Operator

At this time I would like to welcome everyone to the Coca-Cola Company's Third Quarter 2011 Earnings Results Conference Call. Today's call is being recorded. If you have any objection, you may disconnect at this time. [Operator Instructions] I would like to remind everyone that the purpose of this conference is to talk with investors and therefore, questions from the media will not be addressed. Media participants should contact Coca-Cola's media relations department if they have questions. I would now like introduce Jackson Kelly, Vice President and Investor Relations Officer. Mr. Kelly, you may begin.

Jackson Kelly

Good morning, and thank you for being with us today. I'm joined by Muhtar Kent, our Chairman and Chief Executive Officer; and Gary Fayard, our Chief Financial Officer. Following prepared remarks this morning, we will turn the call over for your questions.

Before we begin, I would like to remind you that this conference call may contain forward-looking statements, including statements concerning long-term earnings objectives and should be considered in conjunction with cautionary statements contained in our earnings release and in the company's most recent periodic SEC report. In addition, I would also like to note that we have posted schedules on our company website at www.thecoca-colacompany.com, under the Reports and Financial Information tab in the Investors section, which reconcile certain non-GAAP financial measures that may be referred to by our senior executives in our discussion this morning, and from time-to-time, in discussing our financial performance to our results as reported under generally accepted accounting principles. Please look on our website for this information.

Now I'll turn the call over to Muhtar.

Muhtar Kent

Thanks, Jackson, and good morning, everyone. On behalf of our 140,000 associates at The Coca-Cola Company, I'm pleased to share our earnings report for the third quarter. Once again, we delivered performance results in line with or ahead of our long-term growth targets, making this the sixth consecutive quarter we have either met or exceeded our long-term growth targets.

We continue to advance our global momentum from a position of real strength, realizing growth across every one of our 5 geographic operating groups. For both the quarter and year-to-date, we once more gained global volume and value share in nonalcoholic ready-to-drink beverages. Our Global Sparkling Beverage portfolio keeps growing, up 4% for the quarter and 5% year-to-date. This growth was driven by brand Coca-Cola, which was up 3% in both the quarter and year-to-date. And earlier this month, Interbrand ranked Coke-Cola as the world's most valuable brand for the 12th consecutive year. Our Global Still Beverage portfolio is also performing well, up 9% for both the quarter and year-to-date. Importantly, we achieved these balanced quality results together with our system bottling partners during a time of ongoing global market volatility, which is a testament to our clear and focused vision, our strong brands and our solid execution.

Over the past few months, we've all seen a downturn in global consumer confidence. At the same time, the last few months have reinforced our belief in the resilience of the global consumer. In our business, we constantly track a number of key metrics. We look at total retail sales by country. We look at sales shifts across retail channels. We look at out of home dining and how many people are on the go. And what we've seen this past quarter is that across the world, nonalcoholic beverages continue to generate increasing demand. The key success factor in this current challenging environment is for businesses small, medium or large to be able to generate sustainable growth. And I'm happy that we're able to continue to crack this much-needed algorithm of growth. In Q3 of 2011, we generated almost 250 million unit cases of incremental growth, excluding cross-license and acquired brands, with nearly 50% of this growth coming from sparkling beverages. Just to give you a perspective, this 250 million unit cases of organic volume growth translates into over $1.7 billion of retail value growth, all in 90 days. For the first 9 months of this year, our organic volume growth was over 820 million unit cases, equivalent to creating another India and Russia combined. This achievement of growth is the combined result of precise and focused execution by our inspired system in each quarter combined with the targeted investments made by our system a year or in some cases 2 years prior to the quarter which is being reported.

So while we all see volatility in the external environment and have every reason to believe that this volatility will remain through the near-term, the assumptions that guided the development of our 2020 Vision still ring true. As we complete the seventh quarter in our 2020 Vision, we see a world where population keeps growing at a very rapid rate, up 200 million since just 2008. At the same time, the world's largest cities are growing and have grown by almost 100 million people in the same period since 2008. And the global middle class is also growing. In fact since 2008, almost 200 million people have newly entered the middle class. We said it when we began our 2020 Vision journey and we say it again right now in 2011, our business was built for times like this. Our business is strong across channels and across consumer age groups. We're well positioned to connect with global consumers who have a greater disposition to shop across multiple retail channels in search of real value. So simply said, we provide consumers with an affordable luxury as they enjoy moments of pleasure for pennies at a time, billions of times every day. In February of this year during our presentation at CAGNY, the Consumer Analyst Group of New York conference, we told you that when you have a consistent vision, a consistent belief in your brand, a consistent ethic of execution, the result is consistent quality performance. And while we may see an occasional bump along the road in a given quarter, every year since 2006 we've delivered volume and operating income growth in line with or ahead of our long-term growth targets. We said this again at CAGNY back in February, that this trend remains true today. All of our attributes, a well-aligned bottling franchise system, healthy brands, strong financial performance and a clear 2020 Vision have put us in a position of real strength as we push ahead towards 2020. And that's why even during times of ongoing global market uncertainty, The Coca-Cola Company keeps delivering consistent top line and bottom line results.

So let's review this quarter's results. We grew worldwide volume 5% this quarter and 6% year-to-date, including the benefit of our new cross-licensed brands, primarily Dr. Pepper brands in North America. Excluding these brands, we delivered strong volume growth of 4% for the quarter and 5% year-to-date ahead of our long-term growth target. As for our profit results, we grew comparable earnings per share by 12% this quarter, bringing our year-to-date comparable earnings per share growth to 10%, also above our long-term growth targets.

Now let's briefly review performance results across our operating groups, beginning first with North America, our flagship market. Many of you on today's call have listened in or joined us last month in Houston for our investor event and market tour. You heard and saw firsthand how we are building our capabilities to drive our performance in North America. This quarter's results underscored the good progress we are making on this journey. North America reported volume up 5% for the quarter and year-to-date, making this North America's sixth consecutive quarter of growth. Our organic volume growth in North America was up 1% in both the quarter and year-to-date. In this past quarter, our North America business gained total market volume and value share in sparkling, still and nonalcoholic beverages, reaffirming our commitment to drive balanced growth across our portfolio.

Our sparkling beverages in North America were down only slightly in the quarter with brand Coca-Cola volume even for the quarter, and we clearly outperformed the rest of the industry gaining both volume and value share in the sparkling beverage category. And we did so while earning 3% pricing in sparkling beverages this quarter through the effective execution of our occasion-based brand, package, price and channel strategies. We are driving profitable growth in North America through our 1.25-liter package which expanded nationally in August and is now available in over 80% of the U.S. supermarkets. In those markets where the 1.25-liter package was first launched in May of this year, we saw the combination of our 1.25-liter and 2-liter package transactions increase this quarter. We're also expanding the availability of our immediate consumption offerings with a new 12.5-ounce handheld PET packaged and a more affordable 7.5-ounce mini-can 8-pack.

As for Coke Zero, it was up 12% in North America this past quarter, making this its 22nd consecutive quarter of double-digits growth. Our still beverages in North America delivered mid-single digit growth and gained share for the sixth consecutive quarter. The leading driver of this growth was POWERADE, which delivered 9% growth in the quarter and is now up 12% on a year-to-date basis. POWERADE once again captured both volume and value share in the sports drink category this past quarter. And since July of 2010, POWERADE has added over 5 million new households, demonstrating how this innovative brand keeps resonating with sports drink consumers.

Our key brands delivered mid-single digit growth led by yet another quarter of double-digit growth for Gold Peak Tea. Finally, as many of you heard during our Houston event last month, our CCR Coca-Cola Refreshments integration is proceeding as planned. We remain confident that we have the right brands, right strategies and right capabilities in place for North America as we continue to be excited about the long-term outlook for our business in this key market.

Now let me turn to our Pacific Group, where we are delivering growth across a diverse set of markets. Overall our Pacific Group volume was up 5% in the quarter and up 6% year-to-date. This quarter's results were led by double-digit growth in China, up 11%. Sparkling beverages grew mid-single digits in China this past quarter led by brand Coca-Cola up 7%, supported by our strategy to introduce a wider variety of single-serve packages to our Sparkling Beverage portfolio. Last quarter we said this emphasis on single-serve packages would increase transactions and build brand equity. In fact, we observed 12% growth in sparkling beverage transactions in China this past quarter, well ahead of sparkling beverage volume growth. This is in line with our efforts to enhance the consumer experience with our brands, while better positioning our China sparkling business for long-term sustainable growth. At the same time, our Still Beverage portfolio in China keeps building momentum, up 24% this quarter and 19% year-to-date, led by Minute Maid Pulpy. We're confident that we are executing the right strategies and have the right capabilities in place in China to deliver sustainable double-digit growth over the long term.

Japan's third quarter results were down 3%. We always expected seeing our volumes soften in Japan this quarter as we cycled 11% growth from last year's record hot summer conditions, while also working through the after-effects of the tragic national disaster in March. And that said, Japan's volume results this past quarter were better than we had originally thought, underscoring once again the strength as well as the resilience of our Japanese bottling system. We remain confident in the long-term health of our business in Japan.

Moving now to Latin America. We continue to expand our volume and value share leadership across the region with volume up 7% for both the quarter and year-to-date. Latin America's broad-based growth was once again led by Mexico, up a strong 8% for the quarter and 10% on a year-to-date basis. Importantly, brand Coca-Cola keeps playing a significant role in driving growth for us in Mexico, up 6% for the quarter and 8% year-to-date. We gained both volume and value share in Mexico despite new pricing above the current rate of inflation. Our results in Mexico are a great testament to our team's capability to execute occasion-based brand package price and channel strategies that reinforce recruitment, as well as affordability with consumers in this key marketplace. We're also seeing further momentum in our Argentina business, which delivered double-digit quarterly and year-to-date growth while capturing volume and value share in both sparkling and still beverages for the 11th consecutive quarter there. Finally Brazil volume was up 1%, cycling 13% growth in last year's comparable period. Having said that, our growth in Brazil is ahead of the industry with our business in Brazil gaining share across both sparkling as well as still beverages. This reinforces our confidence that we have the right strategies in place in Brazil to build on our leadership position and keep expanding our share of industry growth in the years ahead.

Brazil also offers a great example of how we partner with local communities during challenging economic times. We recently established a social business program in Brazil called Coletivo that aims to create shared value with communities through our core business activities. And in partnership with local NGOs, we teach entrepreneurship and retailing skills to young adults living in low-income areas supporting their entry into the formal job market. Coletivo prepares students through 2 months of training to deliver customized business opportunities to small outlets inside their communities. And we're providing a positive economic impact in these areas, while also helping us drive solid business results. And we are in the process of expanding this program across Brazil, for we strongly believe we have a role to play in helping consumers through tough economic times. And through this program we're creating unique value for our brands, our system, as well as local communities.

Turning now to Eurasia and Africa, we are strategically investing for tomorrow across a diverse array of markets while gaining both volume and value share today. Volume in this region grew 6% in the quarter and 7% year-to-date, led by strong results in India, Turkey, the Middle East and North Africa. India delivered 19% growth in the quarter, making this its 21st consecutive quarter of growth and bringing our year-to-date volume growth to double digits. This quality growth was well balanced across the entire portfolio. Sparkling beverages in India were up 19% this quarter, led by brand Coca-Cola's strong double-digit growth up 17%. And still beverages in India were up 17% again in the quarter, benefiting from healthy growth across our juice portfolio, including brand Maaza, up 19%. Turkey was up double digits in both the quarter and year-to-date, gaining volume and value share this quarter in both sparkling and still beverages. And Turkey is benefiting from our investments in cold drink equipment, which is increasing cold beverage availability for us in this key market.

Russia was down mid-single digits this past quarter, cycling very strong 30% growth from the same period last year. At the same time, our business in Russia outperformed the rest of the industry, gaining both sparkling and still beverage volume and value share in the process. And as you may have heard, we recently announced together with our bottling partners Coca-Cola Hellenic a new Russian investment program of $3 billion over the next 5 years starting in 2012, underscoring our commitment to invest in Russia for the long-term growth. Finally, our Middle East and North Africa business delivered 9% growth in the quarter, as we strengthened our position in this key region.

Let me now move to Europe, a part of the world that faced an increasingly volatile economic environment, as well as unseasonably cold weather this past quarter. Despite the challenges, we gained volume and value share in the nonalcoholic ready-to-drink beverages and volume also grew slightly in the quarter rounding to even, making this Europe's fifth consecutive quarter of volume growth. And our year-to-date results in Europe are up 2%. Our growth in Europe continues to be led by Germany, up 4% for the quarter and 5% year-to-date. Our business in Germany gained volume and value share in sparkling and in the total nonalcoholic ready-to-drink beverages segment. Our sparkling beverage growth in Germany was led by Coca-Cola, up 5% for the quarter as a result of our strategic focus on recruiting both lapsed consumers and a whole new generation of new consumers.

Before concluding our operating results review, I'd like to update you on our progress around winning at the point-of-sale by driving immediate consumption growth. Year-to-date, we are sustaining our strong momentum against this priority with immediate consumption beverages up 5% globally. Last quarter, we shared that each of our geographic operating groups was growing our Immediate Consumption Beverage business. Today, we can further confirm that 17 of our top 22 markets are also growing our Immediate Consumption Beverage business on a year-to-date basis. In fact, 9 of these markets are growing immediate consumption ahead of future consumption. This is quite an accomplishment in an economic environment which favors faster growth in at-home consumption. As the world's population and demographics keep growing and evolving, our system is focused on capturing more than our fair share of this highly profitable immediate consumption growth.

In closing, I'd like to say that we're advancing our momentum during a time of mixed economic recovery. Back in 2008 and 2009 when the world's financial markets were unraveling, our system committed to doing 3 things. First, we made a commitment to invest through the crisis. We did so by establishing a clear and focused 2020 Vision that called for investing in consumer marketing and sales and distribution with the mission of becoming the leader in every market in every category of value to us.

Second, we made a commitment to focus on the marketplace and to ensure that we have the right packages and price points for every occasion, including affordable entry packs for every consumer. And thirdly, we made a commitment to never let short-term considerations cloud our view of the long-term value of our business. As a result of these commitments, our system has never been stronger. We continue to solidify our leadership within the nonalcoholic ready-to-drink beverage industry and during 2009 and '10, the nonalcoholic ready-to-drink beverage industry grew by $35 billion in total retail value. We're pleased to say that our Coca-Cola system represented nearly 50% of total industry growth, well above our fair share. So in short, our 2020 Vision is working. Yet every one of us here at The Coca-Cola Company and Coca-Cola system know that we are really just getting started. All of us remain constructively discontent and resolutely focused on our exciting future; a future filled with abundant opportunities. Our job as stewards of this great business and as caretakers of your investment is to ensure that we keep advancing our system's momentum. With our 2020 Vision as our roadmap, we are confident that we can sustainably achieve our long-term growth target and enhance the value of your investment in The Coca-Cola Company.

With that, I'll now turn the call over to Gary.

Gary P. Fayard

Thanks, Muhtar. Good morning, everyone. We're very pleased with our performance this quarter. We once again delivered results in line with or ahead of our long-term growth targets. And we continue to achieve these high-quality results during a time of mixed economic recovery, which is a real testament to our global system's ability to execute our strategic plans in alignment with our 2020 Vision.

So let's review our earnings results in more detail. We reported comparable earnings per share of $1.03 this quarter, up 12% versus prior year. That brings year-to-date comparable earnings per share growth to 10%, ahead of our long-term growth target. For the quarter, comparable operating income was up 21%, including a 6% benefit from currencies and higher commodity cost. This increases our year-to-date comparable operating income growth to 17%, including a 5% currency benefit offset by commodity headwinds.

Our business delivered comparable net revenue growth of 45% this quarter, including a 5% increase in constant rate sales, a 5% currency benefit, positive price/mix and the impact of the CCE transaction. On a year-to-date basis, our comparable net revenue growth remains at 44%, including a 5% increase in concentrate sales, 5% benefit from currency, positive price/mix and the impact of the CCE transaction.

Our combined international and Bottling Investments Group's price mix for the quarter was a positive 2%. As for North America, we discussed in our last earnings call our plans to implement incremental pricing programs with many of our customers this quarter. As a result, our pricing to retailers in North America was up 2% in the quarter. And as Muhtar mentioned, this quarter's results was driven by a 3% increase in our pricing to retailers for our North American sparkling beverages. As such, our 2011 North American pricing strategy remains on track to earn between 2% and 3% for the full year, leveraging both rate and mix levers to earn price at a premium to our industry. As we continue to grow in North America through the effective execution of our occasion-based brand package price and channel strategies, which we shared with many of you last month during our investor event and market tour in Houston. If you were not in Houston with us last month or were unable to view the live webcast of our event, we encourage you to visit our website where all videos and presentations from Houston detailing our North American roadmap for growth have been posted.

Turning now to our P&L. Our comparable currency neutral SG&A expenses were up 42% in the quarter and 46% year-to-date. As explained in previous quarterly calls, this increase reflects the impact of acquiring CCE's former North American business, which we will cycle in the fourth quarter of this year. It also reflects our continued investments around the world. Year-to-date direct marketing expenses are growing slightly ahead of unit cases as we continue to invest in the health and strength of our brands. As we communicated last quarter, we expect our full year operating expense leverage to be negative for North America and our Bottling Investments Group and even for the full year for our international operations as we continue to make strategic investments in key markets around the world.

Our year-to-date cash flow from operations came in at $6.8 billion. As a reminder, this cash flow result includes a $769 million contribution made to our pension plans in the first quarter of this year. Net of the additional pension plan contributions, our cash flow from operations are up 5% year-to-date.

Now let me take a moment to update our 2011 outlook for commodities and currencies. First, we've effectively leveraged retail pricing increases and the acceleration of cost saving initiatives to help offset this year's rising commodity cost. Having said that, our incremental cost estimate for 2011 now stands at approximately $800 million, ahead of the $700 million we indicated in our previous calls. Second, since our last earnings call in July of this year, currencies have continued to fluctuate with the dollar strengthening against many key currencies. We have hedged positions in place for most key currencies for the remainder of this year. We now expect currencies to adversely impact our fourth quarter operating income by low- to mid-single digits, while still providing a low- to mid-single digit positive impact for the full year. As we planned for 2012, we are looking at our combined exposure across both currencies and commodities. We anticipate that both items will keep moving in opposite directions next year, much like they have this year. And while we expect this movement to help partially offset each other's impact over the course of 2012, the timing of their respective impact on our results will likely vary from quarter-to-quarter. As for our normal practice, we'll provide a broader outlook on their expected impact on our 2012 full year results during our next earnings call in February.

Now let me take a moment to update you on several other programs and line items. Our company-wide productivity initiatives launched at the start of 2008 remain on track to exceed the upper end of our original target of $400 million to $500 million in annualized savings by the end of this year. As for synergies related to our CCE transaction, we still expect to deliver between $140 million and $150 million of net call synergies in 2011. With regards to our share repurchase program, on a year-to-date basis, our net share repurchases stand at $2.2 billion. As such, we're now increasing our share repurchase program with a plan to purchase at least 2.5 billion to 3 billion in net shares this year. As for net interest income, our current forecast for the full year is at the high end of our previously communicated range of $30 million to $40 million. This implies a slight net interest expense in the fourth quarter of this year. And our underlying effective tax rate stands at 24%.

Finally, we want to remind you that this is the last quarter in which we're cycling the acquisition of CCE's former North American business. That said, there were several one-time items that occurred in the fourth quarter of 2010 related to this acquisition that will continue to impact the comparability of both our as-reported and ongoing recurring results next quarter. We refer you to our previous comments regarding those one-time items, specifically to our modeling call held last year on December 14. The transcript and webcast of that call can be found on our investor website and of course Jackson and our Investor Relations team will be happy to follow up with you separately if you have any further questions.

In closing, we're greatly encouraged to see our business deliver yet another quarter of solid volume, revenue, profit and earnings results. In the face of today's volatile market conditions our system is healthy and financially strong. We continue to generate cash, invest in our brands, execute our flexible and nimble growth strategies and pay a healthy dividend. In fact, The Coca-Cola Company has a long history of distributing dividends, having paid them consecutively every year since 1920 and increasing dividends for 49 consecutive years. With our seasoned management team and our highly capable global bottling partners, we're confident that we'll keep taking the right actions and executing the right strategies to build on our strengths, advance our global momentum and drive our 2020 Vision.

Operator, we're now ready for questions.

Question-and-Answer Session

Operator

[Operator Instructions] And our first question comes from Bill Pecoriello from Consumer Edge Research.

William Pecoriello - Consumer Edge Research, LLC

Muhtar, Coke's been delivering top-tier global CBT [ph] company performance this year, but can you give us your outlook? If you look at the balance of the year and heading into 2012, considering global macros are slowing in certain regions, how is Coke going to sustain this momentum and what kind of investment is required to keep this going against this slowing backdrop?

Muhtar Kent

Well firstly, I don't think you can say that there's a market deterioration. I think the whole year has been one of mixed consumer sentiment across the world in general, Bill. But what I'd like to say is that still I believe that the challenging areas are going to be certainly the Western markets, primarily I believe the U.S. environment as well as the European environment -- Western European environment is still going to be challenging, as challenging as the past 9 months and into the full year, this year probably. And in that environment, we're delivering positive results because our strategies are working, because of our past investments and how we execute against our vision, strength of our brands. We're gaining market share and I think when you look at our broad-based investment programs that we have announced, multiyear investment programs that we have announced whether they're in the Pacific in places like Malaysia, Philippines, China, Vietnam or whether they're in Eurasia and Africa, like India and Pakistan and Africa and the recent Russian investment that I announced when I was there 2 weeks ago in operating a plant in Rostov in the southern part of Russia with our Hellenic bottling partners or whether investments, multi-year investments in Mexico, Brazil, these total over $25 billion and you have these investments that are working for us despite the challenging environment, despite the confused consumer and despite the fact that the general environment is certainly much worse than ideal. However, I think that there will still be areas of growth in the world that we are going to materially benefit from in Africa, where our system is very strong, in Asia and Middle East and Eurasia where our system is very strong and in Latin America. And we will continue to re-architect our brand-priced pack channel offering both here and the United States as well as across the world just like we did in China, just like we did across many other parts of the world to ensure that we can still crack that code for growth on a sustainable basis. And we believe that we can continue to deliver growth in line with our long-term strategies. And yes, there may be a bump along the way in a quarter sometimes. But over the longer period and over the medium and longer period we believe, despite the economic conditions in the world that are much less than ideal, we believe we can continue to crack that algorithm for growth as we move forward.

Operator

Our next question comes from Kaumil Gajrawala with UBS.

Kaumil S. Gajrawala - UBS Investment Bank, Research Division

Can we talk a little bit more about Europe and I guess the slowdown this quarter particularly versus last quarter? And it looks like your comp was also quite a bit easier. So you mentioned weather, but could you give us more context on what was behind the trend there?

Muhtar Kent

Well I think we have -- volume in the quarter was slightly positive as I said rounding to even despite very unseasonably cold and rainy summer selling season and also the moderating consumer confidence. But I think we realized nonalcoholic ready-to-drink volume and value share gains across the whole of Europe, France -- including France, Germany, Great Britain. We also grew sparkling volume and value share and maintained still volume share for the overall group -- the European group. And again reported net revenue for the quarter and I think that was a performance that we were pleased with, given the conditions in Europe. And over Central and Southern Europe, volume declined. And I think the Eastern Central European area was still challenging and South East Europe, particularly also in Italy and Greece. But I believe overall, the portfolio worked for us like it did in the previous quarters in this year, and I believe that's what's going to continue to work for us as we move into the fourth quarter and the final quarter of this year as well as into next year. Brands are stronger than ever before. We're gaining market share and we have many innovations that are working for us in both packaging as well as in the still beverage portfolio area. And our marketing is working for us and next year we've got European championships, which is a Coca-Cola property as you know and we're going to leverage that in a very significant manner. And of course the Olympics and those 2 properties are going to be very strong for us.

Operator

Our next question comes from Judy Hong from Goldman Sachs.

Judy E. Hong - Goldman Sachs Group Inc., Research Division

Gary, just on commodities, the $100 million step up this year. Can you talk about what's driving that? And then just any color as it relates to 2012 outlook? Is it going to be worse than what you see this year? How much are you hedged at this point?

Gary P. Fayard

Yes, Judy. Relative to the $100 million increase, it's really kind of across the board. A lot of PET, corn versus where we've been buying corn and although -- this is kind of, how do I answer this -- because we had some hedge positions and we're buying some more now at higher prices even though prices have come off a little bit. So the $100 million, by the way, was not a big surprise to us. Over the last couple of months, we saw it coming. And relative to 2012, really we'll go through all of that in February on the year-end call, on everything around 2012. Because I think one of the important things is to put everything in perspective. Number one was the volatility, I'm not sure I can give you a prediction on 2012 and it really mean anything. But the other, and I said a little bit about it in the prepared remarks, what we're seeing is not a direct correlation but a lot of correlation between currencies and commodities. And so every time you see a big spike in the strength of the dollar, you see commodities come off strongly and vice versa. So we're starting to see a natural hedge in offsets in the portfolio of currencies and commodities and we're looking at those together, and then looking at how we hedge them for the best results. So we'll go through that in February.

Judy E. Hong - Goldman Sachs Group Inc., Research Division

Okay. Just following up on that Gary and not getting into the 2012 outlook. But as we think about the price minus cost delta then, now that you've put in additional pricing in the third quarter, is the gap between pricing and cost now starting to narrow going forward? Have we sort of peaked in terms of that gap?

Gary P. Fayard

I think for this year, yes. But we've done a couple of things: We got very good pricing into the market in North America and we knew kind of what the commodities were going to be. We've done very well with mix as well, and so that's helped us. And we've done very well with accelerating the capture of synergies as well. And then those synergies are ongoing every year also. So we've done a good job. In fact, what I said on pricing in North America, we pointed out that pricing was plus 2 in North America, but plus 3 on Sparkling. And in fact, we're cycling -- this is a good news, bad news thing, so let me kind of go through it so you understand it. What we got is very good positive mix, particularly around packaging and you saw a lot of packaging initiatives in Houston. We've also got a negative mix in North America related to the DASANI. And this is actually good news, but at first blush you would think well negative, negative price mix on DASANI. What it is really where the PlantBottle has come through, with our customers really identifying it with it and our consumers and DASANI being relisted in quite a few national retailers. So it's really been a huge positive for us even though it put a little pressure on the price mix in the quarter. So it's a real positive.

Muhtar Kent

And Judy, just one other point on a more global basis. You heard in my comments about how immediate consumption is such a big focus of ours around the world and how we're gaining traction. I think that has also helped us realize mix to our benefit and our bottlers particularly around the world as also where commodities have also been a challenge in many parts of the world. So that's worked in our favor also in the first 9 months of this year as we have had that very major focus on immediate consumption drive.

Operator

Our next question comes from Carlos LaBoy from Crédit Suisse.

Carlos A. LaBoy - Crédit Suisse AG, Research Division

Muhtar, when you look at the performance of Latin America beyond the execution model which you're replicating in many of your markets, what do you think moves these family -- on-bottlers to make these extraordinary efforts. In other words, what insights does Latin America hold for you on what the ultimate architecture of North America might look like in terms of roles, responsibilities, partnership principles and the intangible things that stand behind these execution models?

Muhtar Kent

Well, I think it's a -- I mean, certainly the philosophy of execution is something that is coming into our North American business rapidly. I hope you were able to see first hand some of that when you were in Houston. But just go anywhere and you'll see differences. You'll see -- your eyes will pick up differences across the country. The philosophy, the belief in the business, the belief in the ability that where we can grow this business, that these per capitas are nowhere near to the ceiling and the belief that the inspiration is resonating, the marketing combined with execution will resonate and translate into a growth algorithm. It starts with that and I think there's great learnings not just from Latin America execution and family-owned bottling business or even larger bottling businesses in Latin America, but across many parts of the world whether it's in European Coca-Cola Hellenic territories, whether it's in Turkey and CCI territories, whether it's in some other territories in South Europe, Iberian Peninsula. There's that philosophy of execution that was lost to many to a great deal that extends to the United Stated and that's coming back. It's coming back rapidly and I think that's what gives us excitement about the future of our business here. Now in terms of your question related to Latin America per se and yes, we're very happy with our performance in Latin America both this past quarter as well as on a year-to-date basis. And again, it's a great portfolio of countries. You've seen Brazil slow down a little bit, naturally because we were cycling a very high number from prior year at 13%. But I think also at the same time, other countries are coming back to generate a very healthy result overall in our Latin American business. And I've also said this before and I want to reiterate, we're just starting with our Still Beverage business in Latin America. It's just the beginning of the journey and it's still at very low per caps and very low beginnings and there's a great future. As we continue to maintain the momentum in our Sparkling Beverage business in Latin America, the Still Beverage business, that growth is just going to come on top of that and that's what I think what we're building rapidly in Latin America both in our juice and juice drinks business, but also in our teas and Leaos, and other such still beverages.

Operator

Our next question comes from Caroline Levy from CLSA.

Caroline S. Levy - Credit Agricole Securities (USA) Inc., Research Division

I'd like to just ask about your opinion of the growth in the North American market over the next several years. Do we have to throw up our hands and say that as a market the industry can't grow, even though you can maybe get some brands growing within it? Or do you see hope for sparkling growth?

Muhtar Kent

Well firstly, I think if you look at what we've been able to achieve here in our U.S. market, it's been growing since the second quarter of 2010. And it's really important to underscore that point that we are growing. So we have no reason to put our hands up, as you suggest. We totally, respectfully disagree that that's very far from where our mind is about the United States. And there's a number of reasons why we believe that. First, the demographics in North America are in our favor. They're the best demographics of any Western nation in the world. We're going to be adding between now and then of our vision term, 30 million people to the population of the United States. It'll have the third highest teen population. Everyone that has bet against the United States in the past have lost and I respectfully believe, very much so, that we'll get it right also from a macro perspective here. For the diversity of our population, the entrepreneurial spirit, the amount of university graduates that we attract from all around the world, the best. And so we have every reason to believe that this business -- that if we can't grow, it's our fault. Simple as that. And we won't accept that. And therefore, we are growing and we will continue to grow. We never said they we're going to grow at rates of China or India. We said that we'll generate moderate growth rates in America and that we will continue to improve our business and generate higher revenue than our volume and generate higher income than our revenue. So volume, moderate volume, better than the volume revenues and better than revenue income. That's our model, and we believe that, that model will work.

Caroline S. Levy - Credit Agricole Securities (USA) Inc., Research Division

I appreciate the enthusiasm and the belief behind that. I'm just wondering, are there any specific brands in sparkling that you think have much more potential in North America?

Muhtar Kent

Sparkling, firstly, brand Coke was even in North America in the last quarter. That I think is a huge achievement from where we were. Coke Zero continues to have double-digit growth. That's a huge benefit that we have and a great point of leverage. And our brands are stronger than ever before, metrics for our brands. And we believe that we can continue to accelerate both sparkling as well as still beverages. And POWERADE as you know, as you've heard is continuing to do very well. Our other still beverages are doing very well. So we believe that -- and we have the best brand metrics coming out of our still and sparkling beverage portfolio as a result of not just the investments we've made but also as a result of the execution.

Operator

Our next question comes from Mark Swartzberg from Stifel, Nicolaus.

Mark Swartzberg - Stifel, Nicolaus & Co., Inc., Research Division

Muhtar, as you head into this current quarter, you're seeing your FX benefit turn to being a negative and I suspect that's before you get any commodity benefit. So in light of that dynamic, how are you thinking about how you maintain support for your brands now that you're losing this FX benefit? And how does that affect your confidence in achieving your 6% to 8% operating income targets over the next year or so now that -- and of course now we'll be looking at KO without the noise, if you will, of the CC North America acquisition?

Muhtar Kent

Well I'll let Gary also comment on the FX, but let me just say that we weren't dependent on it. No, you can't depend on FX. Depending on FX to support your brands is like taking off in a plane with the fuel gauge on. You can't do that. So you've got to make absolutely sure that you have a sustainable base that you can depend on to fuel your brands. And our transformation program, which is ahead of schedule and the last year that we've generated north of $500 million of savings. We've obviously channeled some of that into our brands to continue to fuel our brands. We have also -- are very ahead of our target of schedule in our North American integration and so the volatility of currency is something that changes faster than -- the rate of change of currencies is something that we haven't seen for a long time, and you cannot depend on that for ensuring that you have enough fuel for your brands. So we have other means to ensure that we have -- that we can continue to support our brands. And by the way, the cash position of our bottlers is better than ever before. And we continue to upgrade and increase and enhance our long-term investment programs that we've announced across the world. I was in China recently again where we announced a new investment program and actually when you -- when we concluded the 3-year investment program, we ended up spending more than we originally estimated in China for the 3 years gone back, the last 3 years. And that's because of our bottlers' belief in the future of the business. And that's happening across the world, so we have -- our bottlers financial and balance sheets are better than we've seen them for a long, long time. That fuels more investment in both plant equipment, machinery, cold drink and infrastructure and we are certainly reallocating money from our P&L into brand building in a very successful and meaningful and sustainable way.

Gary P. Fayard

Mark, this is Gary. Just a couple of comments on currency. Number one, what I was telling you was really just kind of based on where rates are today and our current hedge positions, et cetera, for the fourth quarter. I have probably 3 to 5 different scenarios of what could happen next year, both on currencies and on commodities. Number one, I would tell you that fundamentally, we believe that -- on the fundamentals, the dollar is actually probably over

[Audio Gap]

value, and would give us a benefit. I'm not projecting that right now because of the crisis going on in Europe and if they could just get their communications consistent, it'd probably help some of the volatility over there. But the dollar's overvalued, but it's overvalued because of fear right now in the financial markets. So with that said, long-term I think we probably benefit. Short-term, it probably hurts us a little bit. But also said, I think we're seeing offsets across commodities as well. So we'll just have to kind of wait and see how it goes. But the important thing to remember, I think, is that we run our business across the world in local currency. Their local currency, their local businesses and they generate local currencies and run them in local currency. And we do that because we are running this business for the long-term and not what happens in an FX market today or tomorrow.

Mark Swartzberg - Stifel, Nicolaus & Co., Inc., Research Division

That's great. Muhtar, if you think about the targets, if we go back to the period before the purchase of CCE North America, we used to hear you comment we think the targets are reasonable for the coming year. What is your view of achieving the targets in '12 or over the near- to intermediate-term now that we no longer have the noise of CCE North America in the reported results?

Muhtar Kent

Well, we've consistently met or exceeded our long-term growth targets, Mark. And I think that basically, and you need to understand that we also strive for our 2020 Vision targets which is doubling our system revenue by 2020 from a base of 2010. And coupled with those, as I said before -- as I mentioned before, we will continue to strive to ensure that we meet or exceed our long-term growth targets in every quarter as we operate through this difficult environment. And as I said also that there may be bumps, one or 2 bumps along the way and that's what we said also in the past. But over time and over the medium- and long-term, we have every reason to believe that we can continue to achieve our long-term growth targets and also meet our 2020 Vision targets.

Operator

Our next question comes from Dara Mohsenian with Morgan Stanley.

Dara W. Mohsenian - Morgan Stanley, Research Division

Muhtar, you detailed the strong immediate consumption trends in the quarter. Can you review the key drivers behind that growth and also going forward, the level of risk that you think potentially slowing macros here can have on immediate consumption trends?

Muhtar Kent

Well, they've had an impact. Mobility has gone down, more people are moving towards in-house entertainment. But we saw those trends and we invested against those to ensure that we would actually continue to drive our immediate consumption business, whether it is on the streets of Italy or whether it's on the streets of Shanghai or in Africa. And so what does that entail? That entails more cold drink equipment, targeted cold drink equipment. That included a new architecture of packaging and pricing that would make it more attractive for on-the-go consumers to find packages that were affordable for them, and we did that in China and successfully in parts of Asia successfully, in many parts of Eurasia as we did here in America. And I think it's worked and you heard me just announce also that we'll be launching even more new on-the-go packages here in the United

States. So this strategy of investment ahead of the curve in infrastructure, particularly in cold drink infrastructure, coupled with the intelligent progressive packaging moves, have helped us in this area and will continue to help us. And then lay on top of that also some innovative moves like the expansion of Freestyle across -- and Freestyle is now in 2 markets around the world as we speak, in the United States and Japan, and continuing to create a lot of excitement. And then also overlay on top of that other innovations like the PlantBottle and I LOHAS in Japan, driving results for us in the immediate consumption of convenience store channel. And so you get the picture, I hope.

Operator

Our next question comes from John Faucher with JPMC.

John A. Faucher - JP Morgan Chase & Co, Research Division

Just wanted to ask a question on Europe. It looks as though, sort of parsing through the different commentary, it looks as though sparkling volume growth was great but non-carbs weaker. Do you think that's -- is there a greater weather impact on the non-carbs side? Do you think that's an economic issue? Or in terms of maybe juices, whatever, being more expensive? Was it just sort of I have a big commodity bottled water business. Can you talk a little bit about the differentiation and growth between the non-carbs and the sparkling side in Europe?

Muhtar Kent

Well, there wasn't a big differentiation to the extent that you mentioned. But there was a small differentiation and I would attribute that to the very cold weather, particularly in -- ready-to-drink teas and sports drinks do get impacted more so by the climatic conditions, and they were very severe compared to the year before. But I would look at the year-to-date and that in the year-to-date, there's absolutely no anomaly in that. So I wouldn't put too much into that.

John A. Faucher - JP Morgan Chase & Co, Research Division

And then a quick question to Gary. Gary, you talked about sort of terming out some of your debt, going a little bit longer duration. Can you talk -- as you talked about the interest expense and interest income numbers, can you give us an update there and should we expect you to continue to term out some of this CP, et cetera?

Gary P. Fayard

John, we're still actually looking at that and have not made a decision whether we'll term out anymore of the debt or not at this point in time. What we're looking at on the interest income, interest expense by the way, is really just a translation impact of the exchange rates of how much the interest income translates into in dollars and that's the only impact we have actually hedged quite a bit of, economically, in terms of actual cash itself, to protect the dollar amount of the cash, if you will. But it does translate into fewer dollars of interest income. But on the terming of our commercial paper, we're still looking at it and we'll let you know as we go forward on that.

John A. Faucher - JP Morgan Chase & Co, Research Division

Okay and then, I apologize. One other quick question, which is you talked about having translation -- I think operating income hedges in place for most important currencies. And traditionally you've had a fairly narrow basket on the operating income line. Has that changed or are you now potentially hedging in some other currencies?

Gary P. Fayard

No, we're actually hedging in some other currencies. It hasn't changed and let me explain that. When we're looking at like a year or 2 years out or that kind of thing, it's basically hedged in the hard currencies, euros, sterling, et cetera, because to try to hedge a lot of emerging market currencies is just prohibitively expensive. However when you get into 3, 4, 5 months kind of out, you can actually then start putting hedges in place to lock in. So we do, on a shorter-term basis, actually hedge a lot of the other currencies as well.

Operator

And our final question today comes from Alice Longley with Buckingham Research.

Alice Beebe Longley - Buckingham Research Group, Inc.

My question is a follow-up to currency combined with commodity trends. I mean, we can't know the magnitude or the timing of your hedging programs. Could you just give us some order of magnitude of the offset? In other words, can we assume that net of all your hedging, that commodity trends offset 30% of the currency hits next year or 50% or 80%? And is there a timing lag?

Gary P. Fayard

Yes. What I can do is I'll try to give you an update on that in February when we do the year-end call. And just to put some context around that, let me give you an example. If you look at the GAAP, non-GAAP schedules that we have that were released this morning with our earnings release, you'll see that where we take -- we have some hedges, commodity hedges, that are economic hedges but are not accounting hedges. And we put them in there and actually take the impact gain or loss out. If you look this quarter, there's actually $113 million of hedge losses, which means we've committed to buy some commodities, if you will, which -- at a price which on the last day of the quarter was more expensive than spot. As of today versus 2 weeks ago, half of that $113 million is gone and were actually just swung back the other way and that's what the volatility is doing today. So I think that's why we're saying we'll wait February. We'll give you a good, hopefully better outlook. Because as I said in one of the previous comments, we've got probably 5 different scenarios of what could happen on currencies and commodities going, and all of them pretty much going in different directions. So we'll give you a much better look then, because today I just can't do it.

Muhtar Kent

Thanks Gary and Jackson. In closing, let me just reiterate that along with our bottling partners around the world, we're successfully advancing our global momentum during a time of ongoing global market volatility. Our system is financially strong. We continue to generate cash. We continue to invest for growth and pay a healthy dividend as well as retain financial flexibility. And while we are delivering quality results today, we also remain clearly focused on driving long-term sustainable growth in order to realize our 2020 Vision. Thanks for joining us this morning.