Coca-Cola Sells More Drinks But Soda Sales Slide

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This Oct. 15, 2012 photo shows eight ounce bottles of Coca Cola arranged for a photo in Surfside, Fla. Coca-Cola Co. reports quarterly financial results before the market opens on Tuesday, April 15, 2014.
(AP Photo/Wilfredo Lee)

NEW YORK (AP) — Coca-Cola sold more drinks in the first quarter, but it wasn't because of soda.

The world's biggest beverage maker [1] said Tuesday that its global volume for soda fell for first time in at least a decade. The drop was offset by stronger sales of non-carbonated drinks such as juice, and overall volume rose 2 percent.

A stronger dollar contributed to an 8 percent decline in profit for the quarter. Adjusted for such one-time factors, earnings per share were in line with Wall Street expectations, and the company's shares rose more than 3 percent.

Gary Fayard, the company's outgoing chief financial officer, attributed the global decline in sodas partly to the timing of Easter, which falls in the second quarter this year instead of the first.

"It's not as concerning to us as it would look at first pass," he said in a phone interview.

He also cited a double-digit soda decline in Great Britain, where the company stood by its pricing despite switching to smaller bottles. For the full year, Fayard said he expects global soda volume to be positive.

Coca-Cola Co. sells a wide variety of drinks, including Minute Maid, Powerade and Dasani bottled water. But the quarterly decline in soda underscores the pressures

the company is facing around its flagship product, both at home and abroad.

Soda has been under fire [2] in developed nations such as the United States for years over concerns that it fuels weight gain. More recently, executives have blamed even steeper declines in diet sodas to worries about artificial sweeteners.

In North America, soda volume slipped 1 percent in the quarter. Soda volume also took a hit in Mexico as the country instituted a tax on the sugary drinks. Fayard noted the company sells many other types of drinks. But for now, sodas still account for 75 percent of the company's case volume outside the U.S.

Overall, 81 percent of the company's case volume comes from overseas.

Coca-Cola isn't alone in its struggles to boost soda sales. PepsiCo Inc., which reports its quarterly results Thursday, has suffered even steeper declines despite stepped-up marketing, including sponsorship of the Super Bowl halftime show.

Although both companies sell a wide array of beverages, sodas remain a big part of their businesses and they're scrambling to figure out ways to stop the declines even as they rely more heavily on other types of drinks.

In the year ahead, Coca-Cola plans to increase its marketing budget by $400 million. The company also introduced a version of its namesake soda sweetened with a mix of stevia and sugar in Argentina, with plans to eventually introduce the drink elsewhere.

For the quarter ended March 28, Coca-Cola's net income fell to $1.62 billion, or 36 cents per share. That compares with net income of $1.77 billion, or 39 cents per share a year ago.

Excluding one-time items, net income was 44 cents per share, matching analyst expectations.

Revenue fell 4 percent to $10.58 billion, but was above the $10.5 billion Wall Street expected.

Companies like Coca-Cola that do a large portion of their business overseas take a hit to revenue when the dollar is strong, because foreign currencies convert back into fewer dollars.

Coca-Cola's shares were up more than 3 percent at $40.09 in morning trading.

AP Business Writer Mae Anderson contributed to this report.

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