

The Street

Folgers, Dunkin Donuts Coffee Prices Rise

By Seth Fiegerman

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NEW YORK — The cost of satisfying your coffee addiction is about to get a lot more expensive.

Smuckers (Stock Quote: SJM), the company behind the hugely popular coffee put out by Folgers and Dunkin Donuts, announced Tuesday that it has raised the price of most of its U.S. coffee products by an average of 11%.

In a press release, the company cited “sustained increases” in the cost of purchasing coffee beans, making it more expensive for the company to produce coffee. As a result, the company is trying to pass along some of that higher cost to the consumer, but according to analysts, that increased cost of production has little to do with inflationary factors.

“What we are really facing now is a rising demand for coffee at a time when the growth in supply seems to be lagging, and that is really putting upward pressure on coffee prices,” said **Bernard Baumohl**, chief global economist at the Economic Outlook Group.

According to **Baumohl**, demand for coffee has steadily increased in recent years, particularly driven by wealthier middle class consumers in “emerging countries” like India, China and Brazil drinking more of it. But more recently, a series of weather problems ranging from droughts to floods have impacted the production of coffee beans in Africa and Latin America, thereby limiting the supply.

These factors have led other companies like Starbucks (Stock Quote: SBUX) and Green Mountain Coffee to raise prices on their coffee products in the previous 12 months as well, and more companies could follow suit.

“We’ll have to see whether a pick-up in coffee prices causes consumers to cut back on their coffee consumption or look to other substitutes like tea,” **Baumohl** said. If that proves to be the case, companies may have no choice but to keep their prices low. On the other hand, if these companies can “successfully pass the higher costs onto consumers,” **Baumohl** says it may influence other sellers to adopt similar pricing decisions down the road.

However, that could prove to be a big “if”. As **Baumohl** notes, coffee isn’t the only everyday product getting more expensive; food prices in general are increasing, due

largely to rising fuel costs making transport more expensive, as well as some of the same weather problems that have hurt the supply of coffee.

“Food prices are going up, which is forcing the cost of living to pick up as well,” **Baumohl** said. “These pressures are putting the squeeze on household finances.”

If these trends continue, some Americans may have little choice but to end their love affair with coffee.