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# What will cost more in 2012?

## Iowans' pocketbooks will feel the pinch - and here's why

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The list of things that will be more expensive in 2012 is a long one, and Iowans will find costs increasing for necessities like medical care and food.

Overall, consumer prices leveled in November, bringing some relief at the end of 2011 — a year in which the consumer price index grew 3.3 percent in the Midwest.

But Iowans should expect moderate price increases in 2012 for most things they buy, including electricity, medical care, college tuition and fuel. Utility companies are raising rates, and food prices will likely increase faster than they have historically. Even the cost of clothing will rise, because cotton is getting more expensive.

It adds up to another pocketbook squeeze for Iowans, whose incomes have dropped in 2008, 2009 and 2010, according to U.S. Census data.

### MEDICAL CARE & HEALTH INSURANCE

Medical care costs four times as much as it did in 1984, according to the Consumer Price Index. On average, medical costs rose 3.4 percent in 2011.

The average cost of health insurance rose 10 percent in Iowa from 2010 to 2011, according to David P. Lind Benchmark, a Clive research firm. The cost of health insurance has risen 145 percent since 1999, and more employees select high-deductible plans each year to keep premiums down. That only serves to increase out-of-pocket expenses.

The cost of an average family plan — including the employer's and the employee's contribution — was \$1,108 in 2011, compared with \$1,064 in 2010, Lind's report shows. For singles, the cost has increased more dramatically, from \$172 to \$421. Health insurance rates have increased, on average, 10.2 percent each of the past five years.



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Lind speculates that rates will keep rising, perhaps about 8 to 12 percent. "I see no major changes within the health care industry during the next 12 months that would provide any type of relief to rising health care costs," he noted.

### TRAVEL

American Express predicts both airfare and hotel rates will increase in 2012. Airplane tickets could rise as much as 7 percent, the credit card company predicts, and hotel costs will rise between 1.5 percent and 6.5 percent.

### COLLEGE TUITION

As usual, college will cost more in 2012 for most people.

The Iowa Board of Regents in December approved a 3.75 percent tuition increase for the state's public universities. Under the proposal, Iowa residents at Iowa State University would pay another \$240 per year in tuition and fees, while out-of-state students would pay an extra \$480.

The University of Iowa would see the biggest dollar increase of the three universities. Residents would pay another \$292 in tuition and fees; nonresidents would pay an extra \$1,180.

At the University of Northern Iowa, Iowans would pay \$285 more; nonresidents would pay \$615 more.

The median cost of a year at a private four-year Iowa college rose by 22 percent from 2006 to 2011, to \$34,469. The most expensive school in the state, Grinnell College, has raised tuition, books, and board by 32 percent since 2006. A year at the most prestigious school in Iowa cost \$49,000 in 2011.

The trend will continue, analysts predict. Moody's projects that four out of five private colleges and universities in the U.S. will have higher tuitions in 2012.

### ELECTRICITY & CABLE

The two large power companies in Iowa are both raising rates in 2012. Alliant Energy will raise its transmission rates in February, costing roughly an extra \$1 a month for the average customer. MidAmerican Energy will raise rates in March by about 4 percent.

Starting Dec. 15, Mediacom customers not covered by promotional offers pay \$29.95 for basic cable and \$68.95 for family cable, an increase of \$2 and \$3, respectively. Prices for Cinemax, Showtime and Digital Plus packages increased \$2 each.

### GASOLINE

The U.S. Department of Energy says prices at the pump will be flat or drop until early spring, when prices begin their seasonal rise. Projected U.S. regular gasoline prices average \$3.45 per gallon in 2012, and Iowa tends to be about a dime below the national average.

Ethanol supporters have said the removal of a blender tax credit on Dec. 31 will add another 4 or 5 cents per gallon to gas prices.

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Gasoline with a 10 percent ethanol blend now sells for \$3.10 in Des Moines. The Iowa statewide average is \$3.14 — a bit more expensive in smaller towns away from the pipeline — and the national average for regular unleaded is \$3.37 per gallon, according to AAA.

Diesel remains a problem for truckers and farmers. It now averages \$3.75 in Iowa and \$3.85 nationwide. This is a switch. Until a decade ago, diesel was almost always cheaper than motor gasoline. But changes in refining inventory practices have caused a squeeze.

## **FOOD**

The USDA forecasts food prices to increase about 3 percent in 2012, which isn't as much of a rise as in 2011 but is high by recent standards.

Meat prices, especially beef, will likely rise further. Slaughter has been down 2 percent to 3 percent each week on average, herds are at 50-year lows, and they may get even smaller next year because of drought in Texas and Kansas. Most wholesale beef prices are up 15 to 20 percent for the various cuts.

Pork prices also should rise, but not as much. Analysts expect a rise in hog numbers because it's easier and faster to increase the herds when sows produce 10 piglets twice a year. Both cattle and hog prices have risen on increases in exports, 15 percent for pork and 30 percent for beef. That's driven by demand in Asia.

Peanut butter prices rose 30 percent or more in 2011 because hot weather in states like Texas and Georgia hurt last year's peanut crop. Retail peanut butter prices surged to \$2.24 a pound in November, the highest in records dating to 1984, according to the most recent data from the Bureau of Labor Statistics.

Milk could be more expensive in 2012 as well. The average cost of a gallon of milk was \$3.56 in November, down from the highs in August and September, but still well above the average at the end of 2010.

## **CLOTHING**

Prices for cotton goods were up 10 percent in 2011 because of a big jump in the price of cotton a year earlier. In the last half of 2011, cotton prices fell back, so the increase in retail prices isn't expected to be as significant this year. But clothes will still cost more than they did three to four years ago.

## **HOMEOWNERS INSURANCE**

Homeowners insurance premiums in Iowa track well below national averages, but Robert Hartwig, president of the Insurance Information Institute, a trade group in New York, expects national averages to rise 4 or 5 percent in 2011 once all policies are renewed. The average increase in Iowa over 2011, some of which consumers will start to feel in 2012, was more than 10 percent for a third of the companies that sell in Iowa.

## **ELECTRONICS**

In this category, prices may not rise but consumers could face challenges finding products such as digital cameras and computer hard drives.

Smartphones have replaced budget-friendly point-and-shoot cameras, according to dealnews .com, leaving manufacturers and retailers to focus more on higher-end digital cameras. In 2012, consumers may have a hard time finding a newly released digital camera with an inexpensive starting price.

Also, flooding in Thailand that shut down several factories has led to a shortage of hard drives for computers. Computerworld reported that the shortage may last into 2013, eliminating discounts and driving up the costs of computers.

**Register reporter Dan Piller contributed to this story.**

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