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Trends in Retailing Activity Across Nebraska

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Cornhusker Economics

Cooperative Extension

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

Trends in Retailing Activity Across Nebraska

| Market Report | Yr Ago | 4 Wks Ago | 1/28/00 |
|---|-----------|--------------|---------|
| <u>Livestock and Products,</u> | | | |
| <u>Average Prices for Week Ending</u> | | | |
| Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt. | 60.00 | 67.95 | 67.24 |
| Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt. | 76.85 | * | 89.82 |
| Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg. | 81.91 | 95.38 | 96.97 |
| Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt. | 96.09 | 104.69 | 101.28 |
| Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt. | 27.50 | 36.25 | 40.50 |
| Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd. | 23.00 | 39.00 | 49.45 |
| Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt. | 112.44 | 106.50 | 99.75 |
| Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt. | * | * | 64.75 |
| Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt. | 150.00 | 163.00 | 148.00 |
| <u>Crops,</u> | | | |
| <u>Cash Truck Prices for Date Shown</u> | | | |
| Wheat, No. 1, H.W. Omaha, bu. | 3.16 | 2.78 | 2.91 |
| Corn, No. 2, Yellow Omaha, bu. | 1.99 | 1.78 | 1.95 |
| Soybeans, No. 1, Yellow Omaha, bu. | 4.94 | 4.30 | 4.87 |
| Grain Sorghum, No. 2, Yellow Kansas City, cwt. | 3.38 | 2.93 | 3.33 |
| Oats, No. 2, Heavy Sioux City, IA, bu. | 1.21 | 1.19 | 1.28 |
| <u>Hay,</u> | | | |
| <u>First Day of Week Pile Prices</u> | | | |
| Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton. | * | * | * |
| Alfalfa, Lg. Round, Good Northeast Nebraska, ton. | * | 35.00 | 32.50 |
| Prairie, Sm. Square, Good Northeast Nebraska, ton. | 70.00 | * | * |
| * No market. | | | |

The structural trend in production agriculture towards fewer and larger farms has had its counter-part in the retailing sector of the state as well. Over the past 30 years, the total retailing pie has increasingly shifted to the larger retailing centers across the State. The smaller retailing centers, particularly, have experienced greater retailing leakage. Moreover, these general shifts have seemed to continue unabated regardless of the overall economic conditions of their regions.

In a recently completed study of retailing patterns across Nebraska from 1970 through 1998, we found the state's two largest cities, Omaha and Lincoln to be capturing more than 56 percent of the state's total taxable retail sales in 1998 as compared with just 46 percent in 1970. In essence, these two cities can be classified as complete wholesale-retail centers, offering the complete range of retail functions. As a consequence, they draw trade demand from large areas, even several hundred miles for the more specialized retail goods and services. Clearly, the mobility and preferences of today's retail customer are contributing to regular shopping patterns that span large geographic areas. And on the supply side, many retailers seek to locate in these larger metropolitan areas simply to capture a larger potential clientele and volume of sales. In short, there have been both push and pull effects operating in the economics of retailing.

But while Omaha and Lincoln capture a large and ever-growing share of the state's economic activity, there is another size class of regional trade centers which also continues to play a prominent retailing role in a geographically large state like Nebraska. These are the eight regional trade centers in cities of 20,000 to 45,000 population, seven of which serve as important centers for large sub-state areas. Historically, these centers, including Grand Island, Norfolk and Kearney, have always served as basically "satellite" cities or regional retailing hubs where



customers could travel less than an hour or so for essentially all of their retailing needs. The trends of the 1990s strongly suggest very solid retailing growth for many of them. By 1998, they were capturing more than 18 percent of the total state retail pie. These cities basically serve as secondary wholesale-retail centers for their regions of the state and are continuing to be very competitive. Moreover, the reliance on these regional centers by the non-metropolitan population will, in all likelihood, increase in the future - not only for the retailing function, but for a host of other services including medical, educational, cultural and governmental.

Nebraska has six cities in the 10,000 to 19,999 population range, all of which tend to be classified as complete shopping centers. Because of its distinct geographic distance from other larger centers, Scottsbluff stands out particularly strong with one of the highest retail performance indices of any municipality in the state.

As one moves further down the population size ladder, the retail strength in terms of trade capture tends to diminish as well. To be sure, there are significant exceptions to this, McCook being a most pronounced retail center for its relative population size by serving a sizable geographic area even reaching into Kansas. Likewise, Sidney is a smaller city with strong retailing performance, in large part because of one large national retailer, Cabellas. And Valentine in North Central Nebraska carries on a retail role much larger than its population size would suggest. Nevertheless, for the majority of these smaller cities, the activity is generally more one of maintaining the more basic retail needs of its own population than experiencing trade capture. Their role is basically that of partial or semi-complete shopping centers.

For the state's towns of under 2,500 population, their retailing role has subtly shifted from one of being rather complete shopping centers of a few decades ago to more of a partial to full convenience role in retailing today. As a result, their overall retailing performance has tended to diminish with time. They are generally losing trade volume to larger centers. Nevertheless, they still continue to serve their resident population with those basic retail needs that are more a function of convenience.

To conclude, there is no question that the trends described above have serious repercussions as the small town main street has all but abandoned its role of earlier times. In essence, most smaller trade centers have experienced downsizing in both volume and diversity of retail function, simply because of insufficient "critical mass" for maintaining retail viability as it once experienced. For nearly all but the largest of cities, retailing communities

have tended to move down the retailing class hierarchy over time.

But while these trends are powerful, other changes on the horizon may counterbalance them somewhat. There are innovative firms operating across the state using E-commerce and other means to be successful retailers regardless of their geographic location. And there are small-town, main-street merchant associations that are pulling together to stay economically viable. So, here again we can see the parallels with agriculture.

The report, *Retailing Patterns and Trends Across Nebraska: 1970-1998*, includes county and municipality retailing detail. Hard copy is available for \$7.00 from the Department of Agricultural Economics or can be accessed on the Department web site at:

<http://www.ianr.unl.edu/agecon/retailpatterns>.

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Following is an index of last year's *Cornhusker Economics* articles. If you would like additional copies of any of the articles, please let me know. I can be reached at (402) 472-1789 or my email address is npritchett1@unl.edu. Thank-you for your continued interest in *Cornhusker Economics*. If you have any questions or comments about the newsletter, please contact me or any of the individual authors.

**Nancy Pritchett, Editor
*Cornhusker Economics***