

Dow Jones Reprints: This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit [www.djreprints.com](http://www.djreprints.com)

[See a sample reprint in PDF format.](#)

[Order a reprint of this article now](#)

**THE WALL STREET JOURNAL**

WSJ.com

MONEY | JANUARY 23, 2011

## Commodities Prices Are Hitting Your Wallet

By **EMILY GLAZER**

It's getting pricier to throw some ribs and burgers on the grill. And you can blame the surging price of corn.

That's because much of the corn grown in the U.S. is used as animal feed. And "we're using \$6 corn to feed hogs right now," up from about \$4 last year, says Michael Swanson, an agricultural economist at [Wells Fargo](#) in Minneapolis. "Either the hog guy is going to go out of business or you're going to pay more for pork." So if you "want barbecue ribs," he adds, "you're going to have an extra \$10 attached to it."



[View Full Image](#)

Bloomberg

The surge in corn prices doesn't necessarily mean you'll see a price jump on Corn Flakes or even corn on the cob. Since corn is used mostly as feed, you'll likely be paying more for pork, beef and poultry.

A lot of manufacturers and retailers are expected to bump up prices this year on many basics -- from ribs to coffee to khaki pants -- as they pass along the escalating prices of the commodities, or raw materials, they use.

The prices of many commodities -- including corn, cotton, wheat, coffee, sugar, cocoa and soybeans -- surged last year as severe weather crippled some crops and demand from nations like China and India continued to explode. And the trend is expected to continue this year.

The United Nations' Food and Agriculture Organization's monthly Food Price Index, which monitors the monthly change in a basket of commodities including meat, dairy and sugar, rose for the sixth straight month in December to its highest level

since 1990.

How high prices will go depends not just on commodities prices, but how a product is made as well. "The less processing that occurs...the more you're going to see farm prices translate to the retail or grocery store," says Ephraim Leibtag, senior economist, food markets branch, for the U.S. Department of Agriculture. Higher oil prices also are making it more costly to manufacture and ship products. And other factors, such as packaging and advertising, play a role as well.

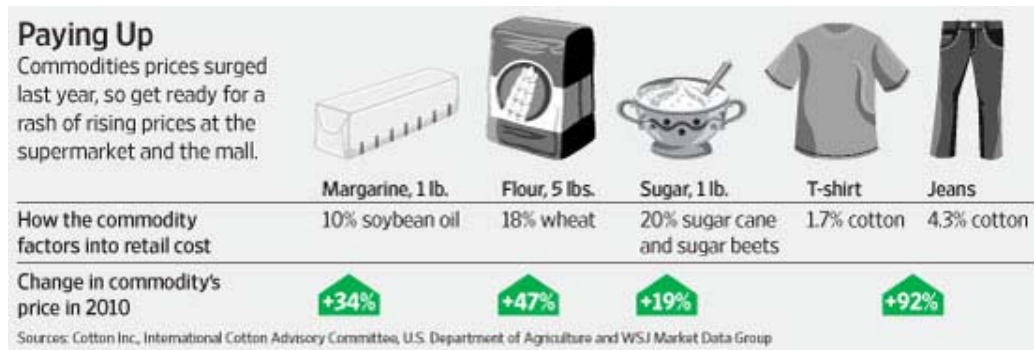
Here's a look at where you can expect to feel the sting.

### *What You Eat*

Mr. Swanson expects retail food prices to rise between 3% and 4.5% this year, compared with 1.5% in 2010. And some products will be hit particularly hard.

Corn futures prices hit a 30-month high in mid-January, mostly due to droughts in Argentina that have increased concerns over global supplies for this year. But the surge in corn prices doesn't necessarily mean you'll

see a price jump on Corn Flakes or even corn on the cob, Mr. Leibtag says. Since corn is used mostly as feed (as opposed to sweet corn used for food), you'll likely be paying more for pork, beef and poultry, he says.



Pork is up about 12% from a year ago, beef 6% and poultry 2%, Mr. Swanson says. And poultry is expected to increase further, he says.

likely to affect the price of a box of cereal is wheat: 7% of the commodity factors into the retail cost, according to the USDA. And wheat prices soared to two-year highs at the end of December due to harsh weather conditions plaguing major wheat producer Russia.

Jack Brown, chief executive of Stater Bros. Markets, a 167-store grocery chain in southern California, says cereal prices rose 6% in increments last year and the retailer has passed along half of that increase to consumers -- and will continue to do so in 2011.

The supermarket chain also has raised the price of packages and cans of coffee by 4% in response to an 8% rise in wholesale prices about three months ago, Mr. Brown says. Coffee-bean prices surged 77% in 2010.

Andrew Lazar, a package-food analyst at Barclays Capital in New York, says he has already seen higher prices on the Folgers and Maxwell House coffee brands.

Food companies are keeping mum on their plans, however. A spokesman from Kraft Foods, which owns Maxwell House, said price increases will be delayed as much as possible. A spokeswoman for J.M. Smucker, which owns Folgers, said there is "nothing to report on pricing action."

Mr. Lazar says "cost pressure and pricing will be front and center [for] most, if not all, food companies" in earnings calls coming up over the next month. [General Mills](#), Kraft and [Sara Lee](#) have discussed pricing in previous calls.

Earlier this month, General Mills bumped up prices on refrigerated baked goods, hot snacks and frozen vegetables, after modestly raising prices of some of its cereal brands in December. The company declined to comment on commodities prices.

Kellogg has talked about expecting 2% to 3% price increases in 2011, but hasn't specified which brands, Mr. Lazar says. Kellogg declined to discuss commodities prices.

In some cases, prices may not rise, but you will see fewer discounts or get less for your money. For instance, because of sugar prices' 30-year high in late December, packages are expected to shrink to a four-pound bag, from a five-pound bag, Mr. Swanson says. "You're getting 20% less" for the same price, he says.

### *What You Wear*

Not only are you likely to dish out more for what you eat, expect to pay more for what you wear as well.

Cotton futures prices skyrocketed 92% in 2010, thanks to growing demand as well as floods in Pakistan and heavy rains in China that damaged crops.

And that surge is likely to translate into a bigger price tag for many of the cotton basics we wear -- including shirts, socks, jeans -- and even bed sheets. How big the increases will be depends on the percentage and weight of

cotton in a product.

Retail prices of jeans are expected to increase this year by 4.3%, socks 2.7%, sweatshirts and sweatpants 2.4%, polo shirts 2% and T-shirts 1.8%, according to industry group Cotton Inc.

Mens' clothes, in particular, are expected to get a bigger price bump because more of the garments contain cotton (compared with apparel for women and children) and they're a heavier weight with a higher cotton content, says Kim Kitchings, Cotton Inc.'s senior director of corporate strategies and program metrics. Think casual slacks and white dress shirts.

Some manufacturers and retailers already have indicated that high cotton prices will impact price tags this year. For example, Eric Wiseman, chairman and CEO of VF Corp., which owns brands including Lee, Wrangler, JanSport and Nautica, said in an October 2010 earnings call that between 10% and 30% of VF's products, such as denim, will see price increases.

"When it comes to cotton-based product," Mr. Wiseman said, "we are seeing in every channel of distribution and product category, price increases that will be executed next year. ... We are not the first people to have these conversations. Everybody is out there facing the same pressures."

—Email: [emily.glazer@wsj.com](mailto:emily.glazer@wsj.com)

Copyright 2011 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit [www.djreprints.com](http://www.djreprints.com)