

Business

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Senator: Jobs programs out of control

Feds spend \$18 billion per year, can't gauge results

USA Today

WASHINGTON — The federal government spends \$18 billion a year on 47 separate job training programs run by nine different agencies.

All but three programs overlap with others to provide the same services to the same population, according to a government report to be released today.

The Government Accountability Office found that "little is known about

the effectiveness" of the programs because half haven't had a performance review since 2004 and only five have ever had a study to determine whether job seekers in the program do better than those who don't participate.

"Here's just one example of how we're spending \$18 billion, and we don't have any idea of whether it's working or not," said Sen. Tom Coburn, R-Okla., who requested the

report with Sen. Mike Enzi, R-Wyo. "This thing is so big and so out of control."

Managing that patchwork of federal programs is a network of 575 business-led local workforce boards running 1,300 one-stop job centers.

Sherry Marshall, who runs one such center in Cincinnati, answers to a 45-member board.

More than 20 board seats are required by various local governments, "and that's before I put a single business member on the board," she

said. Last year, at least a half-dozen federal auditors from different agencies were at her office at one time to look at the same records.

The result is a system that can be bewildering to job seekers and the businesses that would hire them, she said.

"Some of them truthfully give up and go to work for McDonald's," Marshall said. "Most employers find it incredibly complicated. It's mind-boggling to me, and this has been my profession for the last 12 years."

An overhaul of job training isn't on the horizon, but President Barack Obama's proposed budget last year would have cut five smaller programs, said Moira Mack, a spokeswoman for the White House's Office of Management and Budget. Congress never acted.

In a statement to USA Today, Assistant Secretary of Labor Jane Oates defended the system, saying "diverse elements and multiple suppliers" help local workforce boards tailor assistance to the needs of job seekers and businesses.

CONSUMER PRICES

Tighter food supply will hurt wallets

Food companies say shelf prices will continue to rise in coming months

The Associated Press

Americans should brace for higher food prices this year now that demand for corn has pushed U.S. supplies to their lowest point in 15 years.

Higher projected orders from the ethanol industry sent corn futures soaring Wednesday, as corn supplies became the latest commodity to plummet. Low levels of wheat, coffee, soybeans and other food staples have already sent prices surging on the global market.

As those reserves decline, U.S. food companies are warning of retail price increases.

The ethanol industry's projected corn orders this year have risen 8 percent, to 13 billion bushels, after record-high production in December and January, the Agriculture Department said Wednesday.

That means the United States will have a reserve of 675 million bushels left over in late August when this year's harvest begins. That's roughly 5 percent of all corn that will be consumed, the lowest surplus level since 1996.

The USDA report measures global supply and demand for grains, oilseeds and other crops. The department said its projections for wheat and soybean reserves remained unchanged at historically low levels.

The price of corn affects most food products in supermarkets. It's used to feed the cattle, hogs and chickens that fill the meat aisle. It is the main ingredient in Cap'n Crunch and Doritos. Turned into corn syrup, it sweetens most soft drinks.

The decline in reserves caused corn futures to surge, with prices rising 3 percent to settle at \$6.98. Corn prices have already doubled in the last six months, rising from \$3.50 a bushel



Central Illinois farmer Adam Wallace unloads harvested corn from his truck at the Archer Daniels Midland Curran Grain Elevator near Curran, Ill., on Oct. 13. U.S. reserves of corn have hit their lowest level in more than 15 years.

to nearly \$7 a bushel. Analysts expect the price increases to continue in coming months.

"I think we have a chance to test the all-time high" price of \$7.65 a bushel, said Telvent DTN analyst John Sanow. The tight level of reserves leaves little margin for error if there are production problems this year, which could send prices higher quickly, he said.

Major food makers and some restaurants have already said they'll be raising prices this year because they're paying more for corn, wheat, sugar, coffee and chocolate, all of which are at historically high prices. Weather, such as flooding in Australia and droughts elsewhere, has affected many crops this year.

A severe drought in China, the

world's largest wheat grower, could force prices even higher. The U.N.'s food agency has warned that the drought is driving up the country's wheat prices, and now the focus is on whether China will buy more from the global market, where prices have already risen about 35 percent since mid-November.

Consumers will likely see price hikes as early as three months from now, though most of the impact won't be felt for another six months, said Scott Irwin, an agriculture economics professor at the University of Illinois. Chicken prices are among the first to rise because the bird's life span is so short that higher feed costs get factored in quickly, he said. Price hikes for hogs take about a year and cattle two years, while packaged foods take six or seven

months to start rising.

Some food makers already began selectively raising prices within the past few quarters.

Those higher prices are filtering into stores.

Cereal maker Kellogg Co. said last week it plans to raise prices by 3 to 4 percentage points. Sara Lee Corp. said Tuesday that it will continue its price increases as it copes with higher commodity costs. The company said the price it pays for coffee beans alone is up 60 percent compared with last year.

And J.M. Smucker Co. said Tuesday that it would raise prices again on Folgers and Dunkin' Donuts coffee for the third time this year, by 10 percent on average. A large can of Folgers is already going for around \$12 at many markets.

CVEP expo seeks to link businesses with resources

BY DEBRA GRUSZECKI

The Desert Sun



Flavin

The Coachella Valley Economic Partnership will sponsor its third annual Small Business Investor Forum and Expo on Feb. 24 at Sun City Shadow Hills in Indio.

"Small-business owners depend on securing funding resources for daily cash flow to maintain their operation and to finance expansion," said Thomas Flavin, chief executive of CVEP, but the event isn't only about getting expert help to locate these funding sources.

"It's about actually connecting business owners to the resources they need."

The event, held in collaboration with the U.S. Small Business Administration and the Indio Chamber of Commerce, will feature a panel of experts from 8:30 to 10 a.m., and a chance afterward to meet face-to-face with lenders.

Panelists include:

■ Steven Leung and Carla Ulloa, on the topic of new SBA loan programs and the 504 Loan Program.

■ Chuck Clendenin, business and cooperative programs director at the U.S. Department of Agriculture, on farm services and USDA loan programs.

■ Mark Weber, Coachella Valley Enterprise Zone manager, on California business incentives.

■ Brad Mix, business consultant for the Inland Empire Small Business Development Council, on making a small business more bankable.

The event is at Sun City Shadow Hills, 80-814 Sun City Blvd., Indio.

Cost to attend: \$15

Information: (760) 340-1575 or www.cvep.com

Oil shale fields opened by new drilling

The Associated Press

A new drilling technique is opening up vast fields of previously out-of-reach oil in the western United States, helping reverse a two-decade decline in domestic production of crude.

Companies are investing billions of dollars to get at oil deposits scattered across North Dakota, Colorado, Texas and California. By 2015, oil executives and analysts say, the new fields could yield as much as 2 million barrels of oil a day — more than the entire Gulf of Mexico produces now.

This new drilling is expected to raise U.S. production by at least 20 percent over the next five years. And within 10 years, it could help reduce oil imports by more than half, advancing a goal that has long eluded policymakers.

"That's a significant contribution to energy security," says Ed Morse, head of commodities research at Credit Suisse.

Oil engineers are applying what critics say is an environmentally questionable method developed in recent years to tap natural gas trapped in underground shale. They drill down and horizontally into the rock, then pump water, sand and chemicals into the hole to crack the shale and allow gas to flow up.

Because oil molecules are sticky and larger than gas molecules, engineers thought the process wouldn't work to squeeze oil out fast enough to make it



ASSOCIATED PRESS FILE PHOTO

This Oct. 17 photo shows oil sprayed over 15 acres downwind of a runaway well east of Cheyenne, Wyo., owned by Denver-based SM Energy Co. The well is among the first drilled in a rush to tap the Niobrara Shale underlying parts of Colorado, Wyoming and Nebraska.

economical. But drillers learned how to increase the number of cracks in the rock and use different chemicals to free up oil at low cost.

"We've completely transformed the natural gas industry, and I wouldn't be surprised if we transform the oil business in the next few years too," says Aubrey McClendon, chief executive of Chesapeake Energy, which is using the technique.

Petroleum engineers first used the method in 2007 to unlock oil from a 25,000-square-mile formation under North Dakota and Montana known

as the Bakken. Production there rose 50 percent in just the past year, to 458,000 barrels a day, according to Bentek Energy, an energy analysis firm.

It was first thought that the Bakken was unique. Then drillers tapped oil in a shale formation under south Texas called the Eagle Ford. Drilling permits in the region grew elevenfold last year.

Now newer fields are showing promise, including the Niobrara, which stretches under Wyoming, Please see SHALE, A17

BUSINESS BRIEFS

washington

Republicans grill Bernanke over inflation threat

Members of Congress sharply questioned Federal Reserve Chairman Ben Bernanke on Wednesday over whether the Fed's policies are raising the risk of higher inflation in the months ahead.

Bernanke acknowledged that inflation is surging in emerging economies. But he downplayed the risks to the U.S. economy, even as lawmakers expressed concerns about rising gasoline and food prices.

Inflation in the United States remains low, Bernanke said. He blamed higher prices on strong demand from fast-growing countries such as China — not the Fed's policies to stimulate the economy, including buying \$600 billion worth of Treasury debt.

portland, ore.

Coca-Cola's fourth-quarter earnings more than triple

Coca-Cola Co.'s fourth-quarter net income more than tripled on the acquisition of a bottler and stronger sales of its drinks worldwide.

The world's largest drink maker has been relying for some time on growth overseas as consumers in more developed markets limited spending and turned away from soda and toward healthier juices and teas.

new york

Cisco earnings fall 18 percent in latest quarter

Cisco Systems Inc., the world's largest maker of computer-networking equipment, said Wednesday that its net income fell 18 percent in the latest quarter, and it provided a disappointing forecast for the current quarter.

Cisco's stock plummeted in after-hours trading, replaying its movement after the company reported its earnings for the previous quarter. The shares were down \$2.14, or 9.7 percent, to \$19.89.

— THE ASSOCIATED PRESS

corrections

If you have a correction or clarification, please contact Senior Editor for Business James Meier at (760) 778-4623 or at james.meier@thedesertsun.com