



Coffee prices on the rise

NEW YORK (CNMoney.com) -- You may soon find yourself paying more for your morning coffee - if you aren't already.

A trifecta of bad news has sent coffee futures soaring 44% since June, and companies such as Dunkin' Donuts, Green Mountain and Maxwell House are passing on those costs.

Bad weather in South America is threatening crops. Brazil and top exporter Vietnam are talking about hoarding their stocks. And U.S. stockpiles are reportedly at 10-year lows.

That means higher prices for U.S. coffee companies, which, in turn, may mean higher prices for consumers.

Bagged coffee from Folgers, Dunkin' Donuts and Millstone already costs 10% more. The three brands' parent company, J.M. Smucker cited "sustained increases in green coffee costs" in announcing the price hike last month.

Kraft Foods raised prices of Maxwell House Coffee and Yuban coffee products by about 9% last month as well.

And single-serve K-cups - sold as Tully's Coffee, Timothy's Coffee, Newman's Own Organics, Caribou Coffee and other Green Mountain Coffee brands - will see prices rise 10% to 15%.

"Like others in the coffee industry, we have been closely monitoring rising green coffee costs," Scott McCreary, president of Green Mountain's specialty coffee unit, said in a statement. "While we have the flexibility to absorb some short-term cost increases, the sustained nature of the increases we've experienced over the past three months led us to conclude it is necessary to adjust our pricing."

The ripple effect: As retailers start paying more, the coffee you drop into your shopping cart may very soon start costing you more at the register.

Supply crunch: With U.S. coffee stockpiles at multi-year lows and world coffee exports down 5.2% in July compared to a year earlier, worries about a supply crunch have driven prices higher.

"It's the age-old principle of supply and demand," said Hector Galvan, a senior trading adviser at RJO Futures. "The larger coffee-growing nations like Colombia and Brazil are having really significant issues getting good crop out to the market."