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Nebraska's Retailing Patterns and Trends

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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

Nebraska's Retailing Patterns and Trends

Market Report	Yr Ago	4 Wks Ago	8/27/04
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	\$83.00	\$84.35	\$82.95
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb	110.38	134.91	143.26
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb	97.36	119.95	119.09
Choice Boxed Beef, 600-750 lb. Carcass	142.06	141.86	138.38
Western Corn Belt Base Hog Price Carcass, Negotiated	46.57	77.23	70.68
Feeder Pigs, National Direct 45 lbs, FOB	18.67	43.11	47.99
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	58.74	80.10	73.85
Slaughter Lambs, Ch. & Pr., 90-160 lbs., Shorn, Midwest	84.87	95.00	92.25
National Carcass Lamb Cutout, FOB	208.31	227.00	212.58
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Omaha, bu	3.68	3.36	3.20
Corn, No. 2, Yellow Omaha, bu	2.27	2.12	2.19
Soybeans, No. 1, Yellow Omaha, bu	6.00	5.71	6.14
Grain Sorghum, No. 2, Yellow Columbus, cwt	3.61	3.09	3.07
Oats, No. 2, Heavy Minneapolis, MN, bu	1.57	1.49	1.63
<u>Hay</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton	113.50	115.00	117.50
Alfalfa, Large Rounds, Good Platte Valley, ton	65.00	62.50	62.50
Grass Hay, Large Rounds, Good Northeast Nebraska, ton	65.00	57.50	57.50
* No market.			

Retail trade activity is a significant sector in the state's economy. Per capita net taxable sales (not including motor vehicle sales) exceed \$10,000 annually; and nearly one quarter (24 percent) of Nebraska's non-farm workforce is employed in the wholesale/retail sector. Therefore, the patterns and trends of retailing over time are important economic indicators. We have followed Nebraska's retailing activity for many years, and have compiled a comprehensive web page of tables and charts (accessible through the Departmental web site at <http://agecon.unl.edu>). The following are some highlights of the retail trade data and analysis.

Using annual non-motor vehicle taxable sales as our data base, we have been able to assess patterns across geographic areas (cross-sectional analysis) as well as over time (time series). The measure we use of retail trade is **Pull Factor (PF)**, which indicates the relative strength of a municipality's or county's retail community. PF is estimated by dividing the per capita taxable sales for the local geographic unit by the state per capita taxable sales over the same time period. If the PF is greater than 1.0 then the retail sales activity of that sub-state unit exceeds its population in terms of customer equivalents and is capturing retail activity beyond that inferred by its population base. Conversely, a sub-state area with a PF of less than 1.0 means it is experiencing trade leakage. So the higher the PF of a sub-state area relative to other areas, the more viable is its retailing activity.

Looking first at 2002 county average pull factors, an interesting pattern for the state emerges (Figure 1). Only eleven of the state's 93 counties registered a county pull factor of greater than one and could be classified as trade area capture counties. With the exception of Cherry and Red Willow Counties, all the rest follow the classic *Population Fishhook* pattern that crosses the state along the Platte Valley before tipping back towards the northwest. Obviously, population and transportation infrastructure influence retail patterns.

However, size of major municipality also impacts retail strength as shown in Figure 2. By arraying all of the state's towns and cities by population size class it becomes quite

evident that the smaller the town, the greater the degree of retail trade leakage to larger retail centers it is likely experiencing. In essence, it is the classic *big fish eating little fish* syndrome. Moreover, this pattern has only become more accentuated over time as this 1992-2002 comparison shows. Towns of less than 2,500 are generally experiencing serious trade leakage, while small cities in the 2,500 to 10,000 size are basically only holding their own. At the same time, only the two city size classes of greater than 20,000 are experiencing a growing trade capture strength (an increasing PF) over this time period.

This wave that is carrying more of the retailing towards larger, more distant trade centers is the result of many forces of both “push” and “pull” variety. The smaller trade centers face ever-increasing challenges of maintaining critical mass of

retailing volume and variety, which only *pushes* retail customers elsewhere. At the same time, the lure of larger centers and large-scale merchandisers *pulls* consumers from ever-increasing distances. Nevertheless, there still are smaller trade centers which remain economically competitive with smaller-sized, yet viable, merchandisers. Moreover, there is a significant and perhaps even growing consumer segment that sees the virtues of retail opportunities of a smaller, more convenient and personal scale. Thus, despite the major retail forces at play, there may be changes in the future.

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