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SATURDAY, MAY 10, 2008

MARGIN CALLS

Farmers set for record harvests

AGRICULTURE • Boosted by high prices and good weather, the world's farmers will reap record wheat and rice crops this year, the U.S. government said Friday, which should somewhat allay fears of scanty food supplies.

The U.S. Agriculture Department also forecast a record global feed grain crop, used to feed livestock. Wheat and rice are the world's major food grains, consumed directly or as baked goods like cakes and cookies.

The world wheat crop is forecast to rise eight per cent to a record 656 million tonnes while global rice production is projected for a record 432 million tonnes.

"This ought to take the edge off commodity prices" and make it easier for poor people to buy enough food, said private consultant John Schnitker.

Grain prices have soared to record highs in the past couple of years, driven by disappointing harvests, a rising appetite for better diets and the boom in biofuels. Food prices are up — dramatically so in some countries.

Developer bets on Vegas bounce

GAMBLING • Fontainebleau Resorts is betting big at a time when much of the gambling and leisure industry is down on its luck.

The company is building a \$2.9-billion US casino resort in Las Vegas, completing a renovation of its iconic Fontainebleau Miami Beach Hotel, and said it would likely announce international expansion plans in the next two months.

All this at a time when Las Vegas and other leisure markets are hurting from a slower U.S. economy.

A number of gaming companies have reported deteriorating quarterly earnings in the past two weeks, including Harrah's Entertainment Inc., MGM Mirage Inc. and Wynn Resorts Ltd.

But Jeffrey Soffer, executive chairman of privately held Fontainebleau Resorts LLC, believes Las Vegas will prove resilient and bounce back.

"In the long haul, Vegas is an international city... the epicentre of gambling in the world," said Soffer. "All in all, it's going to get stronger."

HERALD ENERGY



Suncor CEO Rick George defends oilsands' record on the environment

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LABOUR MARKET 'HUMMING ALONG'



Calgary Herald Archive

Calgary's jobless rate sat at 3.1 per cent in April, tied with Victoria for lowest in the country.

Alberta's job market best in the country

Employment rate at record 72.1 per cent

GEOFFREY SCOTTON
CALGARY HERALD

Calgary and Alberta boasted the lowest urban and provincial unemployment rates in Canada in April, Statistics Canada reported Friday, as Wild Rose Country set another record Canadian high for employment in the wake of strong job creation.

The federal agency said Alberta's jobless rate in April edged down to a nation's lowest 3.3 per cent from 3.4 per cent in March, as additions to the province's employed easily outweighed growth in both the population and the labour force. That pushed Alberta's employment rate — the fraction of people who can work who are working — to a record high 72.1 per cent.

"We're still humming along," said University of Calgary economist Frank Atkins. "Calgary and Alberta refuse to actually show any overt signs on the

employment side of slowing down."

StatsCan also noted that Alberta's pace of job creation, at three per cent in the past 12 months, continues to be among the best in Canada, running No. 2 to only British Columbia.

"Labour markets remain very tight in the West," noted CIBC World Markets Inc. economists Avery Shenfeld and Krishen Rangasamy, as Canada's national unemployment rate edged higher amid an otherwise largely positive reading of the Canadian labour market.

Nonetheless, despite the addition of 19,200 new jobs and employees, Canada's jobless rate crawled up to 6.1 per cent in April as a substantial number of individuals — 23,800 — joined the labour force. Over the past 12 months, Canada has added 348,000 jobs, posting a respectable 2.1 per cent job creation rate that has left the jobless rate near a 30-year low.

"While the latest climb in Canadian employment sports the odd blemish — a higher jobless rate, weakness in private-sector jobs — the main point is that job growth continues to churn ahead in the face of the U.S. recessionette," said BMO

Capital Markets Corp. deputy chief economist Douglas Porter. "The Canadian results are consistent with slower growth, but are still a long, long way from anything close to a serious downturn," Porter added.

In Calgary, the unemployment rate floated barely higher, rising a 10th of a percentage point to 3.1 per cent, but tied with Victoria for the lowest jobless rate among major Canadian cities. Despite its limited supply of new workers, Calgary continues to exhibit a strong ability to create jobs, producing a 2.8 per cent job creation rate between April 2008 and a year earlier.

"All we've done in Alberta and in Calgary is we've cooled off from the red hot of 2006," said Atkins. "We're going along at a very nice pace."

The tight labour market has helped to lift average hourly wages in Alberta to the highest of any Canadian province, at \$23.39 an hour in April, a 5.6 per cent gain from April of 2007. Although wages in Newfoundland and Labrador, and in Saskatchewan are now rising faster, they are at a much lower level.

GSCOTTON@THEHERALD.CANWEST.COM

Crude 'mania' sends oil beyond \$125 US

Rally raises fears a bubble forming

SHAUN POLCZER
CALGARY HERALD

Oil prices broached another psychological barrier Friday, surpassing \$125 US a barrel and raising fears of a speculative bubble.

The June contract hit an all-time record of \$126.25 a barrel in New York before settling at \$125.96.

After a week in which crude gained almost \$10, prices are now more than double the \$61.55 recorded a year ago. Thus far in 2008 they have averaged \$103.17 a barrel.

Analysts attributed the latest spike to geopolitical tensions after the Wall Street Journal reported Venezuelan strongman Hugo Chavez was arming Colombian rebels in a bid to topple the government. After Canada, Venezuela is the second-largest supplier of oil to the United States.

But Walter Zimmermann, vice-president of **United Energy Icap Futures** in Jersey City, said the latest rally has little to do with geopolitics or fundamentals and more to do with speculation, noting that inventories have been building in the world's largest consumer since January.

The U.S. Energy Information Agency on Wednesday reported U.S. supplies increased by 5.7 million barrels last week.

"From our point of view, it's a mania," Zimmermann said.

"It's just like tulips in the 1600s; like the Internet in the 1990s and like real estate in 2005. It's a speculative bubble."

Nominal crude prices are now well above inflation-adjusted highs set in the 1970s. The only thing that can stop the speeding locomotive in the short term is a prolonged collapse in the American economy, Zimmermann suggested.

"Our next objective is the \$133 to \$143 zone," he said. "Another week like this one and we'll be into that zone."

On Friday, **Canadian Natural Resources Ltd.** credited higher oil prices for a tripling of its quarterly profit.

"Heavy oil and thermal oil

in our view is the most undervalued and underappreciated asset in our portfolio," company president and chief operating officer Steve Laut told a conference call.

On Thursday he cautioned the company's annual meeting: "They (oil prices) can go down just as fast as they go up."

In recent days a host of commentators ranging from Goldman Sachs to CIBC economist Jeff Rubin and peak oil theorist Matt Simmons, have speculated crude prices could top \$200 within two years.

"In the longer term they could be right," said Martin King, a commodities analyst with FirstEnergy Capital Corp. in Calgary.

Oil's long march (U.S. PER BARREL)

MONDAY, MAY 5:
\$119.97

TUESDAY, MAY 6:
\$121.84

WEDNESDAY, MAY 7:
\$123.53

THURSDAY, MAY 8:
\$123.69

FRIDAY, MAY 9:
\$125.96

King, who raised his price forecast to \$100 earlier this month, said he expected oil would eventually pass \$125. "I just didn't expect it would happen so fast. It's quite remarkable."

Since increasing his outlook on May 1, oil prices have tacked on \$15 a barrel. However, King said the current rally will eventually be reined in as fundamentals reassess themselves.

"It's pretty amazing stuff, but I think we're more due for a pullback in the short to medium term."

As oil continues to rise, motorists are feeling the squeeze at the pumps. According to calgarygasprices.com, fuel prices have jumped to \$1.24 per litre from \$1.15 a month ago.

As of Friday morning, the cheapest gas was at the Tsuu T'ina Gas Stop near 37th Street SW, which was charging 115.9 cents a litre; the most expensive was 129.9 cents at the Bow Bottom Petro-Canada.

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