

BOOM TIMES IN SASKATCHEWAN

Introduction

Focus

This *News in Review* story focuses on the economic boom occurring in Saskatchewan. Commonly referred to as “Saskaboom,” this previously quiet province is reaping the rewards of high prices for oil, potash, wheat, and other products. This story will explore the many people and economic sectors benefiting from the boom as well as some of the challenges resulting from this rapid growth.

Did you know . . .

In 1931, Saskatchewan was the third most populous province in Canada, behind only Ontario and Quebec. Depression and a weak economy contributed to eight decades of decline.

If you don't live in the province of Saskatchewan, you might picture a quiet province famous for its flat farm fields that seem to stretch on forever where relatively little happens. After all, for years the province has struggled with high levels of unemployment and a declining population. But in the past few years, the picture has changed.

This year, Saskatchewan and Manitoba are expected to lead the country in economic growth. In Saskatchewan, high prices for oil, potash, uranium, farm equipment, wheat, and other crops have turned this quiet prairie province into an economic powerhouse. The housing and construction industries are booming, and high paying jobs are plentiful. The province is making so much money right now that if it was a country, its economy, on a per-person basis, would make it the fifth richest in the developed world.

A big chunk of this prosperity is linked to oil. Saskatchewan is Canada's

second largest producer of oil. Although oil was found in the province 50 years ago, at that time the easy crude was extracted and the rest was left behind. The remaining oil was considered to be too difficult to reach. But technology has changed, and the world's thirst for oil has continued. As a result, the energy companies have returned to the province and are now extracting the oil left behind. Scott Skatsburg, the CEO of Crescent Point Energy, estimates that \$10-billion will be spent to extract the remaining oil.

Some observers are concerned that the economic boom in Saskatchewan will lead to some of the problems currently being experienced by oil-rich Alberta. But others argue that Saskatchewan's economy is more diversified than Alberta's, so the province should be able to avoid some of the problems facing Alberta. Time will tell.

To Consider

1. What are some of the specific benefits that might be experienced by teenagers and young adults because of the economic boom in the province?
2. When an economy is booming, how are non-profit services like education and health care affected?
3. Would you consider leaving your home province for another province that was booming? Why or why not?

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Video Review

Did you know . . .

The province's name comes from the Saskatchewan River, whose name comes from its Cree designation: *kisiskā ciwani-sīpiy*, meaning "swift-flowing river."

Further Research

In 2005, Saskatchewan celebrated its centennial as a province. A special Web site (www.cbc.ca/sask100) was designed to present a range of material about the province.

Pre-Viewing Activity

In a small group, record words and images that come to mind when you hear the word *Saskatchewan*. When you are finished, compare your ideas with at least one other group. Think about how the ideas of students living outside Saskatchewan might differ from those living inside the province.

Video Review

Respond to the following questions as you watch the video.

1. Record the factors that have contributed to "Saskaboom."

2. Explain how the boom in the oil industry has affected the economy of Saskatchewan.

3. Why is the oil industry booming now, given that oil was discovered over 50 years ago?

4. What specific impact is the boom having on construction and urban development?

5. Explain how the boom is having a positive and negative impact on housing in the province.

6. a) What impact might "Saskaboom" have on the province's Aboriginal population?

b) Why is this important?

Post-Viewing Activity

Return to the small group you were part of at the beginning of this lesson. Re-read the notes you made in response to the word *Saskatchewan*. Update those words and images now that you have viewed the video. What are the major changes in your pre- and post-viewing ideas? Did you have a number of changes or not? Why do you think that was so?

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Portrait of a Province

Quote

William Francis Butler was a military officer during the first Riel Rebellion. In his book *The Great Lone Land* (1872), he described the prairie skies and landscape as follows:

"No ocean of water in the world can vie with its gorgeous sunsets; no solitude can equal the loneliness of a night-shadowed prairie: one feels the stillness, and hears the silence, the wail of the prowling wolf makes the voice of solitude audible, the stars look down through infinite silence upon a silence almost as intense. . . . One saw here the world as it had taken shape and form from the hands of the Creator. Nor did the scene look less beautiful because nature alone tilled the earth, and the unaided sun brought forth the flowers."
— "Seven Wonders of Canada" (www.cbc.ca/sevenwonders/wonder_prairie_skies.html#didyouknow)

The Land

Saskatchewan became a province in 1905. Of the 10 provinces in Canada, Saskatchewan ranks fifth in terms of total land area. The most notable geographic feature of the province is its vast sweeping prairies. The beauty of the prairies is striking. So much so, that the prairie sky was selected as one of the Seven Wonders of Canada in a CBC contest in 2007. But it is also a province with beautiful forests and a number of major lakes and rivers, including the Athabaska, Churchill, and Saskatchewan Assiniboine.

The Weather

Saskatchewan experiences some of the most extreme weather in Canada. Residents often have to endure temperatures that drop to minus 50 degrees Celsius in winter and peak at 40 degrees Celsius in summer. The province experiences torrential rain and flooding, drought, lightning storms, hail, dust storms, blizzards, and tornadoes in the summer.

In fact, the worst cyclone in Canada's history struck Regina on June 30, 1912. The funnel cloud was more than 400 metres wide and obliterated everything it touched. Houses, churches, and office buildings were destroyed, and trains were pulled from their tracks. Twenty-eight people were killed by the cyclone, and hundreds were injured. Over 500 buildings were destroyed, and the total damage amounted to \$4-million (1912 dollars).

The People

Saskatchewan is Canada's sixth most populous province, with a population of about one million people. Most people

live in the southern half of the province, with about 65 per cent of them in cities. Of these, 202 340 live in the province's largest city, Saskatoon, while 179 246 live in the provincial capital, Regina. Other major cities are Prince Albert, Moose Jaw, Yorkton, Swift Current, and North Battleford.

The province has one of the largest Aboriginal and Métis populations in the country, currently accounting for about 15 per cent of the province's residents. By the year 2050, that percentage is expected to climb to about 33 per cent. Many of the rest of the province's residents are the sons and daughters of pioneers who moved to Saskatchewan decades ago to farm the land. These groups included many Eastern European immigrants, including Ukrainians, Germans, Irish, and Scots. Like other parts of Canada, Saskatchewan is now home to a diverse, multicultural population.

The Government

The Saskatchewan provincial legislature has 58 members. The present government is formed by the Saskatchewan Party, which holds 38 seats in the legislature. The remaining 20 seats are held by the New Democratic Party.

Politically, the province is characterized by a dramatic urban-rural split: the federal and provincial New Democratic parties dominate in the cities, while the Saskatchewan Party and the federal Conservatives are stronger in the rural parts of the province.

On November 7, 2007, the people of Saskatchewan elected the Saskatchewan Party and made its leader, Brad Wall, the province's 14th premier. Only 43

Further Research

Visit the Web sites of the Saskatchewan government at www.gov.sk.ca and Tourism Saskatchewan at www.sasktourism.com to learn more about the province.

years old, Wall was born and raised in Swift Current. Before entering politics he owned and operated two businesses. Many observers believe that because of his business background he will be able to do a good job managing Saskatchewan's economic boom.

The Economy

Agriculture has been the foundation of the province's economy for decades, resulting in boom and bust years, as

demand for food crops fluctuated, and extreme weather wiped out some planting and harvesting seasons altogether. But more recently, the economy has diversified. Saskatchewan is a major player in the oil industry and is the world leader in uranium and potash exports. The province is the nation's second highest producer of beef cattle and has become a force in the mining industry.

Activity

Arrange yourselves into small groups or four of five students. Imagine that you work in the Saskatchewan tourism industry. What aspects of the province would you feature in promotional material to get people to visit the province? Record these aspects, and if you have time, create a sample brochure or Web page that highlights the features you selected.

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Food Production

Did you know . . .
Saskatchewan farmers had so many lean years that the province was often termed “next year country” for a brighter future that never seemed to come.

Quote
“I spent two years travelling around rural India and I watched how people were adding dairy food and meat to their diet. And I came back and said, ‘the real shortage out there isn’t oil anymore. The real shortage is food.’”
— Donald Coxe, global portfolio strategist for the Bank of Montreal (*The Globe and Mail*, January 4, 2008)

One of the key elements driving “Saskaboom” is the increased demand for wheat, corn, canola, and other food crops. Saskatchewan is the country’s largest producer of wheat, and is often referred to as “the breadbasket of the world” because of the key role it plays in providing wheat and other crops not only to Canada but globally. Farmers try to produce higher yields of crops from their existing farmland and, as a result, need the help of mineral fertilizers. Fertilizers can increase yield production by about 30 per cent. One of the ingredients necessary in fertilizer is potassium (or potash). Saskatchewan happens to be the world’s leading producer of potash and therefore plays a critical role in the production of food for Canada and the world.

Growing Demand for Food Crops

Canadian farmers produce much of the world’s wheat and cereal grains. Globally there is increased demand for these grains and, as a result, their value has skyrocketed. This has resulted in a cash windfall for most large-scale farmers. For the first time in decades, Canadian farmers are making big profits and are able to reinvest money in their farms and equipment. This has also resulted in a boom for companies that make agricultural equipment, seeds, and fertilizer.

There are a number of reasons for the increased demand for grains:

Booming Economies of India and China

As the economies of India and China continue to develop, more and more citizens are becoming wealthy. These citizens consume more food than those who have less money, and, in particular,

consume more meat. When more meat is eaten, more animals have to be produced for market. Animals bred for human consumption are fed large amounts of grain so that they grow quickly. As the demand for meat rises, more forests and grasslands have to be cleared to create grazing land for animals. This means that there is increased pressure on existing farms to grow more grain.

Biofuel Production

As the world becomes increasingly concerned with climate change, people are looking at alternatives like biofuel to reduce the world’s dependence on oil. Biofuels are produced from crops such as corn. As an increasing number of crops are being diverted to make biofuel, there is an increased demand for crops like corn and other cereal grains. Although many people are now starting to challenge the movement to biofuels, it is currently big business. Some industry analysts estimate that 30 to 50 per cent of corn produced in the United States is being diverted into ethanol production.

Bad Weather

Another reason there has been an increased demand for wheat and other grains is that bad weather wiped out crops in many parts of the world in 2007. For example, Bangladesh was hit by a cyclone and serious flooding that resulted in the loss of most of the country’s food stocks. A significant drought in Australia led to the loss of a great deal of wheat. Flooding in many parts of West Africa resulted in destroyed and rotted crops.

Potash

To grow food crops, soil must have a good balance of three mineral ingredients: nitrogen (N), phosphate

Did you know . . .

China actually grows six crops in one year and is currently experimenting with the possibility of squeezing eight crops out of one season. This type of intensive farming requires a huge amount of potash and other nutrients to enrich the soil.

Quote

"Potash has a 1 000-year supply in the ground in Saskatchewan, and it has more than 70 per cent of the world's unused capacity." — Paul D'Amico, analyst for TD Newcrest (*The Globe and Mail*, January 4, 2008)

(P), and potassium—also known as potash (K). Most of the potassium in any given crop is in its straw, or residue. But in many parts of the world, Asia in particular, two or three crops a year are harvested. Farmers must remove all of the crop residue immediately to make way for the new crop. In some cases, a new crop is planted the same day the old one is harvested.

This type of intensive farming results in a decline in the nutrients of the soil. In some places you can add little bits of potash to enrich the soil, but in other areas where crops such as sugar cane, rice, corn, cotton, and palm oil are grown, farmers need to use large amounts of potash to ensure a successful yield. When proper amounts of fertilizer are used, crop yields increase by at least 30 per cent.

Follow-up

1. Explain why there is a growing demand for wheat and other food crops throughout the world.
2. If you had \$1 000 to invest in the stock market, would you want to invest in wheat or potash? Explain your choice.

This is where Saskatchewan comes in. Saskatchewan contains the world's largest deposits of potash. Potash is a potassium-rich salt that is mined from underground deposits left behind when giant seas evaporated millions of years ago. Potassium is essential for all plant, animal, and human life. Applied as potassium chloride, potash strengthens plants and aids in water retention, improving yields, disease resistance, and transportability.

Potash is a limited resource; there just isn't that much of it. This makes it an incredibly valuable resource. Saskatchewan has an excellent infrastructure and has easy access by rail to the mid-continental United States, the world's largest market for potash. All indicators point to an increased demand for potash in the future, so it likely will remain an incredibly profitable resource.

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Energy Production

Quote

"Saskatchewan Premier Brad Wall, who was elected last November, has frequently said Saskatchewan and its vast supply of uranium could be to nuclear power what Saudi Arabia was to oil."
— Jennifer Graham
(*Canadian Press*, June 17, 2008)

Another key element driving the boom in Saskatchewan is the world's growing demand for energy. Saskatchewan is the world's leading producer of uranium and Canada's second biggest producer of oil, resulting in an economic windfall for the province.

Uranium

In Canada, most of us are used to having electricity available at any hour, any day of the year. But in many parts of the world, citizens only have access to electricity for part of the day. In other parts of the world, factories are shut down one day a week because there isn't enough electricity to power them. These countries want to continue to expand industrially and economically, so they need more electricity. For many of these countries, nuclear power is often the only option for electricity.

Currently, more than 400 nuclear power plants are in operation throughout the world. These plants require uranium to produce energy, and Saskatchewan is the leading producer of uranium in the world. As the demand for electricity grows, profits for the Saskatchewan uranium industry grow too.

Currently about half the uranium being used in nuclear power plants comes from mined uranium. The other half comes from nuclear weapons stockpiles. When the supply of uranium from more than 10 000 nuclear warheads dries up, the world will look to places like Saskatchewan for its supply.

Some critics are concerned about the environmental impact of the Saskatchewan uranium mining industry. The Green Party of Saskatchewan, for example, states that uranium mining has resulted in the production of at least 40 million metric tonnes

of radioactive waste in northern Saskatchewan. (Source: The Green Party of Saskatchewan Web site at www.gogreenregina.com/Nuclear_Connections.html) The Green Party warns that this waste is leaching into lakes and rivers, contaminating fish and wildlife and northern native lands. The Green Party estimates that the toxic wastes that result from uranium mining will remain dangerous for 300 000 years.

Oil

Oil has been called "black gold" for a long time now. The world's dependence on oil continues, despite concerns about climate change. Although some experts predict the world's supply of oil will be all but exhausted in 40 years, the developed world has been reluctant to make serious changes in energy use and continues its love affair with the car. Because many people in the developing world want what those in developed nations already have, it is expected that the demand for oil will continue to increase, rather than decrease, ensuring that oil will be a serious source of revenue for those places that have it.

In Canada, talk of oil tends to focus on the province of Alberta (although oil off the coast of Newfoundland is starting to bring economic advantages to that province). To date, Alberta has made the greatest fortune from its oil reserves. Canadians from across the nation have flocked there for jobs. And although the scope and speed of the development of Alberta's oil sands have set off alarm bells, production continues at an astonishing pace.

But now there is a new player on the scene: Saskatchewan. Although oil was found in the province 50 years ago, at that time the easy crude was

extracted and the rest was left behind. The remaining oil was considered to be too difficult to reach. But technology has changed, and energy companies have returned to the province to drill down and sideways to extract the oil left behind. Scott Skatsburg, the CEO of Crescent Point Energy, estimates that \$10-billion will be spent extracting the remaining oil.

As oil production has increased, so has the rest of the economy. Workers flock to the province to land jobs in the oil industry. New homes are constructed to accommodate the workers. The workers spend money on everything from food and home furnishings to cars. The spin-off impact on the provincial economy is huge. With oil having hit \$100 a barrel on the world market, profits are expected to continue to flow.

Follow-up

In small groups, imagine that you work for an urban planning department in Saskatchewan. You are seeing people flock to the province for jobs in the energy sector. Outline the steps you will take to accommodate these workers. What will they need from the local economy? What changes might need to be made in your province's infrastructure (e.g., roads)? What controls might you want to put on urban development, if any (e.g. for every new road built, a bike path must be built)? Be prepared to share your final report with your classmates.

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The Great Equalization Debate

Further Research

To learn more about the details of the Equalization Program and federal transfers to provinces, visit the Ministry of Finance Web site at www.fin.gc.ca.

With its recent economic boom, Saskatchewan has moved from being a “have not” to a “have” province in Canada. This means that the province no longer receives equalization payments from the federal government.

What is Equalization?

Simply put, equalization is one of five federal programs through which Ottawa transfers money to the provinces and territories to try to ensure that every province has roughly the same capacity to pay for basic public services. The equalization program is worth about \$12-billion. The value of all five federal transfer programs in 2007 was just over \$51-billion. All provinces, except for Ontario, have received equalization payments in the past.

The History of Equalization

Equalization payments in some form have been around since Canadian Confederation, when the federal government had most of the taxation powers. The federal government made transfer payments to the provinces to cover their needs. A formal system of equalization payments was introduced in 1957, mainly to help the struggling Atlantic provinces, which were seeing low rates of growth and high rates of emigration to Central Canada.

Analysis

1. If a province loses one dollar for every dollar it makes from the sale of its natural resources, why should provinces bother to develop their resources? What advantages, if any, can the province gain from economic development if it results in reduced equalization payments?
2. Some economists argue that equalization payments are similar to welfare payments made to individual citizens. Why might this statement bother “have not” provinces?
3. What would happen if we did not have equalization payments in Canada?
4. Is your province a “have” or a “have not” province? Why?

Equalization payments have generally been criticized by leaders and residents of the wealthy provinces. The premiers of oil-rich Alberta, and Ontario, with its large manufacturing and service sectors, have criticized a perceived drain on local finances. Money is collected for equalization payments by federal taxation and is collected regardless of whether or not the province is a “have” or “have not” province. The difference is whether the provincial government receives money from the federal treasury. Residents of Alberta and Ontario are not necessarily taxed more by the federal government. However, since those provincial governments receive fewer total dollars per capita from the federal government than “have not” provinces, they are required to collect more taxes from their residents than otherwise would be required if the equalization program did not exist.

Normally, under the equalization scheme, equalization payments are reduced a dollar for every dollar increase in a province’s treasury. Under the current formula, a “have not” province loses a dollar in equalization for every dollar it makes from royalties off the sale of its natural resources, therefore creating a disincentive for developing those resources.

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Activity: Pros and Cons of a Boom

Further Research

To learn more about the Quint program, consider a visit to www.quintsaskatoon.ca. The program is termed *Quint*, meaning "five" in Latin, because it represents the five communities of Caswell Hill, King George, Pleasant Hill, Riversdale, and Westmount.

She certainly never thought she would be homeless. Saskatoon resident Laura Berube had run a small business for years. But when her business went bankrupt she decided to return to school. While she was in school, rents started rising all over the city because of the economic boom. Her rent jumped by \$200. As a student living on student loans, the single mother simply couldn't afford to pay her rent anymore. She and her daughters found themselves homeless.

Berube was one of the lucky ones, however. She had family in the area, and she and her daughters were able to move from home to home for about six months while she finished school. But it was a hard way to live, and there was a great deal of instability in their lives. Berube felt like she was a bad mom, even though she knew that returning to school was the best way to secure the family's future.

Berube was able to move her family into a home because of a government program called Quint. Quint buys run-down houses and resells them, arranging low-cost mortgages for people who couldn't normally afford to buy. But the economic boom in the province has put a great deal of pressure on the Quint program. The program used to buy and resell 20 affordable houses a year. But it has been unable to secure a home for the last 18 months because of the skyrocketing price of homes in the province.

Activity

In small groups, copy an organizer like the one below into your notebooks. For each of the categories, record two or three positive impacts of the economic boom and two or three negative impacts of the boom. You may want to review this *News in Review* story again, or conduct additional research, to help you complete your organizer.

Category	Positive Impacts	Negative Impacts
Construction industry		
Employment rates		
Personal income		
Real estate		
Poverty and homelessness		
The environment		
Roads and infrastructure		