

Price highlights 2005: higher energy prices again dominate producer prices

Prices for finished goods as a whole rose at their fastest rate since 1990, with large price increases for energy goods accompanied by small advances for goods other than foods and energy

Joseph Kowal, Antonio Lombardozi, William Snyders, and Jonathan Weinhagen

The producer price indexes for finished, intermediate, and crude goods all rose in 2005. The finished goods index, which tracks the change in prices for completed products ready to be sold for final use, advanced 5.4 percent after rising 4.2 percent in 2004. (See table 1.) The 2005 advance marked the largest year-to-year increase for finished goods prices since 1990. The index for intermediate goods, which reflects the change in prices for partially processed goods and supplies consumed in the production process, increased 8.6 percent in 2005 following a 9.2-percent advance in 2004. The crude materials index, which measures the change in prices for unprocessed goods and raw materials, rose 21.1 percent in 2005 after advancing 17.4 percent a year earlier.

Energy prices were pushed significantly higher by worldwide economic expansion, geopolitical unrest in the Middle East, and the crippling effects of two devastating hurricanes along the Gulf Coast of the United States. The indexes for finished, intermediate, and crude energy goods increased 23.9 percent, 26.2 percent, and 42.2 percent, respectively. The stage-of-processing indexes for goods other than energy and food, known as the core indexes, registered smaller increases in 2005 than they had in 2004: 1.4 percent for finished goods, 4.8 percent for intermediate goods, and 5.2 percent for crude goods. Lower prices for pork, chicken, and dairy products limited increases in the indexes for food at all three stages of processing, resulting in advances of 1.7 percent for finished consumer foods, 2.4 percent for intermediate foods and feeds, and 1.6 percent for crude foodstuffs and feedstuffs.

Energy goods

The indexes for energy goods at all three stages of processing increased at faster rates in 2005 than a year earlier, primarily as a result of rising prices for natural gas and petroleum products. The index for finished energy goods advanced 23.9 percent in 2005 following a 13.4-percent increase in the preceding year. (See table 2.) Among finished energy goods, prices for residential natural gas, gasoline, residential electric power, and liquefied petroleum gas rose more than they had in 2004. The index for intermediate energy goods moved up 26.2 percent in 2005 after increasing 15.8 percent in the prior year. The acceleration in prices for intermediate energy goods can be attributed to prices for industrial natural gas, commercial natural gas, gasoline, industrial electric power, commercial electric power, and diesel fuel, which went up more in 2005 than they had in 2004. The crude energy goods index jumped 42.2 percent in 2005 compared with a 35.9-percent gain in the previous year. This faster rate of increase was caused by crude petroleum prices rising more quickly than they had in 2004. By contrast, prices for natural gas and coal rose at slower rates than in the prior year.

Natural gas products. From December 2004 to December 2005, the index for well-head natural gas rose 43.7 percent after moving up 44.3 percent in the prior year. Prices for utility natural gas—residential natural gas, commercial natural gas, industrial natural gas, and natural gas to electric utilities—also increased significantly in 2005, as producers passed on their higher natural gas

Joseph Kowal, Antonio Lombardozi, William Snyders, and Jonathan Weinhagen are economists in the Division of Industrial Prices and Price Indexes, Office of Prices and Living Conditions, Bureau of Labor Statistics. E-mail: ppi-info@bls.gov

Table 1. Annual percentage changes in producer price indexes for selected stages of processing, 2001–05

Index	2001	2002	2003	2004	2005
Finished goods	-1.6	1.2	4.0	4.2	5.4
Finished consumer goods	1.8	-6	7.7	3.1	1.7
Finished energy goods	-17.1	12.3	11.4	13.4	23.9
Finished goods less foods and energy .....	.9	-5	1.0	2.3	1.4
Finished consumer goods, excluding foods and energy	1.5	-5	1.1	2.2	1.6
Capital equipment	0	-6	.8	2.4	1.2
Intermediate materials, supplies, and components	-4.0	3.2	3.9	9.2	8.6
Intermediate foods and feeds .....	.3	4.2	12.9	-2.3	2.4
Intermediate energy goods	-16.9	12.0	10.9	15.8	26.2
Intermediate materials less foods and energy	-1.6	1.5	2.1	8.3	4.8
Materials for nondurable manufacturing	-5.5	4.2	4.9	13.7	8.9
Materials for durable manufacturing	-4.0	3.1	4.0	18.3	5.9
Materials and components for construction	0	.8	3.0	10.1	6.1
Crude materials for further processing	-32.5	24.7	19.5	17.4	21.1
Foodstuffs and feedstuffs	-7.6	4.5	24.1	-2.6	1.6
Crude energy materials	-52.9	61.5	14.4	35.9	42.2
Crude nonfood materials less energy	-9.9	12.6	21.6	20.5	5.2
Special groupings					
Finished goods less energy	1.2	-5	2.7	2.5	1.5
Intermediate materials less energy	-1.5	1.6	2.6	7.8	4.6
Crude materials less energy	-8.3	7.1	23.3	5.2	3.0

Table 2. Annual percentage changes in producer price indexes for selected energy items, 2001–05

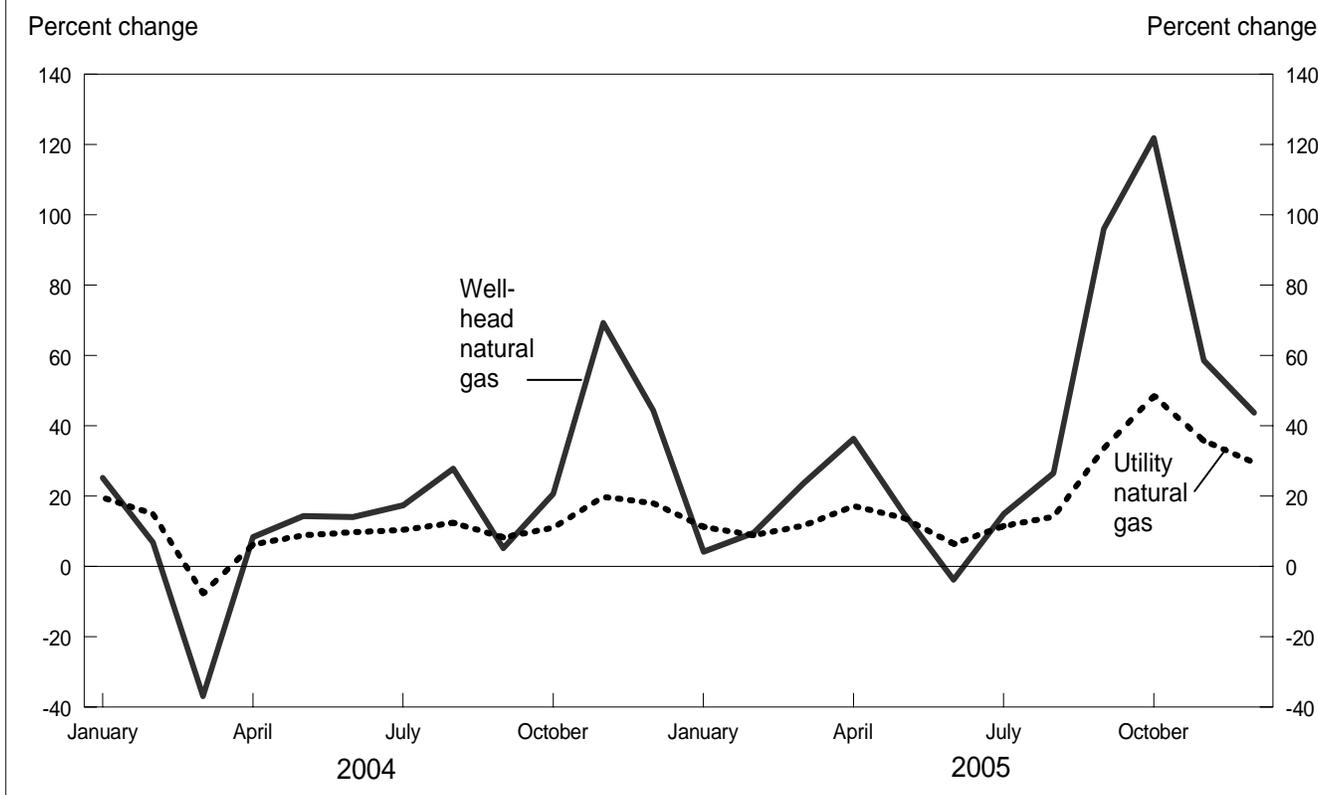
Index	2001	2002	2003	2004	2005
Finished energy goods	-17.1	12.3	11.4	13.4	23.9
Residential natural gas	-22.1	9.3	19.9	15.9	28.3
Gasoline	-33.1	38.7	14.9	27.4	41.5
Residential electric power	3.6	-1.0	4.9	2.3	6.8
Liquefied petroleum gas	-55.3	95.2	21.0	28.5	44.3
Intermediate energy goods	-16.9	12.0	10.9	15.8	26.2
Industrial natural gas	-36.7	12.2	20.3	20.1	31.5
Commercial natural gas	-24.3	11.1	19.9	17.5	30.3
Natural gas to electric utilities	-39.9	27.1	17.4	20.4	25.0
Industrial electric power	3.2	2.0	2.4	2.3	10.4
Commercial electric power	4.4	-1.9	2.7	3.1	6.6
Diesel fuel	-44.7	54.4	13.0	37.9	46.7
Crude energy goods	-52.9	61.5	14.4	35.9	42.2
Crude petroleum	-42.4	60.6	14.3	30.5	49.6
Natural gas	-65.6	89.1	17.2	44.3	43.7
Coal	10.1	1.0	2.1	10.0	9.7

input costs. For the 12 months ended December 2005, the indexes for industrial natural gas, commercial natural gas, residential natural gas, and natural gas to electric utilities moved up 31.5, 30.3, 28.3, and 25.0 percent, respectively. Chart 1 displays the monthly annual percentage changes for 2004 and 2005 for the well-head natural gas index and the combined utility natural gas index. The graph indicates that, although well-head natural

gas prices have tended to be more volatile than utility natural gas prices, the two are closely related.

The well-head natural gas index and utility natural gas indexes posted their largest 2005 gains during the summer and fall months, as prices were driven up first by fears of hurricanes and then by hurricane-related supply shocks along the Gulf Coast. The Gulf of Mexico produces approximately 10 billion cubic feet

Chart 1. Twelve-month percentage changes in prices of natural gas products, by month, January 2004-December 2005



per day of natural gas, which at 17 percent of total U.S. consumption is crucial to the domestic supply of natural gas.¹ In September 2004, Hurricane Ivan struck the Gulf Coast and reduced domestic natural gas production almost 7 percent, according to the U.S. Department of Energy's natural gas production statistics.² After significant hurricane-related supply shocks in 2004, anticipation of a similarly severe hurricane season led to rising natural gas prices in the summer of 2005. Additionally, because peak power demand is typically covered by operating natural gas-fired generators, the warm summer weather pushed up natural gas prices. Well-head natural gas prices rose 13.6 percent in July and 6.8 percent in August 2005. Consequently, prices for all types of utility natural gas also increased during those months.

Hurricanes Katrina and Rita struck the Gulf Coast on August 29 and September 23, substantially reducing natural gas production. The hurricanes also severely damaged a number of natural gas pipelines and processing facilities.³ According to the Department of Energy, domestic dry natural gas production dropped approximately 13.3 percent from August to October 2005.⁴ This reduction in domestic supply led to well-head natural gas price increases of 32.1 percent in September and 18.1 percent in October. Prices for all types of utility natural gas also exhibited

strong increases in September and October. Natural gas production began to recover toward the end of 2005, pushing prices back down. The well-head natural gas index fell 1.3 percent in November and 14.5 percent in December. Prices for all types of utility natural gas also showed declines in November and December.

Petroleum products. The crude petroleum index jumped 49.6 percent in 2005 after increasing 30.5 percent in the preceding year. Crude petroleum price increases in 2005 were passed through to prices for refined petroleum products, which also rose substantially in 2005. Prices for gasoline, diesel fuel, home heating oil, and jet fuels moved up significantly in 2005.

The first notable price increases occurred in March 2005, as the indexes for crude petroleum, gasoline, diesel fuel, home heating oil, and jet fuels rose 17.0, 5.8, 9.4, 8.0, and 11.6 percent, respectively, partially in reaction to a report by the International Energy Agency that raised the agency's forecast of global oil demand for the third consecutive month.⁵ Additionally, cold weather in the Northeast increased demand for home heating oil, which is derived from crude petroleum.

As with natural gas-based products, the most significant events affecting the petroleum market in 2005 were hurricane-

related supply shocks. Normal crude oil production in the Gulf of Mexico is 1.6 million barrels per day, which represents 7.6 percent of domestic consumption.⁶

Prices for crude and refined petroleum products increased significantly in the summer of 2005 on predictions of a severe hurricane season. Low gasoline stock levels also contributed to the summer 2005 runup in prices for petroleum products. Department of Energy data indicate that in July and August 2005 gasoline stocks were 1.9 percent and 6.8 percent lower than they had been 12 months earlier.⁷

Hurricane fears were realized when Katrina and Rita hit. These hurricanes destroyed 111 production platforms and damaged 52 others. Moreover, a number of drilling rigs were destroyed.⁸ Department of Energy production statistics on crude oil indicate that petroleum production in Alabama, Arkansas, Louisiana, Mississippi, New Mexico, and Texas fell 38.5 percent from July to September, and total domestic production declined 22.2 percent over the same period. Crude oil prices spiked to a high of \$66.83 per barrel on September 29.⁹ Despite reduced production, crude petroleum prices retreated for the remainder of the fall as a result of high storage levels, reduced demand from refineries that were damaged during the hurricanes, and relatively warm weather.

Besides spikes in crude petroleum input costs, damage to refineries also drove up prices for refined petroleum products. The indexes for gasoline, diesel fuel, home heating oil, and jet fuels all registered gains in September, and price increases reached even higher levels in October for all of these indexes except gasoline. Gasoline prices eased in October as imports increased significantly and offset the reduced domestic supply. Department of Energy statistics on gasoline imports show a 41-percent increase from the final week in July to the first week in October.¹⁰

Liquefied petroleum gas. The index for liquefied petroleum gas jumped 44.3 percent in 2005 after climbing 28.5 percent in the preceding year. Large gains in the index occurred in March, August, and September 2005, months when either crude petroleum or natural gas prices increased substantially; crude petroleum and natural gas are inputs to liquefied petroleum gas production. In 2005, crude petroleum and natural gas prices surged 49.6 and 43.7 percent, respectively.

Electric power. The index for electric power rose 7.6 percent in 2005 after posting a 2.5-percent gain in 2004. The residential electric power index climbed 6.8 percent after advancing 2.3 percent in the prior year. Prices for commercial electric power moved up 6.6 percent compared with a 3.1-percent advance in the previous year, and the industrial electric power index jumped 10.4 percent in 2005 following a 2.3-percent gain a year earlier.

Prices for electric power increased in 2005 mainly as a result of higher prices for natural gas and coal, both of which are important inputs to electric power production. Natural gas-fired electricity

generators are used especially during times of peak demand for electric power. In 2005, the index for natural gas to electric utilities increased 25.0 percent, and the index for coal rose 9.7 percent. Prices for all types of electric power showed their greatest gains for the year in October and November, when hurricanes pushed natural gas prices to record levels.

Finished goods other than foods and energy

The producer price index for finished goods other than foods and energy moved up 1.4 percent in 2005 compared with a 2.3-percent gain a year earlier. (See table 3.) Prices for capital equipment, which had increased at a 2.4-percent rate in 2004, advanced at a slower rate, 1.2 percent, in 2005. The index for finished consumer goods other than foods and energy also rose less than it had in the preceding year.¹¹ Prices for passenger cars and light motor trucks turned down in 2005, accounting for most of the deceleration in the core index for finished goods.

In terms of capital equipment, prices for civilian aircraft, railroad equipment, and truck trailers advanced at slower rates than they had in 2004, while the electronic computers index fell at a faster rate during the same period. In contrast, price declines for communication and related equipment slowed in 2005 compared with the preceding year, and the index for heavy motor trucks moved up more than it had in 2004.

Among finished consumer goods other than foods and energy, prices for mobile homes, pet food, and book publishing advanced less in 2005 than they had in 2004. The indexes for men's and boys' apparel and for women's, girls', and infants' apparel turned down in 2005. In contrast, prices for cigarettes, alcoholic beverages, pharmaceutical preparations, and sanitary papers and health products increased at faster rates than they had in 2004.

Motor vehicles and equipment. In 2005, prices for passenger cars fell 3.4 percent, and prices for light motor trucks dropped 5.9 percent. Both indexes advanced in 2003 and 2004. Domestic sales of automobiles produced in North America moved up 2.4 percent in 2005, their first increase since 1999. From 1999 to 2004, these sales had declined 23.4 percent. In the light motor truck segment, however, sales inched down 0.6 percent in 2005 after advancing 4.0 percent in 2004 and 2.0 percent in 2003.¹² On a related note, more than 200,000 hybrid vehicles were sold in the United States in 2005, constituting about 1.2 percent of annual total unit sales. In 2000, fewer than 10,000 hybrid vehicles were sold in the United States.¹³ These shifts in sales to the more fuel-efficient passenger cars may be linked to higher gasoline prices: retail gasoline prices jumped 16.1 percent in 2005, to nearly double their 2001 level.¹⁴ Alternatively, the heavy motor trucks index rose 5.3 percent in 2005, outpacing a 3.4-percent gain posted in 2004. Unit retail sales of heavy motor trucks climbed 15.0 percent in 2005 compared with 31.4 percent in 2004.¹⁵

Table 3. Annual percentage changes in producer price indexes for selected finished goods other than foods and energy, 2001–05

Index	2001	2002	2003	2004	2005
Finished goods other than foods and energy	0.9	-0.5	1.0	2.3	1.4
Capital equipment	0	-6	.8	2.4	1.2
Electronic computers	-29.9	-20.5	-17.1	-12.3	-23.2
Communication and related equipment	-7	-2.6	-9	-2.1	-7
Light motor trucks	-3.3	-3.6	2.3	1.0	-5.9
Heavy motor trucks .....	.3	4.3	-1.9	3.4	5.3
Truck trailers	-1.1	.3	1.0	9.7	4.3
Civilian aircraft	3.8	2.1	6.1	7.1	3.9
Railroad equipment	-1.0	0	2.1	11.6	5.9
Finished consumer goods other than foods and energy ..	1.5	-5	1.1	2.2	1.6
Alcoholic beverages	2.6	1.1	2.0	.6	4.7
Pet food	3.3	-6	.4	7.3	1.0
Women's, girls', and infants' apparel	—	—	—	.8	-7
Men's and boys' apparel	—	—	—	.4	-2.8
Pharmaceutical preparations	—	3.9	4.7	4.4	6.0
Sanitary papers and health products	1.6	.4	-.4	.4	3.3
Book publishing	3.4	3.2	4.0	4.6	3.7
Passenger cars	-1.6	-2.6	2.0	1.7	-3.4
Cigarettes	14.1	-5.8	-8	1.1	4.8
Mobile homes	2.2	.5	3.8	12.6	4.8

NOTE: Dash indicates data are not available.

Civilian aircraft. The producer price index for civilian aircraft increased 3.9 percent in 2005 following advances of 7.1 percent in 2004 and 6.1 percent in 2003. In terms of material and supply costs, prices for steel mill products fell 3.8 percent in 2005 after climbing 48.8 percent in the previous year, and price increases for aluminum mill shapes slowed to 5.0 percent after a 9.9-percent gain in 2004. However, prices for nonferrous wire and cable moved up 21.1 percent in 2005, outpacing an already steep 13.5-percent rate of increase in 2004, and prices for industrial electric power surged 10.4 percent compared with a more moderate 2.3-percent rise a year earlier.¹⁶ In 2005, civilian aircraft shipments rose to 4,171 units, a 21.3-percent increase from 2004, when 3,440 civilian aircraft were shipped.¹⁷ In the civilian aircraft category, general aviation shipments jumped 25.7 percent, helicopter shipments increased 14.9 percent, and transport aircraft shipments inched up 2.5 percent.¹⁸

Cigarettes and alcoholic beverages. The index for cigarettes rose 4.8 percent following a 1.1-percent advance in the preceding year, and prices for alcoholic beverages increased 4.7 percent after inching up at a 0.6-percent rate a year earlier.¹⁹ In January 2005, cigarette prices jumped 3.4 percent, followed by gains of 0.6 percent and 1.2 percent in February and April. Higher prices for cigarettes may be partly related to the Fair and Equitable Tobacco Reform Act, passed by Congress in October 2004. This law, which took effect January 1, 2005, eliminated U.S. Government involvement with quotas and price supports paid to tobacco farmers. In its place, the law stipulated that a quota-based form of price supports would continue, now funded by tobacco

product manufacturers and importers. Each firm now contributes to a price support fund in relation to its share of domestic sales.²⁰ In the alcoholic beverages sector, higher prices were reported for canned beer and for beer barrels and kegs. The indexes for bottled beer, grape table wines, and distilled spirits also contributed to the overall gain. Higher input prices for beverage containers played a part in the increases, with aluminum sheet prices rising 4.9 percent and the index for glass containers edging up 1.7 percent in 2005.²¹

Pharmaceutical preparations. The producer price index for pharmaceutical preparations increased 6.0 percent in 2005 following a 4.4-percent gain in 2004. Most of the 2005 rise can be attributed to higher prices for prescription drugs, with over-the-counter medications advancing at a more tempered pace.²² In December 2003, the Medicare Prescription Drug Improvement and Modernization Act expanded Medicare coverage to include a prescription drug benefit for seniors eligible for Medicare.²³

Intermediate materials other than foods and energy

The increase in the producer price index for intermediate materials other than foods and energy slowed to 4.8 percent in 2005 following an 8.3-percent gain in the previous year. (See table 4.) This price deceleration was broad based, reflecting tempered increases for materials for durable manufacturing, nondurable manufacturing materials, and construction materials.

Table 4. Annual percentage changes in producer price indexes for selected intermediate materials other than foods and energy, 2001–05

Index	2001	2002	2003	2004	2005
Intermediate goods other than foods and energy	-1.6	1.5	2.1	8.3	4.8
Materials for durable manufacturing	-4.0	3.1	4.0	18.3	5.9
Steel mill products	-6.1	11.1	1.7	48.8	-3.8
Aluminum mill shapes	-2.9	-.9	-.5	9.9	5.0
Hardwood lumber	-5.0	2.0	7.0	3.0	-1.2
Flat glass .....	.6	.1	-1.0	-1.7	3.3
Prepared paint	1.9	1.8	2.8	4.0	7.9
Materials for nondurable manufacturing	-5.5	4.2	4.9	13.7	8.9
Primary basic organic chemicals	-29.5	41.1	22.3	44.0	22.3
Plastic resins and materials	-9.8	9.2	6.4	28.6	10.8
Intermediate basic organic chemicals	-11.3	20.0	7.6	35.5	-14.7
Paperboard	-7.0	-.2	-4.1	12.3	-3.0
Paper	-3.1	-.8	.2	6.1	5.0
Basic inorganic chemicals	7.1	.8	2.9	7.3	17.7
Fats and oils, inedible	23.8	40.0	29.4	-15.6	11.9
Construction materials and components	0	.8	3.0	10.1	6.1
Fabricated structural metal products	-.4	.8	.6	17.6	2.9
Millwork	1.7	.1	2.4	6.1	2.3
Softwood lumber	-2.4	2.4	8.3	9.9	-.4
Fabricated ferrous wire products	-.5	.1	2.9	17.6	1.5
Concrete products	2.5	-.3	1.5	7.6	10.1
Plastic construction products	-2.7	3.1	3.2	7.2	21.6

Materials for durable manufacturing. The index for materials for durable manufacturing moved up 5.9 percent in 2005 after jumping 18.3 percent in 2004. This deceleration was the result of downturns in prices for steel mill products and hardwood lumber, combined with a slower rate of increase in the aluminum mill shapes index. Alternatively, prices for prepared paint rose more rapidly in 2005 than they had in the prior year, and the flat glass index turned up in 2005.

Prices for steel mill products declined 3.8 percent for the 12 months ended December 2005 following a 48.8-percent surge in the previous 12-month period: by the end of 2004, steel prices had hit a record high. Prices for ferrous scrap, which is a major input to steel mills, advanced 50.8 percent during 2004. In response to rising costs, steel mills added scrap surcharges to their products' selling prices. During the first quarter of 2005, prices remained moderately stable, as mills had difficulty getting buyers to accept additional price increases. From March through August, steel prices declined as a result of high inventory levels and lower demand. Hurricanes Katrina and Rita did very little damage to the steel industry infrastructure; however, fuel surcharges and higher scrap prices resulted in price increases for steel mill products during the remainder of 2005.

In 2005, the index for hardwood lumber fell 1.2 percent following a 3.0-percent gain in the preceding year. The first half of 2005 was dominated by price declines, which were caused by an influx of imports from Asia. These lower lumber prices rebounded during the latter half of the year as continued strength

in the housing market fueled consumer demand for hardwood furniture, cabinets, and flooring.²⁴

Materials for nondurable manufacturing. The index for materials for nondurable manufacturing advanced 8.9 percent in 2005 following a 13.7-percent gain in 2004. Prices for primary basic organic chemicals, plastic resins and materials, and paper also rose at slower rates than they had in the previous year. The indexes for intermediate basic organic chemicals and paperboard turned down after increasing in 2004. In contrast, prices for inedible fats and oils turned up following declines in the prior year.

For the 12 months ended December 2005, prices for primary basic organic chemicals increased 22.3 percent compared with a 44.0-percent jump in the previous year. Contributing to the advance in 2005 were a 15.0-percent price increase for aromatics, a 25.2-percent boost for the liquid refinery gases index, and a rise of 6.8 percent for other primary basic organic chemicals.²⁵ Higher input costs, specifically for crude petroleum, which is heavily used in the chemical production process, caused the 2005 increases.

Subsequent to their 28.6-percent rise in 2004, producer prices for plastic resins and materials advanced 10.8 percent in 2005. Prices for thermoplastic resins and thermosetting resins climbed 12.0 and 5.5 percent, respectively, in 2005. These increases can be traced to higher petroleum prices, the main input in the plastics production process. Additionally, a tight supply situation pushed prices higher throughout the year.

The index for inedible fats and oils rose 11.9 percent in 2005 following a 15.6-percent drop a year earlier. Much of this increase occurred in the first quarter of 2005, when dry weather in South America reduced available imports and drove prices up 17.6 percent. Later in the year, price increases tapered off as additional supplies became available. The responsiveness of this index to movements in agricultural prices makes it quite volatile. Products derived from inedible fats and oils include industrial oils, lubricants, and glycerin.

Materials and components for construction. Prices for materials and components for construction climbed 6.1 percent during 2005 after advancing 10.1 percent in the previous year. Contributing to this deceleration were the indexes for fabricated structural metal products, millwork, and fabricated ferrous wire products, which all increased less rapidly than they had in 2004. Prices for steel mill products and softwood lumber turned down in 2005 after rising a year earlier. Alternatively, the rates of increase in the indexes for plastic construction products and concrete products quickened from 2004 to 2005.

Prices for fabricated structural metal products climbed 2.9 percent in 2005 after advancing 17.6 percent in the preceding year. From 2000 to 2003, this index showed little movement. Starting in January 2004, however, prices rose rapidly for 13 months as a result of large increases in steel prices. By February 2005, prices had returned to their previous, settled behavior and remained steady until October, when fuel surcharges resulted in more rapid price advances.

During 2005, the producer price index for plastic construction products shot up 21.6 percent compared with a 7.2-percent gain in 2004. Much of this increase can be attributed to an upsurge in prices for plastic plumbing products, which rose 38.9 percent for the year as prices for plastic resins and materials increased. The aftermath of Hurricanes Katrina and Rita greatly disrupted the supply of resins, driving up prices for both resins and plastic products for the remainder of the year.

Crude nonfood materials less energy

Following a 20.5-percent jump in 2004, the producer price index for basic industrial materials gained 5.2 percent in 2005. (See

table 5.) This deceleration was brought on by falling prices for iron and steel scrap and for wastepaper, along with slower price increases for copper ores. Conversely, the index for raw cotton turned up in 2005, and prices for copper base scrap advanced more than they had in 2004.

Iron and steel scrap. The index for iron and steel scrap fell 10.8 percent in 2005. Ferrous scrap prices registered significant increases in 2003 and 2004—64.9 and 50.8 percent, respectively. In the first half of 2005, falling scrap prices predominated as imports of inexpensive steel-scrap substitutes flooded the domestic market. Scrap prices recovered somewhat in the second half of the year, as imports of scrap substitutes dried up when Hurricanes Katrina and Rita resulted in prolonged port closures.

Copper ores. Prices for copper ores moved up 39.3 percent in 2005 compared with a 65.1-percent advance in the prior 12-month period, while the index for copper base scrap jumped 51.9 percent in 2005 following a 34.5-percent gain a year earlier. In 2005, increased demand pushed global copper prices higher. The current growth in the Chinese economy has increased demand for copper, brass, and bronze materials used by the construction, utilities, and automotive sectors.²⁶

Raw cotton. For the 12-month period ended December 2005, raw cotton prices advanced 16.0 percent following a 35.5-percent decline in the preceding year. Not only did yield per acre decline almost 5 percent in 2005, but total demand also was higher. Total consumption increased more than 6 percent above 2004 levels, and exports rose 12 percent.²⁷

Foods and related products

The producer price index for finished consumer foods moved up 1.7 percent in 2005 following a 3.1-percent gain in 2004 and a 7.7-percent jump in 2003. (See table 6.) Accounting for the slower rate of advance in 2005 were prices for pork products, dairy products, processed turkeys, and fresh fruits and melons, which all turned down after rising in the preceding year. The indexes for confectionery end products, soft drinks, and finfish and shellfish increased less than they had in 2004.²⁸ In contrast, prices for

Table 5. Annual percentage changes in producer price indexes for selected crude nonfood materials less energy, 2001–05

Index	2001	2002	2003	2004	2005
Crude nonfood materials less energy	-9.9	12.6	21.6	20.5	5.2
Iron and steel scrap	-5.6	27.8	64.9	50.8	-10.8
Wastepaper	-30.2	35.1	8.7	17.3	-9.1
Copper ores	-19.6	3.6	37.4	65.1	39.3
Copper base scrap	-17.4	11.2	30.7	34.5	51.9
Raw cotton	-46.7	42.7	37.5	-35.5	16.0

Table 6. Annual percentage changes in producer price indexes for selected foods and related items, 2001–05

Index	2001	2002	2003	2004	2005
Finished consumer foods	1.8	-0.6	7.7	3.1	1.7
Finished consumer foods, crude	4.6	-13.9	34.1	-3.1	10.7
Fresh fruits and melons	24.0	-34.6	30.5	18.0	-12.2
Fresh and dry vegetables	9.7	-5.5	37.9	-13.9	34.3
Eggs for fresh use	-27.5	22.6	40.5	-29.4	5.0
Finished consumer foods, processed	1.6	.4	5.9	3.6	1.0
Bakery products	2.1	2.0	1.3	2.1	2.4
Beef and veal	-4.5	4.0	27.1	-3.8	3.2
Pork products	4.7	-7.2	6.8	22.1	-8.2
Processed young chickens	1.9	-8.6	19.9	-.9	-3.1
Dairy products	2.3	-3.1	6.8	9.1	-2.6
Processed fruits and vegetables	3.4	1.2	.4	3.1	3.4
Confectionery end products	1.9	1.8	5.1	7.2	2.8
Roasted coffee	-3.5	-2	5.1	9.5	8.8
Intermediate foods and feeds .....	.3	4.2	12.9	-2.3	2.4
Flour	4.1	7.2	5.0	4.9	2.6
Refined sugar and byproducts	6.3	6.2	.8	-.8	18.5
Shortening and cooking oils	1.8	15.6	16.1	.2	-3.3
Prepared animal feeds	-3.6	4.0	14.7	-11.1	5.6
Crude foodstuffs and feedstuffs	-7.6	4.5	24.1	-2.6	1.6
Wheat	1.7	24.0	4.0	-5.0	-1.0
Corn	2.8	13.2	6.8	-22.9	.7
Slaughter cattle	-15.1	10.3	35.4	-10.9	9.5
Slaughter hogs	-24.9	-4.6	20.7	48.7	-14.7
Slaughter broilers and fryers	-4.8	-5.1	35.4	4.3	-7.3
Fluid milk	3.0	-11.4	16.1	19.1	-9.8
Soybeans	-12.5	29.6	40.7	-29.7	7.0
Raw cane sugar and byproducts	6.2	2.7	-6.6	1.2	18.6

fresh and dry vegetables, beef and veal, and eggs for fresh use advanced in 2005 following declines in the prior year.

At the earlier stages of processing, the index for intermediate foods and feeds climbed 2.4 percent in 2005 compared with a 2.3-percent decrease in 2004. Upturns in prices for prepared animal feeds, beef and veal, and refined sugar and byproducts outweighed downturns in prices for dairy products, pork products, and shortening and cooking oils. The producer price index for crude foodstuffs and feedstuffs also moved up in 2005 following a decline in 2004. Prices for slaughter cattle, soybeans, corn, and fresh and dry vegetables rose after falling in the prior year. Prices for wheat fell less in 2005 than they had a year earlier, while the index for raw cane sugar and byproducts rose more than in 2004. Conversely, the indexes for slaughter hogs, slaughter broilers and fryers, fluid milk, and fresh fruits and melons decreased following increases in 2004.

Slaughter cattle, beef and veal. The producer price index for slaughter cattle jumped 9.5 percent in 2005 following a 10.9-percent drop in 2004. Prices for beef and veal performed similarly, falling in 2004 then rebounding with a 3.2-percent gain in 2005. For both slaughter cattle and beef and veal, prices began to turn around in September 2005, when foreign markets began reopening to U.S. livestock products. In late 2003, a cow in Washington state was identified as having Bovine Spongiform Encephalopathy (BSE). In response, Japan, South Korea, and

Taiwan, which purchased over 80 percent of exported U.S. beef in 2003, closed their markets to U.S. cattle products.^{29,30} After exporting more than 2.5 billion pounds of beef and veal products in 2003, the United States saw its exports drop to 461 million pounds in 2004. In 2005, the export market began reversing course, totaling 669 million pounds, as exports to Mexico expanded. Late in the year, Japan reopened its beef market to U.S. production of boneless beef products taken from livestock under 30 months at slaughter, and both South Korea and Taiwan prepared to take similar actions.^{31,32}

Slaughter hogs, processed pork. The producer price index for slaughter hogs dropped 14.7 percent in 2005 after surging 48.7 percent a year earlier. Likewise, the index for processed pork fell 8.2 percent following a 22.1-percent gain in 2004. The price spikes of 2004 were linked to strong domestic demand, combined with a 26.9-percent jump in U.S. exports, as foreign buyers substituted pork for beef. Although production inched up in 2004, it was unable to keep pace with higher demand. In 2005, production and exports continued their increases, but a decline in domestic consumption sent selling prices downward.³³

Slaughter broilers and fryers, processed young chickens. The index for slaughter broilers and fryers moved down 7.3 percent in 2005 following a 4.3-percent rise in 2004, and prices for processed young chickens fell at a faster rate in 2005 than they had in the

previous year. From January through September, production, domestic consumption, and export demand for chickens were strong. The market shifted direction in the last quarter of 2005, when chicken production reached its peak and demand for leg quarters in Eastern Europe and Central Asia fell. This drop in demand may have been connected to fears relating to the spread of avian influenza. As a result, in the final quarter of 2005, slaughter chicken prices decreased 16.2 percent, and processed chicken prices fell 15.5 percent.³⁴ For the 12 months ending in December 2005, broiler meat production increased 3.8 percent, and cold storage stocks jumped 29.0 percent.³⁵

Soybeans and grains, prepared animal feeds. The indexes for corn and soybeans turned up in 2005 following large declines in 2004, while prices for wheat moved down 1.0 percent after falling 5.0 percent a year earlier. The U.S. Department of Agriculture estimated that the corn harvest for 2005 was an ample 11.1 billion bushels, 6.0 percent below the record level of 11.8 billion bushels in 2004. Crop yield also contracted in 2005, from a record 160.4 bushels per acre in 2004 to 147.9 bushels per acre. The soybean harvest inched down 1.0 percent in 2005 to 3.09 billion bushels despite a 2.6-percent increase in yield per acre, from 42.2 bushels in 2004 to a record 43.3 bushels. For wheat, yield per acre fell roughly 2.8 percent to 42.0 bushels, and total production was 2.1 billion bushels.³⁶ While still solid, the 2005 wheat figures were not historic compared with harvests over the previous decade.³⁷ In a related development, prepared animal feed prices rose 5.6 percent in 2005 compared with an 11.1-percent drop in the preceding year.

Fluid milk, dairy products. The index for fluid milk fell 9.8 percent in 2005 after rising 19.1 percent in 2004. Similarly, prices for dairy products declined 2.6 percent following a 9.1-percent jump in 2004. In 2005, milk production increased 3.3 percent to 176.5 million pounds, and milk production per cow grew 3.1 percent to 19,536 pounds.³⁸ In contrast, both total milk production and output per cow were nearly flat in 2004 compared with 2003 levels.³⁹

Raw cane and refined sugar. The index for refined beet sugar and byproducts rose 22.0 percent in 2005 after edging down 0.1 percent in 2004. The index for refined cane sugar and byproducts went up 15.8 percent after declining 1.5 percent in the prior year, and prices for raw cane sugar jumped 18.6 percent following a 1.2-percent gain a year earlier. The market for refined sugar was influenced by lower sugar beet and raw cane production in 2005: the sugar beet harvest decreased 7.9 percent in 2005 to 27,654 tons, and raw cane production fell 3.8 percent to 27,897 tons.⁴⁰

Fruits and melons. The index for fresh fruits and melons declined 12.2 percent in 2005 after rising 18.0 percent in 2004. Prices for citrus fruits, which were increasing at a 16.2-percent

annual rate in May 2004, the start of the hurricane season, surged 134.2 percent over the next 5 months. In 2005, prices reversed course and ended the year 11.7 percent below their 2004 level. For the 2004–05 growing season, western producers ramped up production to help compensate for the previous year’s citrus grove damage in Florida.^{41,42} Also contributing to the 2005 turnaround in prices for fresh fruits was the index for table grapes, which dropped 28.6 percent after jumping 48.4 percent during the prior 12 months.⁴³ Average grape yield per acre increased to 7.46 tons in 2005, from 6.69 tons in 2004. Over the same period, total grape production increased 11.7 percent to 6,975 tons, from 6,240 tons a year earlier.⁴⁴

Fresh and dry vegetables. The index for fresh and dry vegetables surged 34.3 percent in 2005 after falling 13.9 percent in the preceding year. Prices for sweet corn nearly tripled in 2005 compared with a 34.6-percent decline in 2004, and the indexes for lettuce and dry onions also posted large gains following declines a year earlier. Prices for green peppers, consumer-use potatoes, and tomatoes went up at faster rates than they had in 2004.⁴⁵ Vegetable crop production was, on average, favorably affected by weather conditions in 2004 and negatively affected in 2005.^{46, 47} For lettuce and tomatoes, total planted acreage increased in 2005, but total harvested acreage fell. Yields also declined notably in 2005 for snap beans, cabbage, romaine lettuce, onions, and green peppers.⁴⁸

Services

Rising prices were observed for the majority of service industries tracked by the Producer Price Index in 2005. Notable price increases were registered for these industries: Scheduled passenger air transportation, hotels (excluding casino hotels) and motels, offices of lawyers, line-haul railroads, offices of certified public accountants, direct health and medical insurance carriers, and investment banking and securities dealing. In contrast, price declines were recorded by cellular and other wireless carriers. (See table 7.)

Scheduled passenger air transportation. Prices for scheduled passenger air transportation increased 7.7 percent in 2005 after falling 1.5 percent in the previous year. Domestic travel prices increased 8.4 percent in 2005, led by higher prices for coach-class air travel. The 2005 rise in the index for scheduled passenger air transportation reflects strong demand for air travel and fuel surcharges added to ticket prices. According to the FAA: “In 2005, system revenue passenger miles (RPMs) and enplanements rose 8.0 and 7.1 percent, respectively. . . . Enplanements exceeded pre-9/11 levels by 5.9 percent, while RPMs were 11.6 percent higher than in 2000. . . . The systemwide load factor increased 1.9 percent to 77.1 percent in 2005, an all-time high.”⁴⁹ In addition, according to the International Air Transport Association, airlines

Table 7. Annual percentage changes in producer price indexes for selected service industries, 2001–05

Index	2001	2002	2003	2004	2005
Scheduled passenger air transportation	2.0	1.0	1.9	-1.5	7.7
Hotels (excluding casino hotels) and motels	—	—	—	2.9	7.4
Offices of lawyers	4.2	3.4	2.8	4.3	6.1
Line-haul railroads	2.3	1.3	2.3	7.4	13.1
Offices of certified public accountants	—	—	—	1.3	5.2
Direct health and medical insurance carriers	—	—	8.7	4.0	4.8
Investment banking and securities dealing	—	—	—	6.8	2.1
Cellular and other wireless carriers	-1.2	3.9	-1.2	-4.7	-15.1

NOTE: Dash indicates data are not available.

have been adding surcharges to passenger ticket prices in recent years to offset higher fuel prices. The association estimated that, at \$54.50 per barrel in 2005, industry fuel costs amounted to 22 percent of operating expenses, up from 16 percent in 2004 and 14 percent in 2003.⁵⁰

Hotels (excluding casino hotels) and motels. The industry index for noncasino hotels and motels increased 7.4 percent in 2005 after gaining 2.9 percent a year earlier. Prices in this industry tend to be positively correlated to the performance of the economy as a whole. Additionally, widely followed research in the hotel industry has shed light on the detrimental impact of deep discounting strategies, leading many hoteliers to reduce or eliminate these price reductions.⁵¹ Prices for luxury and resort hotels exhibited the largest gain, 22.5 percent.

Offices of lawyers. After rising 4.3-percent a year earlier, prices received by law offices advanced 6.1 percent in 2005, the largest annual increase recorded for this industry since its inclusion in the Producer Price Index in 1996. Prices for corporate legal services and for banking and commercial legal services increased 8.1 and 9.7 percent, respectively, reflecting a strong business economy. Another factor boosting prices received by law offices was the complexity of the 2005 Bankruptcy Reform Act, which spurred demand for legal services from both individuals and corporations.

Line-haul railroads. Having risen 7.4 percent in 2004, the line-haul railroads index increased 13.1 percent in 2005. Strong demand and fuel surcharges pushed the line-haul railroads index higher in 2005. This index tracks price changes for the rail shipment of all major commodity groupings, both manufactured goods and raw materials. New records were set in 2005 in this industry, for total volume—1.69 trillion ton-miles, up 2.4 percent from last year—and for intermodal traffic (truck trailers and containers on flat cars).⁵² Intermodal freight transportation, the price of which increased 10.4 percent in 2005, is the fastest growing segment in

this industry.⁵³ Diesel fuel, which surged 46.7 percent in 2005, is a critical variable cost for the railroad industry, which typically uses surcharges to transfer these costs to its clients.

Offices of certified public accountants. Prices received by offices of certified public accountants advanced 5.2 percent in 2005 after increasing 1.3 percent in 2004. This acceleration was driven by the index for tax preparation and planning, which rose 6.9 percent in 2005, the largest gain recorded over the 10 years that the Producer Price Index has tracked this service. The Sarbanes-Oxley Act of 2002 and the robust economic environment in 2005 increased the demand for accounting services.

Direct health and medical insurance carriers. Prices received by direct health and medical insurance carriers rose 4.8 percent in 2005 after gaining 4.0 percent in the prior year. The majority of this price advance was the result of a 5.5-percent rise in the medical service plans index. Rising prices for medical plans continue to outpace both the Consumer Price Index and wage growth. The percentage of businesses offering health insurance to their workers has declined steadily from 69 percent in 2000 to 60 percent in 2005.⁵⁴

Investment banking and securities dealing. Prices received by the investment banking and securities dealing industry advanced 2.1 percent in 2005 following a 6.8-percent gain in 2004. Leading this deceleration were prices for dealer transactions, which fell 10.4 percent in 2005 following a 2.5-percent increase in 2004. Prices for dealer transactions depend on the bid-ask spread for debt and equity securities in the financial markets; in 2005, a lack of volatility in security prices and fierce competition among trading firms resulted in tighter spreads and lower dealer transaction prices. The index for investment banking services advanced 6.1 percent in 2005. This industry generally reflects expectations concerning the overall economy and the equity marketplace. The index for other investment banking and

securities-dealing services increased 13.1 percent for 2005; prices for many of its components, such as securities-lending transactions, are sensitive to and have benefited from rising interest rates.

Cellular and other wireless carriers. Prices received by cellular and other wireless carriers fell 15.1 percent in 2005 following a 4.7-percent decline in 2004. The wireless telecom-

munications industry is highly competitive and is characterized by major players trying to capture as much market share as possible. To attract customers, wireless carriers have lowered monthly subscription prices and adopted a fee-based strategy, charging for roaming minutes and ringtones. This strategy takes advantage of the changing cost structure within the industry: technological advances have lowered wireless carriers' fixed infrastructure costs. □

Notes

¹ Congressional Research Service, "Oil and Gas Disruption From Hurricanes Katrina and Rita," Lawrence Kumins and Robert Bamberger, Report RL33124 (Washington, U.S. Department of Energy, October 2005).

² U.S. Department of Energy, U.S. Dry Natural Gas Production, on the Internet at <http://tonto.eia.doe.gov/dnav/ng/hist/n9070us2m.htm> (visited June 20, 2006).

³ Congressional Research Service, "Oil and Gas Disruption."

⁴ U.S. Department of Energy, U.S. Dry Natural Gas Production.

⁵ *Forbes* News Scan, March 11, 2005, on the Internet at www.forbes.com/business/2005/03/11/0311autonewsscanscan03.html (visited June 20, 2006).

⁶ U.S. Department of Energy, U.S. Dry Natural Gas Production.

⁷ U.S. Department of Energy, U.S. Motor Gasoline Ending Stocks, on the Internet at <http://tonto.eia.doe.gov/dnav/pet/hist/mgtstus1m.htm> (visited June 20, 2006).

⁸ Congressional Research Service, "Oil and Gas Disruption."

⁹ U.S. Department of Energy, Cushing, OK, WTI Spot Price FOB, on the Internet at <http://tonto.eia.doe.gov/dnav/pet/hist/rwtcd.htm> (visited June 20, 2006).

¹⁰ U.S. Department of Energy, U.S. Weekly Total Gasoline Imports, on the Internet at <http://tonto.eia.doe.gov/dnav/pet/hist/wgtimus2w.htm> (visited June 20, 2006).

¹¹ In December 2004, the capital equipment index constituted 41.8 percent of the index for finished goods other than foods and energy, and the index for finished consumer goods other than foods and energy made up the remaining 58.2 percent.

¹² U.S. Department of Commerce, Bureau of Economic Analysis, National Economic Accounts—Gross Domestic Product—Motor Vehicle Estimates, on the Internet at www.bea.gov/bea/dn/home/gdp.htm (visited Feb. 27, 2006).

¹³ "Sales Numbers and Forecasts for Hybrid Vehicles," on the Internet at www.hybridcars.com/sales-numbers.html (visited Feb. 27, 2006).

¹⁴ See Consumer Price Index, Gasoline, U.S. City Average, Not Seasonally Adjusted, Series Identifier CUUR0000SETB01; on the Bureau of Labor Statistics (BLS) Web site at http://data.bls.gov/PDQ/servlet/SurveyOutputServlet?series_id=CUUR0000SETB01.

¹⁵ U.S. Department of Commerce, Bureau of Economic Analysis, National Economic Accounts—Gross Domestic Product—Motor Vehicle Estimates.

¹⁶ To locate Producer Price Index (PPI) data, go to the PPI page on the BLS Web site: www.bls.gov/ppi/home.htm. Then choose "Get Detailed PPI Statistics," and select customized tables, commodity data (<http://data.bls.gov/PDQ/outside.jsp?survey=wp>). Enter codes for the commodities of interest—in this case, 1017 (steel mill products),

102501 (aluminum mill shapes), 1026 (nonferrous wire and cable), and 0543 (industrial electric power).

¹⁷ Aerospace Industries Association, "2005 Year-End Review and Forecast," December 14, 2005, on the Internet at www.aia-aerospace.org/stats/yr_ender/yr_end_tables.cfm (visited June 20, 2006).

¹⁸ Aerospace Industries Association, "2005 Year-End Review and Forecast."

¹⁹ In December 2004, the index for cigarettes constituted 4.6 percent of the index for finished goods other than foods and energy. The index for alcoholic beverages made up 2.8 percent of that index.

²⁰ Economic Research Service, "Long-Lived Tobacco Program to End," *Amber Waves*, Thomas C. Capehart, Jr. (Washington, U.S. Department of Agriculture, February 2005), 2–3.

²¹ On the BLS Web site (see note 16 for instructions), enter commodity codes 02610103 (canned beer), 02610105 (barrels and kegs), 02610101 (bottled beer), 02610431 (grape table wines), 026102 (distilled spirits, excluding brandy), 10250105 (aluminum sheet), and 138 (glass containers).

²² Although the Producer Price Index discontinued its commodity-based prescription drug and over-the-counter drug indexes in June 2001, the Producer Price Index program continues to publish best estimate, special aggregation indexes that allocate product line price information to prescription and over-the-counter categories according to their preponderance of revenue. In 2005, Producer Price Index code 32541D-RX (prescription drugs) moved up 6.8 percent, while Producer Price Index code 32541D-OTC (over-the-counter drugs) rose 1.0 percent.

²³ Details about the prescription drug benefit can be found on the Internet at www.medicare.gov/medicarerereform/default.asp (visited March 3, 2006).

²⁴ *Hardwood Market Report*, "2005: The Year at a Glance" (Memphis, TN, Hardwood Market Report, 2006).

²⁵ On the BLS Web site (see note 16 for instructions), enter commodity codes 06140197 (aromatics), 06140198 (liquid refinery gases), and 06140199 (other primary basic organic chemicals).

²⁶ For details, see Tom Stundza, "Copper and Brass Market: Prices remain high from supply disruptions," *Purchasing*, March 2, 2006, on the Internet at www.purchasing.com (visited June 20, 2006).

²⁷ Economic Research Service, Market and Trade Economics Division, *Cotton and Wool Situation Outlook Yearbook* CWS–2005 (Washington, U.S. Department of Agriculture, November 2005), 24, appendix table 1.

²⁸ On the BLS Web site (see note 16 for instructions), enter commodity codes 022306 (processed turkeys), 0262 (soft drinks), and 0223 (finfish and shellfish).

²⁹ Information relating to this discovery and a subsequent discovery in mid-2005, as well as the U.S. Government response, is on the Internet at www.fda.gov/oc/opacom/hottopics/bse.html (visited June 20, 2006).

³⁰ Economic Research Service, *Livestock, Dairy, and Poultry Outlook* LDP-M-115 (Washington, U.S. Department of Agriculture, Jan. 16, 2004), 6.

³¹ Economic Research Service, *Livestock, Dairy, and Poultry Outlook*, LDP-M-140 (Washington, U.S. Department of Agriculture, Feb. 15, 2006), 9–10, 22.

³² Unfortunately for U.S. beef exporters, almost immediately after Japan reopened its market to American beef, banned beef product was discovered in a shipment. While it appears that the Japanese, South Korean, and Taiwanese markets will reopen, Japan froze imports for the first quarter of 2006. Japan announced in June 2006 that it would lift the ban on U.S. beef imports pending successful inspections of U.S. meat processing plants. Negotiations with the other trading partners are ongoing. See note 29 for additional information.

³³ Economic Research Service, *Livestock, Dairy, and Poultry Outlook*, LDP-M-140 (Washington, U.S. Department of Agriculture, Feb. 15, 2006), 13–15, 22.

³⁴ For Producer Price Index 022203, processed young chickens, seasonally adjusted data were used for the calculation. Producer Price Index 014102, slaughter broilers and fryers, is not seasonally adjusted, so unadjusted indexes were used for that calculation.

³⁵ Economic Research Service, *Livestock, Dairy, and Poultry Outlook*, LDP-M-140 (Washington, U.S. Department of Agriculture, Feb. 15, 2006), 16–18, 22.

³⁶ Agricultural Statistics Board, *Crop Production, 2005 Summary*, Cr Pr 2–1 (06) (Washington, U.S. Department of Agriculture, National Agricultural Statistics Service, Jan. 12, 2006).

³⁷ To review data for wheat production over the last decade, visit the U.S. Department of Agriculture-National Agricultural Statistics Service Web site at <http://usda.mannlib.cornell.edu/reports/nassr/field/pcp-bban/>.

³⁸ Agricultural Statistics Board, *Milk Production*, Da 1–1 (1–06) (Washington, U.S. Department of Agriculture, National Agricultural Statistics Service, Jan. 18, 2006).

³⁹ Agricultural Statistics Board, *Milk Production*, Da 1–1 (1–05) (Washington, U.S. Department of Agriculture, National Agricultural Statistics Service, Jan. 18, 2005).

⁴⁰ Agricultural Statistics Board, *Crop Production, 2005 Summary*, Cr Pr 2–1 (06) (Washington, U.S. Department of Agriculture, National Agricultural Statistics Service, Jan. 12, 2006), 52–53, 76.

⁴¹ Agricultural Statistics Board, *Crop Production, 2004 Summary*, Cr Pr 2–1 (05) (Washington, U.S. Department of Agriculture, National Agricultural Statistics Service, Jan. 12, 2005), 74.

⁴² Agricultural Statistics Board, *Citrus Fruits, 2005 Summary*,

Fr Nt 3–1 (05) (Washington, U.S. Department of Agriculture, National Agricultural Statistics Service, Sept. 22, 2005).

⁴³ Table grapes typically go out of season in December; consequently, the end-of-year 12-month price data used for this comparison were indexes for November.

⁴⁴ Agricultural Statistics Board, *Noncitrus Fruits and Nuts, 2005 Preliminary Summary, January 2006*, Fr Nt 1–3 (06) (Washington, U.S. Department of Agriculture, National Agricultural Statistics Service, Jan. 24, 2006).

⁴⁵ On the BLS Web site (see note 16 for instructions), enter commodity codes 0113 (fresh and dry vegetables), 01130214 (sweet corn), 01130215 (lettuce), 01130216 (dry onions), 01130217 (tomatoes), 01130229 (green peppers), and 011304 (Irish potatoes for consumer use).

⁴⁶ Agricultural Statistics Board, *Crop Production, 2004 Summary*, Cr Pr 2–1 (05), 74.

⁴⁷ Agricultural Statistics Board, *Crop Production, 2005 Summary*, Cr Pr 2–1 (06), 80.

⁴⁸ Agricultural Statistics Board, *Vegetables, 2005 Summary*, Vg 1–2 (06) (Washington, U.S. Department of Agriculture, National Agricultural Statistics Service, Jan. 27, 2006).

⁴⁹ Federal Aviation Administration, *FAA Aerospace Forecasts, Fiscal Years 2006–2017* (Washington, Department of Transportation, February 2006), 5, 12, on the Internet at www.faa.gov/data_statistics/aviation/aerospace_forecasts/2006-2017/media/FAA%20Aerospace%20Forecast.pdf (visited June 20, 2006).

⁵⁰ International Air Transport Association, *Fact Sheet: Fuel*, on the Internet at www.iata.org/pressroom/economics_facts/fact_sheets/fuel.htm (visited June 26, 2006).

⁵¹ Talbot, Barbara, “If Discounting Doesn’t Work, What Does?” A commentary on the Cornell Hospitality Research Report, “Why Discounting Doesn’t Work” (Ithaca, NY, Cornell University School of Hotel Administration), on the Internet at www.hotelschool.cornell.edu/chr/research/abstracts/BTalbot.rtf (visited June 20, 2006).

⁵² Association of American Railroads, “U.S. Freight Railroads Complete Another Record Year,” news release, Jan. 6, 2006, on the Internet at www.aar.org/ViewContent.asp?Content_ID=3466 (visited June 20, 2006).

⁵³ Association of American Railroads, “U.S. Freight Railroads Complete Another Record Year.”

⁵⁴ Kaiser Family Foundation, “Survey Finds Steady Decline in Businesses Offering Health Benefits to Workers Since 2000,” news release, Sept. 14, 2005, on the Internet at www.kff.org/insurance/chcm091405nr.cfm (visited June 20, 2006).