

Saskatchewan cashes in on the commodities boom

Alia McMullen, Financial Post. Published: Monday, May 26, 2008

<http://www.financialpost.com/working/story.html?id=541837>

Saskatchewan's economy has been cashing in on the surge in oil, grain and fertilizer prices, resulting in a rising wealth that has attracted a growing number of Canadians to one of the country's best performing provinces, some of the most striking data showed Monday.

Farmer's cash receipts hitting a record high in the first quarter of this year as grain and oil seed prices rose. Cash receipts from crop sales, much of it concentrated in Saskatchewan, jumped 38.5% to \$5.4-billion compared with the first quarter of 2007. The huge surge comes on the heels of a strong 2007 for grain farmers and the first quarter number crop receipts number is 59% better than previous five-year average.

This rising wealth from agriculture and resources in Saskatchewan is now being reflected in the province's fastest ever increase in retail sales and a significant rise in population growth, with both segments reaching important milestones in 2007.

Saskatchewan's population broke above the 1-million mark for the first time at the end of 2007. It also posted the strongest growth in retail sales of all provinces last year, topping the list for the very first time.

Retail sales in the prairie province rose by 13% to \$13-billion in 2007, double the pace of growth in 2006 and well above the national rate of 5.8%. "What we see on the retail sales side is indicative of the changing fortunes of this Western province. This is an economy which has moved to the higher end of growth based on a very strong and diversified economy," Aron Gampel, vice president and deputy chief economist at Scotia Capital said.

"We're seeing people who are feeling better, who are wealthier, who's land values have appreciated and who are now in a spending mode, and I think it is a very positive development." While much of the wealth flowing into Saskatchewan has come from the booming oil and grains sector, Mr. Gampel said Saskatchewan has succeeded in diversifying its economy for future growth.

"That's part of a game plan that virtually every province is trying to replicate," he said.

"It benefits from the improving fortunes in the energy industry, it benefits from the improving fortunes in agriculture, it benefits from construction related activity, it benefits from the diversified economy which has moved into education and technology fields and, of course, it is imbedded in a region which is high growth."

Mr. Gampel said while Saskatchewan was still a relatively small province, it now carried a greater weight in the Canadian economy, and would likely continue to do so.

"This is a province that is situated, not only in the fastest growing region, but has the internal dynamics to support much stronger rates of growth in the future," he said.

Provincial government figures show about 95% of all goods produced in Saskatchewan directly depend on basic resources such as grains, livestock, oil and gas, potash, uranium and wood, and their refined products.

The rising prices of grains, such as wheat and corn, helped the province to be one of only three regions, alongside Quebec and Manitoba, to post a rise in farmer incomes in 2007. These three provinces drove the country's 2007 net farm income up 120% from the previous year to \$1.7-billion.

Other provinces, such as Ontario with high livestock production, have not fared as well.

Livestock receipts fell 6.4% in the quarter to \$4.4-billion as prices for hogs, cattle and calves declined.

Kevin Grier, Senior Market Analyst at George Morris Centre, an independent agri-food think tank said livestock price have been negatively affected by the strong rise in the Canadian dollar.