5%	Unflavored	28,788	2.4%
Flavored	58,341,444	60.6%	Flavored	9,997,990	86.5%	Flavored	1,192,459	97.6%
Without Sweet								
Unflavored	20,404,856	21.2%						
Flavored	75,921,766	78.8%						

Enforcement Officer Neil Franklin testified before Senate Bill 177, and was right on point with his testimony about the sale of illicit menthol cigarettes and flavored cigars if this bill passes. Young youths will be the runners to our neighboring states and will be the sellers on every corner in the neighborhoods we want to protect the most. There is no law to possess the product nor enforcement to sell the product on the streets. The bill needs to target to focus on items that target youths and not adults. I believe a field trip to your local convenience store is in order, for all delegates that support Bill 134 to have a better understanding what is happening at the point of purchase and the items that are for sale to adult smokers. I applaud Senator Hershey for questioning the law and if this bill even has merit during his comments on Bill 177.

All sectors of businesses have suffered greatly these past 11 months navigating Covid-19 pandemic. A flavor ban on cigarettes, tobacco, moist snuff and nicotine pouches will cause irreversible consequences to the convenience store industry and will decimate the three family wholesalers that still exist in the State of Maryland, one being Century Distributors.

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