

SASK. CHAMBER OF COMMERCE

Half of businesses plan to increase staff

By BRUCE JOHNSTONE
Leader-Post

Business owners had a good year in 2005, with 70 per cent reporting increased revenues, but only half expect to grow in 2006, according to a recent survey by the Saskatchewan Chamber of Commerce.

While the chamber's economic outlook survey conducted in December showed declining optimism for business growth, most respondents were expecting to hire more staff in 2006.

Ted Hillstead, president of the provincial chamber, said the survey likely reflects concerns about declining population and job numbers seen in the last quarter of 2005.

Employment in Saskatchewan fell by 6,900 jobs to 474,500 in December from 481,400 jobs in December 2004 — the fourth consecutive month of job losses.

"Work is still available out there, but we don't have the people to do it," Hillstead said. "Many of the businesses have said that they would like to hire, but are having a hard time hiring."

Hillstead said the province needs to increase its population in order to reverse the job losses that have been seen in the past four months. "Unless we start seeing that population changing, we're going to see more and more of that (job loss)."

The Weyburn accountant and financial consultant said the government, along with the business community and organized labour, has to do more to attract people to the province.

"We'd like to see an overall effort within the business community, government and labour to go out to other

provinces and attract more (people) here. We've somehow got to get them, quite frankly, to move to where the work is."

Expansion of the immigrant nominee program, which targets specific groups of skilled workers to immigrate to the province, would also ease the employment shortage, he added.

But Roy Schneider of Industry and Resources said the province set a record for average annual employment in 2005 and posted 17 consecutive months of record year-over-year job growth.

"When (Hillstead's) talking about job losses, he's looking at the last third of the year where we saw some slippage," Schneider said. But the first eight months of 2005 saw continued record job growth, he added.

Schneider said the province is "cautiously optimistic" that job growth will get back on track in 2006, despite some challenges in the forestry and agriculture sectors.

He also noted that Saskatchewan's economic growth ranked third in the country in 2005 and 2004, and second in 2003, according to the Conference Board of Canada. "That's not bad. You can't do much better than that."

While the forecast for 2006 isn't as optimistic, a number of forecasting agencies have picked Saskatchewan to finish fourth in GDP growth, he added.

But Schneider agreed with the chamber that the labour shortage is creating problems for business, especially in the energy and construction industries.

"The problem is not so much job creation as it is getting people to fill the jobs."

PULSE DAYS

Producers told outlook brightening

By MURRAY LYONS
Saskatchewan News Network

SASKATOON — There could be some bright spots out there for Saskatchewan farmers used to getting good cash returns from pulse crops who were shell shocked by last season's dropping prices for peas and green lentils.

At least one market analyst says the news isn't all that bad, especially the fact that the global market seems to have absorbed the huge pea crop produced last August on the Canadian Prairies, even if the price is down.

Marlene Boersch, a Winnipeg special-crops analyst, says there was a mountain of peas at harvest time and people thought they would not move, but they have.

"We've done a marvelous job of exporting peas to date," Boersch said.

"We're between 1.4 and 1.5 million tonnes between harvest and Christmas which is the largest ever."

"We have done about half a million tonnes of edible peas into the Indian sub-continent," she added, noting India is quite willing to be a major buyer, albeit at prices lower than what Canadian producers might expect.

In addition, Spain has entered the market for feed peas because of the failure, through drought, of its own crop.

"There are good chances the pea prices will move up a little bit," she predicted. "I can see \$3.40 or \$3.50 (per bushel)."

Market watcher Gerald Donkers-

goed of Surrey, B.C., isn't so optimistic on prices.

"Maybe the days of 20-cent lentils (per pound) and \$4 or \$6 peas are long gone, but we do have outlets for the volume eventually," he said.

"We're now supplying India, China and Pakistan. Those are all large population and large-volume markets and the outlook looks good."

Murad Al-Katib, the president of SaskCan Pulse Growers, expects that acreage in Saskatoon to expand by 20 per cent next year and he says that shouldn't be enough of an acreage switch to undermine the price.

Al-Katib, backed by a major processor in Turkey, says the markets in the Middle East are growing for the split lentils his company processes. He says the advantage of having a splitting plant in Regina is that the lentils that don't make the grade stay in Saskatchewan and can be sold into the Prairie feed market.

Gordon Bacon, head of Pulse Canada, says the industry group is working with food companies to do research that will allow the pulse industry to make basic nutritional and health claims about its products.

"Our markets right now have been to traditional users of pulses," he said. "We have a product that fits into the health and wellness side."

"What the pulse industry is doing is to say our growth market is an affluent market who has an interest in looking after themselves in our own back yard," he said. "We are the crop that has been below the radar screen."

CanWest News Service

OPINION

Bleak future hangs over farming

Crop Production Week in Saskatoon is always a great barometer of what's going on in the grain industry.

Judging from this year's event, this will be one of the most difficult growing seasons in memory.

For those outside the industry, it probably seems like agriculture is always crying wolf. There's some truth in that.

For the most part though, the producers who come to Crop Production Week tend to be optimists looking for opportunities.

There are reasons for long-term optimism. Rising energy costs are making ethanol and biodiesel more viable. There are exciting developments in new Identity Preserved crops which will be produced for end-use markets at premium prices.

Producers increasingly realize that we need to move beyond the production of low-value commodities. Many of our competitors have lower costs, higher levels of production and closer proximity to markets.

But while the long-term future appears exciting, an increasing number of producers are running out of time. They're worried about survival in the next year or two.

While moving out of commodity markets and aligning with value-added ventures may sound like a great idea, how does a typical producer make those contacts or find the resources to make the necessary investments?

There are bins full of grain and, in many cases, grain still piled on the ground. Sales of many commodities have been slow, so cash flow is a problem. On top of that, most commodity prices are at or near historical lows.

There were success stories in 2005. Some producers were able to lock in profitable prices on a commodity or two. In other cases, the sheer volume of the 2005 crop is going to generate a profit even though prices are dismal.

Even for those who had a relatively good financial result for 2005, the prospects for the coming year are terrifying. There's hardly a commodity that will generate a return given current price prospects. Producers are losing faith.

Stories abound of mid-size and even large operators calling it quits. In other cases, producers are cutting back by dropping rented land.

There's an expectation that renegotiated farmland rental rates will decline.

In some areas, landlords may have to settle for their tenant just paying the land taxes. Some land may not be farmed. Although there has often been the threat of producers increasing their fallow acreage, it has never really come to pass. That may change in the year ahead. It costs money to control weeds on land for an entire year and not grow a crop. There are also fixed costs that still have to be paid.

However, the cost of fallow could actually be less than the loss from growing a crop and selling at depressed prices.

With high fertilizer costs and bins already filled with grain, there isn't much incentive to try and grow another big crop. For the first time in recent years, there could be a substantial drop in seeded acreage.

It will also be interesting to watch land prices. Statistics indicate that average Saskatchewan farmland prices have continued to edge upwards in recent years. The increase has often been less than the rate of inflation, but the trend has still been up.

There are reports of land changing hands at prices that still appear strong. But there's also an expectation of much more land on the market in the next few months. Based on cash flow, farm profitability and the 2006 outlook, it would be reasonable to expect overall land values to drift lower.

Maybe there will be world events, such as crop failures, which will turn the grain industry around. However, it's tough to base business decisions on a maybe.

Even producers who have usually been optimistic are starting to lose faith. ■ Kevin Hursh is a consulting agrologist and farmer based in Saskatoon. He can be reached at kevin@hursh.ca.

FARMING



KEVIN HURSH

Housing-start dips deceptive

By DAVID FREEMAN
Leader-Post

Although total housing starts in Regina — and the province — dropped in 2005, the market remains strong and should continue to make steady gains in 2006, according to a local market analyst.

Regina and surrounding area saw total housing starts in 2005 drop to 888 — a 28.5-per-cent decrease — as compared with the 1,242 starts in 2004, according to Paul Caton, senior market analyst for the Canada Mortgage and Housing Corporation. Similarly, Saskatoon witnessed a drop of 32.7 per cent in 2005, with total starts decreasing from 1,578 to 1,062. Provincially, total housing starts dropped 20.4 per cent, from 3,144 to 2,502.

In both cities, the biggest change was in multi-family housing units where starts dropped more than 50 per cent (637 to 316) in Regina and 62 per cent (825 to 311) in Saskatoon. Single-family starts decreased minimally in both centres, staying nearly steady in Saskatoon (0.3 per cent) and dropping 5.5 per cent in Regina.

"It's the multiples where we see a lot of volatility," said Caton.

He explained multi-family dwelling starts (like seniors retirement complexes and apartment buildings) are affected by a number of factors, including local resources — from building supplies to skilled trades people — and the inventory of units available at any given time.

"When builders do these projects, apartments especially, they don't start construction until they have a large number of those units ... already committed for sale," he said.

"When you get a large number of starts like we saw in 2004, it tends to swell the amount of inventory that you have under construction," he said of the 2005 decrease. "And I think that causes builders to sit back and say, 'Well, you know, we'll just continue and work with this project through the marketing stage and we won't start anything new until we feel confident about reducing our inventory.'"

He said that due to the number of units associated with each project and the limited number started each year, the delay of one project can make a drastic change to the percentage of starts from year to year. He added that 2004 was a very successful year and that made the 2005 drop even more drastic, but he said that because inventories are dropping, 2006 multi-family starts should increase again and the CMHC is forecasting 600 units for Regina.

"We will see a pickup as far as multis are concerned, certainly over what we saw this year, but we're not expecting the volumes we saw in 2004," he said.

Caton blamed low job growth in Regina for the drop in starts in 2005, but said the cycle should lead to stronger job growth and in turn stronger housing starts this year.

"There's a strong year of hiring and growth and employment, then you get a weak year, then you get another strong year; so I mean that's a normal cycle," he said.

"We'll see steady starts; we're forecasting starts in the range of 500-600 units, just like we saw this year, which is a good performance for Regina," Caton said. "There's lots of new subdivisions opening and there's good strong demand there brought about by the employment growth we're expecting to see in 2006."

He said that since housing prices continue to rise in the city — Regina's housing-price-index rose to 1446 in November, good for third in the country behind Calgary and Ottawa — it might lead more people to look toward buying existing housing which can be more affordable than building new.

Provincewide, all other urban housing start totals were up, including a 62.7-per-cent increase in single-family starts on the Saskatchewan side of Lloydminster and a 36.4-per-cent increase in Swift Current.



BRYAN SCHLOSSER/Leader-Post

Mark Holt and a crew from Roy Howden Construction were hard at work Tuesday pouring a basement foundation for this new home on Robin Place in the Creekside subdivision, which is on the city's east side.

He attributed the province's strong economy — specifically oil — with this success.

"The story in Lloydminster used to be Alberta, Alberta, Alberta, and that's where all the new subdivisions were," said Caton of the border city, "but I think what we could be seeing here is there's land coming available on the Saskatchewan side and people are considering that option."

"In that part of the province there's very little difference in the economies of those two (provinces)," he continued. "It's the oil patch based. Look at Swift Current, it's the same thing. It's the oil patch that's at

work there. We understand that that's at work in Estevan also."

"So these economies are based exactly the same as small-town Alberta and it's the same kind of money that's flowing into these economies, having an impact on other sectors also — retail sectors, hospitality industries — they're all showing strength because of those payrolls that are flowing into those economies," Caton said, explaining how the economy fueled growth across the province. "Where the money goes, that's going to increase housing demand."