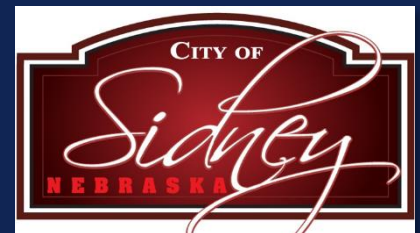


Target Market Strategy Study

Prepared by:



Prepared for:



January 10, 2017



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FINAL DELIVERABLES

January 10, 2017

Mr. Ed Sadler
City Manager, City of Sidney, Nebraska
Sent via email to: esadler@cityofsidney.org

Dear Ed,

In this document, we offer the City of Sidney a plan that will provide recommendations and solutions on marketing, business development, business retention and expansion, as well as business formation.

We came to Sidney to kick off the project and conduct off-the-record interviews with stakeholders (no person or company was quoted) concerning the local labor market, financial capital, existing and hoped for business clusters, transportation and access to markets, buildings and sites, infrastructure and utilities, education and training, business climate and quality of life.

After this was completed, the Bass Pro merger was announced and additional elements have unfolded and the picture of the future we know will be different but at this point it is not totally clear. We are not in position to change the fact that Cabela's and Bass Pro are merging. Our mission is to identify ways and means by which new job creation has the potential to take place in Sidney in such a way that will diversify the economy and improve the quality of life in the city. This Target Market Strategy plan serves as a roadmap to make this happen.

Our foundational work began with a **SWOT** analysis, exploratory and investigative in nature, in which we identified:

- **Strengths:** Characteristics of the community that would give it an advantage over others and attract new investment and jobs.
- **Weaknesses:** Characteristics that place the community at a disadvantage relative to others that need to be known and some mitigations implemented if possible.
- **Opportunities:** Things that the community could exploit to its advantage.
- **Threats:** Things in the environment that could potentially cause trouble but must be understood for their impact on the future.



Our desk top research (benchmarking), interviews, freight flow analysis, and the SWOT analysis led us to outline a list of target industries that would provide the highest opportunity to attract capital and jobs.

The target industries are:

- **Agribusiness/Food processing/Specialty-Ancient grains**
- **Small light manufacturing/Fabricated Metal**
- **Data centers**
- **Warehouse/Distribution/Transportation**
- **Tourism**

Our research identified many competitive advantages for Sidney by matching the strengths of its location and workforce to these industry types which will be covered in our PowerPoint presentation to you, the Mayor, and the City Council in January. The bulk of our report is to provide listings of companies in these target sectors along with contact names, phone numbers, some emails, and other appropriate data to allow the marketing attraction process to start immediately in a focused approach achieving effective business attraction, retention and expansion knowing there is a story to tell about the advantages of Sidney.

In the end, our recommendations point to a roadmap of activities that will give you and your team the best chance of success in job creation via business retention, expansion, attraction, and creation.

Thank you for the opportunity to work with you. Our final draft PDF presentation and report will be delivered on January 10, 2017 to yourself, the City Clerk, and the entire City Council of Sidney. If there are any revisions need after our January presentation, we will turn them around as quickly as possible to generate final PDF documents including the Appendix of additional data, links and files.

Respectfully,

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OUR MISSION

We are not in position to change the fact that Cabela's and Bass Pro are merging. Our mission is to identify ways and means by which new job creation has the potential to take place in Sidney in such a way that will diversify the economy and improve the quality of life in the city. This Target Market Strategy plan serves as a roadmap to make this happen.

FREIGHT FLOW ANALYSIS

Our freight flow analysis summarized national freight data from the Freight Analysis Framework (FAF) U.S. Department of Transportation database. These summaries focused on truck and rail transportation as the largest source of movement consistent with the greatest opportunity to attract the appropriate industries. These findings showed that most of the volume of freight was in the agribusiness for both inbound and outbound movements. A complete listing of the data output of the Freight Flows is shown in the Appendix.

Inbound Tonnage and Value by Truck Nebraska (excluding Omaha)

FAF Zone	Ktons in 2015	FAF Zone	\$M in 2015
Rest of NE	102,544.77	Rest of NE	37,492.94
Omaha NE-IA (NE Part)	8,292.33	Omaha NE-IA (NE Part)	5,388.42
South Dakota	4,126.28	Iowa	3,746.45
Iowa	4,101.04	Rest of KS	3,126.56
Rest of KS	3,133.29	Denver CO	2,386.17
Rest of CO	2,676.73	Rest of IL	2,073.61
Denver CO	1,363.56	Phoenix AZ	1,717.19
Kansas City MO-KS (KS Part)	653.68	South Dakota	1,536.53
Tulsa OK	578.66	Kansas City MO-KS (KS Part)	1,285.46
Wyoming	549.08	Rest of CO	1,093.43
Chicago IL-IN-WI (IL Part)	545.82	Chicago IL-IN-WI (IL Part)	1,074.24
Minneapolis-St. Paul MN-WI (MN Part)	380.51	Minneapolis-St. Paul MN-WI (MN Part)	987.99
Rest of IL	348.60	Kansas City MO-KS (MO Part)	727.19
Kansas City MO-KS (MO Part)	325.43	Rest of WI	641.11
Arkansas	306.23	Arkansas	633.74
Rest of MN	258.13	Chicago IL-IN-WI (IN Part)	491.82
Rest of OK	212.03	Los Angeles CA	486.36
Rest of WI	210.26	Fort Wayne IN	471.61
Rest of MO	208.72	Wyoming	434.80
San Francisco CA	205.15	Milwaukee WI	423.03

Inbound Truck Tonnage and Value by Commodity Nebraska (excluding Omaha)

FAF Zone	Ktons in 2015	FAF Zone	\$M in 2015
Cereal grains	69,511.03	Cereal grains	14,680.27
Animal feed	15,603.01	Live animals/fish	9,860.13
Other ag prods.	7,824.01	Machinery	5,815.39
Live animals/fish	4,595.30	Motorized vehicles	4,486.84
Nonmetal min. prods.	4,593.37	Other ag prods.	3,437.88
Fertilizers	4,345.82	Mixed freight	3,329.67
Gravel	4,096.24	Meat/seafood	2,933.01
Other foodstuffs	3,599.47	Animal feed	2,630.06
Waste/scrap	2,638.06	Chemical prods.	2,544.53
Fuel oils	1,678.48	Other foodstuffs	2,529.10
Base metals	1,523.52	Transport equip.	2,258.98
Misc. mfg. prods.	1,510.52	Base metals	2,176.85
Natural sands	1,419.85	Articles-base metal	2,138.35
Milled grain prods.	1,244.75	Fertilizers	2,078.95
Mixed freight	1,129.80	Plastics/rubber	1,978.59
Meat/seafood	990.41	Electronics	1,683.51
Wood prods.	849.11	Misc. mfg. prods.	1,670.06
Coal-n.e.c.	793.20	Fuel oils	1,478.06
Articles-base metal	766.48	Pharmaceuticals	1,299.58
Machinery	745.00	Coal-n.e.c.	977.37



Based on this analysis, we focused on the agribusiness as the top target industry that existed both in and out of Nebraska now. Therefore, it follows that it would be the top target for business attraction by offering the opportunity to do further processing of the product to add value and create jobs. The specialty grain business appears to be the best new bet to penetrate niche markets needed to satisfy today's organic foods movement while the existing grain/food processing business can satisfy the need for expanded production/processing closer to the field to reduce inbound transportation costs.

SWOT ANALYSIS

Our SWOT analysis was driven by the freight flow, desktop market analysis, and personal interviews conducted with over 40 leaders in business, education, and public officials from City of Sidney, Cheyenne County, and the State of Nebraska. All these interviews were done one-on-one and we have summarized our findings without identifying any specific individuals and/or companies. Keeping this information confidential, as to its source, is critical to our getting folks to be open and honest in their feedback. None of our notes have been shared with anyone outside our FQL team. Here is a listing of interviews undertaken.

Stakeholder Interviews- (40)

Trip 1- August 22-24		Trip 2- September 12-13
<ul style="list-style-type: none"> • Adam Ackerson • Andrew Sherman • Charles Baldwin • Derk DeMasters • Gary Dible • Heather Haussmann • Jay Ehler • Jerry Steffens • John Wieser • Josh Watchorn • Kiersten Richards • Mark Nienhueser • Mark O'Dell • Phil Sanders 	<ul style="list-style-type: none"> • Roger Gallaway • Scott Smith • Tim Lindahl • Tom VonSeggren • Zach Adams • Telephone / Offsite • Brook Aken • Courtney Dentlinger • Jason Guernsey • Jason Petik • Kristine Benson • Lisa Scheve • Nicole Sedlacek • Tim O'Brien 	<ul style="list-style-type: none"> • Bob Olsen • Chris Gay • Connie Hancock • Dave Wiekhorst • Denise Wilkinson • Greg Huck • Heather Hausmann • Joe Arterburn • Mike Lienenger • Paula Abbott • Rick Heckenlively • Wendall Gaston

There were many common elements identified in these interviews as well as some divergent views. The following is a summary of our SWOT findings.

Strengths:

- Locational opportunities due to the road and rail infrastructure in and around Sidney- Interstate 80 & U.S. Highway 385, both the UP and BNSF railroads serve the area
- Valuable cluster of existing retail operations along I-80 as well as expansion potential within the downtown City of Sidney- hotels, car dealerships, restaurants, and Cabela's flagship store
- Significant dry ground agriculture exists in the local area providing the raw materials for potential further processing operations
- Manufacturing culture continues in the area with Pennington Seed, Bell Pole, The Egging Company, Progress Rail Services, and others
- Lots of developable land exists for both industrial and residential use- City industrial park, Adams Industries business park, Sioux Meadows Industrial Park, as well as City/County land currently being farmed
- City has certain quality of life amenities of a much larger city – walking/biking trails, sports complexes, five banks, a new hospital, and new Sidney Aquatic Center
- Expandable water supply to support business growth and/or expansion

Weaknesses:

- There are still many unknowns from the merger with Bass Pro
- The downtown is old, expansive, underutilized, and in need of repairs, with Finney's Hardware/Appliance, Steffens, and a few other serious establishments
- While having a presence in Sidney, Western Nebraska Community College does not have the demand for local workforce training beyond aviation and nursing. Other courses are offered via video conferencing and/or at classes in Scottsbluff
- Wastewater treatment appears to loom as a large area of concern for the attraction of a food/ag processor
- Economic development team is limited in size

Opportunities:

- Adams Industries provides a mature business park with significant rail and 3PL capabilities ready for expansion and to support smaller new entrants to the market with space and/or manpower
- Available vacant industrial/manufacturing building totaling about 400,000 square feet in Sidney proper as well as additional buildings at Adams outside of town. Old Tyco building is in good shape but ceiling height may limit efficient operations
- City owned business park has access to services and is available for a build to suit
- Downtown has lots of available space for new businesses as well as to support expansion of existing operations
- Utilization of many of the infrastructure assets, talented workforce, and quality of life elements that exist in Sidney and Cheyenne County to attract new opportunities in the targeted industries

Threats:

- Despite being somewhat of a regional hub in the Nebraska Panhandle, population has been flat for years, small population base within a 50/100-mile radius, and the Bass Pro merger could reduce it further
- Local economy is depressed, particularly the farm commodities, retail sales, and housing. All these elements will probably will not get better in the next few years
- It is a 2 ½ hour drive to the closest airport with significant passenger and/or freight service
- Business tax structure of NE vs CO and WY is somewhat negative for business attraction and expansion

BENCHMARK DATA

Education levels figure into the socio-economic status of an area. Because income increases with advancing educational attainment, many retailers focus on income level rather than education.

There are some exceptions Bookstores are often cited by developers as a business whose success is directly correlated with the number of college educated individuals in the trade area. Similarly, computer and software stores are often located in areas with high levels of education. In general, areas with high levels of educational attainment tend to prefer “the finer things.” That is, they may have a preference for shopping at smaller, non-chain specialty retail stores located in their downtowns. They also tend to visit cultural establishments like museums and theaters at a frequency over three times greater than those without a college degree. On the other hand, less-educated populations generally have lower incomes and thus tend to prefer shopping at discount retail outlets and chain stores. This group also spends more money on car maintenance and tobacco products than those with a college degree.

Sidney’s key young adult demographic is especially well educated as over a third of Sidney’s 25 to 44 year olds have a college degree. Median earnings for population 25 years averaged \$37,813 for Sidney making this population the highest paid between the comparative cities.

Educational Attainment Comparison:

Education and Earning by Age	Sidney, NE	Cheyenne, WY	Fort Collins, CO	North Platte, NE	Scottsbluff, NE
Population 18 to 24 years	443	5,845	33,622	2,002	1,502
High school graduate (or equivalency)	35%	31%	15%	29%	36%
Bachelor's degree or higher	15%	8%	13%	2%	7%
Population 25 to 44 years	1,793	17,287	42,204	6,307	3,575
High school graduate or higher	98%	97%	96%	92%	86%
Bachelor's degree or higher	38%	28%	55%	20%	25%
Population 45 to 64 years	1,906	14,815	30,996	6,217	3,489
High school graduate or higher	96%	94%	97%	89%	84%
Bachelor's degree or higher	21%	28%	52%	20%	23%
MEDIAN EARNINGS IN THE PAST 12 MONTHS (IN 2014 INFLATION-ADJUSTED DOLLARS)					
Population 25 years and over with	\$ 37,813	\$ 37,352	\$ 36,801	\$ 31,263	\$ 27,887
Less than high school graduate	\$ 11,860	\$ 21,658	\$ 17,023	\$ 20,726	\$ 17,336
High school graduate (or equivalency)	\$ 29,921	\$ 27,416	\$ 26,988	\$ 26,268	\$ 22,235
Some college or associate's	\$ 37,696	\$ 36,428	\$ 29,977	\$ 29,191	\$ 29,587
Bachelor's degree	\$ 44,688	\$ 48,028	\$ 40,894	\$ 50,334	\$ 39,242
Graduate or professional degree	\$ 67,625	\$ 60,849	\$ 54,543	\$ 59,128	\$ 57,019

Household income data is a good indicator of residents’ spending power. Household income positively correlates with retail expenditures in many product categories. When evaluating a market, companies look at the median or average household income in a trade area and will seek a minimum number of households within a certain income range before establishing a business or setting prices. Another common practice is to analyze the distribution of household incomes. Discount stores may avoid extremely high or low-income areas. Some specialty fashion stores target incomes above \$100,000. A few store categories, such as auto parts, are more commonly found in areas with lower household incomes.

Sidney's median household income ranked 2nd highest amongst the comparison cities with less than a \$700 difference with the highest city.

Income comparison between Communities:

Income	Sidney, NE	Cheyenne, WY	Fort Collins, CO	North Platte, NE	Scottsbluff, NE	Sterling, CO
INCOME AND BENEFITS (IN 2014 INFLATION-ADJUSTED DOLLARS)						
Total households	3,064	25,007	57,146	10,431	6,028	5,081
Less than \$10,000 ¹	2%	4%	8%	9%	11%	10%
\$10,000 to \$14,999 ²	5%	6%	5%	5%	6%	10%
\$15,000 to \$24,999	15%	10%	11%	15%	16%	14%
\$25,000 to \$34,999	12%	11%	9%	10%	14%	14%
\$35,000 to \$49,999 ³	10%	15%	14%	18%	14%	18%
\$50,000 to \$74,999	19%	18%	17%	19%	17%	16%
\$75,000 to \$99,999	16%	14%	13%	12%	12%	10%
\$100,000 to \$149,999 ⁴	13%	16%	13%	10%	8%	5%
\$150,000 to \$199,999	5%	4%	6%	2%	1%	2%
\$200,000 or more ⁵	2%	3%	4%	1%	1%	2%
Median household income (dollars)	54,175	54,845	53,775	43,772	37,813	36,204
Mean household income (dollars)	65,861	68,196	73,437	56,614	49,069	47,974
With earnings	84%	80%	85%	74%	78%	77%

Demographic statistics are especially useful if they are presented in comparison with other places. Comparing your city with other cities allows demographic baselines to be established. These baselines will help determine whether the city has low, median, or high values in each demographic category. Comparison data between Sidney, Cheyenne, Fort Collins, Scottsbluff and Sterling are detailed in the table below.

Demographic data is available through the U.S. Bureau of Census at <http://www.census.gov>. The U.S. Census website includes a link to its data-filled website called American Fact Finder at <http://factfinder2.census.gov>. Although the American Community Survey (ACS) produces population, demographic and housing unit estimates, it is the Census Bureau's Population Estimates Program that produces and disseminates the official estimates of the population for the nation, states, counties, cities and towns and estimates of housing units for states and counties.

Demographics comparison data:s p1

Subject	Sidney, Nebraska	Cheyenne, Wyoming	Fort Collins, Colorado	Scottsbluff, Nebraska	Sterling, Colorado
	Estimate	Estimate	Estimate	Estimate	Estimate
	Percent	Percent	Percent	Percent	Percent
EMPLOYMENT STATUS					
Population 16 years and over	5,304	48,142	123,514	11,542	12,214
In labor force	3,887	32,724	86,259	7,640	7,664
Civilian labor force	3,887	31,694	86,036	7,640	7,637
Employed	3,799	29,860	79,263	6,952	6,426
Unemployed	88	1,834	6,773	688	1,211
Armed Forces	0	0.00%	2.10%	0	0.20%
Not in labor force	1,417	15,418	37,255	3,902	4,550
COMMUTING TO WORK					
Workers 16 years and over	3,700	30,579	77,462	6,781	6,382
Car, truck, or van -- drove alone	3,115	25,412	56,563	5,423	4,806
Car, truck, or van -- carpooled	424	2,835	6,398	927	1,106
Public transportation (excluding taxicab)	0	194	1,123	30	21
Walked	44	736	2,690	113	194
Other means	46	584	5,821	113	36
Worked at home	71	818	4,867	175	219
Mean travel time to work (minutes)	9.6	13.2	19.5	12.1	15.6
OCCUPATION					
Civilian employed population 16 years and over	3,799	29,860	79,263	6,952	6,426
Management, business, science, and arts occupations	1,366	11,259	35,607	1,861	1,378
Service occupations	717	5,379	14,819	1,266	1,745
Sales and office occupations	1,065	7,200	19,136	1,850	1,669
Natural resources, construction, and maintenance	257	2,984	4,486	873	613
Production, transportation, and material moving	394	3,038	5,215	1,102	1,021
INDUSTRY					
Civilian employed population 16 years and over	3,799	29,860	79,263	6,952	6,426
Agriculture, forestry, fishing and hunting, and mining	106	655	1,270	195	232
Construction	98	2,102	3,433	476	170
Manufacturing	306	1,029	6,431	551	428
Wholesale trade	42	467	1,637	178	40
Retail trade	1,268	3,743	9,496	1,018	1,117
Transportation and warehousing, and utilities	264	1,850	1,974	451	261
Information	18	852	1,614	112	143
Finance and insurance, and real estate and rental and	150	1,350	4,166	378	107
Professional, scientific, and management, and	221	2,751	10,386	386	468
Educational services, and health care and social	803	6,302	21,626	1,799	1,166
Arts, entertainment, and recreation, and	347	2,950	10,676	480	1,161
Other services, except public administration	109	1,152	3,784	509	459
Public administration	67	4,657	2,770	419	674
CLASS OF WORKER					
Civilian employed population 16 years and over	3,799	29,860	79,263	6,952	6,426
Private wage and salary workers	3,163	20,444	59,463	5,543	4,923
Government workers	431	8,167	15,287	1,041	1,218
Self-employed in own not incorporated business	205	1,185	4,390	368	285
Unpaid family workers	0	64	123	0	0

Demographics comparison data:s p2

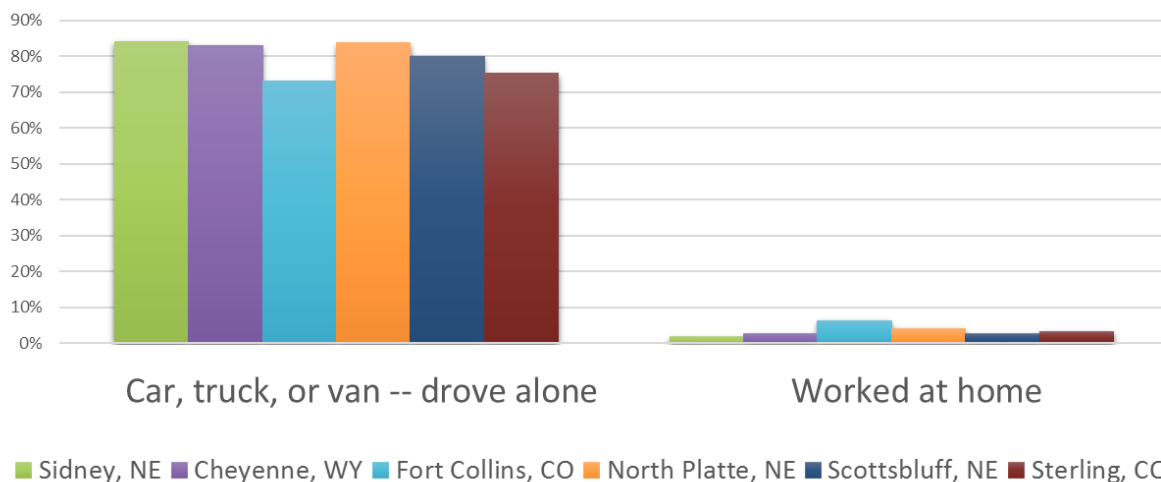
INCOME AND BENEFITS (IN 2014 INFLATION-ADJUSTED)	3,064	3,064	25,007	57,146	57,146	6,028	6,028	5,081	5,081
Total households	74	74	1,018	4,670	4,670	635	635	507	507
Less than \$10,000	166	166	1,437	2,984	2,984	379	379	497	497
\$10,000 to \$14,999	467	467	2,573	6,029	6,029	969	969	710	710
\$15,000 to \$24,999	357	357	2,776	5,028	5,028	837	837	708	708
\$25,000 to \$34,999	312	312	3,665	8,256	8,256	860	860	927	927
\$35,000 to \$49,999	581	581	4,494	9,731	9,731	1,038	1,038	818	818
\$50,000 to \$74,999	503	503	3,410	7,547	7,547	738	738	500	500
\$75,000 to \$99,999	401	401	3,928	7,345	7,345	478	478	255	255
\$100,000 to \$149,999	143	143	1,091	3,165	3,165	65	65	74	74
\$150,000 to \$199,999	60	60	615	2,391	2,391	29	29	85	85
\$200,000 or more	54,175	54,175	54,845	53,775	53,775	37,813	37,813	36,204	36,204
Median household income (dollars)	65,861	65,861	68,196	73,437	73,437	49,069	49,069	47,974	47,974
Mean household income (dollars)									
With earnings	2,578	2,578	20,106	48,578	48,578	4,670	4,670	3,932	3,932
Mean earnings (dollars)	65,719	65,719	65,035	70,765	70,765	49,292	49,292	47,759	47,759
With Social Security	831	831	6,907	10,441	10,441	2,011	2,011	1,683	1,683
Mean Social Security income (dollars)	19,032	19,032	18,475	16,341	16,341	16,415	16,415	14,952	14,952
With retirement income	381	381	5,696	7,785	7,785	689	689	753	753
Mean retirement income (dollars)	11,553	11,553	26,101	29,677	29,677	14,873	14,873	19,625	19,625
With Supplemental Security Income	85	85	998	1,317	1,317	372	372	259	259
Mean Supplemental Security Income (dollars)	10,526	10,526	9,180	9,367	9,367	9,472	9,472	8,514	8,514
With cash public assistance income	42	42	392	1,109	1,109	134	134	169	169
Mean cash public assistance income (dollars)	5,950	5,950	4,392	3,246	3,246	3,803	3,803	2,646	2,646
With Food Stamp/SNAP benefits in the past 12 months	230	230	2,397	3,611	3,611	978	978	790	790
Mean Food Stamp/SNAP benefits in the past 12 months									
Median earnings for workers (dollars)	33,390	33,390	32,753	22,251	22,251	22,983	22,983	19,686	19,686
Median earnings for male full-time, year-round	51,177	51,177	50,019	51,312	51,312	38,239	38,239	37,008	37,008
Median earnings for female full-time, year-round	37,740	37,740	37,799	40,531	40,531	28,347	28,347	31,371	31,371
HEALTH INSURANCE COVERAGE									
Civilian noninstitutionalized population	6,693	6,693	59,783	147,831	147,831	14,756	14,756	14,242	14,242
With health insurance coverage	6,108	6,108	52,647	132,691	132,691	12,315	12,315	11,166	11,166
With private health insurance	4,958	4,958	42,905	116,768	116,768	8,469	8,469	7,519	7,519
With public coverage	1,903	1,903	18,031	28,434	28,434	5,616	5,616	5,392	5,392
No health insurance coverage	585	585	7,136	15,140	15,140	2,441	2,441	3,076	3,076

In Sidney, Nebraska, 73 percent of the population 16 and over were employed; 27 percent were not currently in the labor force. The highest employment for population between comparison cities.

Commuting refers to a worker's travel from home to work. Place of work refers to the geographic location of the worker's job. Work at home refers to a worker who does not commute to a different geographic area from work, meaning their place of work is their home. Daytime population refers to the estimated number of people who are residing and working in an area during the "daytime" working hours.

There are several surveys conducted by the Census Bureau that ask questions related to commuting including means of transportation, time of departure, mean travel time to work, vehicles available, distance traveled, and expenses associated with commuting.

Sidney maintains the shortest commute time with 9.6 minute drive. Scottsbluff is second with a 12.1 minute commute time.



	Sidney, NE	Cheyenne, WY	Fort Collins, CO	North Platte, NE	Scottsbluff, NE	Sterling, CO
COMMUTING TO WORK						
Workers 16 years and over	3,700	30,579	77,462	11,512	6,781	6,382
Car, truck, or van -- drove alone	84%	83%	73%	84%	80%	75%
Worked at home	2%	3%	6%	4%	3%	3%
Mean travel time to work (minutes)	9.6	13.2	19.5	11.3	12.1	15.6

Industry Sectors: The Retail Trade sector comprises establishments engaged in retailing merchandise, generally without transformation, and rendering services incidental to the sale of merchandise.

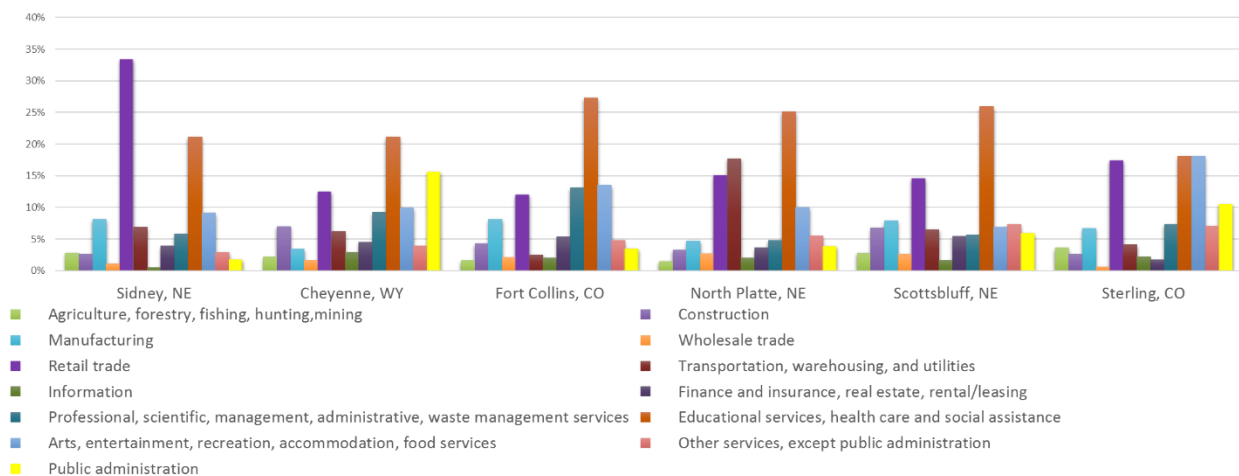
The retailing process is the final step in the distribution of merchandise; retailers are, therefore, organized to sell merchandise in small quantities to the general public. This sector comprises two main types of retailers: store and nonstore retailers.

-North American Industry Classification System

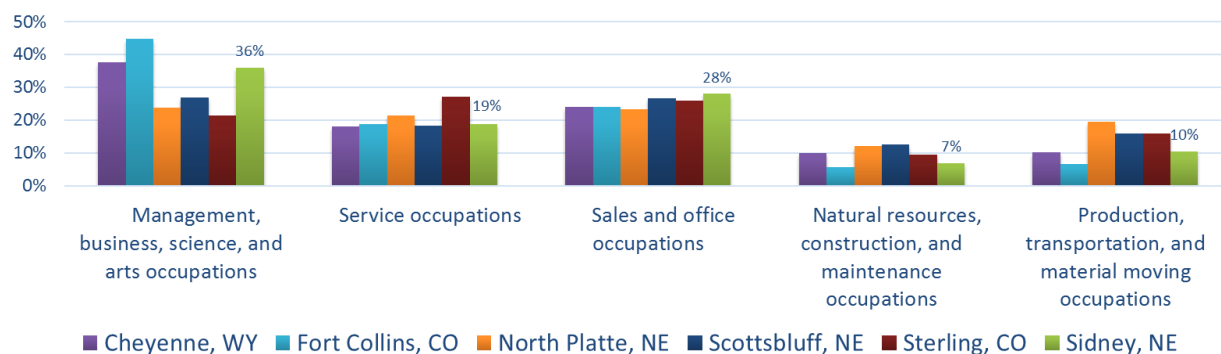
Over 30% of Sidney workers are employed in the retail trade sector.

Occupation. A set of activities or tasks that employees are paid to perform. Employees that perform essentially the same tasks are in the same occupation, whether or not they work in the same industry. Some occupations are concentrated in a few particular industries; other occupations are found in many industries. The May 2012 OES data use the 2010 Standard Occupational Classification (SOC) system to classify jobs into occupations.

Employment Percentage by Industry:



Percent of Employment by Occupation:



	Sidney, NE	Cheyenne, WY	Fort Collins, CO	North Platte, NE	Scottsbluff, NE	Sterling, CO
OCCUPATION						
Civilian employed population 16 years and over	3,799	29,860	79,263	11,707	6,952	6,426
Management, business, science, and arts	36%	38%	45%	24%	27%	21%
Service occupations	19%	18%	19%	21%	18%	27%
Sales and office occupations	28%	24%	24%	23%	27%	26%
Natural resources, construction, and maintenance occupations	7%	10%	6%	12%	13%	10%
Production, transportation, and material moving occupations	10%	10%	7%	19%	16%	16%

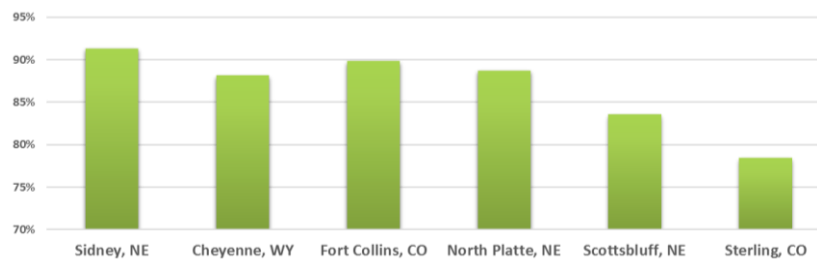
Household income data is a good indicator of residents' spending power. Household income positively correlates with retail expenditures in many product categories. When evaluating a market, companies look at the median or average household income in a trade area and will seek a minimum number of households within a certain income range before establishing a business or setting prices.

Another common practice is to analyze the distribution of household incomes. Discount stores may avoid extremely high or low-income areas. Some specialty fashion stores target incomes above \$100,000. A few store categories, such as auto parts, are more commonly found in areas with lower household incomes.

Sidney's median household income ranked 2nd highest amongst the comparison cities with less than a \$700 difference with the highest city.

Health insurance is a means for financing a person's health care expenses. While the majority of people have private health insurance, primarily through an employer, many others obtain coverage through programs offered by the government. Over time, changes in the rate of health insurance coverage and the distribution of coverage types may reflect economic trends, shifts in the demographic composition of the population, and policy changes that impact access to care. Sidney's has the highest amount of health insurance coverage amongst the comparison cities at 91%.

Population with health insurance coverage:



Subject	Sidney, NE	Cheyenne, WY	Fort Collins, CO	North Platte, NE	Scottsbluff, NE	Sterling, CO
HEALTH INSURANCE COVERAGE						
Civilian noninstitutionalized population	6,693	59,783	147,831	24,182	14,756	14,242
With health insurance coverage	91%	88%	90%	89%	84%	78%
With private health insurance	74%	72%	79%	70%	57%	53%
With public coverage	28%	30%	19%	32%	38%	38%
No health insurance coverage	9%	12%	10%	11%	17%	22%
Civilian noninstitutionalized population under 18 years	1,620	15,024	29,294	6,166	3,894	2,735
No health insurance coverage	2%	4%	5%	4%	7%	12%

The poverty rate measures the percentage of people whose income fell below their assigned poverty threshold. Poverty thresholds are assigned to individuals or families based on family size and composition. Planners and policy makers often use poverty rates as a key economic indicator to evaluate trends and current economic conditions within communities and to make comparisons between sectors of the population. Federal and state governments frequently use poverty rate estimates to allocate funds to local communities. Furthermore, government agencies

and local organizations use these estimates to identify the number of individuals and families eligible for various programs.

Poverty status is determined by comparing annual income to a set of dollar values, called poverty thresholds, which vary by family size, number of children, and the age of the householder.

If a family's before-tax money income is less than the dollar value of their threshold, then that family and every individual in it are considered to be in poverty. For people not living in families, poverty status is determined by comparing the individual's income to his or her poverty threshold. The poverty thresholds are updated annually to account for changes in the cost of living using the Consumer Price Index (CPI-U). They do not vary geographically. Sidney's poverty level for all families was estimated at 13% which was mid-range between the comparison cities.

Percent of Families Below the Poverty Level:

PERCENTAGE OF FAMILIES AND PEOPLE WHOSE INCOME IN THE PAST 12 MONTHS IS BELOW THE POVERTY LEVEL	Sidney, NE	Cheyenne, WY	Fort Collins, CO	North Platte, NE	Scottsbluff, NE	Sterling, CO
All families	13%	9%	8%	10%	13%	16%
With related children under 18 years	23%	15%	10%	19%	19%	30%
With related children under 5 years only	22%	24%	14%	15%	16%	18%
Married couple families	9%	3%	4%	4%	7%	10%
With related children under 18 years	16%	4%	5%	9%	11%	22%
With related children under 5 years only	25%	2%	10%	0%	0%	0%
Families with female householder, no husband present	35%	32%	24%	36%	32%	38%
With related children under 18 years	44%	41%	29%	43%	40%	53%
With related children under 5 years only	23%	69%	40%	40%	61%	59%

TARGET INDUSTRIES

AGRIBUSINESS

Agribusiness refers to the business of farming, although, oddly, the term is not often used in correlation with actual farms. Instead, the term agribusiness most commonly means an agriculturally-related business that supplies farm inputs, such as farm machinery and seed supply. The term "[agribusiness](#)" is also used to describe businesses that are involved in the marketing of farm products, such as warehouses, wholesalers, processors, retailers and more.

Use of the term agribusiness by critics of corporate farming has created an aura of negativity around the term, although the true definition simply provides a nice shorthand way of saying a business is agriculture-related.

"Agribusiness" has come to be synonymous with large corporations and companies that produce environmentally questionable, non-organic products while ensuring that smaller, potentially sustainable farms fail to turn a profit. Normally we would expand on this utilizing multiple resources but we found the following McKinsey Company piece that was very appropriate to the Sidney project and very broad spectrum and have included it in its entirety in addition.

Pursuing the global opportunity in food and agribusiness

Food and agribusiness have a massive economic, social, and environmental footprint—the \$5 trillion industry represents 10 percent of global consumer spending, 40 percent of employment, and 30 percent of greenhouse-gas emissions. Although sizable productivity improvements over the past 50 years have enabled an abundant food supply in many parts of the world, feeding the global population has reemerged as a critical issue.

If current trends continue, by 2050, caloric demand will increase by 70 percent, and crop demand for human consumption and animal feed will increase by at least 100 percent. At the same time, more resource constraints will emerge: for example, 40 percent of water demand in 2030 is unlikely to be met. Already, more than 20 percent of arable land is degraded. Moreover, food and energy production are competing, as corn and sugar are increasingly important for both. Such resource scarcity could lead to political unrest on a large scale if left unaddressed. Agricultural technologies that raise productivity even in difficult conditions and the addition of land for cultivation in Africa, Eastern Europe, and South America may ease the burden, but meeting the entire demand will require disruption of the current trend.

Sensing an opportunity, strategic and financial investors are racing to capture value from technological innovation and discontinuities in food and agriculture. Since 2004, global investments in the food-and-agribusiness sector have grown threefold, to more than \$100 billion in 2013, according to McKinsey analysis. Food-and-agribusiness companies on average have demonstrated higher total returns to shareholders (TRS) than many other sectors: the TRS of more than 100 publicly traded food-and-agribusiness companies around the world increased an average

of 17 percent annually between 2004 and 2013, compared with 13 percent for energy and 10 percent for information technology.

However, finding the right investment opportunity is not easy. Food-and-agribusiness investing requires a deep understanding of specific crops, geographies, and complex value chains that encompass seeds and other inputs, production, processing, and retailing. Many of the relevant investment opportunities are in geographies unfamiliar to some investors, and their profitability rests not only on crop yields but also on how different parts of the value chain perform (Exhibit 1). In this article, we examine the main trends that will likely influence the future of food and agribusiness, identify promising investment opportunities, and offer a view of how players might successfully pursue them.

Major trends in food and agribusiness

The food-and-agribusiness value chain comprises a wide range of companies, from suppliers of agricultural machinery, seeds, chemicals, animal-health tests and vaccines, and packaged foods to data providers for precision agriculture.² Filling the global gap between supply and demand requires more resources—technical, human, and financial—for the majority of these companies. Investors have a critical role to play in meeting this challenge—and opportunities to benefit.

Population growth, urbanization, and increased income in emerging markets

By 2020, more than half of global GDP growth is expected to come from countries outside of the Organization for Economic Co-operation and Development; over half the world's urban population also will be in emerging economies. Not only is demand for food in emerging markets expected to rise dramatically because of population and income growth, but also these regions are likely to adopt a rich-country diet—more calories, protein, and processed foods.

A projected surge in demand for protein in emerging markets, especially pork in China, would create opportunities for companies to grow in core production and supporting industries such as breeding, animal-health testing, feed, and vaccines. For example, beef and other livestock production in Argentina and Brazil is expected to grow strongly to meet global demand. Making feed conversion more efficient so that animals produce more meat while consuming the same amount of feed as they do now could be profitable for companies with unique intellectual property in additives such as probiotics, enzymes, and acidifiers.

With opportunity come risks. Rising protein prices in emerging markets, government intervention, and environmental concerns could slow demand. Moreover, not every part of the protein value chain is doing well; livestock producers are struggling because of a poor feed-to-meat/dairy price ratio, and primary processors are suffering from high feedstock costs and low capacity utilization. Also, consumer behavior and preferences can change faster than many companies and investors can handle. Successful investment strategies will address the risks by finding opportunities to capture value (for example, technology or processing that improves feed performance or reduces feed-production cost) or by mitigating the risks (for example, vertical integration within the protein value chain).

Demographic and behavioral change in mature markets

In addition to greater demand for protein, we anticipate a trend toward healthier diets. Consumers are increasingly health conscious and place greater importance on environmental sustainability, most visibly in developed countries but more and more in emerging markets. In response, governments are tightening standards for food production. As a result, demand is rising for healthier functional foods (those that offer benefits beyond basic nutrition, such as lowering cholesterol) and for traceable and certified foods that are guaranteed to meet a certain level of safety and environmental or corporate social responsibility.

Producers and food companies that embrace more stringent environmental and social standards, organic-certification requirements, and traceability standards should be able to better position themselves in the face of evolving regulation and continue to grow to take advantage of this trend.

For example, in 2010 Unilever announced plans to source 100 percent of its agricultural raw materials sustainably by 2020, and, as of the end of 2014, had reached 55 percent. Food-and-beverage companies can also profit from products with specific fortifications and nutrients to appeal to the health-conscious segment (for example, omega-3–fortified milk).

The productivity imperative

Depletion of natural resources, the impact of climate volatility on crops, and declining productivity gains in agriculture are expected to hinder growth in the world food supply, forcing countries to produce more with less. By 2030, for example, the gap between expected water withdrawals and existing supply may reach 40 percent. The pressure on water, land, energy, and labor resources will necessitate innovation to enhance agriculture productivity. Indeed, productivity gains have slowed in recent years; productivity of major crop yields is now growing by only 1 percent a year compared with twice that rate in the 1960s and 1970s. This has big implications: a 2 percent increase in wheat yields would generate enough calories (about 150 kilocalories per day) to give an extra piece of bread to the nearly 900 million people living in the least-developed countries.

To take advantage of the need for higher productivity, input companies, distributors, and logistics enterprises can expand into new geographies as well as provide a wider range of products and services (for example, high-yield seeds, fertilizer, and resource-optimization techniques) to help farmers increase crop yields. Offering innovative technologies (for example, seeds requiring less water for similar yields) is important, but so is their distribution in emerging markets.

The other way to get more from less is to reduce food waste. An estimated 30 percent of agricultural production in Africa and Asia is lost in postharvest processes. Accurate data on waste are difficult to come by, especially in emerging markets, but we know that logistics, trade, and processing infrastructure are critical bottlenecks. In developed markets, most food waste happens downstream, at the retailer or in consumers' homes, resulting also in around 30 percent consumption loss. Economics drive waste: margins and transport costs determine how much effort to put into waste reduction while consumer behavior is slow to change.

Reducing food waste in emerging markets is a big value-creating investment opportunity, particularly in logistics and distribution. In China alone, the cold-storage-and-transportation market generates \$12 billion to \$18 billion in revenues and is expected to grow 10 to 15 percent

annually to meet the country's expanding meat, dairy, and vegetable demand. Some local companies are already seeking capital to promote this growth. In developed markets, there are opportunities for innovation in extending food shelf life and in packaging to reduce waste downstream.

A polarized industry structure: Toward bigger and smaller

We anticipate continued consolidation of firms across the agribusiness value chain as well as the emergence of smaller niche players. Large-scale commercial farming has taken off in places such as Brazil, where commercial farms can top 100,000 acres. In addition, smaller- and medium-size family farms are increasing their purchasing (for example, seeds, crop protection, fertilizer, and machinery) and selling grains, sugar, and ethanol through cooperatives, lowering transaction costs significantly. There is also emerging interest in Africa as a production basin: major agribusiness companies are increasingly integrating vertically as more traders extend into production and processing, while retailers are moving into production and sourcing of key input commodities.

At the same time, there are rising numbers of specialized players, especially on the input side, where technology and intellectual property play a critical role. Small microbial-fertilizer companies are an example. In addition, the millions of smallholder farmers around the world are gradually integrating into commercial value chains; among them are coffee farmers in Ghana and cotton farmers in India.

Consolidated, integrated farming creates an opportunity for equipment manufacturers, distributors, and technology companies to offer more sophisticated and automated products and services. Smaller, specialized players could grow and perhaps wind up in the hands of strategic investors (as, for example, in BASF's 2012 acquisition of Becker Underwood, a seed-treatment technology company).

Unprecedented price swings

We expect continued volatility in agricultural input and output prices. Wider swings in agricultural prices in recent years are similar to what happened with other commodities, such as oil and metal. In addition, there is increasing evidence of tighter linkages among commodity prices. With the spike in food prices and the economic downturn in 2008, the number of undernourished people around the world increased to more than 1 billion, from 850 million in 2005. Food-price peaks in 2011 and 2013 had a similar though less severe effect, while we are seeing a continuous price decline over the past 12 months.

The politics and technology advancements of biofuels will be an important factor in price levels and volatility. Meanwhile, other contributing factors to volatility—adverse weather, rising oil prices, export restrictions, civil strife—will most likely persist. Risk management and hedging mechanisms such as weather insurance will therefore be an important component of doing business in parts of the food-and-agribusiness value chain.

Big data and information

Expanded access to and more sophisticated use of information will play an increasingly important role in agriculture. There is exciting potential to use more granular data (for example, data for every ten-meter-by-ten-meter square of a field) and analytical capability to integrate various

sources of information (such as weather, soil, and market prices) with the goal of increasing crop yield and optimizing resource usage, thus lowering cost.

In our view, however, there is still significant progress to be made on figuring out a business model that captures value from data at scale. In part, that is because the data are captured by disparate players in different parts of the value chain (for example, seed companies, equipment manufacturers, traders, and software developers). Managing and capitalizing on the critical data points is likely to require strategic partnerships and acquisitions, and potentially a reshaping of the industry structure.

Monsanto's \$930 million acquisition of The Climate Corporation in 2013 was one of several moves by an agriculture giant; other companies, like Deere & Company, have announced partnerships on data with input firms. More opportunities could arise in adjacent areas once integrated, comprehensive data become available.

Meanwhile, emerging markets still lack high-quality, reliable data on production and demand. Establishing a systematic mechanism to capture the data could offer additional value-creating opportunities. In particular, rapid expansion of mobile technologies in rural populations could allow farmers in these areas to greatly improve productivity based on access to better information.

Making it happen

Simply identifying potential hot spots will not guarantee success. Winning will require a thoughtful approach and sector-specific capabilities. To create and capture value in food and agribusiness, investors should consider the following moves:

Deepen value-chain understanding. Investors should develop a granular understanding of each step of the value chain and identify where opportunities may lie, since variations across each sector are significant. For example, sugarcane production value grew almost 80 percent in China and 120 percent in Brazil from 2000 to 2012 (although in the last three years, the market has become much tougher for Brazilian sugarcane players), compared with a 23 percent decline in the United States during that same time period. Investors should be selective—food and agribusiness often comprise a small number of large companies (especially inputs and primary commodity processing), businesses that are part of a large conglomerates, and many small farmers and businesses. Increasingly, there are firms specializing in the food-and-agribusiness sector that are attractive to investors because of their strong understanding of the sector.

Recognize the importance of emerging markets. Strengthening activities in emerging markets will be essential, as much of the growth in supply and demand will come from there. Investors must build relationships and capabilities and be willing to manage social and political uncertainty. For example, we have seen investors struggle to find opportunities in Brazil, where many family-owned companies have strong, relationship-based businesses. Investors should be aware that social and political constraints have a large impact in this sector and that success will often require active collaboration with social and public entities.

Take a through-cycle approach. Investors must maintain a through-cycle mentality in recognition of the underlying volatility of food and agribusiness (and the impact of the volatility

in other sectors, such as oil and gas). This could lead to an investment horizon of more than seven years—longer than that of private equity. Some investments may be more suited to investors with longer time horizons, such as pension and sovereign-wealth funds.

Develop commercial relationships. Investors should not ignore the importance of building relationships with suppliers, major multinational companies, and strategic investors. Instead, they should view these players as potential partners that can help execute investments, mitigate risks, and provide exit options.

Develop operational capabilities in agribusiness. Investors should be prepared to build the capabilities needed to operate successfully in the agribusiness sector. Many of the capital-intensive segments of the value chain, such as production and processing, will require investors and owners to understand how to achieve best-in-class operations to capture their full value.

The food-and-agribusiness sector has demonstrated strong performance but is complex and idiosyncratic. Within this space, we have identified 24 hot spots likely to prove interesting for investment consideration over the next five to ten years. Our experience shows that pursuing due diligence in relevant subsectors and following the five approaches we have described increases the chance that investors can capture attractive returns while addressing some of the most significant needs of the global population.

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