



# Illicit Tobacco in Australia 2024

June 2025

Final Report

**EXPERTS WITH IMPACT™**

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# Acronyms and Abbreviations

Term	Definition
<b>ABF</b>	Australian Border Force
<b>ABS</b>	Australian Bureau of Statistics
<b>AFP</b>	Australian Federal Police
<b>AIHW</b>	Australian Institute of Health and Welfare
<b>AUD</b>	Australian dollar
<b>APAC</b>	Asia-Pacific
<b>ATO</b>	Australian Taxation Office
<b>AWOTE</b>	Average Weekly Ordinary Time Earnings
<b>BATA</b>	BAT Australia Ltd
<b>CAGR</b>	Compounding Annual Growth Rate
<b>CPI</b>	Consumer Price Index
<b>EDPS</b>	Empty Discarded Pack Survey
<b>FTI Consulting</b>	FTI Consulting (Australia) Pty Ltd
<b>ITA</b>	Imperial Tobacco Australia Limited
<b>ITTF</b>	Illicit Tobacco Taskforce
<b>g</b>	Grams
<b>kg</b>	Kilograms
<b>NSW</b>	New South Wales
<b>PML</b>	Phillip Morris Limited
<b>Q1</b>	Calendar year quarter one (January 1 to March 31)
<b>Q2</b>	Calendar year quarter two (April 1 to June 30)
<b>Q3</b>	Calendar year quarter three (July 1 to September 30)
<b>Q4</b>	Calendar year quarter four (October 1 to December 31)
<b>RMR</b>	Roy Morgan Research
<b>RYO</b>	Roll-your-own
<b>TGA</b>	Therapeutic Goods Administration
<b>UK</b>	United Kingdom
<b>USA</b>	United States of America
<b>WPI</b>	Wage Price Index
<b>%</b>	Per cent

# Glossary

Term	Definition
<b>Consumer survey</b>	A survey of adult smokers (those aged 19 and over) who smoke daily (at least five times per week) conducted by Roy Morgan Research. The survey sample is designed to be representative of the population by using Single Source data to weight respondents based on location, age, gender, income, occupation, and work status of smokers.
<b>Empty discarded pack survey</b>	A survey conducted every six months by WPSM (and formerly AC Nielsen and MSIIntelligence) comprising a sample of 12,000 empty cigarette packs collected across 16 cities, covering circa 75 per cent of the population. The survey records pack size, based on the number of cigarettes, and identifies cigarette packs that are 'non-domestic' to enable estimation of the proportion of cigarettes that are non-domestic.
<b>Euromonitor</b>	Global market research on consumer products, commercial industries, demographics trends and consumer lifestyles that is used as a primary source of data for tobacco consumption rates across key source countries to estimate the extent of non-domestic legal sales from tourists visiting Australia.
<b>Circana MarketEdge scan data</b>	Circana MarketEdge scan data reflects the sales made to consumers and are reflective of the market size to the extent that each sale is scanned (and therefore included in the aggregate sales data collected and provided to FTI Consulting). To estimate legal domestic sales, a range of data sources are examined including Circana MarketEdge scan data and industry estimates based on exchange of sales.
<b>Contraband</b>	Cigarettes brought into Australia illegally or acquired without excise taxes being paid and illegally re-sold in the market. This category includes genuine products (sold legally in overseas markets) brought into a country in amounts exceeding the personal allowance; in Australia, this limit is 25 cigarettes or 25 grams of roll-your-own (RYO) per person.
<b>Counterfeit</b>	Illegally manufactured cigarettes that carry the trademark/branding of a legally manufactured brand without the consent of the trademark owner. Counterfeit cigarettes are also known as fake cigarettes.
<b>Domestic illicit plains</b>	Flows of illicit whites brands that have packaging designed for the domestic (Australian) market.
<b>Illicit loose-leaf (unbranded) tobacco</b>	Illegal loose-leaf tobacco (otherwise known as unbranded tobacco) which does not pay the required duty and does not typically carry labelling or health warnings. It is sold and consumed either in RYO form (called 'chop chop') or inserted into empty cigarette tubes. It is commonly sold in both bags and boxes. Blended estimates for illicit loose-leaf (unbranded) tobacco consumption adopt an average of the consumer survey results for the calendar year, or most recent quarters, where an equal weighting is applied to results from each quarter.
<b>Illicit whites</b>	Cigarettes that are usually manufactured in one country or market but have been smuggled across borders during their transit to Australia, where they have limited or

	no legal distribution and are sold without the payment of tax. Illicit whites comprise both non-domestic illicit whites and domestic illicit plains.
<b>Legal domestic sales</b>	The estimated volume or value of sales of manufactured (cigarettes) and roll-your-own products.
<b>Non-domestic cigarettes</b>	Cigarette packs that either do not carry health warnings or packaging compliant with Australian regulations, relate to brands not typically sold in Australia, and/or include identifying marks from other markets such as tax stamps. Non-domestic cigarettes include both legal (referred to as 'non-domestic legal') and illicit products (known as 'contraband' which incorporates 'non-domestic illicit whites' excluding 'domestic illicit plains').
<b>Non-domestic illicit whites</b>	Brands that do not have plain packaging designed for the Australian domestic market. In previous years, this has been referred to as 'Illicit Whites (non-domestic).' In the report, non-domestic illicit whites are included in the contraband measurement.
<b>Non-domestic incidence</b>	The proportion of non-domestic cigarettes recorded in the empty discarded pack survey which generally have coloured or branded packaging.
<b>Non-domestic legal</b>	Legitimate tobacco purchased duty free or abroad within personal allowance limits (in Australia, this limit is currently 25 cigarettes or 25g of RYO).
<b>Total manufactured cigarettes consumption</b>	The sum of legal domestic sales of manufactured cigarettes and total non-domestic manufactured cigarettes.



# Executive Summary

Australia is facing a rapidly escalating illicit tobacco problem. A booming black market is disrupting the supply chain with far-reaching consequences for government, legitimate businesses, and the broader community.

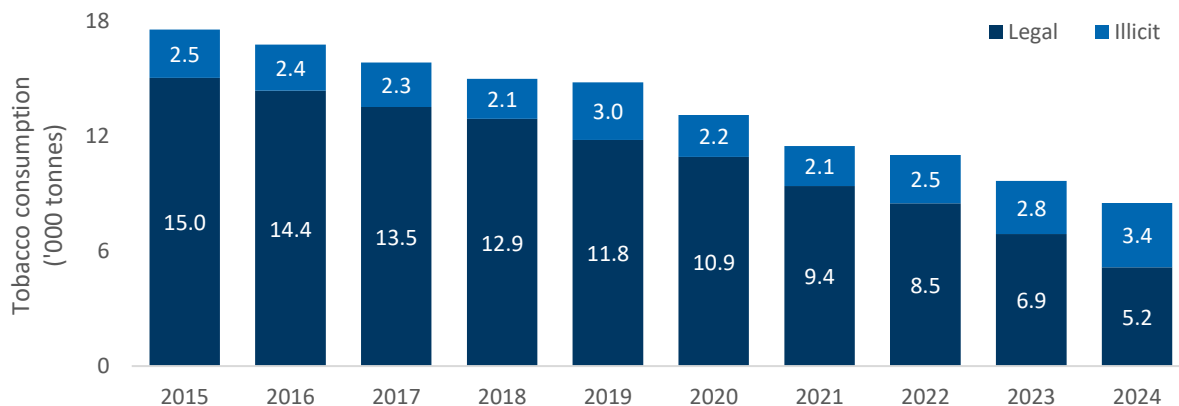
Monitoring the extent of illicit tobacco consumption is important to understand its drivers and inform potential governmental responses. FTI Consulting Australia was commissioned to estimate the size of the Australian tobacco market in 2024.

## Illicit tobacco consumption grew to a record high of 3,400 tonnes in 2024

Consumption of traditional combustible tobacco<sup>1</sup> products has consistently decreased over the last decade. Consumption of legal combustible tobacco products saw its fastest decline between 2023 and 2024, with domestic sales decreasing by 25.3 per cent.

Despite this decline, illicit tobacco consumption is growing significantly. The estimated volume of total illicit tobacco consumption increased by 21.0 per cent in 2024 to reach a record high of 3,400 tonnes.

*Consumption of legal tobacco products is declining*



*Source: Data provided by industry participants, Circana MarketEdge scan data.*

## Illicit tobacco consumption in Australia increased to nearly 40 per cent of total tobacco consumption in 2024

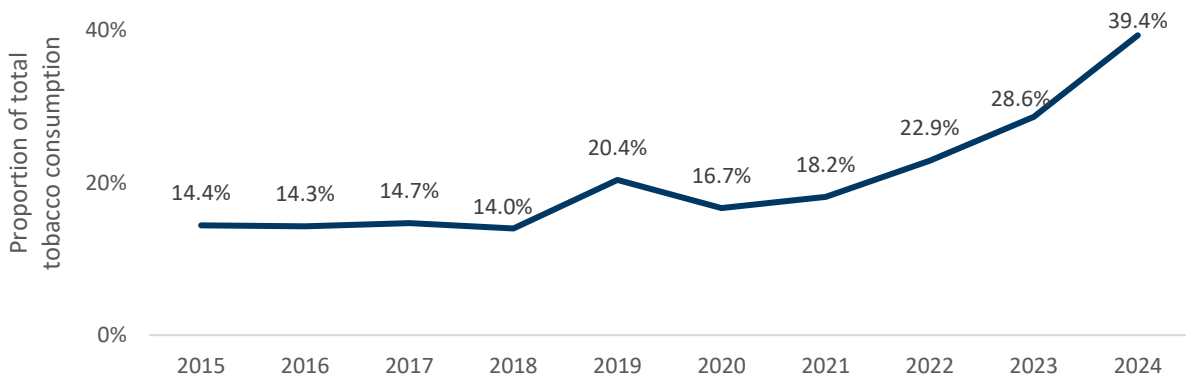
Illicit tobacco consumption made up 39.4 per cent of total tobacco consumption in 2024 – an increase of 10.7 percentage points from 2023. Illicit tobacco has been growing as a proportion of the market since 2019, but the rate of growth measured in 2024 is significant and almost twice the rate of growth experienced in prior years.

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<sup>1</sup> Domestic cigarettes, domestic RYO products and legal non-domestic products.



Illicit tobacco as a proportion of total tobacco consumption in Australia is increasing



Source: Previous 'Illicit Tobacco in Australia' studies for data prior to 2022, and FTI Consulting analysis based on external data (RMR consumer survey, WSPM Empty Discarded Pack Survey, Circana MarketEdge scan, Euromonitor, industry partners, AIHW, ABS, ATO).

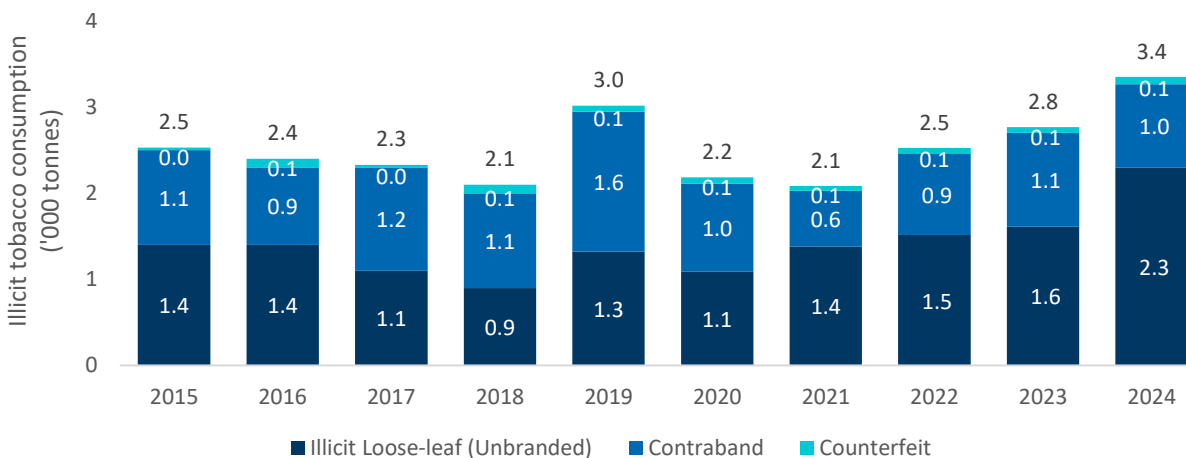
## Consumption of illicit loose-leaf tobacco significantly increased to 2,300 tonnes in 2024 and now represents 68.5 per cent of total illicit tobacco consumption

Consumption of illicit loose-leaf (unbranded) tobacco has grown 42.3 per cent between Q4 2023 and Q4 2024 to an unprecedented 2,300 tonnes. This growth is the result of large increases in the proportion of consumers purchasing illicit loose-leaf (unbranded) tobacco and the quantity purchased on each occasion.

## Approximately 98 per cent of manufactured cigarettes entering Australia are illicit

In 2024, consumption of illicit manufactured cigarettes (contraband and counterfeit) remained stable at 1,055 tonnes. Most contraband and counterfeit illicit products were branded 'Double Happiness' or 'Manchester', sourced from Asia-Pacific (APAC) countries and the Middle East.

Consumption of illicit loose-leaf (unbranded) tobacco grew, whereas contraband and counterfeit consumption remained stable



Source: Previous 'Illicit Tobacco in Australia' studies for data prior to 2022, and FTI Consulting analysis based on external data (RMR consumer survey, WSPM Empty Discarded Pack Survey, Circana MarketEdge scan, Euromonitor, industry partners, AIHW, ABS, ATO).

## Seizures are capturing a smaller share of the illicit tobacco trade, highlighting ongoing challenges in detection and enforcement

The Australian Border Force (ABF) and Australian Tax Office (ATO) seized over 1,756 tonnes of illicit tobacco in 2024. This represents a 19.4 per cent decrease in total volumes seized compared to 2023. Despite rising loose-leaf tobacco consumption, loose-leaf tobacco seizures dropped 49.8 per cent from 868 tonnes in 2022-23 to 436 tonnes in 2023-24, suggesting large volumes may be entering Australia undetected.

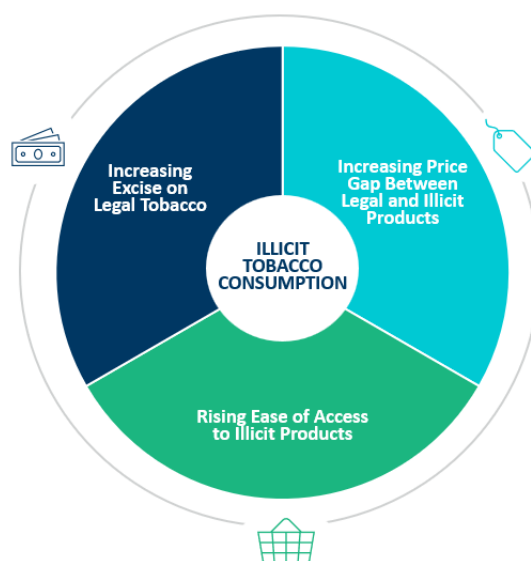
## The volume of illicit tobacco consumed in 2024 equates to potential lost excise of \$6.7 billion

In the 2023–24 financial year, tobacco excise contributed \$9.7 billion to the federal budget – almost half of the \$16.3 billion peak recorded in 2019–20. Successive rises of tobacco excise rates have coincided with a sustained decrease in total excise collected and increases in illicit tobacco consumption.

## Illicit tobacco consumption in Australia continues to grow year on year, in the context of rising excise rates, widening price gaps, and increased accessibility

This study has evidenced unprecedented growth in illicit tobacco consumption in 2024. This growth has occurred in the following context:

- The price of legal tobacco products in Australia increased by over 11.5 per cent in 2024, driven in part by ongoing increases in excise rates. As legal tobacco prices continue to rise in combination with ongoing cost-of-living pressures, more consumers are turning to illicit tobacco as a cheaper alternative.
- Australia maintains the highest legal cigarette prices in the Australia-Pacific region. Further, the **price of illicit tobacco products remains a fraction of the legal cigarette price** – the price of illicit loose-leaf (unbranded) tobacco is only 21.1 per cent of the cost of a legal 25-cigarette packet.
- Over time, illicit tobacco products have become significantly more affordable for consumers compared to the legal alternatives. This **growing price disparity** is a key factor increasingly driving consumers towards illicit alternatives.
- Over the long-term, **illicit loose-leaf (unbranded) tobacco has become significantly easier to purchase**. More consumers are aware of illicit tobacco and report that purchases have become easier over the long term, reducing legal tobacco consumption. The proportion of consumers purchasing illicit loose-leaf (unbranded) tobacco rose by 12.1 per cent in 2024, reflecting both increased access and demand.





# 1. About this Study

# 1 About this Study

## 1.1 Background

Australia is reliant on tobacco imports as there is no legal domestic cultivation or manufacturing of tobacco. All tobacco products must be imported with permits from the ABF and undergo customs clearance. After customs clearance, licensed wholesalers distribute the products to licensed retailers, who serve as the legal point of sale for consumers purchasing tobacco in Australia.

The illicit tobacco supply chain operates entirely outside these controls. Illicit tobacco is either smuggled into the country or grown domestically despite legal prohibitions and is distributed through underground networks or by infiltrating legal retail channels. Victoria Police reports that 1,000 of the state's 1,300 standalone tobacco stores now sell illicit products, highlighting the systemic infiltration of legal retail channels.<sup>2</sup>

The illicit tobacco supply has become increasingly organised and lucrative, attracting sophisticated criminal syndicates, and presenting significant challenges for law enforcement. Recent investigations by *60 Minutes*<sup>3</sup> and *Four Corners*<sup>4</sup> have exposed how these organised crime groups are fighting for control of the market, resorting to violence, arson, and extortion. These organised crime groups operating the illicit tobacco trade are threatening both community safety and the effectiveness of government regulation. Trade in illicit tobacco has direct social consequences. According to the Australian Criminal Intelligence Commission (ACIC) profits are used to finance further unlawful activities including “drug importations and terrorism”, posing serious risks to Australian communities.<sup>5</sup>

The growth of the illicit tobacco trade undermines the objectives of legal measures such as taxation and regulation, resulting in substantial costs to both government and society. As the black market expands, so too do gang-related crimes and tax losses, reducing government funds available for other essential services and social programs.

## 1.2 Purpose of this Study

FTI Consulting has been commissioned by Imperial Tobacco Australia Limited (ITA), Philip Morris Limited (PML) and British American Tobacco Australia (BATA) to estimate the size of the illicit tobacco consumption in Australia. In this study, illegal tobacco consumption refers to the

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<sup>22</sup> ABC News, ‘Tracking Australia's black-market tobacco from criminal smugglers to cigarette shops’, 2025.

<sup>3</sup> ‘Deadly gang war erupts over illegal tobacco trade’, 60 Minutes Australia, 2025.

<sup>4</sup> ‘Arson and deadly feuds: Australia's tobacco wars’, Four Corners Australia, ABC News, 2025.

<sup>5</sup> ‘Crime groups using illicit tobacco to finance drug trade and terrorism as cigarette prices soar, says Australian Criminal Intelligence Commission’, ABC, 2022.

consumption illicit manufactured cigarettes (covering contraband, illicit whites, and counterfeit) and illicit loose-leaf (unbranded) tobacco (including loose-leaf tobacco and pre-filled tubes).

It is important to monitor the scale of illicit tobacco consumption as increases in the trade of illicit tobacco undermine the objectives of regulation (such as the taxation of tobacco product), and cost both the government and community. The tobacco supply chain impacts a range of sectors in the economy including government, firms (including retailers), and households. Any shrinkage in the legal tobacco sector, due to the presence of illicit tobacco or other illicit substitutes, will have repercussions across the entire economy. Growth in illicit tobacco will also have repercussions for consumers due to the consumption of products manufactured outside of regulations.

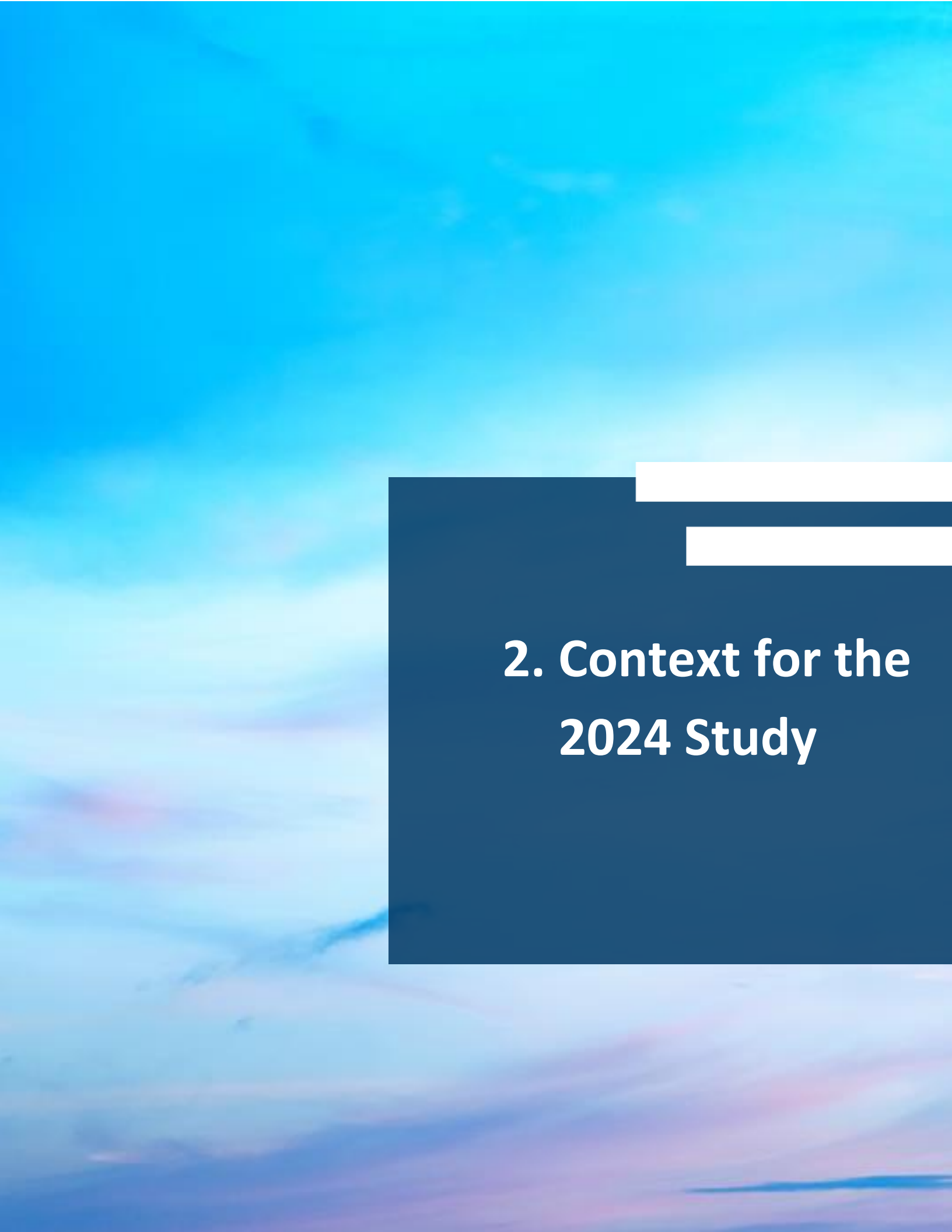
The purpose of this study is to:

- estimate the volume of legal and illicit tobacco consumption in Australia
- highlight trends in estimated legal and illicit tobacco consumption over time
- estimate the loss of government revenues associated with the current rate of illicit tobacco
- identify the extent to which additional government intervention may be necessary to address the illicit tobacco trade.

### 1.3 Structure of this Report

The remaining structure of the report is as follows:

- Chapter 2 – *Context for the 2024 Study* outlines background information relevant to the 2024 study
- Chapter 3 – *Methodology* provides an overview of key terminology, components of the tobacco market, and our approach to Australian tobacco market estimation
- Chapter 4 – *Legal Tobacco Consumption* details the estimates for legal tobacco consumed in 2024
- Chapter 5 – *Illicit Tobacco Consumption* details the estimates for illicit tobacco consumed in 2024
- Chapter 6 – *Key Drivers of Illicit Tobacco Consumption* outlines changes in the 2024 market that have led to the increased consumption of illicit tobacco
- Chapter 7 – *Conclusion* summarises our findings.



## **2. Context for the 2024 Study**



## 2 Context for the 2024 Study

This chapter outlines background information relevant to the 2024 study.

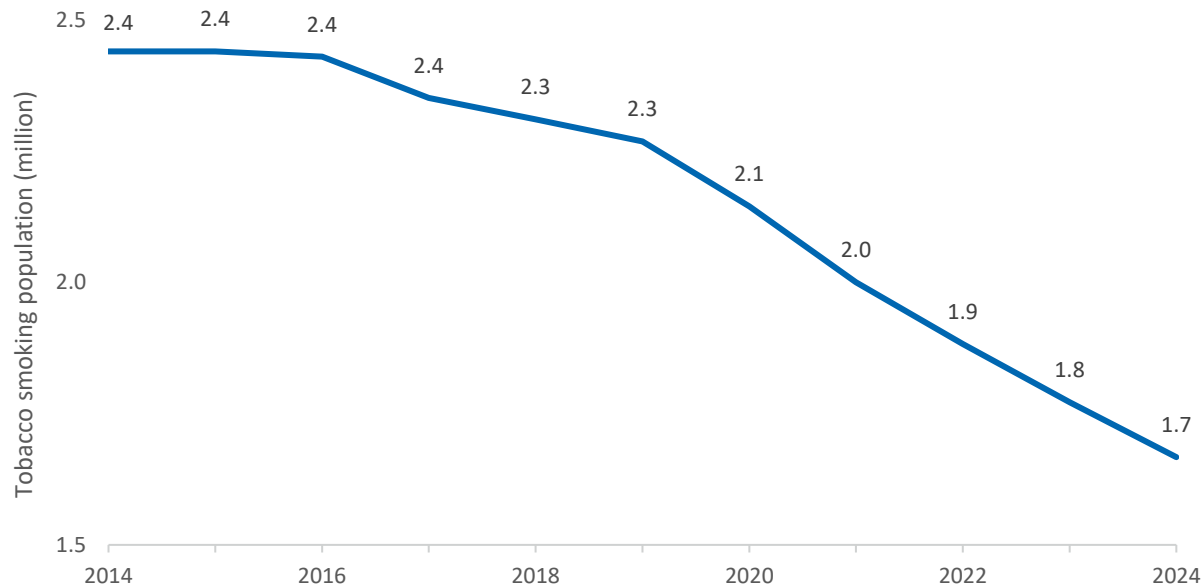
### Key Points

- The daily tobacco smoking population in Australia was 1.7 million in 2024. As a share of the Australian population, the proportion of **individuals who smoke tobacco is declining, but the proportion of individuals who consume e-cigarettes is rising.**
- **Real household disposable income growth remains stagnant**, continuing to drive demand for cheaper alternatives, such as illicit tobacco.
- State tobacco control legislations have been strengthened in 2024; however, **reforms and the level of enforcement are inconsistent across states.**

### 2.1 Smoking Behaviour in Australia

The Australian Institute of Health and Welfare (AIHW) estimated the size of the daily tobacco smoking population in Australia in 2024 to be 1.7 million (Figure 2-1). Over the long-term, the number of Australians who smoke tobacco daily has been in decline.

Figure 2-1: Australian tobacco smoking population



Note: The Australian tobacco smoking population is estimated by the multiplication of the Australian population and the proportion of Australians who are daily tobacco smokers. When new information is unavailable, the latest data is updated using the compound annual growth rate from the past two data points.

Source: Australian Institute of Health and Welfare, 'National Drug Strategy Household Survey', 2023; ABS Census

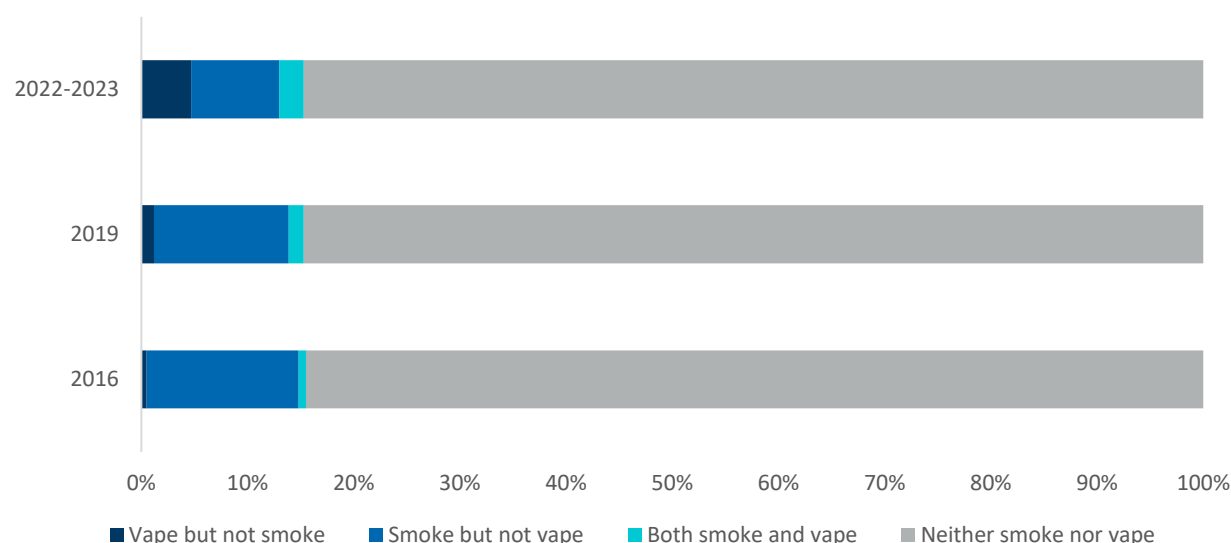
The National Wastewater Drug Monitoring Program's Report 23 shows a decrease in total nicotine consumption between December 2023 and April 2024 across both capital cities and



regional sites.<sup>6</sup> However, average consumption of nicotine per day per thousand people has increased since 2016 (across regional areas and capital cities).<sup>7</sup>

The AIHW estimates show a significant shift in nicotine smoking behaviours. Many consumers are shifting away from traditional combustible tobacco products to e-cigarette products (Figure 2-2). Thus, while consumption of traditional combustible tobacco products is in decline, the overall proportion of Australians who consume nicotine products has remained relatively stable.

Figure 2-2: Daily nicotine consumers (tobacco and e-cigarettes) as a proportion of the Australian population (aged 14+)



Note: The 2016 and 2019 data are based on single calendar years. The 2022–23 data covers a two-year period (financial year: July 2022–June 2023) reported by the AIHW.

Source: Australian Institute of Health and Welfare, 'National Drug Strategy Household Survey,' 2023.

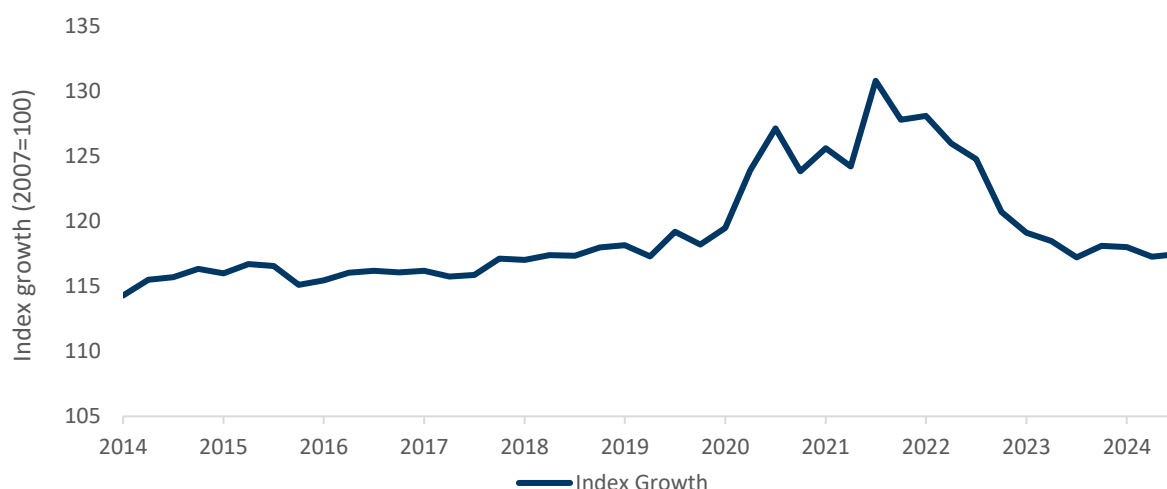
## 2.2 Macroeconomic Conditions

Despite easing inflation, households continue to face cost-of-living pressures due to slowed growth in real disposable income (Figure 2-3). In 2024, real household disposable income index growth rate declined by 1.1 per cent compared to 2023, and has fallen by 8.5 per cent since June 2022, when pandemic-related stimulus payments ended. This decline has reduced consumers' purchasing power and contributed to ongoing financial stress.

<sup>6</sup> Australian Criminal Intelligence Commission, 'Report 23 of the National Wastewater Drug Monitoring Program', 2024.

<sup>7</sup> Australian Criminal Intelligence Commission, 'Report 23 of the National Wastewater Drug Monitoring Program', 2024.

Figure 2-3: Index growth<sup>8</sup> of real household disposable income per capita, Q1 2014 – Q3 2024



Source: OECD, 'Households' Economic Well-being: the OECD Dashboard,' Q3 2024.

The lack of growth in real disposable income means there has been no improvement in households' ability to afford goods and services. As legal tobacco prices continue to rise due to excise increases, many consumers are likely to be turning to cheaper alternatives, including illicit tobacco.

## 2.3 Regulatory Context

In 2024, both the Commonwealth government and state governments introduced reforms to strengthen controls on tobacco trade, specifically targeting illicit tobacco consumption. These changes reflect nation-wide efforts to enhance tobacco licensing frameworks.

The Australian Government allocated \$188.5 million in 2024 to bolster the ABF efforts against illicit tobacco, including support for the Illicit Tobacco Taskforce (ITTF).<sup>9</sup> Established in 2018, the ITTF is a multi-agency initiative focused on investigating, prosecuting, and dismantling international organised crime groups funding operations through illicit tobacco. The Federal Government also established the role of an Illicit Tobacco and E-cigarette Commissioner to address emerging challenges in these markets.

While not directly related to tobacco, the *Therapeutic Goods and Other Legislation Amendment (Vaping Reforms) Act 2024* introduced a national framework to regulate vaping, including banning nicotine vape sales without a medical prescription (enforced from September 2024).<sup>10</sup>

<sup>8</sup> Index growth shows the change over time; for example, an index of 115 in 2014 means a 15% increase since the base year 2007.

<sup>9</sup> Australian Government Department of Health and Aged Care, 'Albanese Government cracks down on illegal tobacco imports', 2024.

<sup>10</sup> Parliament of Australia, 'Therapeutic Goods and Other Legislation Amendment (Vaping Reforms) Bill 2024', 2024.

In 2024, four out of six Australian states introduced tobacco reforms to combat the growing illicit tobacco consumption (Table 2-1). However, these reforms (including the extent of penalties and the timing) and the level of enforcement are inconsistent across states.

Table 2-1 State Tobacco Reforms, 2024

Jurisdiction	Reforms	Enforcement Date	Size of Penalties	Level of Enforcement
<b>New South Wales<sup>11</sup></b>	<ul style="list-style-type: none"> <li>■ Increased penalties</li> <li>■ Licensing for retailers/wholesalers</li> <li>■ Greater enforcement powers for NSW health enforcement officers</li> </ul>	1 October 2025	<ul style="list-style-type: none"> <li>■ Up to \$220,000 – Corporations</li> <li>■ Up to \$44,000 – Individuals</li> </ul>	Number of officers set to double
<b>Victoria<sup>12</sup></b>	<ul style="list-style-type: none"> <li>■ Licensing for retailers/wholesalers</li> <li>■ Fit and proper person test required for licensing</li> <li>■ Penalties established</li> </ul>	1 February 2026	<ul style="list-style-type: none"> <li>■ Up to \$829,878 – Corporations</li> <li>■ Up to \$165,975 – Individuals</li> </ul>	Key enforcement powers—including expanded entry, seizure, information demands, licence suspension, and new offences <sup>13</sup>
<b>Queensland<sup>14</sup></b>	<ul style="list-style-type: none"> <li>■ Increased penalties</li> <li>■ Interim closure of premises powers expanded (in parliament)</li> <li>■ Landlord termination subject to closure orders</li> <li>■ Licensing requirements for smoking product suppliers</li> </ul>	1 September 2025	<ul style="list-style-type: none"> <li>■ Up to \$161,300 – Individuals</li> <li>■ Up to \$806,500 – Corporations</li> <li>■ On-the-spot fines of \$3226.00</li> </ul>	Interim closure of premises powers – up to 3 months by administrative orders or 12 months by court order (in parliament)
<b>South Australia<sup>15</sup></b>	<ul style="list-style-type: none"> <li>■ Increased penalties/fines</li> <li>■ Ban of tobacco sale through vending machines</li> <li>■ Mandates licensing for retailers/wholesalers</li> <li>■ Landlord termination subject to closure order</li> </ul>	13 December 2024 – 1 February 2025 <sup>16</sup>	<ul style="list-style-type: none"> <li>■ Up to \$700,000 – Individuals</li> <li>■ Up to \$1.1M- Corporations</li> </ul>	Interim closure of premises powers – up to 6 months

<sup>11</sup> NSW Health, Penalties and enforcement, 2024.

<sup>12</sup> Victorian Government, Tobacco licensing and enforcement in Victoria, 2025.

<sup>13</sup> Department of Health, 'Victorian Government Response to Inquiry into Vaping and tobacco controls', 2025.

<sup>14</sup> Queensland Government, Smoking product supplier licensing scheme, 2025.

<sup>15</sup> Consumer and Business Services South Australia, 'SA's new penalties tackling illicit tobacco and vapes take effect', 2024.

<sup>16</sup> All changes, except the ban on vending machines selling tobacco, enforceable from December 2024.





### 3. Methodology



## 3 Methodology

*This chapter provides an overview of key terminology, components of the tobacco market, and our approach to Australian tobacco market estimation.*

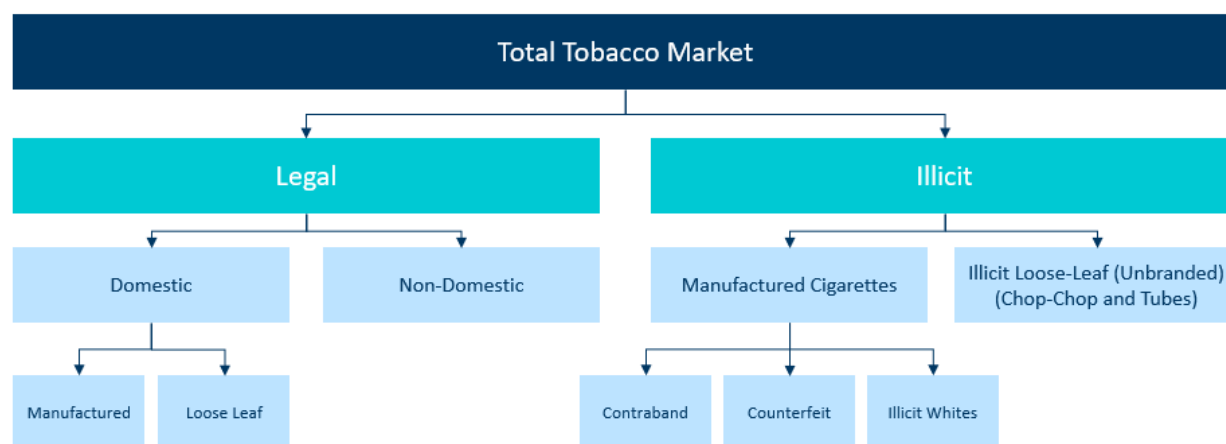
Changes in the Australian tobacco market, including the extent to which there is evidence of illicit tobacco, have been monitored and reported on annually for over a decade.<sup>17</sup> To ensure comparability, we have applied a consumption model approach consistent with previous studies. Any exceptions have been undertaken with consent of the clients and have no material impact on the final estimates of illicit tobacco consumption.

The estimations made in this report are reliant on the latest information available to FTI Consulting at the time. FTI Consulting is not involved in the design or commission of these data sources. This report also presents estimates from past Illicit Tobacco in Australia studies. FTI Consulting has conducted the report since 2022, with external organisations undertaking the analysis in prior years.

### 3.1 Definition of the Tobacco Market

The consumption model estimates the legal and illicit component of tobacco consumption in Australia. Total tobacco consumption includes the total volume of both legal and illicit consumption for all types of tobacco (Figure 3-1).

*Figure 3-1: Components of the tobacco market included in the consumption model*



*Source: FTI Consulting.*

#### 3.1.1 Legal Tobacco

All legal products are imported as finished products as it is illegal to domestically produce tobacco products in Australia. All tobacco products legally sold in Australia are required to

<sup>17</sup> FTI Consulting (2022, 2023), KPMG LLP (2012-2021), Deloitte (2010, 2011) and PwC (2007, 2009).

comply with Australian regulations, including plain packaging. Excise applies to all tobacco products including loose-leaf tobacco, cigarettes, cigars, and snuff (smokeless tobacco). Customs duties also apply to all tobacco products as no tobacco products are currently manufactured in Australia.

In the consumption model, legal tobacco is made up of two components:

- **Legal domestic tobacco** – manufactured cigarettes or roll-your-own (RYO) products that are legally manufactured overseas then legally sold in Australia, with relevant excise paid by the importing company.
- **Legal non-domestic tobacco** – legitimate tobacco purchases made overseas (or duty-free) and brought into Australia by travellers carrying tobacco within their personal allowance limit.<sup>18</sup>

### 3.1.2 Illicit Tobacco

In the consumption model, illicit tobacco is made up of the following components:

- **Illicit loose-leaf (unbranded) tobacco** – unbranded tobacco sold and consumed either in RYO form (also called ‘chop chop’) or inserted into empty cigarette tubes (‘pre-filled tubes’). No duty is paid on illicit loose-leaf (unbranded) tobacco and there are typically no labelling or health warnings. It is commonly sold in both bags and boxes.
- **Illicit manufactured cigarettes:**
  - **Contraband** – legally manufactured cigarettes that are brought into the country illegally or acquired without the applicable excise tax being paid, and illegally re-sold in the domestic market. Contraband can also include products brought into the country in amounts exceeding the personal (duty-free) allowance.
  - **Counterfeit** – illegally manufactured cigarettes that carry the trademark or branding of a legally manufactured brand without the consent of the trademark owner. Counterfeit cigarettes are also known as ‘fake’ cigarettes.
  - **Illicit Whites** – manufactured cigarettes produced legally in one country but exported to Australia illegally. These cigarettes do not have a legal distributor in Australia and are therefore sold without paying applicable excise and customs duties to the Australian Government. Brands that do not have packaging for the Australian market are referred to as ‘non-domestic illicit whites’. In contrast, ‘domestic illicit plains’ have packaging designed for the domestic Australian market.

### 3.1.3 Other Nicotine Products

As noted in section 2.1, Australian consumers purchase and consume a variety of nicotine-based products. This study only considers traditional combustible tobacco products as

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<sup>18</sup> In Australia, legal non-domestic tobacco limit per passenger is currently 25 cigarettes or 25g of RYO tobacco.

a subset of this broader nicotine product market. The use of this market definition is to ensure consistency and comparability with previous ‘Illicit Tobacco in Australia’ studies.

Emerging illicit categories within the nicotine market are not included in the methodology or the estimates of illicit tobacco consumption. Emerging illicit categories not included in the estimates are:

- **Counterfeit roll-your-own pouches** – imported loose-leaf tobacco that carry the trademark/branding of a legally manufactured brand, without the consent of the trademark owner (and potentially the labelling required by regulation in Australia). Counterfeit pouches are not collected by the EDPS survey and do not contribute to the estimate of illicit tobacco.
- **E-cigarettes (also known as vapes)** – a rapidly growing substitute for traditional combustible tobacco products that are predominantly consumed illegally in Australia. Brief insights relating to vapes are discussed, but this report focuses primarily on illicit tobacco consumption.
- **Nicotine pouches** – a substitute for traditional combustible tobacco products that are illegal in Australia. These products are popular internationally and growing in Australia.

#### 3.1.4 Domestically Grown Illicit Tobacco

This study does not explicitly estimate domestically grown illicit tobacco, despite it being another key component of illicit tobacco consumption. Domestically grown illicit tobacco is a subset of illicit loose-leaf (unbranded) tobacco consumption; however, a lack of data related to the prevalence of domestically grown tobacco currently limits the ability to estimate the size of this illicit component.

According to the most recent data from the Australian Taxation Office (ATO), illicit domestic tobacco production accounted for \$0.4 billion – or 15 per cent – of the total \$2.7 billion of duty evasion in 2022–23.<sup>19</sup> In terms of volume, this would correspond to an estimated 7.9 per cent of illicit tobacco being domestically grown.

It is important to note that this ATO estimate only reflects tobacco that was seized and does not account for undetected illicit domestic production. As such, the actual share of domestically grown tobacco in illicit tobacco consumption may be higher. In this study, domestically grown illicit tobacco is not explicitly quantified but is captured in the estimates for illicit loose-leaf (unbranded) tobacco consumption.

## 3.2 Methodology for Estimating Illicit Tobacco

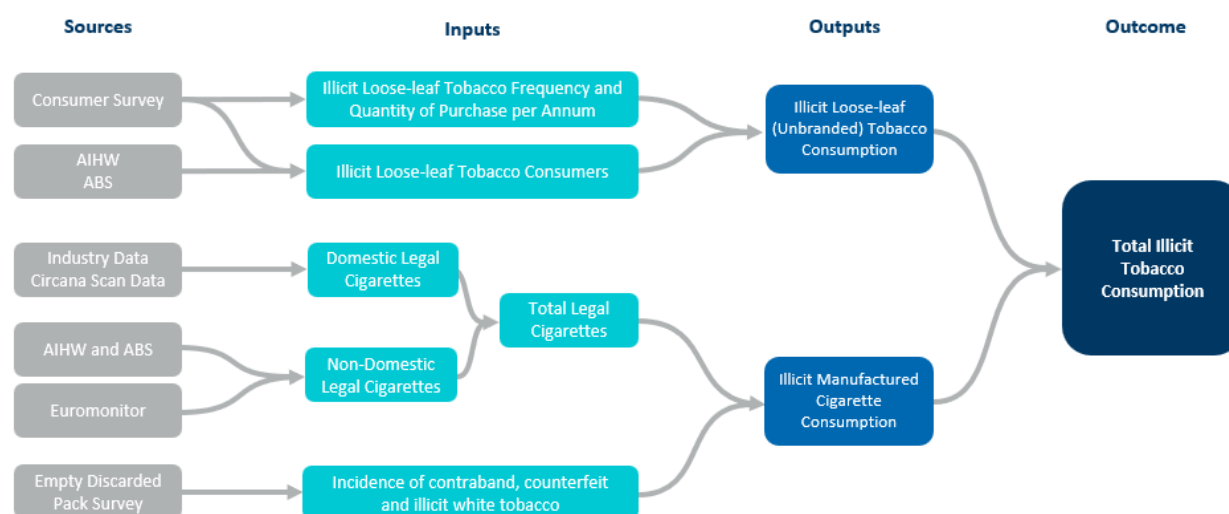
Figure 3-2 illustrates the key inputs and sources used in the consumption model to estimate illicit tobacco consumption.

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<sup>19</sup> ATO, ‘Latest estimates and findings’, 2024.



Figure 3-2: Overview of approach to estimating illicit tobacco



Source: FTI Consulting.

There are two key components to these estimates:

- **Loose-leaf illicit (unbranded) tobacco**, which is primarily based on the Roy Morgan Research (RMR) consumer survey. Appendix A provides further information in relation to the Consumer Survey and the approach to estimating consumption of illicit loose-leaf (unbranded) tobacco.
- **Illicit manufactured cigarettes**, which draws primarily on the WSPM Group EDPS conducted bi-annually since 2016. Appendix B provides further information in relation to the EDPS and the approach to estimating counterfeit, contraband and illicit whites.

The consumption model also relies on a range of external data sources, including the Australian Institute of Health and Welfare (AIHW) and the Australian Bureau of Statistics (ABS).

### 3.3 Methodology for Estimating Legal Tobacco

To report on the share of illicit tobacco in total tobacco consumption, legal tobacco consumption must also be estimated.

#### 3.3.1 Legal Domestic Sales

Legal domestic sales have been estimated utilising Circana MarketEdge scan data and sales data provided by various industry participants.<sup>20</sup> Circana MarketEdge scan data reflects sales of tobacco made to consumers to the extent that each barcode was scanned by the retailer at the point of sale.

<sup>20</sup> Circana, 'MarketEdge Scan Data', 2025.

### 3.3.2 Legal Non-domestic Tobacco

Legal non-domestic tobacco refers to tobacco that is purchased from a legal retailer overseas or in duty-free and brought into Australia by travellers within the legal limit (25 grams or 25 sticks in Australia). Legal non-domestic tobacco sales are estimated using ABS data on arrivals from key source countries.<sup>21</sup> The number of arrivals is combined with Euromonitor data on the prevalence of smoking among adults (from those key source countries) to estimate the propensity of adults importing tobacco within the legal allowable limits.<sup>22</sup> Passenger arrivals are estimated using two key parameters: 'inbound' travellers and 'outbound' travellers. The estimates include only travellers from the 2024 key source countries.<sup>23</sup>

Inbound travellers are non-Australian residents entering Australia for a short-term visit. In 2024, ABS data estimated that 3.6 million inbound travellers entered Australia.<sup>24</sup> Euromonitor data was used to estimate the adult ('smoking age') population and the proportion of those who smoke, for each key source country. The adult smoking population and the proportion of those who smoke, is multiplied by the legal traveller allowance (25g) to generate an estimate for the total legal tobacco consumed by inbound travellers.

Outbound travellers are Australian residents returning from overseas visits. ABS data estimated that in 2024 around 3.7 million outbound travellers entered Australia. The Australian smoking participation rate is multiplied by the legal traveller allowance to generate an estimate for total legal tobacco consumed by outbound travellers.

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<sup>21</sup> Key source countries refer to countries with the highest inflow of non-domestic tobacco to Australia, which are determined using the EDPS.

<sup>22</sup> Euromonitor International, 'Passport – Country Population and Smoking Prevalence', 2025.

<sup>23</sup> Key source countries are those with the highest non-domestic incidence, as determined by EDPS results. In 2024, the key source countries were China, Japan, Malaysia, South Korea, the UK, the USA, Taiwan, and Vietnam.

<sup>24</sup> ABS, 'Overseas Arrivals and Departures, Australia', 2025.





## 4. Legal Tobacco Consumption



## 4 Legal Tobacco Consumption

*This chapter details our estimates for legal tobacco consumed in 2024.*

### Key Points

- **Legal tobacco consumption saw its fastest decline between 2023 and 2024**, with legal domestic tobacco sales decreasing by 25.3 per cent to 5,100 tonnes.
- Both **manufactured cigarette and roll-your-own tobacco sales significantly reduced** by 26.0 per cent and 21.5 per cent, respectively.

### 4.1 Total Legal Tobacco

Total legal consumption<sup>25</sup> of tobacco has consistently decreased since 2018 (Table 4-1).

*Table 4-1: Total legal tobacco consumption by component ('000 tonnes)*

Product	2018	2019	2020	2021	2022	2023	2024
Domestic cigarettes	10.2	9.3	8.5	7.3	6.7	5.4	4.0
Domestic RYO	2.5	2.5	2.4	2.1	1.8	1.5	1.1
Non-domestic	0.02	0.02	0.01	0.00	0.01	0.01	0.02
Total legal tobacco	12.7	11.8	10.9	9.4	8.5	6.9	5.1

*Source: Sales data provided by industry participants, FTI Consulting analysis of Euromonitor traveller data.*

The following sections provide further detailed information on the consumption of legal domestic tobacco (cigarettes and RYO) and legal non-domestic tobacco (tobacco that is purchased from a legal retailer overseas or in duty-free within relevant limits).

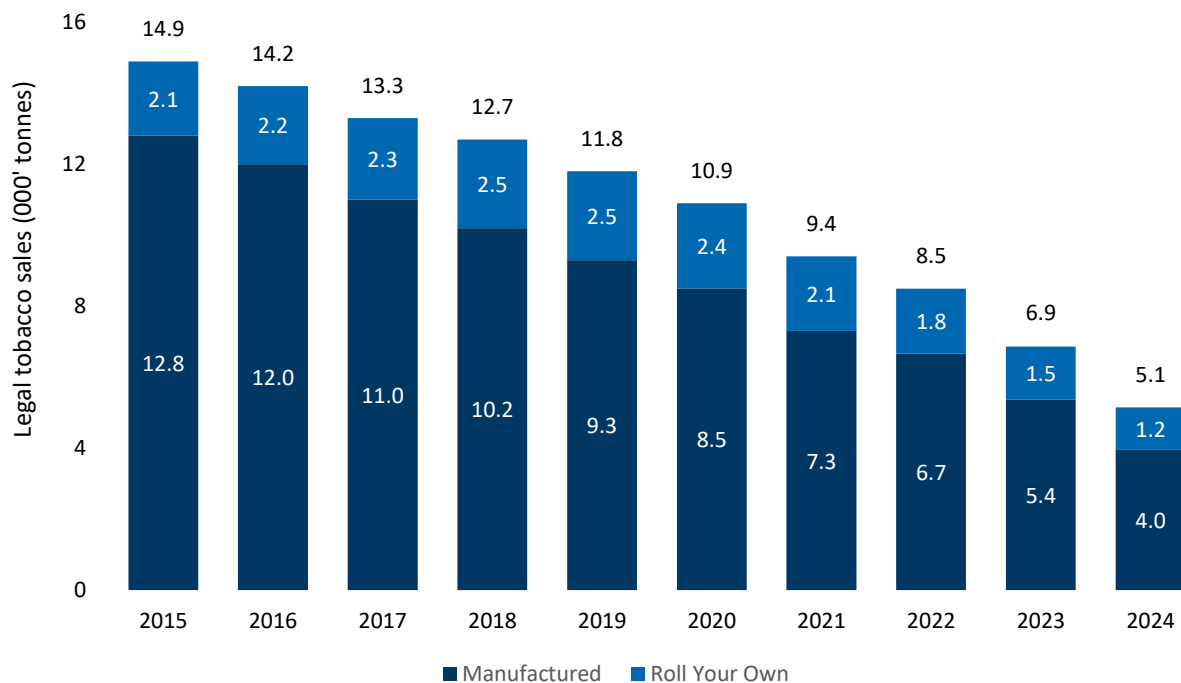
### 4.2 Legal Domestic Tobacco

Total legal domestic sales of tobacco in Australia have been in decline since 2015 (Figure 4-1).

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<sup>25</sup> Domestic cigarettes, domestic RYO products and legal non-domestic products.

Figure 4-1: Legal domestic tobacco sales in Australia



Source: Data provided by industry participants, Circana MarketEdge scan data.

In 2024, total legal domestic sales declined at a greater level than previously experienced, with a decrease in domestic sales of 25.3 per cent (Table 4-2). Both manufactured cigarette sales and roll your own tobacco sales significantly reduced (by 26.0 per cent and 21.5 per cent respectively).

Table 4-2: Annual growth of legal domestic tobacco sales

Annual growth	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Manufactured	-6.1%	-8.9%	-6.8%	-9.1%	-8.5%	-14.1%	-8.8%	-19.4%	-26.0%
Roll-your-own	4.0%	5.6%	6.2%	2.1%	-3.3%	-13.2%	-12.6%	-18.6%	-21.5%
<b>Total</b>	<b>-4.7%</b>	<b>-6.7%</b>	<b>-4.6%</b>	<b>-6.9%</b>	<b>-7.4%</b>	<b>-13.9%</b>	<b>-9.6%</b>	<b>-18.9%</b>	<b>-25.3%</b>

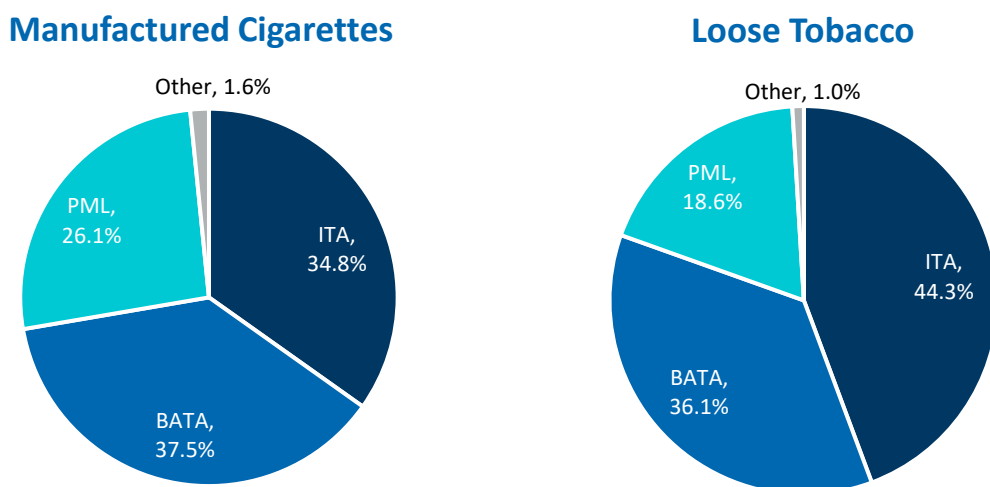
Source: Data provided by industry participants, Circana MarketEdge scan data.

BATA, ITA and PML are the dominant manufacturers of legal domestic tobacco in Australia (Figure 4-2).

BATA has the largest market share for legal domestic cigarettes at 37.5 per cent, followed by ITA (34.8 per cent) and PML (26.1 per cent). Other smaller manufacturers make up 1.6 per cent of the market for legal domestic manufactured cigarettes.

ITA has the largest share of legal loose-leaf tobacco sales (44.3 per cent), followed by BATA (36.1 per cent) and PML (18.6 per cent). Smaller manufacturers make up 1.0 per cent of the legal loose-leaf tobacco sales.

Figure 4-2: Market share of manufactured cigarettes and loose-leaf tobacco by manufacturer, 2024



Source: Data provided by industry participants.

### 4.3 Legal Non-Domestic Tobacco

In total, Australian inbound and outbound travellers consumed an estimated 17 tonnes of legal non-domestic tobacco in 2024. This reflects an increase of 58.6 per cent since 2023, following the recovery of travel post the COVID-19 pandemic. Despite this large increase, non-domestic legal tobacco component represents only 0.3 per cent of total legal consumption.

Non-domestic legal consumption is therefore considered relatively insignificant in size compared to the size of the total legal market in Australia.



An aerial photograph of a two-lane road winding through a vast, dark, textured landscape, possibly a field or forest. A white truck with a long, light-colored trailer is traveling along the road. The lighting is dramatic, with long shadows and highlights on the ground. A dark blue rectangular overlay is positioned on the right side of the image, containing the title text. Two white horizontal bars are located above the text.

## 5. Illicit Tobacco Consumption



## 5 Illicit Tobacco Consumption

*This chapter details our estimates for illicit tobacco consumed in 2024.*

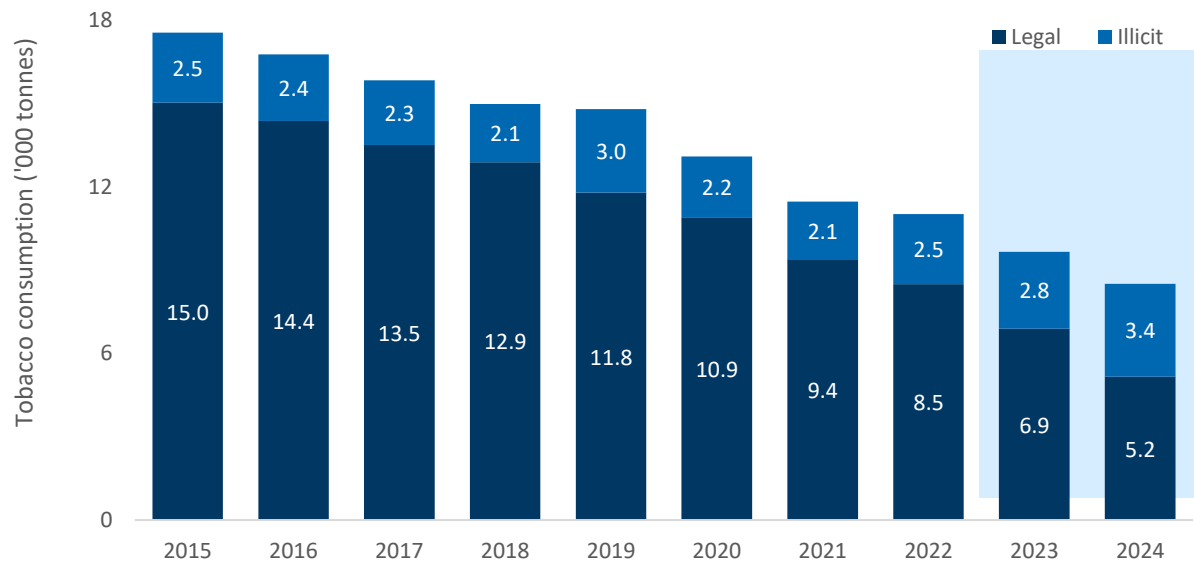
### Key Points

- Illicit tobacco as a proportion of the total market **increased to an unprecedented share** in 2024 – 39.4 per cent of total tobacco consumption in Australia.
- **Consumption of illicit loose-leaf (unbranded) tobacco significantly increased to 2,300 tonnes** in 2024, driven by increases in the quantity of illicit loose-leaf (unbranded) tobacco purchased per occasion and the number of consumers purchasing illicit loose-leaf (unbranded) tobacco. It remains the largest component of illicit tobacco consumption at 68.5 per cent of total illicit tobacco purchases.
- **Contraband represented 28.9 per cent of total illicit tobacco purchases** in 2024, followed by counterfeit tobacco which represented 2.5 per cent of total illicit tobacco purchases.
- Overall **seizures by the ABF and ATO fell by almost one fifth in 2023–24**, indicating that a significant volume of illicit tobacco is entering the country undetected.
- Illicit consumption of tobacco in 2024 was equivalent to a **potential loss of \$6.7 billion of tobacco excise revenue** for the Federal Government.

### 5.1 Total Illicit Tobacco Consumption in Australia

Illicit tobacco consumption continues to grow significantly in Australia, increasing by 21.0 per cent in 2024 (Figure 5-1). The estimated volume of total illicit tobacco consumption reached 3,400 tonnes in 2024 – the highest level recorded.

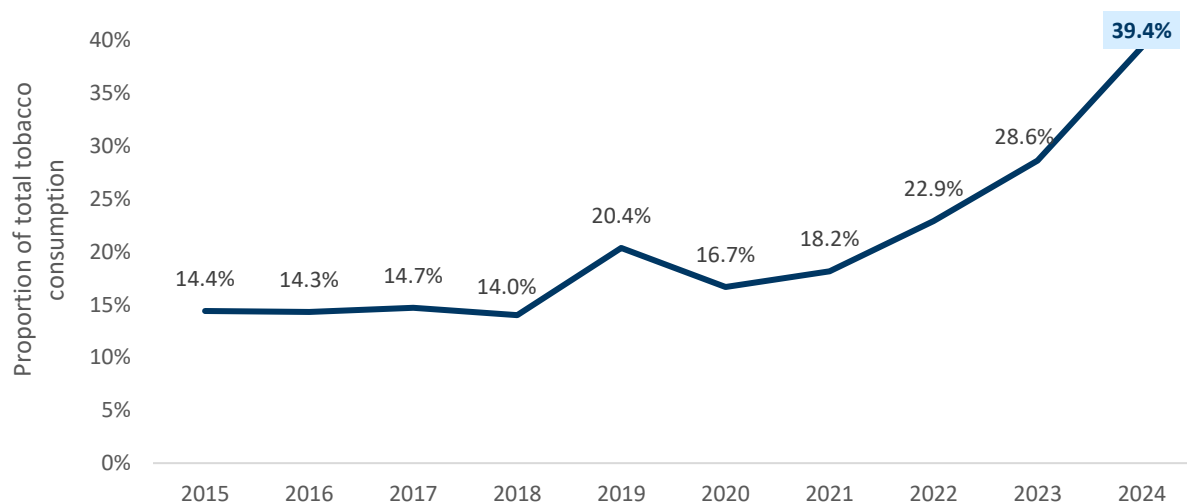
Figure 5-1: Tobacco consumption by legality



Source: Previous 'Illicit Tobacco in Australia' studies for data prior to 2022, and FTI Consulting analysis based on external data (RMR consumer survey, WSPM Empty Discarded Pack Survey, Circana MarketEdge scan, Euromonitor, industry partners, AIHW, ABS, ATO).

This substantial growth in illicit tobacco occurred despite an overall decline in total tobacco consumption. As a proportion of the total market, illicit tobacco increased to an unprecedented 39.4 per cent of total consumption (Figure 5-2). This represents an increase of 10.7 percentage points between 2023 and 2024. Illicit tobacco has been growing as a proportion of the market since 2019, but the rate of growth measured in 2024 is significant and almost twice the rate of growth experienced in prior years.

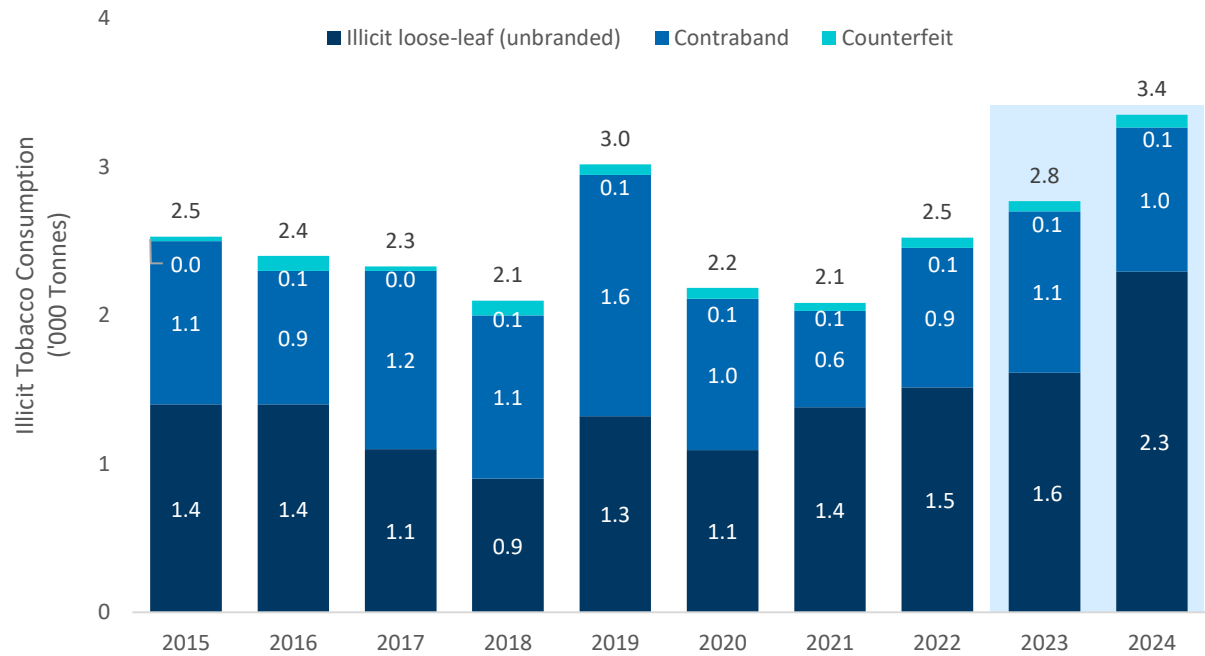
Figure 5-2: Illicit tobacco as a proportion of total tobacco consumption in Australia



Source: Previous 'Illicit Tobacco in Australia' studies for data prior to 2022, and FTI Consulting analysis based on external data (RMR consumer survey, WSPM Empty Discarded Pack Survey, Circana MarketEdge scan, Euromonitor, industry partners, AIHW, ABS, ATO).

Record consumption of illicit tobacco is underpinned by increased consumption of illicit loose-leaf (unbranded) tobacco (2,300 tonnes), and a stabilisation of contraband and counterfeit tobacco volumes against pre-COVID-19 volumes (Figure 5-3).

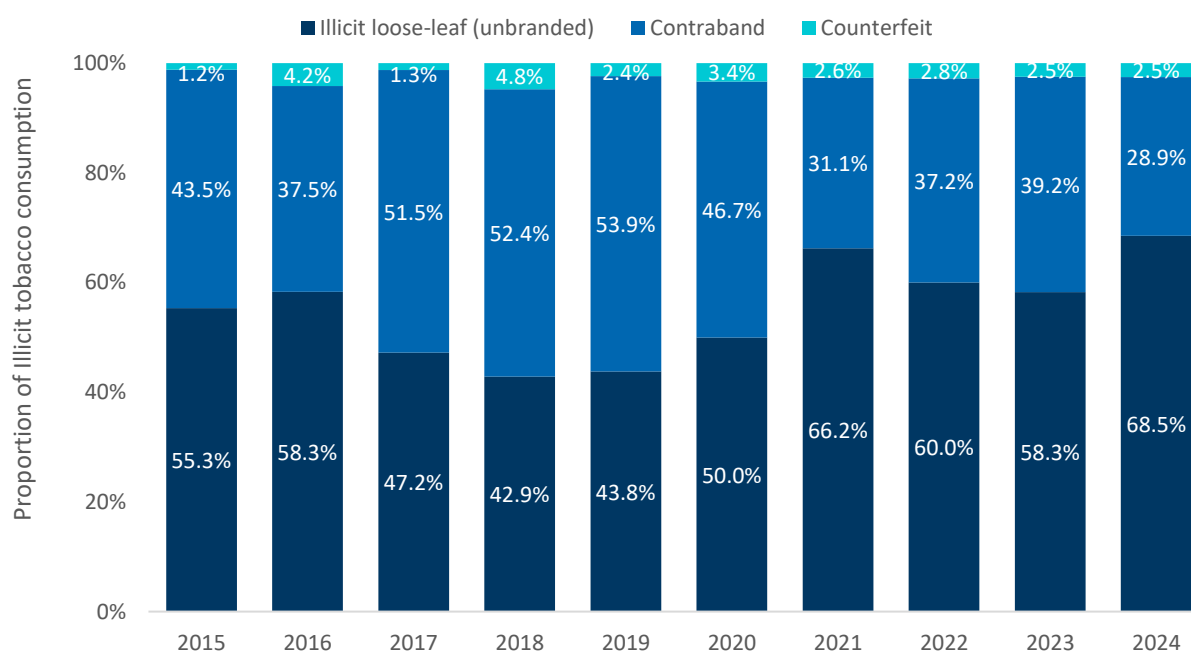
Figure 5-3: Total illicit tobacco consumption in Australia



Source: Previous 'Illicit Tobacco in Australia' studies for data prior to 2022, and FTI Consulting analysis based on external data (RMR consumer survey, WSPM Empty Discarded Pack Survey, Circana MarketEdge scan, Euromonitor, industry partners, AIHW, ABS, ATO).

In 2024, illicit loose-leaf (unbranded) tobacco remained the largest component of the illicit tobacco market, representing 68.5 per cent of total illicit tobacco consumption in 2024 (Figure 5-4).

Figure 5-4: Share of illicit tobacco consumption by category



Notes: Percentages may not sum to 100 due to rounding.

Source: Previous 'Illicit Tobacco in Australia' studies for data prior to 2022, and FTI Consulting analysis based on external data (RMR consumer survey, WSPM Empty Discarded Pack Survey, Circana MarketEdge scan, Euromonitor, industry partners, AIHW, ABS, ATO).

In contrast, the consumption of contraband (including illicit whites)<sup>26</sup> declined to 28.9 per cent of total illicit tobacco consumption. The estimated consumption of contraband decreased from 1,090 tonnes to 970 tonnes in 2024, representing a decrease in consumption of 10.8 per cent. While contraband did experience a minor decrease in volume terms, this is far outweighed by the substantial increase in illicit loose-leaf (unbranded) tobacco consumption.

Consumption of counterfeit cigarettes increased from 69 tonnes in 2023 to 85 tonnes in 2024, representing an increase of 23.6 per cent. However, counterfeit cigarettes only accounted for 2.5 per cent of total illicit tobacco consumption in 2024. The increase in counterfeit consumption therefore had only a marginal impact on the growth of total illicit tobacco in Australia.

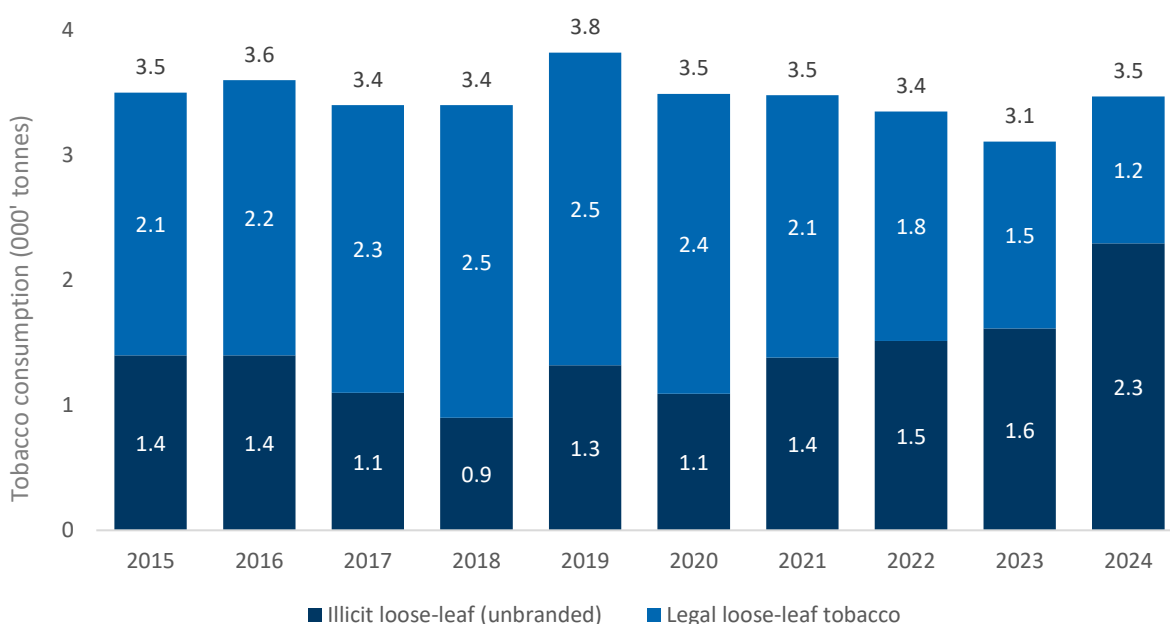
<sup>26</sup> Consumption of illicit whites was 854 tonnes in 2024, accounting for 25.5 per cent of total tobacco consumption. This was comprised of 584 tonnes of non-domestic illicit whites (an increase of 8.7 per cent in 2024) and 270 tonnes of domestic illicit plains (an increase of 15.0 per cent in 2024). Further analysis is presented in Appendix B.

## 5.2 Illicit Loose-leaf Tobacco

Illicit loose-leaf (unbranded) tobacco does comply with Australian market regulations, including the required packaging or the payment of tobacco excise. It is sold and consumed either in roll-your-own (RYO) form (called ‘chop chop’) or inserted into empty cigarette tubes.

Illicit loose-leaf (unbranded) tobacco consumption has increased dramatically – from 1,600 tonnes in 2023 to 2,300 tonnes in 2024 (Figure 5-5). Hence, illicit loose-leaf (unbranded) tobacco has increased by an unprecedented 42.3 per cent in 2024. In comparison, legal loose-leaf tobacco consumption declined to 1,200 tonnes. This is consistent with the sustained decline in legal loose-leaf tobacco sales over previous years.

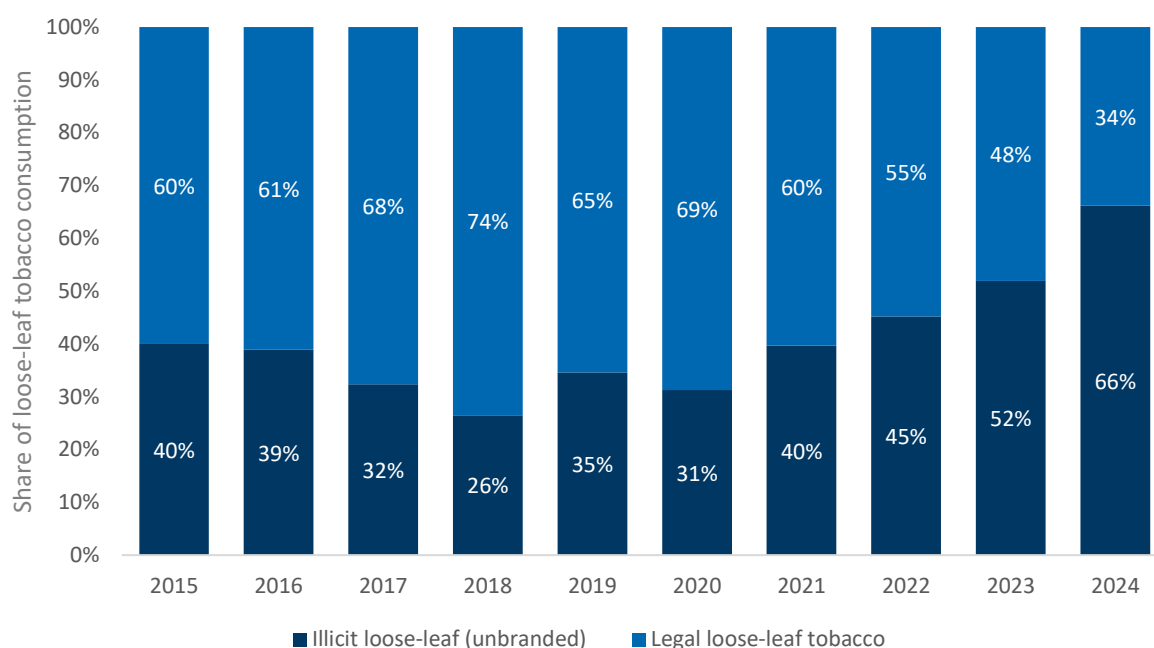
Figure 5-5: Loose-leaf tobacco consumption by legality



Source: Previous ‘Illicit Tobacco in Australia’ studies for data prior to 2022, and FTI Consulting estimate based on external data (RMR Consumer Survey, AIHW ‘National Drug Strategy Household Survey 2022-23’, ABS, ATO).

Illicit loose-leaf (unbranded) tobacco has consistently and substantially grown as a proportion of loose-leaf tobacco consumption since 2020 (Figure 5-6). Illicit loose-leaf (unbranded) tobacco represented two-thirds (66.2 per cent) of total loose-leaf tobacco consumption in 2024.

Figure 5-6: Share of loose-leaf tobacco consumption by legality

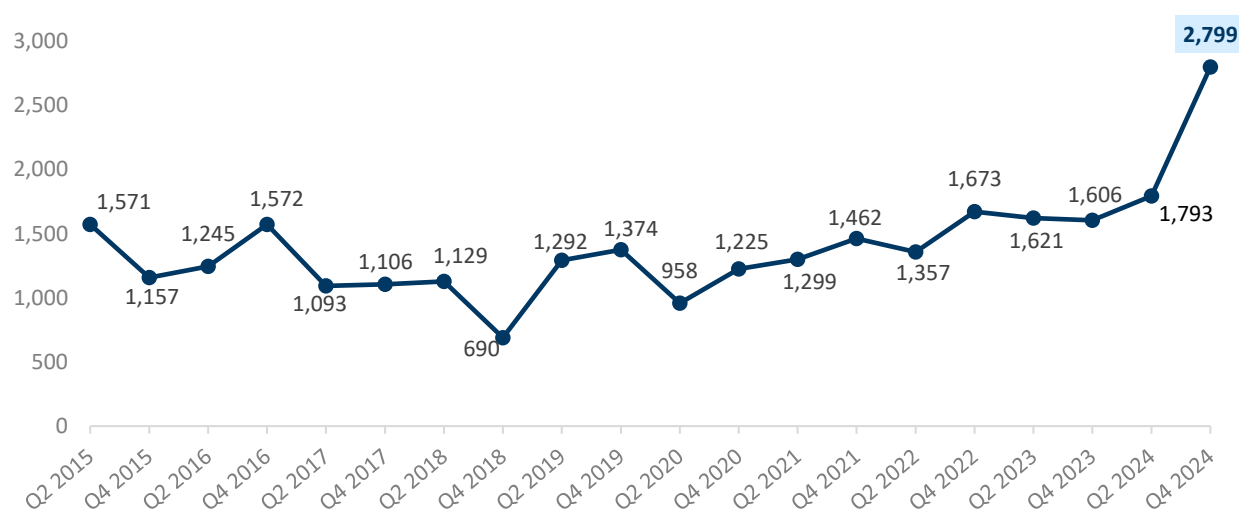


Source: Previous 'Illicit Tobacco in Australia' studies for data prior to 2022, and FTI Consulting estimate based on external data (RMR Consumer Survey, AIHW 'National Drug Strategy Household Survey 2022-23', ABS, ATO).

### 5.2.1 Quarterly Estimates of Illicit Loose-leaf Tobacco Consumption

Actual consumption of illicit loose-leaf (unbranded) tobacco substantially increased by 74.3 per cent from 1,606 tonnes in Q4 2023 to 2,799 tonnes in Q4 2024 (Figure 5-7). Both the actual volume of illicit loose-leaf (unbranded) tobacco consumption and underlying rate of growth are substantially higher than in prior years.

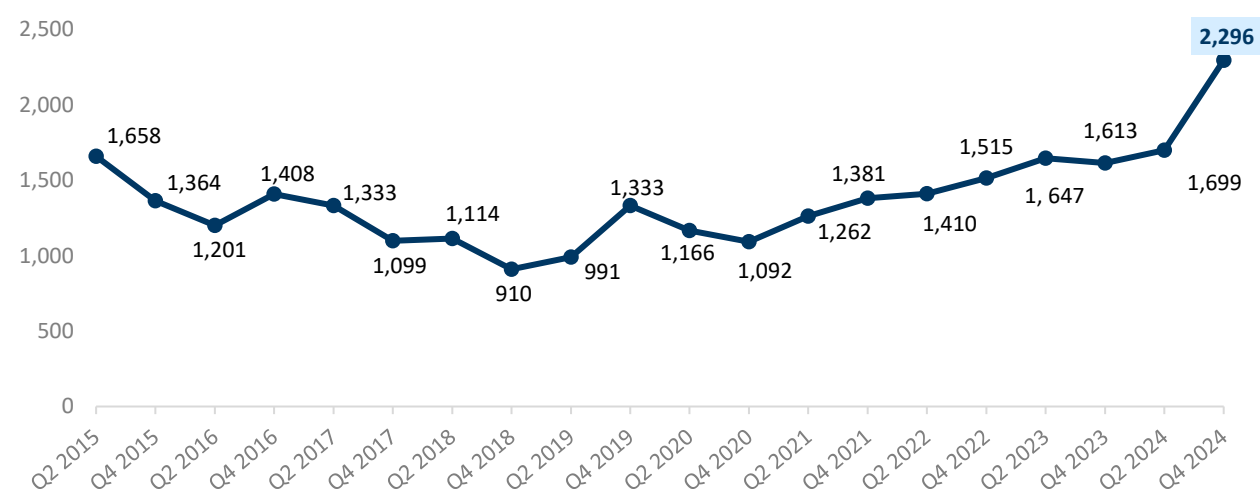
Figure 5-7: Actual consumption of illicit loose-leaf (unbranded) tobacco in tonnes



Source: Previous 'Illicit Tobacco in Australia' studies for data prior to 2022, and FTI Consulting estimate based on external data (RMR Consumer Survey, AIHW 'National Drug Strategy Household Survey 2022-23', ABS, ATO).

Using a blended measure<sup>27</sup>, consumption of illicit loose-leaf (unbranded) tobacco has increased by 42.3 per cent to an unprecedented 2,296 tonnes between 2023 to 2024 (Figure 5-8). This measure best represents consumption in 2024 as it removes volatility associated with the half-yearly measures.

Figure 5-8: Blended consumption of illicit loose-leaf (unbranded) tobacco in tonnes



Source: Previous 'Illicit Tobacco in Australia' studies for data prior to 2022, and FTI Consulting estimate based on external data (RMR Consumer Survey, AIHW 'National Drug Strategy Household Survey 2022-23', ABS, ATO).

<sup>27</sup> Blended consumption refers to the average consumption across the current and previous period (i.e., for Q4 2024, the blended consumption is an average of the actual consumption for Q2 2024 and Q4 2024).



Increases in the consumption of illicit loose-leaf (unbranded) tobacco have been driven by increases in the following underlying metrics:

- the number of consumers that have purchased illicit loose-leaf (unbranded) tobacco
- average volume per purchase.

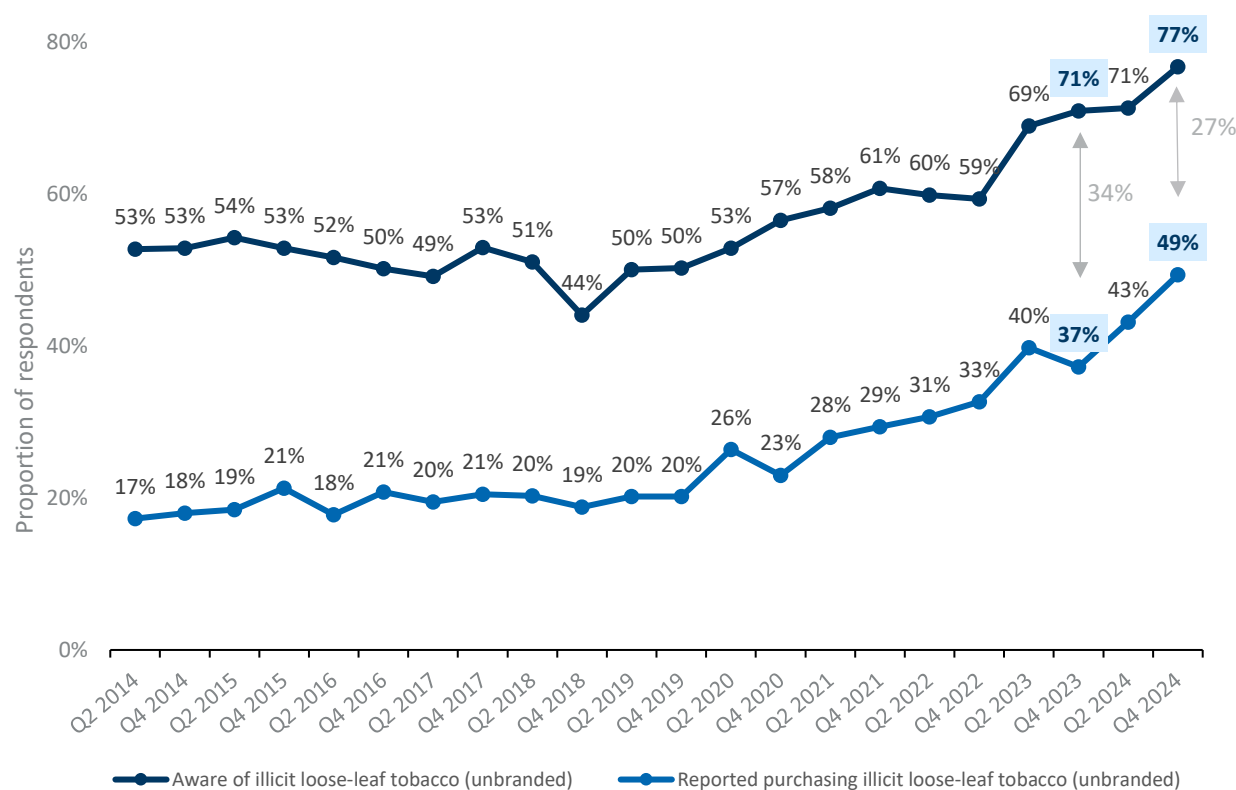
These metrics are discussed further in the following sections.

### 5.2.2 Purchase of Illicit Loose-leaf (Unbranded) Tobacco

The proportion of consumers surveyed by RMR who reported purchasing illicit loose-leaf (unbranded) tobacco is a key contributor to the estimate of illicit loose-leaf (unbranded) tobacco consumption. The proportion of consumers who reported purchasing illicit loose-leaf (unbranded) tobacco increased by 12.1 percentage points from 37.3 per cent in Q4 2023 to 49.4 per cent in Q4 2024.

The gap between the proportion of respondents who *are aware of* illicit loose-leaf (unbranded) tobacco and those *who have purchased* illicit loose-leaf (unbranded) tobacco is closing – from 33.7 per cent in Q4 2023 to 27.4 per cent in Q4 2024 (Figure 5-9).

Figure 5-9: Proportion of respondents who reported purchasing illicit loose-leaf (unbranded) tobacco.



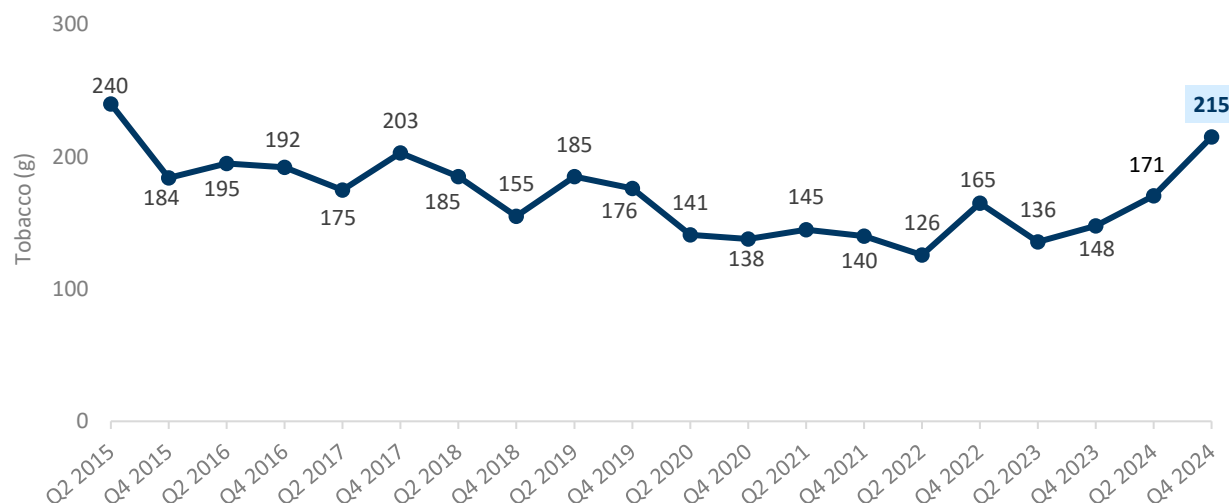
Source: Roy Morgan Research Consumer Survey.

### 5.2.3 Average Purchase Volume and Frequency

Respondents to the Consumer Survey reported buying loose-leaf tobacco (unbranded) at a similar frequency to previous years, but in larger quantities.

The average volume of illicit loose-leaf (unbranded) tobacco purchased per occasion increased by 45.7 per cent between Q4 2023 and Q4 2024 to an average of 215 grams of tobacco per occasion (Figure 5-10).

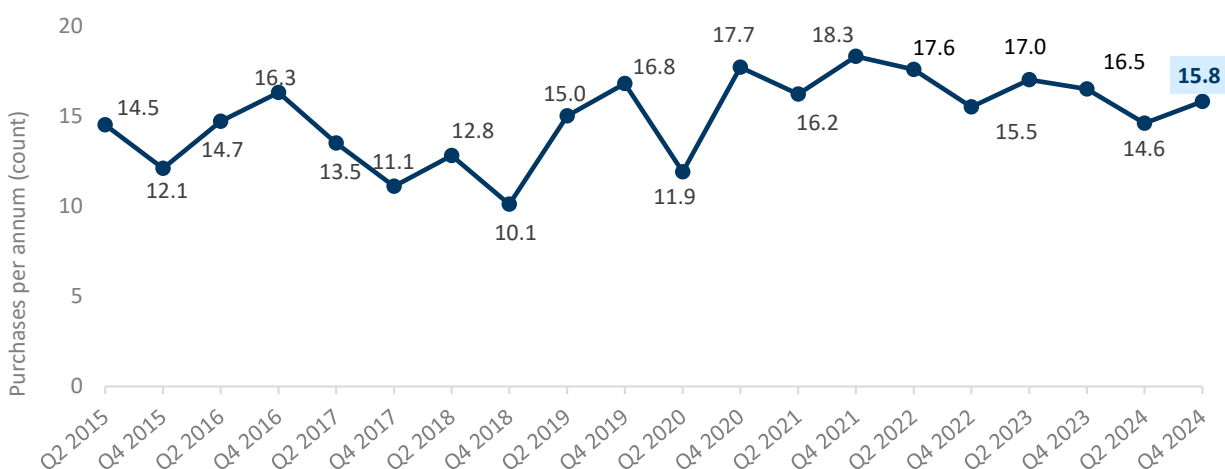
Figure 5-10: Average volume of illicit loose-leaf (unbranded) tobacco purchased per occasion (g)



Source: Roy Morgan Research Consumer Survey.

Over the same period, the average frequency of purchase has decreased by 4.0 per cent. An average consumer who purchases illicit loose-leaf (unbranded) tobacco does so 15.8 times per annum (Figure 5-11). This is slightly lower than the prior year (16.5 times per annum in Q4 2023).

Figure 5-11: Average frequency of illicit loose-leaf (unbranded) tobacco purchase per annum



Source: Roy Morgan Research Consumer Survey.

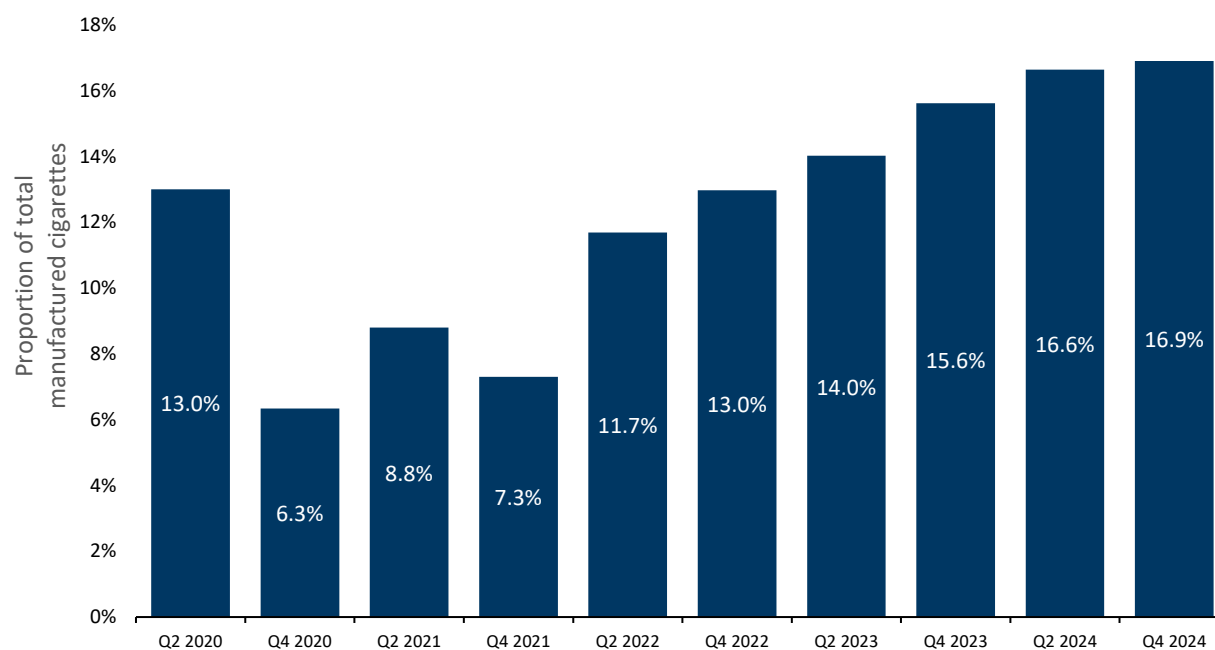
## 5.3 Illicit Manufactured Cigarettes

Illicit manufactured cigarettes are imported from overseas and do not comply with Australian market regulations. Only 17 tonnes (2.1 per cent) of non-domestic manufactured cigarettes entered the country legally in 2024 – with the rest entering the border without the relevant regulatory approvals. This includes contraband (87.3 per cent) and counterfeit (10.6 per cent) products. For simplicity, the term ‘contraband’ will be used to refer to all non-domestic illicit products for the remainder of this report.

### 5.3.1 Contraband Incidence

The inflow of contraband cigarettes reached 16.9 per cent of total manufactured cigarettes in Q4 2024 (Figure 5-12). This represents an increase of 1.3 percentage points on the contraband incidence in Q4 2023 (15.6 per cent), and a proportion higher than in Q4 2020 (6.3 per cent).

Figure 5-12: Contraband incidence as a percentage of total manufactured cigarette consumption

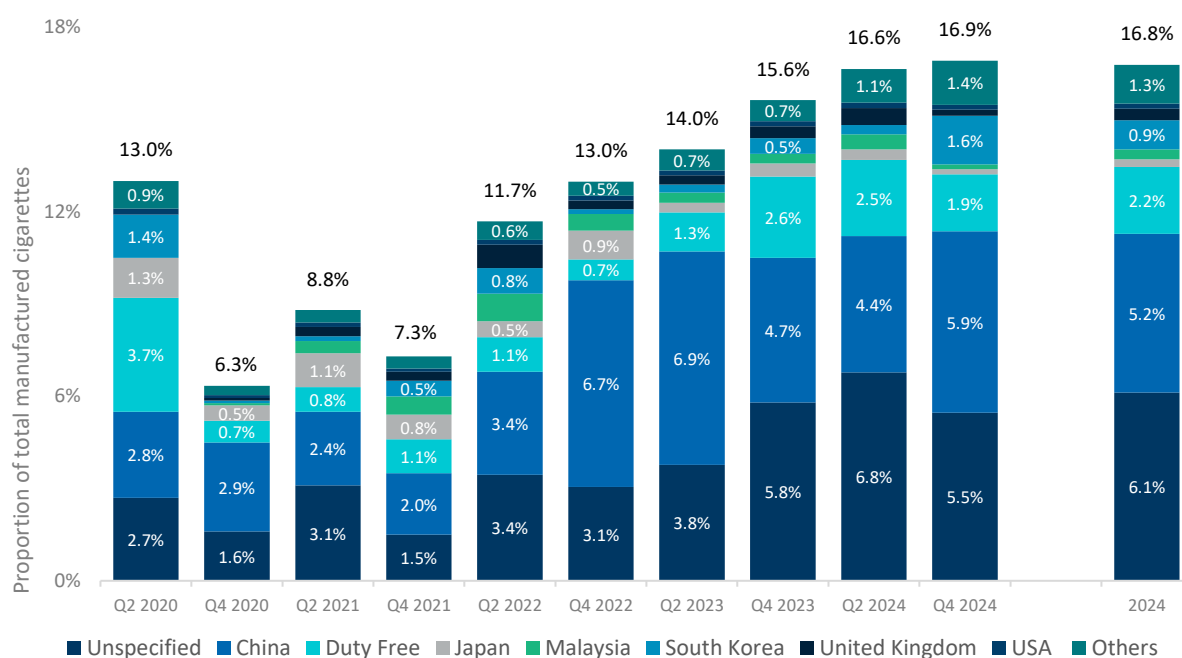


Source: WSPM Empty Discarded Pack Survey.

### 5.3.2 Country of Origin

APAC countries with low tobacco prices and high tourism volumes (particularly China, Japan, Malaysia, and South Korea) are the key source of contraband entering the Australian market (Figure 5-13). Contraband from China accounted for 5.2 per cent of total manufactured cigarettes in 2024.

Figure 5-13: Contraband incidence as a percentage of total manufactured cigarette consumption by country of origin



Note: Percentages of contraband incidence are only presented for countries with the top five inflows in 2024.

Source: WSPM Empty Discarded Pack Survey.

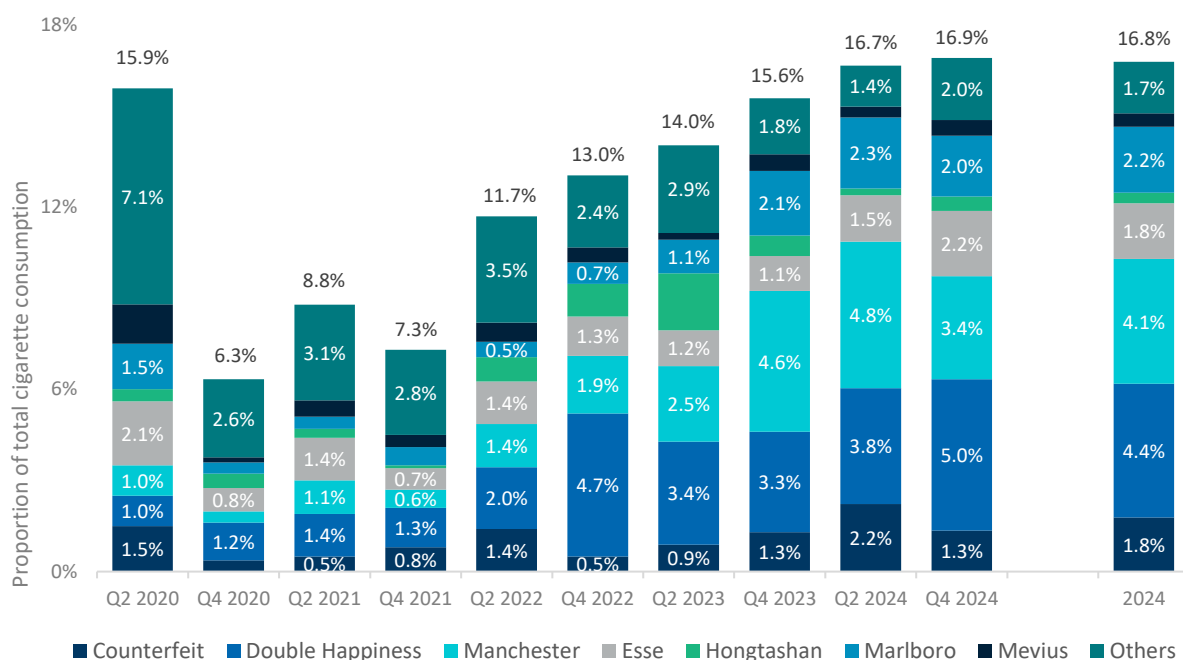
### 5.3.3 Brands

Almost half of all contraband cigarette consumption in Australia in 2024 was driven by the following brands:

- Double Happiness (imported mostly from China), which represented 4.4 per cent of total manufactured cigarettes
- Manchester (imported mostly from the Middle East and Malaysia), which represented 4.1 per cent of total manufactured cigarettes.

Other major contraband brands include Esse (Unspecified), Hongtashan (China), Marlboro (South Korea) and Mevius (Vietnam) (Figure 5-14).

Figure 5-14: Total contraband incidence by brand as a percentage of total manufactured cigarette consumption



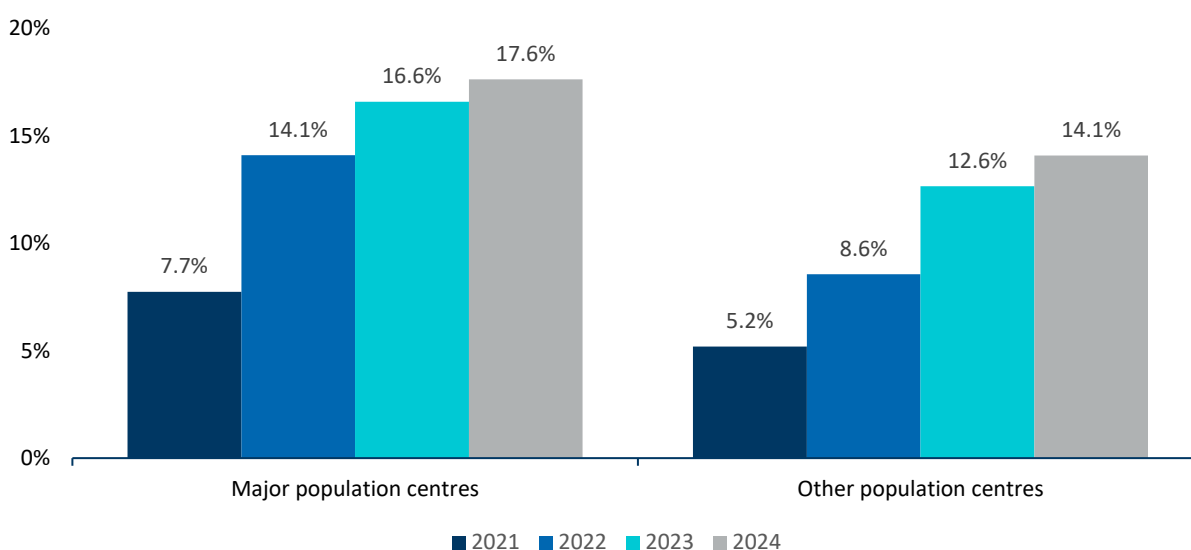
Note: In years where contraband incidence is lower than 0.5% in any period, labels have been removed.

Source: WSPM Empty Discarded Pack Survey.

### 5.3.4 Consumption of Contraband by Location

Contraband cigarettes are being consumed in both metropolitan and regional locations (Figure 5-15), but remain highest in major population centres (17.6 per cent of total manufactured cigarettes for metropolitan locations compared with 14.1 per cent for regional locations).

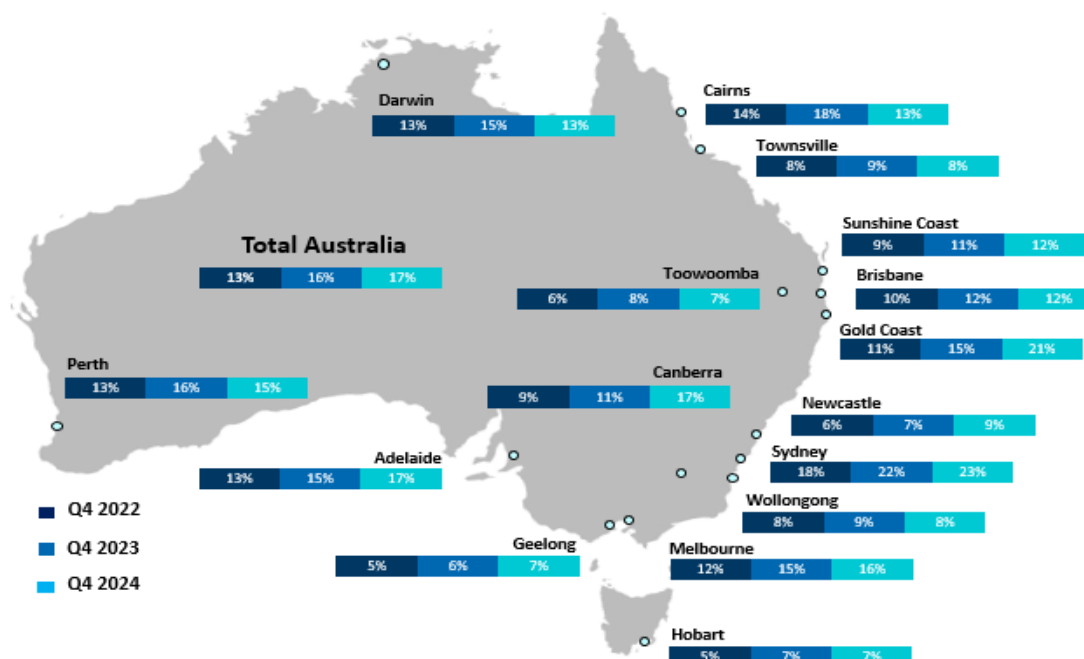
Figure 5-15: Weighted contraband incidence by population centre



Source: WSPM Empty Discarded Pack Survey.

Across Australia, Sydney has the highest contraband incidence rate at 23.1 per cent of total manufactured cigarettes (Figure 5-16). The population centres of Gold Coast, Canberra, Adelaide, and Melbourne also have significant rates of contraband cigarette incidence.

Figure 5-16: Total contraband incidence of manufactured cigarettes by population centre



Source: WSPM Empty Discarded Pack Survey.

Compared to the prior year, incidence of contraband cigarettes increased substantially in the Gold Coast (+6.9 per cent to 21.5 per cent of total manufactured cigarettes) and Canberra (+6 per cent to 17.5 per cent of total manufactured cigarettes).

## 5.4 Seizures

In the 2023–24 financial year, the ABF seized over 1,739 tonnes<sup>28</sup> of illicit tobacco, with an estimated excise value of approximately \$3.0 billion.<sup>29</sup> This represents a 19.4 per cent decrease in the total volume seized compared to the previous year, despite a significant rise in estimated illicit tobacco consumption.

The majority of seizures were conducted by the ABF (Figure 5-17).<sup>30</sup> Of the 1,739 tonnes seized by the ABF, 436 tonnes was illicit loose-leaf (unbranded) tobacco and approximately 1,303 tonnes was illicit manufactured cigarettes.<sup>31</sup> Illicit loose-leaf (unbranded) tobacco seizures have

<sup>28</sup> Department of Home Affairs, Annual Report 2023–2024, 2024.

<sup>29</sup> Australian Border Force, 'More than 45 million illicit cigarettes seized in five days across two states', 2024.

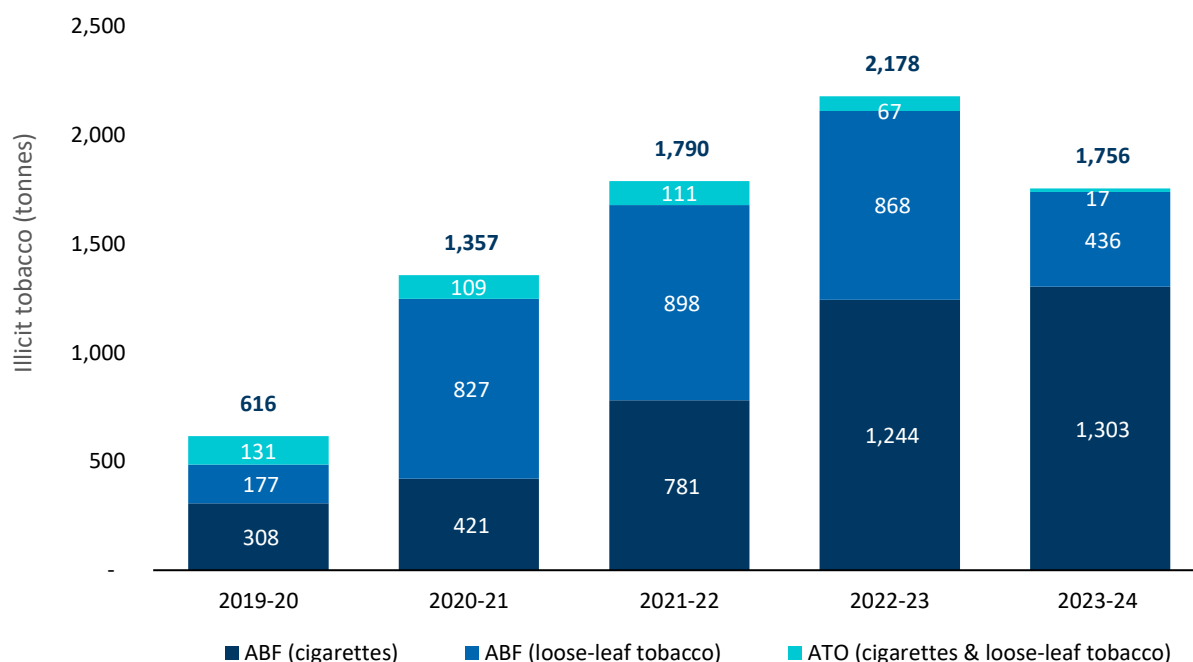
<sup>30</sup> The ATO also contributes to seizures, primarily targeting domestically manufactured loose-leaf tobacco.

<sup>31</sup> Cigarette volumes are taken directly from ABF ITTF findings, with no conversion from tonnes to individual cigarettes applied.



nearly halved, while illicit manufactured cigarette seizures increased by 4.8 per cent compared to 2022–23.

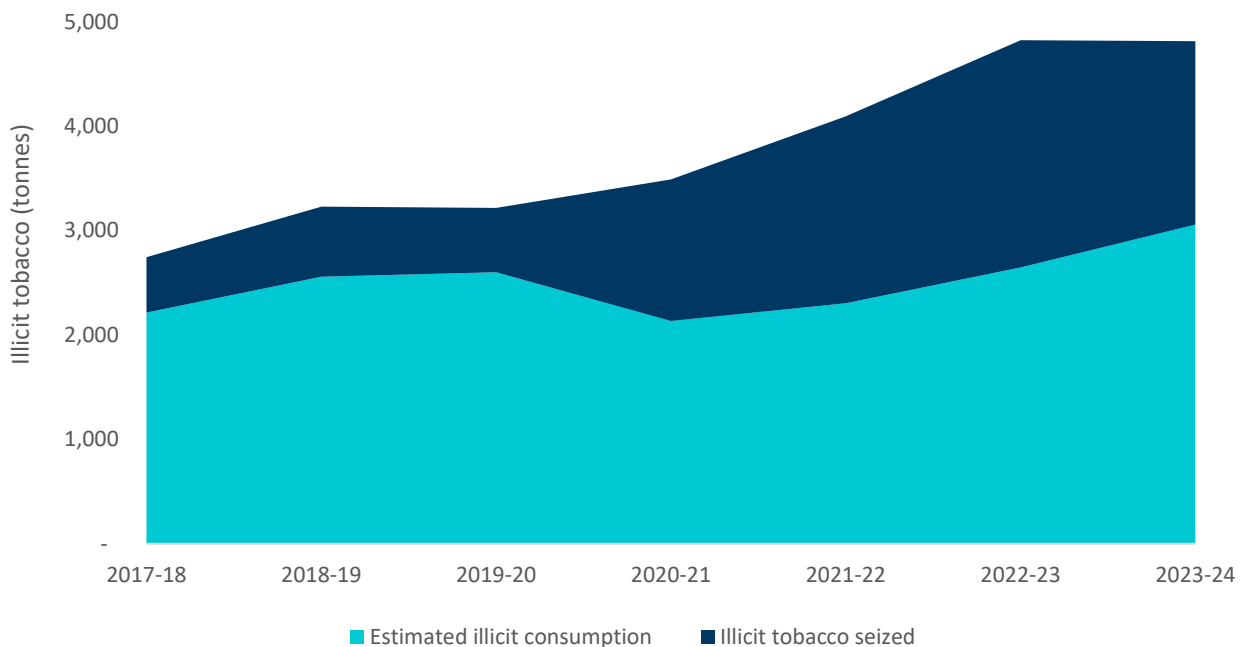
Figure 5-17: Total illicit tobacco seizures



Source: Previous illicit tobacco studies in Australia for historical data, ABF Illicit Tobacco Task Force for 2022-24, ATO 'Illicit Tobacco' Number of Seizures, Department of Home Affairs Annual Reports 2022-24.

Since the establishment of the ITTF in 2018, total seizures have increased each year. However, the volume of illicit tobacco seized declined in 2023-24, even as estimated illicit tobacco consumption continued to rise (Figure 5-18). As a result, there was a fall in the share of illicit tobacco seized in comparison to the total estimated illicit tobacco consumed and seized. Enforcement efforts are capturing a smaller share of illicit tobacco, highlighting ongoing challenges in detection and enforcement.

Figure 5-18: Estimated total illicit tobacco consumed and seized



Note: Illicit tobacco consumption estimates have been converted from annual year figures to financial year figures for the purpose of this comparison.

Source: Previous illicit tobacco studies in Australia for historical data, and Illicit Tobacco Task Force for 2022-23.

At the state level, police taskforces are playing a growing role in illicit tobacco enforcement, which may partly explain the reduction in total seizure volumes at the federal level. For instance, Victoria’s Taskforce Lunar seized over 4.5 tonnes of illicit tobacco during a single operation in July 2024.<sup>32</sup> Since its establishment on 1 July 2024, South Australia’s Consumer and Business Services Taskforce has inspected more than 130 premises across Adelaide, seizing in excess of 75,000 illicit cigarettes and over 20 kilograms of illegal tobacco products—including pouches and shisha—valued at more than \$80,000 within the span of a month.<sup>33</sup> Further examples of state taskforce seizures can be found in Appendix C.

Currently, seizure data is reported separately at the state and federal levels, with some inconsistencies in timing and figures. State-level data (primarily released by the ATO) is published intermittently and may not include all taskforce outcomes. The ABF publishes annual seizure data by financial year; however, these figures may differ from those reported in the Department of Home Affairs’ annual reports. This analysis is based on the available data, acknowledging these inconsistencies.

<sup>32</sup> ATO, ‘Lunar seize almost seven tonnes of illicit tobacco worth over \$12 million’, 2024.

<sup>33</sup> Government of South Australia, ‘New CBS Taskforce rids the streets of illicit tobacco’, 2024.

## 5.5 Value of Excise Lost

Excise collected on legal tobacco products contributes to the Commonwealth Government's income and assists the support of government services (including the provision of public health services). Illicit tobacco is not regulated, and no excise is paid at the point of sale.

The Australian tobacco excise rate increased in September 2024 to \$2.10 per gram for RYO tobacco products. Following a series of half-yearly increases, the tobacco excise rate increased again in March 2025 to \$2.16 per gram for RYO tobacco products.

In 2024, total illicit tobacco consumption was estimated to be 3,400 tonnes. Applying the average tobacco excise rate for 2024, this is equivalent to a potential loss of \$6.7 billion in tobacco excise (Table 5-1).

Table 5-1: Potential lost excise from illicit tobacco consumption

	Value
RYO excise (\$/gram) (March 2024)	\$1.89
RYO excise (\$/gram) (September 2024)	\$2.10
<b>RYO excise (\$/gram) (average)</b>	<b>\$2.00</b>
Illicit tobacco (tonnes)	3,351
<b>Total estimated excise lost</b>	<b>~ \$6.7 B</b>

*Note: Excise rates are sourced from the ATO ('Excise Duty Rates for Tobacco,' 2025). The Australian tobacco excise applies a conversion factor between the excise rate of tobacco sticks and other tobacco products. This conversion factor is intended to reflect the average weight of tobacco in a stick. Hence, the same excise rate is applied to the total illicit tonnage (irrespective of if the product is loose or manufactured).*

*Source: FTI Consulting analysis based on external data sources (RMR consumer survey, WSPM Empty Discarded Pack Survey, Circana scan, Euromonitor, industry partners, AIHW survey, ABS, ATO).*

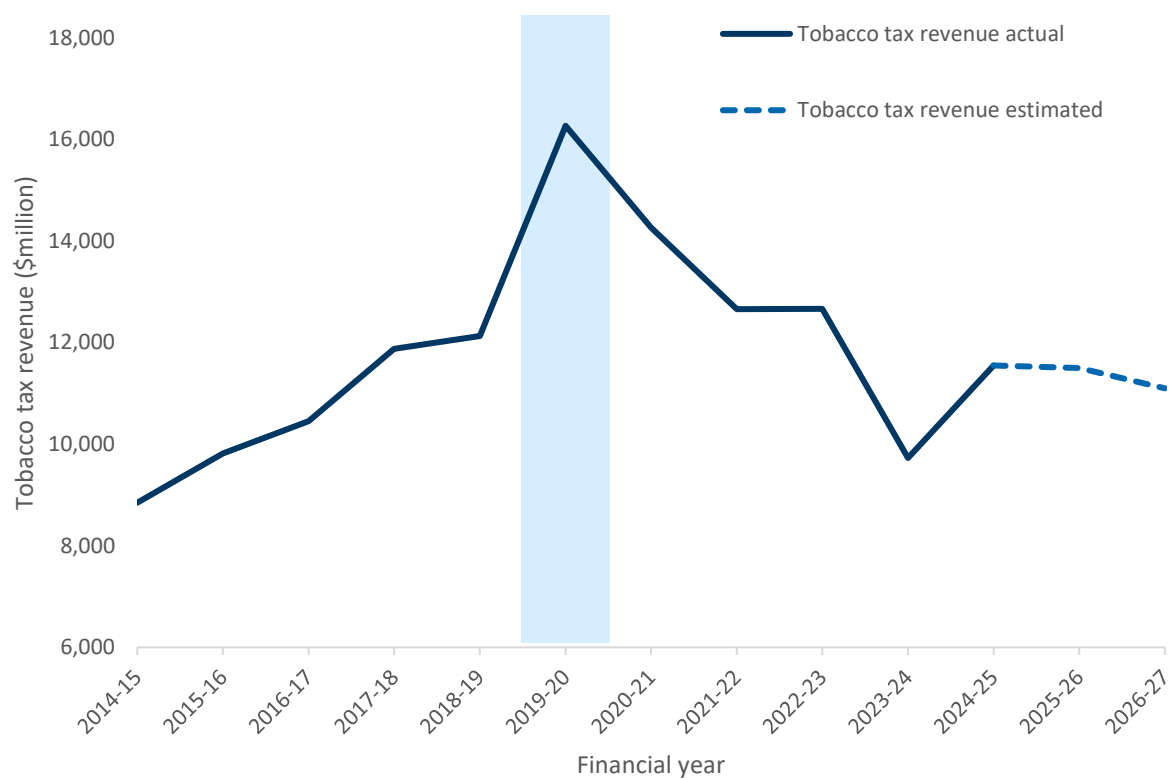
The estimated tobacco excise shortfall aligns with declining tobacco excise revenue reported in the federal budget. Despite annual increases in excise rates, tobacco tax revenue has been in decline since the 2019-20 financial year.<sup>34</sup> In the 2023–24 financial year, tobacco excise contributed \$9.7 billion to the federal budget – almost half of the \$16.3 billion peak recorded in 2019–20 (

Figure 5-19). The estimated tobacco excise in the 2024–25 budget was \$11.5 billion;<sup>35</sup> however, this figure has since been revised downward reflecting updated expectations.

<sup>34</sup> Revenue temporarily increased during the COVID-19 border closures in 2020, likely due to restricted illicit imports.

<sup>35</sup> Federal Budget, 'Statement 10: Australian Government Budget Financial Statements', 2024-25

Figure 5-19 Tobacco tax revenue: excise & customs duty in millions



Source: Australia Federal Budget Papers, 2014/15-2025/26.



An aerial photograph of a large shipping yard or port. The yard is filled with numerous stacks of intermodal containers in various colors, including red, blue, yellow, green, and white. Several yellow gantry cranes are positioned over the stacks, used for loading and unloading cargo from ships. The ground is paved and shows some wear. The overall scene depicts a busy logistics hub.

## 6. Key Drivers of Illicit Tobacco Consumption



## 6 Key Drivers of Illicit Tobacco Consumption

*This chapter outlines changes in the 2024 market that have contributed to the increased consumption of illicit tobacco.*

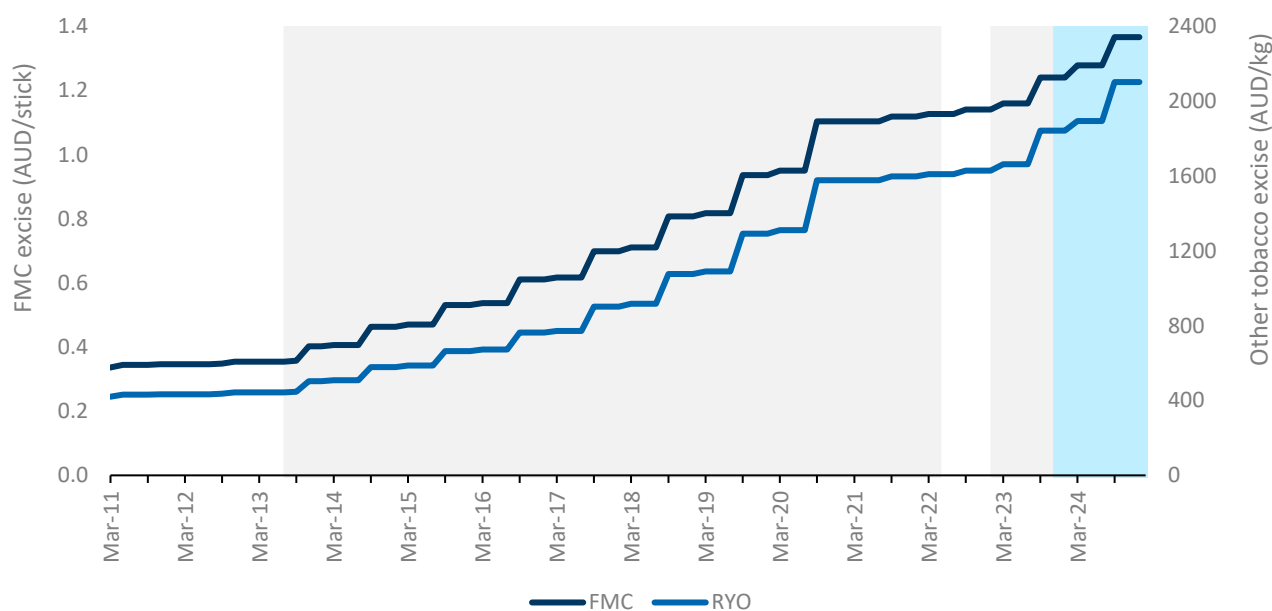
### Key Points

- As **legal tobacco prices continue to rise due to excise increases**, more consumers may be turning to illicit tobacco as a cheaper alternative.
- **Australia maintains the highest legal cigarette prices in APAC.**
- The price of **illicit tobacco products in Australia remains a fraction of the legal cigarette price**. Relative prices can be a key driver of consumer behaviour and the selection of substitute products.
- Over the long-term, **illicit loose-leaf (unbranded) tobacco has become significantly easier to purchase**.

### 6.1 Increasing Excise on Legal Tobacco

Excise rates have been steadily increasing since 2013, with consistent scheduled increases introduced by the Commonwealth Government as a tobacco control measure (Figure 6-1).

Figure 6-1: Tobacco excise and customs duty



Source: ATO, 'Excise duty rates for tobacco,' 2025.

Excise duty increased by 12.5 per cent in December 2013, with subsequent increases mandated annually each September between 2014 and 2020. This annual excise increase was originally



scheduled to conclude after 2016, but legislative amendments introduced an additional four increases from 2017 to 2020.<sup>36</sup> In addition to the mandated excise increases, the tobacco excise rate was indexed to Average Weekly Ordinary Time Earnings (AWOTE) each March and September from 2014 onwards.<sup>37</sup> Indexing tobacco excise to AWOTE helps ensure that tobacco products do not become increasingly affordable in real terms over time.

Tobacco excise for manufactured cigarettes is levied per stick, while other tobacco products (including loose-leaf tobacco) are taxed per kilogram. To better align the excise rates for manufactured cigarettes and loose-leaf tobacco (unbranded), the assumed grams of tobacco per manufactured cigarette were adjusted over a four-year period.<sup>38</sup> This led to an additional increase in the excise rate for loose-leaf tobacco (unbranded), exceeding the regular indexation applied annually between 1 September 2017 to 1 September 2019.

From September 2023 (until September 2025), the Commonwealth Government is applying further annual increases to tobacco excise by 5 per cent per year for three years (in addition to standard AWOTE indexation). Between September 2023 and September 2024, tobacco excise increased from \$1.24 to \$1.37 per stick – a 10.5 per cent increase in the tobacco excise rate.<sup>39</sup> Substantial increases in tobacco excise rates have significantly contributed to price rises in the sale of legal tobacco. For example, the cost of a 25-pack of Winfield cigarettes increased by 11.5 per cent between September 2023 and September 2024.

In the context of the cost-of-living pressures (described in Chapter 2), increases in the excise rate is likely to make consumers more inclined to seek out cheaper, often illicit, alternatives.

## **6.2 Increasing Price Gap between Legal and Illicit Products**

Australia maintains the highest legal cigarette prices in the Asia-Pacific Region (Figure 6-2). This price differential enables illicit tobacco traders to generate significant profits from imported illicit tobacco, especially in the current economic climate where many consumers are drawn to cheaper illicit options.

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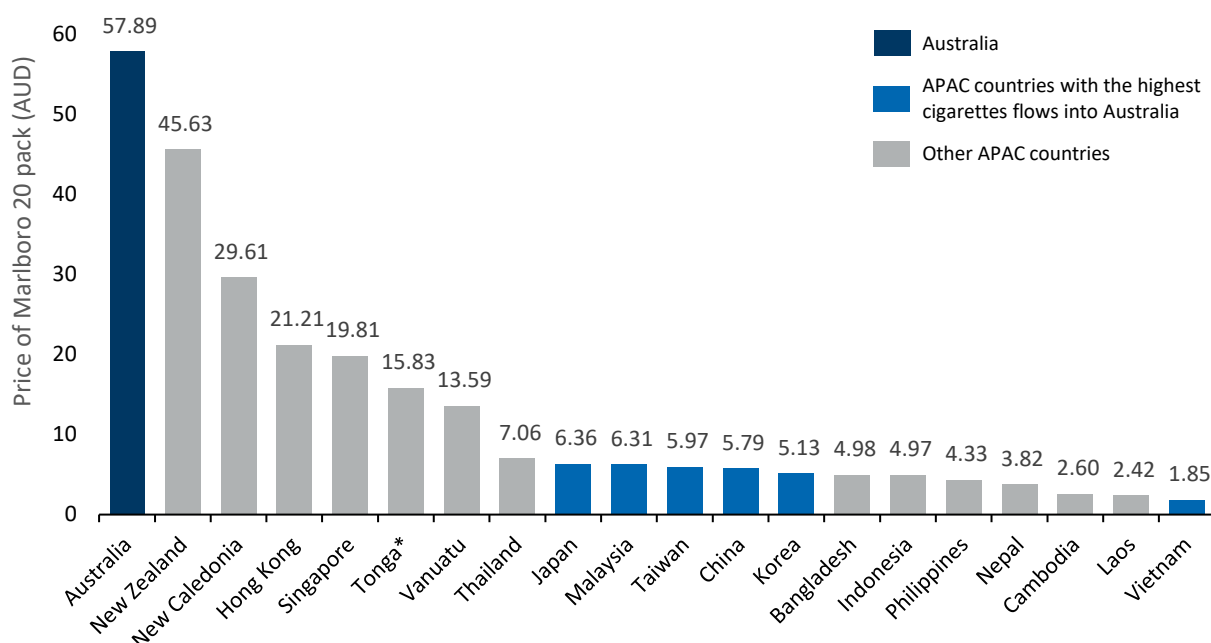
<sup>36</sup> Australian Taxation Office, 'Historical excise rates, for Petroleum, Alcohol and Tobacco', 2025.

<sup>37</sup> Australian Taxation Office, 'Excise duty rates for tobacco', 2025.

<sup>38</sup> In 2016, excise was calculated for loose-leaf tobacco on the basis that each manufactured cigarette contained 0.8 g of tobacco. The rate was adjusted gradually (by 0.025 g per stick each year over four years) from 0.8 g per stick in 2016 to 0.7 g per stick in 2020 which was closer to the weight of a manufactured cigarette.

<sup>39</sup> Australian Taxation Office, 'Excise duty rates for tobacco', 2025

Figure 6-2: Retail sales price (RSP) of a pack of 20 Marlboro cigarettes in Australia and selected markets in the Asia-Pacific region, December 2024



Note: For Tonga, the retail sales price refers to Longbeach Extra Mild (rather than Marlboro). Both products are produced by PMI

Source: FTI Consulting analysis using industry partners' data; exchange rate as on 31 December 2024.

As of December 2024, a pack of Marlboro cigarettes cost \$57.90 in Australia compared to just \$5.80 AUD in China. In total, there are at least 13 countries where the same pack can be purchased for under \$10 AUD, with the lowest being Vietnam at \$1.85 AUD equivalent. With the price of tobacco in other countries representing less than 10 per cent of the Australian price, there is significant demand for cheaper alternatives.

For example, the price of a Winfield-25s pack was \$68.76 in December 2024 (Table 6-1). In contrast, the price of illicit loose-leaf (unbranded) tobacco was \$14.48 and the price of contraband was \$21.15. The price of illicit tobacco and substitute products remains low, and a fraction of the price of legal tobacco alternatives.

Table 6-1: Price comparison of legal manufactured cigarettes versus illicit tobacco products, 2024

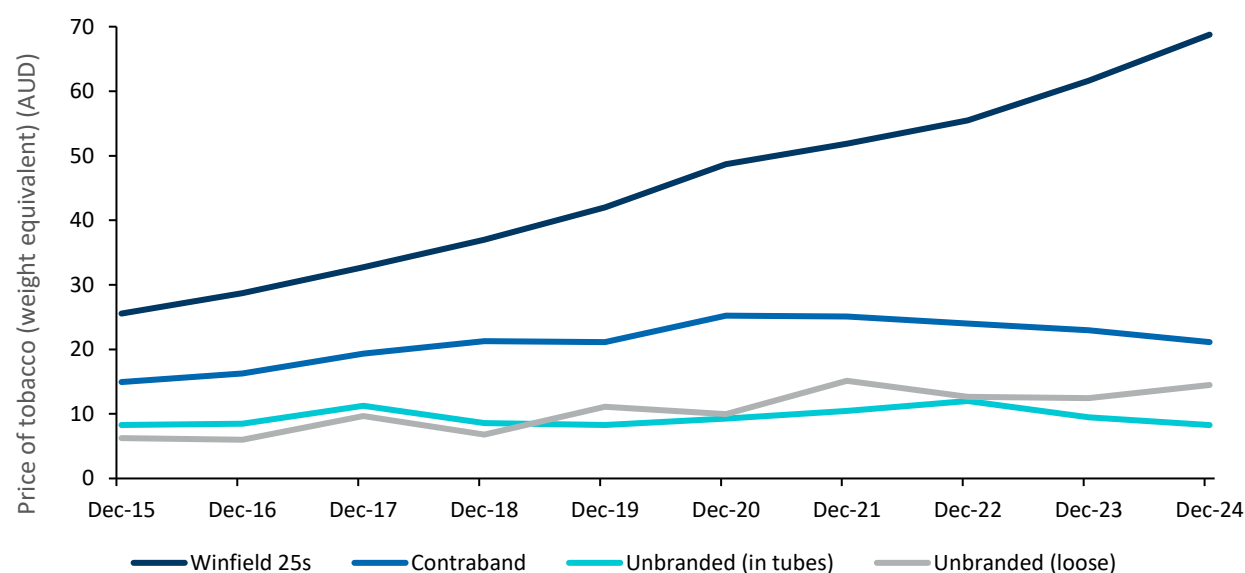
Product	Price (per puff)	Price (25-pack equivalent)	Proportion (legal cigarettes)	Price per year (pack per day)
Legal cigarette (Winfield 25s)	\$0.28	\$68.76		\$25,098
Contraband	\$0.08	\$21.15	30.8%	\$7,720
Illicit loose-leaf (unbranded) tobacco	\$0.06	\$14.48	21.1%	\$5,283
Illicit vapes	\$0.01 - 0.015	\$2.50 – 3.75	3.6 – 5.5%	\$913 – 1,369

Note: Assumes an average of 10 puffs per cigarette, and 4000 puffs per vape.

Source: FTI Consulting analysis based on external data sources (Industry Partners; The Age, 'Vape-flation: prices have surged, but retailers are still flouting the ban,' 2024).

Over time, illicit tobacco products have become significantly more affordable for consumers compared to legal alternatives (Figure 6-3). This growing price disparity is a key factor increasingly driving consumers towards illicit alternatives – particularly illicit loose-leaf (unbranded) tobacco (loose-leaf and tubes).

Figure 6-3: Price of tobacco products equivalent in weight to Winfield 25s (AUD)

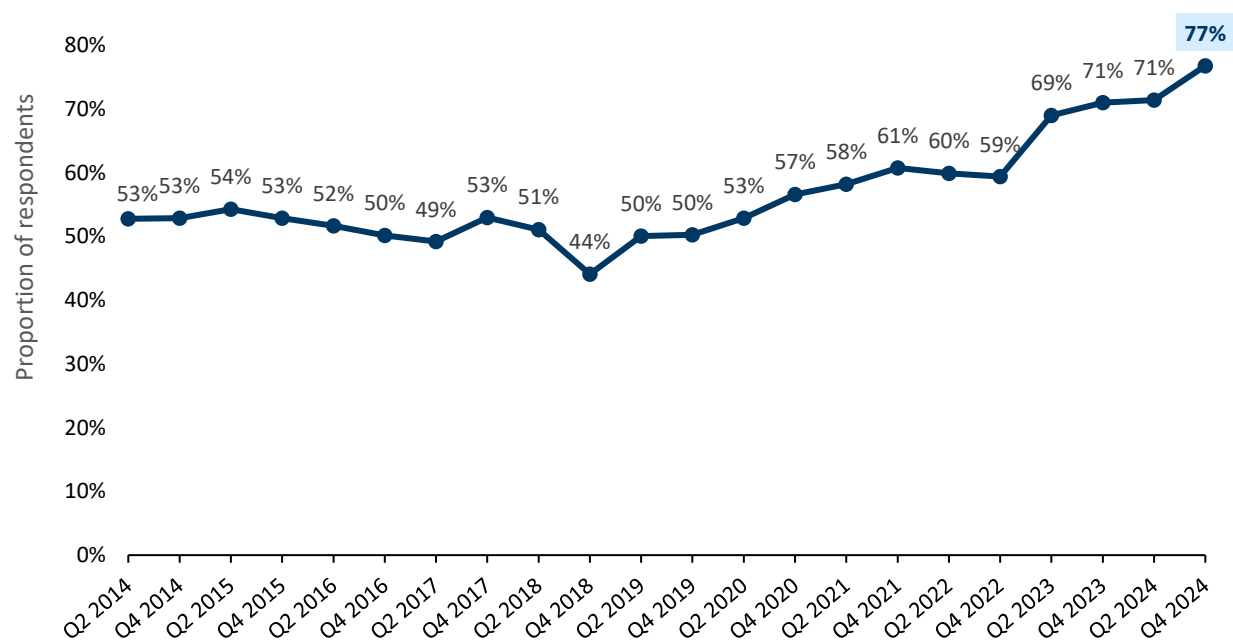


Source: Industry data supplied to FTI Consulting. Illicit loose-leaf prices have been converted to the equivalent tobacco content of a 25-cigarette pack.

### 6.3 Rising Ease of Access

In 2024, consumers reported an increased awareness of illicit tobacco products (Figure 6-4). In the last quarter of 2024, 76.8 per cent of survey respondents said they were aware that illicit loose-leaf (unbranded) tobacco was available to purchase – an increase of 5.8 percentage points since Q4 2023. This increase is in line with the long-run increase in awareness observed since Q4 2018.

Figure 6-4: Proportion of respondents aware of illicit loose-leaf (unbranded) tobacco

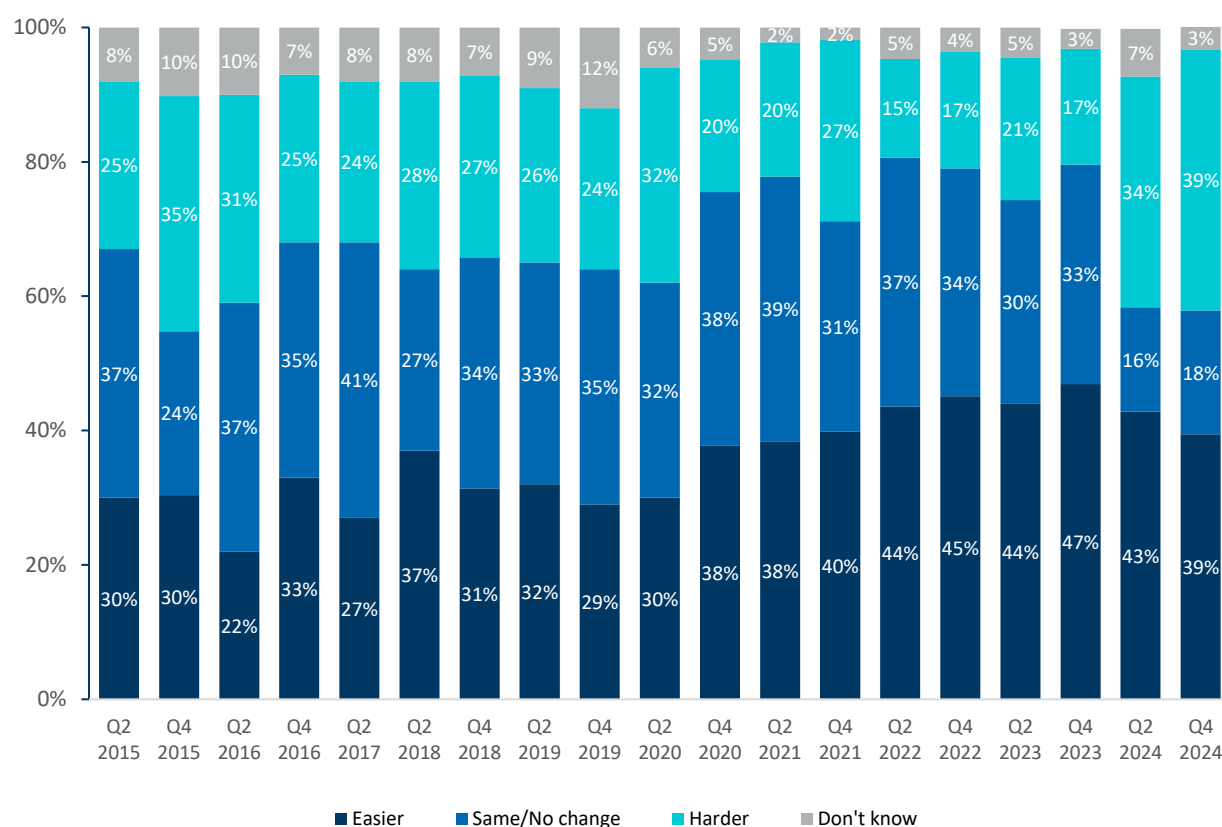


Source: Previous studies of Illicit tobacco in Australia, 2013-2022, and Roy Morgan Research consumer survey data for 2022-2024.

As noted in Chapter 5.2, the gap between the proportion of respondents who *are aware of* illicit loose-leaf (unbranded) tobacco and those *who have purchased* illicit loose-leaf (unbranded) tobacco is closing – from 33.7 per cent in Q4 2023 to 27.4 per cent in Q4 2024 – indicating that awareness of illicit products is increasingly translating to purchases. The proportion of consumers who reported purchasing illicit loose-leaf (unbranded) tobacco rose by 12.1 percentage points in 2024, reflecting both increased access and demand.

Not only are consumers more aware of illicit tobacco, but a substantial number of have reported that illicit loose-leaf (unbranded) tobacco has become easier to purchase over time (Figure 6-5). In each quarter since 2016, the largest proportion of survey respondents have stated illicit loose-leaf (unbranded) tobacco is easier to purchase than in the previous period (excluding Q2 2020).

Figure 6-5: Ease of purchasing illicit loose-leaf (unbranded) tobacco



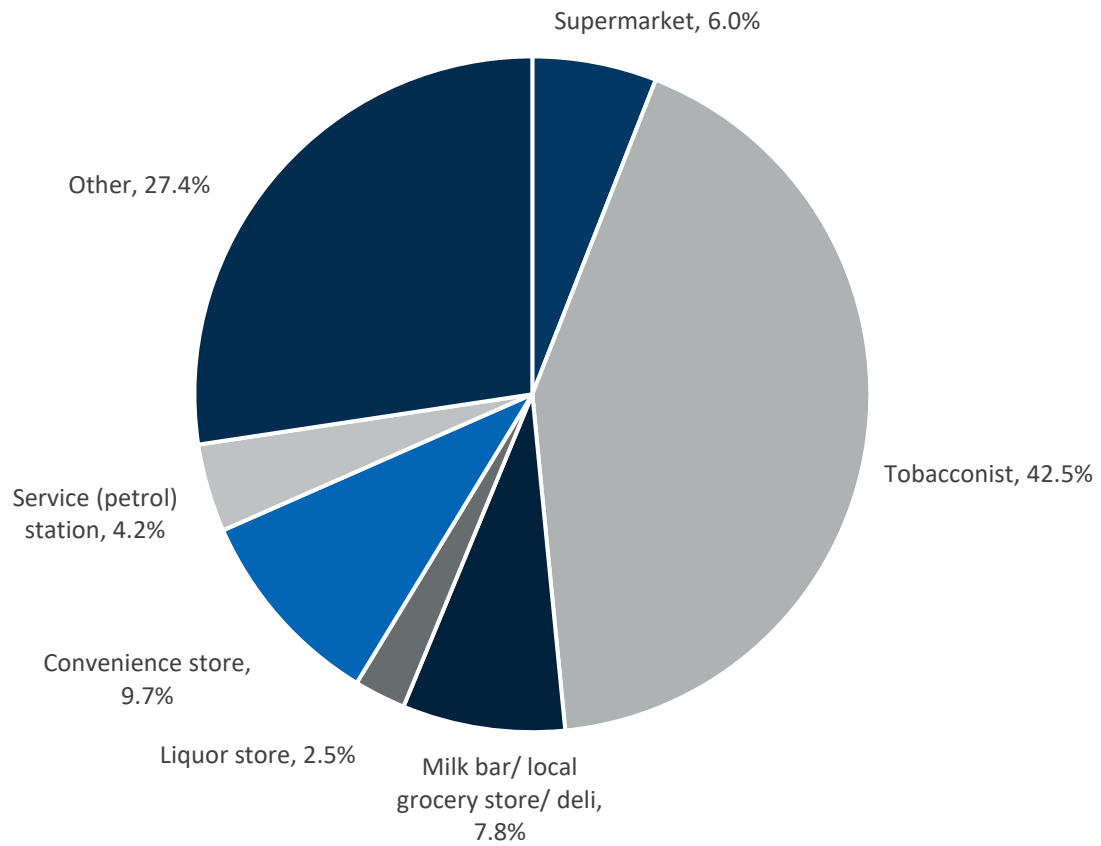
Source: Previous studies of Illicit tobacco in Australia, 2013-2022, and Roy Morgan Research consumer survey, 2022-2024.

In 2024, an increasing proportion of consumers started to report an increased difficulty in the ability to purchase illicit tobacco. The short-term difficulty in purchasing illicit loose-leaf (unbranded) tobacco reported by some consumers may be attributed to increased regulation and enforcement activities targeting illicit tobacco consumption in 2024. However, it is too early to tell what the impacts of government intervention have been and there is likely to be inconsistency between locations. This will be a critical issue to explore in the 2025 study.

Tobacconists remain the primary point of sale, accounting for 46.0 per cent of illicit loose-leaf (unbranded) tobacco purchases (Figure 6-6). This is followed by the 'Other'<sup>40</sup> category (27.4 per cent), which includes vendors such as family members or friends, restaurants, fast food or takeaway shops, Asian groceries, and newsagents. Supermarkets and convenience stores contribute 6.0 per cent and 9.7 per cent of illicit loose-leaf (unbranded) tobacco sales, respectively.

<sup>40</sup> 'Other' outlets include; restaurants/hotels, fast food & takeaway shops, newsagents, Asian groceries, markets, internet and friends/family/acquaintances.

Figure 6-6: Main purchase outlets of illicit loose-leaf (unbranded) tobacco, 2024 Q4



Source: Roy Morgan Research consumer survey data, 2024.



## 7 Conclusion

The total volume of tobacco consumed in Australia declined by 11.9 per cent from 2023 to 2024, in line with historical declines in tobacco consumption. This decline is largely driven by a fall in legal tobacco consumption, which dropped by 25.3 per cent from the previous year. This is the fastest decline in legal tobacco consumption seen in the last decade.

In contrast to the steep decline in legal tobacco consumption, illicit tobacco consumption rose significantly by 21.0 per cent from 2023 to 2024 to a record high of 3,400 tonnes. It now accounts for two-fifths (39.4 per cent) of all tobacco consumed in Australia. This is equivalent to a potential excise loss of \$6.7 billion in additional government revenue based on 2024 excise rates.

Most illicit tobacco consumed in Australia is illicit loose-leaf (unbranded) tobacco, comprising 68.5 per cent of total illicit consumption. Consumption of illicit loose-leaf (unbranded) tobacco has grown 42.3 per cent between 2023 and 2024 to an unprecedented 2,300 tonnes, driven by increases in the quantity of illicit loose-leaf (unbranded) tobacco purchased per occasion and the number of consumers purchasing illicit loose-leaf (unbranded) tobacco.

Illicit tobacco consumption in Australia continues to grow year on year, driven by rising excise rates, widening price gaps, and increased accessibility. Slower wage growth and a lack of growth in real disposable incomes are compounding these pressures, making cheaper, unregulated alternatives more appealing to consumers. This ongoing growth in illicit use highlights a worsening trend that presents ongoing challenges for public health, enforcement, and regulatory policy.



# Appendices

# Appendix A: Estimating Illicit Loose-leaf (Unbranded) Tobacco Consumption

The approach used to estimate illicit loose-leaf (unbranded) tobacco consumption is consistent with the method undertaken by the previous Australian illicit tobacco studies (ongoing since 2007).

Due to the nature of the qualitative analysis required for some components of the illicit loose-leaf (unbranded) tobacco consumption, there might be minor discrepancies between the current approach and previous studies. However, any discrepancies or adjustments to the methodology have been undertaken with consent of the clients and have no material impact on the final estimates of illicit tobacco consumption.

## Data Sources

To estimate illicit loose-leaf (unbranded) tobacco, the key data sources are the RMR Consumer Survey, the AIHW National Drug Strategy Household Survey, and the ABS Census population estimates.

### The Consumer Survey

The RMR Consumer Survey is primary market research used to estimate the size of the illicit loose-leaf (unbranded) tobacco consumption in Australia. This survey is commissioned by the industry (ITA, PML and BATA) and has been conducted bi-annually by RMR since 2016.

The survey asks adult smokers, who smoke on a regular basis, about their consumption and purchase of legal and illicit tobacco products. Consumers are asked about their tobacco consumption and the purchase of legal and illicit products. Specifically, consumers respond to questions on the consumption of illicit loose-leaf (unbranded) tobacco products.<sup>41</sup>

Over 21,000 people took part in the latest AIHW National Drug Strategy Household Survey, held in 2024, and released in 2025. Only participants that reported the consumption of tobacco are included in the consumer survey analysis and this study (referred to as eligible). There were 2,143 eligible participants in Q2 2024 and 2,150 eligible participants in Q4 2024 that completed the survey. The number of eligible participants is consistent with studies in prior years.

Key metrics drawn from the consumer survey for this study include:

- percentage of illicit loose-leaf (unbranded) tobacco consumers (as a share of the smoking population)

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<sup>41</sup> These estimations are then 'blended' (averaged across the year) to reduce the fluctuation of illicit tobacco purchases throughout the quarters.

- frequency of purchase of illicit loose-leaf (unbranded) tobacco (per year)
- quantity of illicit loose-leaf (unbranded) tobacco purchased on each occasion.

Other data points are also collected from the RMR Consumer Survey for comparative and explanatory purposes. These measures include the awareness of illicit loose-leaf (unbranded) tobacco, ease of purchase of illicit loose-leaf (unbranded) tobacco and supply outlets for illicit loose-leaf (unbranded) tobacco.

Key elements of our methodology consistent with previous years include:

- Validation of the survey respondents' overall smoking and illicit loose-leaf (unbranded) tobacco smoking behaviour. For instance, a participant's illicit loose-leaf (unbranded) tobacco smoking volume in a year could not exceed their overall smoking volume per year. This results in some responses being eliminated to achieve more genuine outcomes.
- Implementation of the weighted sample data that best represents the whole population of Australia.<sup>42</sup>
- Application of previous methods for estimating participation of the daily smoker population in illicit loose-leaf (unbranded) tobacco consumption.

It is important to note that the estimates rely on the share of users who report they have purchased illicit loose-leaf (unbranded) tobacco since turning 18. The measure therefore does not distinguish between those who have historically purchased illicit loose-leaf (unbranded) tobacco and those who purchased it in the last 12 months. Further, consumers under 18 are not included.

## AIHW

The AIHW's National Drug Strategy Household Survey is undertaken every three years. The survey focuses on attitudes and behaviours across a wide range of health and drug related issues and includes questions on smoking prevalence for 14 years of age and older smoking population in Australia.

When new data from the AIHW National Drug Strategy Household Survey is available, it is applied to the consumption model. When new data is not available, the smoking population incidence is updated using a compound annual growth rate (CAGR). The latest survey results released by AIHW cover the 2022-23 calendar year. The Australian Illicit Tobacco Study for 2024 therefore utilises the CAGR between 2019 and 2023 to estimate the smoking incidence for 2024 (7.7 per cent).

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<sup>42</sup> Application of Roy Morgan Research rim weights to the participants' responses using criteria it collects from respondents, such as location, age, gender, income, occupation and work status. The weighting of individual survey participants is not completed by FTI Consulting.

The *daily* smoking population as estimated by this survey is used as a key input to estimate illicit loose-leaf (unbranded) tobacco consumption. It must be noted that these estimates therefore do not reflect the consumption of illicit loose-leaf (unbranded) tobacco by *non-daily* smokers. This is noteworthy given increases in 'dual use' (illicit vaping and smoking).

### ABS

Estimates of the size of Australia's adult population are extracted from the ABS. The ABS updates its data every five years through the Census. When new data from the ABS Census is available, it is applied to the consumption model. When new data is not available, the adult population is updated using a compound annual growth rate (CAGR). The last ABS population data was collected in 2021. The Australian Illicit Tobacco Study for 2024 utilises the CAGR between 2017 and 2021 to estimate the Australian population above 14 (21.5 million).

### Approach

As explained above, RMR conducts its consumer survey on a six-monthly basis (in Q2 and Q4). Illicit loose-leaf (unbranded) tobacco consumption is estimated as the simple average of the estimated volume of illicit loose-leaf (unbranded) tobacco consumption in each survey. Table A-1 outlines the calculations used to estimate illicit loose-leaf (unbranded) tobacco consumption in 2024.



Table A-1: Illicit loose-leaf (unbranded) tobacco consumption estimation approach

	Parameter	Reference	Q2 2024	Q4 2024	2024
1	Quantity of illicit loose-leaf (unbranded) tobacco purchased per occasion per consumer (g)	RMR consumer survey, Bi-annual (Q2 and Q4)	171	215	
2	Frequency of illicit loose-leaf (unbranded) tobacco purchased per annum per consumer (#)	RMR consumer survey, Bi-annual (Q2 and Q4)	14.6	15.8	
3	<b>Quantity of illicit loose-leaf (unbranded) tobacco purchased per annum per consumer (g)</b>	<b>(1) x (2)</b>	<b>2,489</b>	<b>3,399</b>	
4	Adult population in Australia ('000) (see note)	ABS – Annual forecast	21.6	21.6	
5	Adult smoking population in Australia (%)	AIHW – Actual	7.7%	7.7%	
6	<b>Number of adult smoking population in Australia ('000)</b>	<b>(4) x (5)</b>	<b>1,667</b>	<b>1,667</b>	
7	Australian adult smoking population who consume illicit loose-leaf (unbranded) tobacco (%)	RMR consumer survey – Bi-annual (Q2 and Q4)	43.2%	49.4%	
8	<b>Number of illicit loose-leaf (unbranded) tobacco consumers in Australia ('000)</b>	<b>(6) x (7)</b>	<b>720</b>	<b>824</b>	
9	<b>Quantity of illicit loose-leaf (unbranded) tobacco consumption in Australia (tonnes)</b>	<b>(3) x (8)</b>	<b>1,793</b>	<b>2,799</b>	<b>2,296</b>

Notes: The adult definition in the AIHW National Drug Strategy Household Survey is different from that in the Roy Morgan Research consumer survey. While the consumer survey considers Australians 18 years of age and older as adults, AIHW applies a definition of 14 years of age and above. We use the 14+ population from the ABS for consistency with AIHW.

Source: FTI Consulting.

# Appendix B: Estimating Illicit Manufactured Cigarette Consumption

## Data Sources

The Empty Discarded Pack Survey is used to estimate consumption of illicit manufactured cigarettes. The EDPS is an independent bi-annual study undertaken by WSPM. The survey collects 12,000 empty discarded cigarette packs per survey across 16 population centres in Australia. The survey covers locations comprising of over 75 per cent of Australia's population.

For each empty tobacco pack collected, WSPM identifies its brand and country of origin, and domestic or non-domestic packaging. After consultation with the participating manufacturers in Australia (ITA, BATA and PML), WSPM identifies whether a collected sample is genuine or counterfeit. The EDPS results are available for Q2 and Q4 in each year.

Key metrics drawn from the EDPS include the incidence of:

- counterfeit – the percentage of cigarettes branded or trademarked without the consent of the trademark owner
- contraband – the percentage of cigarettes with non-domestic branding (non-plain packaging, no Australian health warnings)<sup>43</sup>
- illicit whites – the percentage of cigarettes comprising of illicit brands with packaging designed to mimic international or Australia market regulations (both non-domestic illicit whites or domestic illicit plains, respectively).

In many cases, we use the simple average of the parameters calculated based on Q2 and Q4 data sets.

## Approach

### Counterfeit

The Australian Illicit Tobacco Study estimates the volume of counterfeit consumption by:

- extracting the counterfeit incidence (in percentage terms) from the EDPS<sup>44</sup>
- applying the counterfeit incidence to the volume of total manufactured cigarettes to estimate counterfeit consumption.<sup>45</sup>

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<sup>43</sup> Non-domestic incidence refers to the amount of non-domestic cigarettes consumed as a proportion of total cigarettes, as recorded in the EDPS.

<sup>44</sup> The annual counterfeit incidence is estimated based on the simple average of the Q2 and Q4 estimates.

<sup>45</sup> The volume of total manufactured cigarettes is estimated by the volume of legal domestic manufactured cigarettes and total (legal and illicit) non-domestic manufactured cigarettes.

## Table B-1 outlines the estimated counterfeit consumption in 2024

Table B-1: Counterfeit consumption estimation process

	Parameter	Reference	2024
1	Legal sales of manufactured cigarettes (tonnes)	Circana MarketEdge scan, industry data - Annual	3,970
2	Average non-domestic incidence (%)	Empty Discarded Pack Survey - Bi-annual (Q2, Q4)	16.8%
3	<b>Total manufactured cigarettes consumption (tonnes)</b>	<b>(1) / (100% - (2))</b>	<b>4,771</b>
4	Average counterfeit incidence (%)	Empty Discarded Pack Survey - Bi-annual (Q2, Q4)	1.8%
6	<b>Counterfeit consumption (tonnes)</b>	<b>(3) x (4)</b>	<b>85</b>

Source: FTI Consulting.

### Contraband

The Australian Illicit Tobacco Study estimates the volume of contraband consumption by:

- deducting total legal non-domestic consumption from total non-domestic consumption to estimate illicit non-domestic consumption
- deducting counterfeit consumption from total illicit non-domestic consumption.

Table B-2 outlines the calculation approach to estimate contraband consumption in 2024.<sup>46</sup>

<sup>46</sup> In the report body, contraband estimates also include illicit whites. This is consistent with previous Illicit Tobacco in Australia Studies.

Table B-2: Contraband consumption estimation process

	Parameter	Reference	2024
1	Non-domestic legal inbound consumption (tonnes)	Empty Discarded Pack Survey, ABS, Previous years' estimates	4.12
2	Non-domestic legal outbound consumption (tonnes)	Consumer survey results, Empty Discarded Pack Survey, AIHW, ABS	12.80
3	<b>Non-domestic legal consumption (tonnes)</b>	<b>(1) + (2)</b>	<b>16.92</b>
4	Legal sales of manufactured cigarettes (tonnes)	Circana MarketEdge scan data, industry data	3,970
5	Consumption of total manufactured cigarettes (tonnes)	See counterfeit consumption section	4,772
6	<b>Total non-domestic consumption (tonnes)</b>	<b>(5) – (4)</b>	<b>801.68</b>
7	<b>Non-domestic illicit consumption (tonnes)</b>	<b>(6) – (3)</b>	<b>784.76</b>
8	Counterfeit consumption (tonnes)	See counterfeit consumption section	<b>85.16</b>
9	<b>Contraband consumption (tonnes)</b>	<b>(7) – (8)</b>	<b>699.61</b>

Note: Consistent with the estimation approach adopted in previous years, we have applied a 10 per cent uplift to the estimated non-domestic legal outbound. For the estimation of legal inbound and outbound consumption, we updated the list of key source countries. The key source countries for 2024 were China, Japan, Malaysia, South Korea, UK, USA, Taiwan, and Vietnam.

Source: FTI Consulting.

## Illicit Whites

The EDPS is the main data source for the estimation of illicit whites. The Australian Illicit Tobacco Study estimates the volume of contraband consumption by:

- identifying a primary list of non-domestic tobacco manufacturers and the corresponding manufactured brands from the EDPS
- analysing the manufacturer list to identify if the distributor of these products is registered legally in Australia
- utilising additional secondary data sources to validate and refine the primary list, arriving at a final list of illicit tobacco manufacturers
- extracting the volume of illicit whites from the EDPS
- estimating the proportion of illicit whites against the total volume of the EDPS

- applying the illicit whites proportion to the consumption of total manufactured cigarettes to determine the volume of illicit whites in tonnes.

Table B-3 outlines the calculation approach to estimate non-domestic illicit white consumption.

Table B-3: Non-domestic illicit whites

Step	Parameter	2024
1	Volume of non-domestic illicit whites from Empty Discarded Pack Survey (%)	12.23%
2	Total manufactured cigarettes consumption (tonnes)	4,472
3	<b>Non-domestic illicit whites consumption (tonnes) ((1) x (2))</b>	<b>583</b>

Source: FTI Consulting analysis based on external data (WSPM Empty Discarded Pack Survey, Circana MarketEdge scan, industry partners).

Table B-4 outlines the calculation approach to estimate domestic illicit plains.

Table B-4: Domestic Illicit Plains

Step	Parameter	2024
1	Volume of non-domestic illicit whites from Empty Discarded Pack Survey (%)	5.66%
2	Total manufactured cigarettes consumption (tonnes)	4,772
3	<b>Non-domestic illicit whites consumption (tonnes) ((1) x (2))</b>	<b>270</b>

Source: FTI Consulting analysis based on external data (WSPM Empty Discarded Pack Survey, Circana MarketEdge scan, industry partners).

## Appendix C: Key Seizures in 2024

**March:** In a joint operation with the ATO, detectives from Taskforce Lunar have seized over \$12 million worth of illicit tobacco. The dried weight of the illicit tobacco crop seized was over four and a half tonnes.<sup>47</sup>

**May:** ABF officers dismantled a \$10 million illicit tobacco network operating in Victoria, executing 12 search warrants and seizing more than 3.9 tonnes of illicit tobacco and over 1.1 million cigarettes, along with \$600,000 in cash and a firearm.<sup>48</sup>

**May:** ABF officers destroyed over 5.2 million dollars' worth of illicit tobacco plants—approximately 18,000 plants and 1.7 tonnes of tobacco leaf—during raids on properties in regional Victoria.<sup>49</sup>

**July:** In a joint operation with the ATO, detectives from Taskforce Lunar have seized a further 3 tonnes of illicit tobacco, over \$170,000 cash and eleven firearms as part of their investigation into the cultivation and distribution of illicit tobacco in Victoria.<sup>50</sup>

**July:** Taskforce Victor Masher (Queensland Police Service) executed a search warrant resulting in the seizure of 105 kilograms of chopped tobacco and two motorcycles suspected to be linked to arson attacks on tobacco retail outlets in Queensland and NSW.<sup>51</sup>

**August:** Conducted by Queensland Police Service, almost 500,000 cigarettes and 380 kilograms of "chop-chop" have been seized during raids on Queensland businesses as part of a crackdown on the illegal tobacco and vape trade.<sup>52</sup>

**August:** ABF officers at Melbourne International Airport intercepted two tourists seizing a combined total of more than 70,600 undeclared cigarettes, with an estimated duty evaded of \$89,854.<sup>53</sup>

**August:** Since July 1, South Australian Consumer and Business Services inspected more than 130 premises across Adelaide, seizing more than 75,000 illicit cigarettes and more than 20 kilograms of illegal tobacco products valued at more than \$80,000.<sup>54</sup>

**August:** ABF officers seized over 12 million illicit cigarettes in a single shipment from China. Arriving in NSW, the consignment had been misdeclared as a vending machine and evaded duty estimated at almost \$15.3 million.<sup>55</sup>

**September:** The ABF's crackdown in the illicit tobacco consumption claimed a significant win this week, with more than 45 million illicit cigarettes and close to 6,500kg of tobacco being stopped at the border within five days.<sup>56</sup>

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<sup>47</sup> ATO, 'Lunar seize almost seven tonnes of illicit tobacco worth over \$12 million', 2024.

<sup>48</sup> ABF, '\$10 million illicit tobacco network', 2024.

<sup>49</sup> ABF, 'Tackling the root of the problem: \$5.2 million of illicit tobacco destroyed', 2024.

<sup>50</sup> ATO, 'Lunar seize 11 firearms, cash and a further 3 tonnes of illicit tobacco worth over \$6m', 2024.

<sup>51</sup> Queensland Police Service, 'Taskforce Masher arrests', 2024.

<sup>52</sup> ABC News, 'Almost 500,000 illicit cigarettes, 380kg of 'chop chop' tobacco seized in Queensland raids', 2024.

<sup>53</sup> ABF, 'ABF officers prove a real drag to ciggie smugglers; visas gone in a puff of smoke', 2024.

<sup>54</sup> Government of South Australia, 'New CBS Taskforce rids the streets of illicit tobacco', 2024.

<sup>55</sup> ABF, 'Australian Border Force intercepts shipment of almost 12 million illegal cigarettes', 2024.

<sup>56</sup> ABF, 'More than 45 million illicit cigarettes seized in five days across two states', 2024.



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