

The Street

Coca-Cola Raises Prices: What's Next?

By Seth Fiegerman June 27, 2011

NEW YORK (MainStreet) — Consumers may want to stick to drinking water this summer.

Coca-Cola is planning to raise prices on its beverages by 3%-5% in the beginning of July, just one month after Smuckers announced a similar price hike on its coffee products.

Two of Coca-Cola's major bottlers notified the company that they would need to raise prices by at least 3% in the coming weeks, according to the Associated Press, with the goal of combating the rising cost of transportation and commodities like corn and plastic.

“Clearly what companies are trying to do is offset the increase in the cost of making these products by passing on some of that cost to the consumer,” **Bernard Baumohl**, chief global economist at the Economic Outlook Group, told MainStreet. However the time of year may be a big factor as well.

“If you are a CEO and you are going to try to pass on those higher costs, what better time to raises prices on drinks than during the summer when you know that consumption is going to be increasing?” **Baumohl** said.

Whenever companies attempt a price hike, they must be mindful of the possibility that consumers will opt not to purchase the product, though during the summer months, these companies may have an easier time convincing consumers to pay a few cents extra to quench their thirst. Indeed, in the short term, we may see other companies attempt this, too.

“If companies can get away with raising prices when consumption increases in the warm summer months, whether it's on Coke or ice cream or any other common food products, I think many of them will at least attempt it,” **Baumohl** said, but he believes that may be a big if, given how many households are still tight on cash.

Still, in the long-term, he says consumers will likely see the cost of food continue to increase, as it has for much of the year, due to weather problems in the U.S. and abroad hurting crops along with an ever increasing global demand for these products. In particular, **Baumohl** predicts that many corn products will start to cost more, since these crops are increasingly being used for fuel, as well to feed livestock (and people).