Madison Terminal Market Study

IDEATION PROCESS
Rev: 7/10/2019

Terminal markets perform a critical role in the food supply chain

INFORMATION EXCHANGE

PRICE DISCOVERY

NETWORK DEVELOPMENT

LIQUIDITY

EFFICIENCY

ACDS Process

Market Analysis (37 one-on-one interviews, so far)

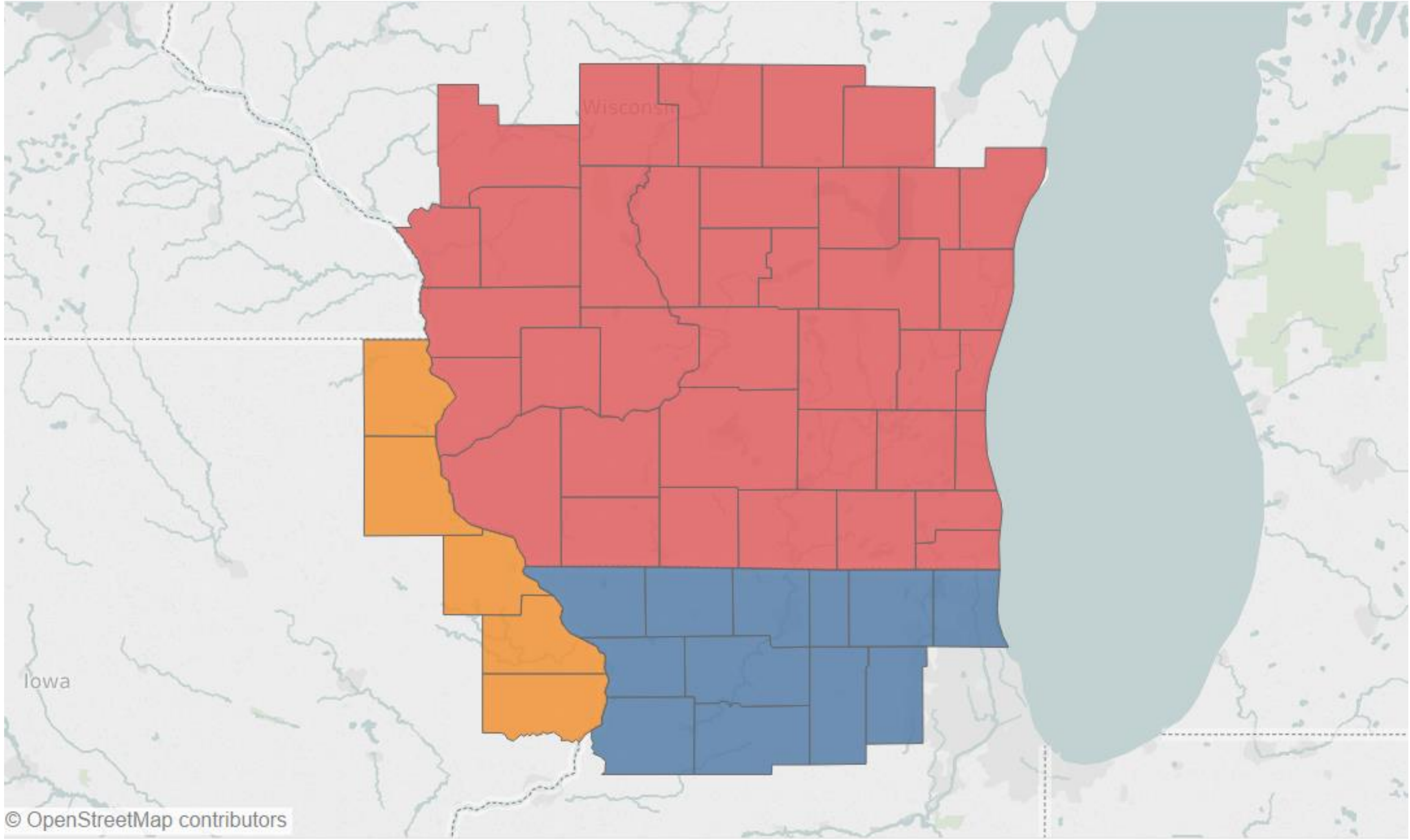
- How and what produce moves from the farmer to the consumer?
- What do consumers (thus retailers and restaurants) demand in Madison and regionally?
- What can local and regional farmers produce to fill that demand?

Facility Analysis (2 site visits with interested vendors)

- What would the tenant and vendor need to operate safely and efficiently?
- Is the Oscar Mayer space the best location? How does it compare with other locations in Madison?

Feasibility: Given the results of the market and facilities analyses, might an XXXX business be profitable?

Study Region



Consumers Provide Liquidity

Consumer Facts

- Market is bifurcated
  - High disposable income groups
    - Families
    - Singles
  - Low income groups
    - Families
    - Students
- Large number of institutional consumers

		Madison	5 Hours
Food at Home			
	Average Spent	$4,936	$5,132
	Spending Potential	98	102
Food Away from Home			
	Average Spent	$3,615	$3,565
	Spending Potential	103	102

Consumer Food Spending Potential

- Madison
  - Organic foods
  - Dine out more often
  - Fast-food
  - Home delivery
- Region
  - On par with national average

	Madison	5 Hours
Used beef (fresh/frozen) in last 6 mo.	93	100
Used bread in last 6 mo.	98	100
Used chicken (fresh or frozen) in last 6 mo.	96	100
Used turkey (fresh or frozen) in last 6 mo.	86	102
Used fish/seafood (fresh or frozen) in last 6 mo.	96	99
Used fresh fruit/vegetables in last 6 mo.	99	100
Used fresh milk in last 6 mo.	97	100
Used organic food in last 6 mo.	120	97
Went to family restaurant in last 6 mo.	101	101
Went to family restaurant: 4+ times a mo.	98	101
Fast food/drive-in last 6 months: eat in	104	102
Fast food/drive-in last 6 months: home delivery	143	100
Fast food/drive-in last 6 months: take-out/drive-thru	100	102
Fast food/drive-in last 6 months: take-out/walk-in	117	101

Community Tapestry

Madison

- Younger, mobile, well-educated, affluent
- Savvy users of technology
- Connected via mobile devices
- Care about health, nutrition, environment
- Tend to buy organic and all-natural foods
- Convenience is important

Region

- Several segments
  - Empty nesters
  - Gen X in their middle age
  - Young families in their first homes
- Mostly older households
- Rural, semi-rural, and suburban
- Traditional, cost-conscious, and family-oriented
- Care about quality, price, brand, and buying American

Market Trends

Produce consumption continuing a decade long decline

- Positive trends seen in:
  - Value-added products
  - Snackable fruits
  - Organic and local

Dairy products consumption continuing a decade long decline

- Positive trends seen in:
  - Ethnic specialty
  - Cheese
  - Yogurt
  - Organic and local

Functional foods demonstrate strong, but fickle growth characteristics

- Positive trends seen in:
  - Plant-based protein replacements
  - Fermented foods
  - CBD and THC based products
  - Health supplements

The Intermediate Supply Chain Responds to Consumers

Supply Chain Facts

- Dane County
  - Retail driven market
  - Manufacturing undergoing structural change
  - Distribution and warehousing driven by retail relationships
- Study Region
  - Export driven manufacturing sector

54 County Region

Food and Beverage Segment	Firms	Employees	Revenues
Manufacturing & Processing	1,870	67,832	$58.4 Billion
Retail	23,925	362,590	$39.4 Billion
Wholesale	2,096	26,406	$14.5 Billion
Distribution & Warehousing	6,851	58,708	$9.1 Billion

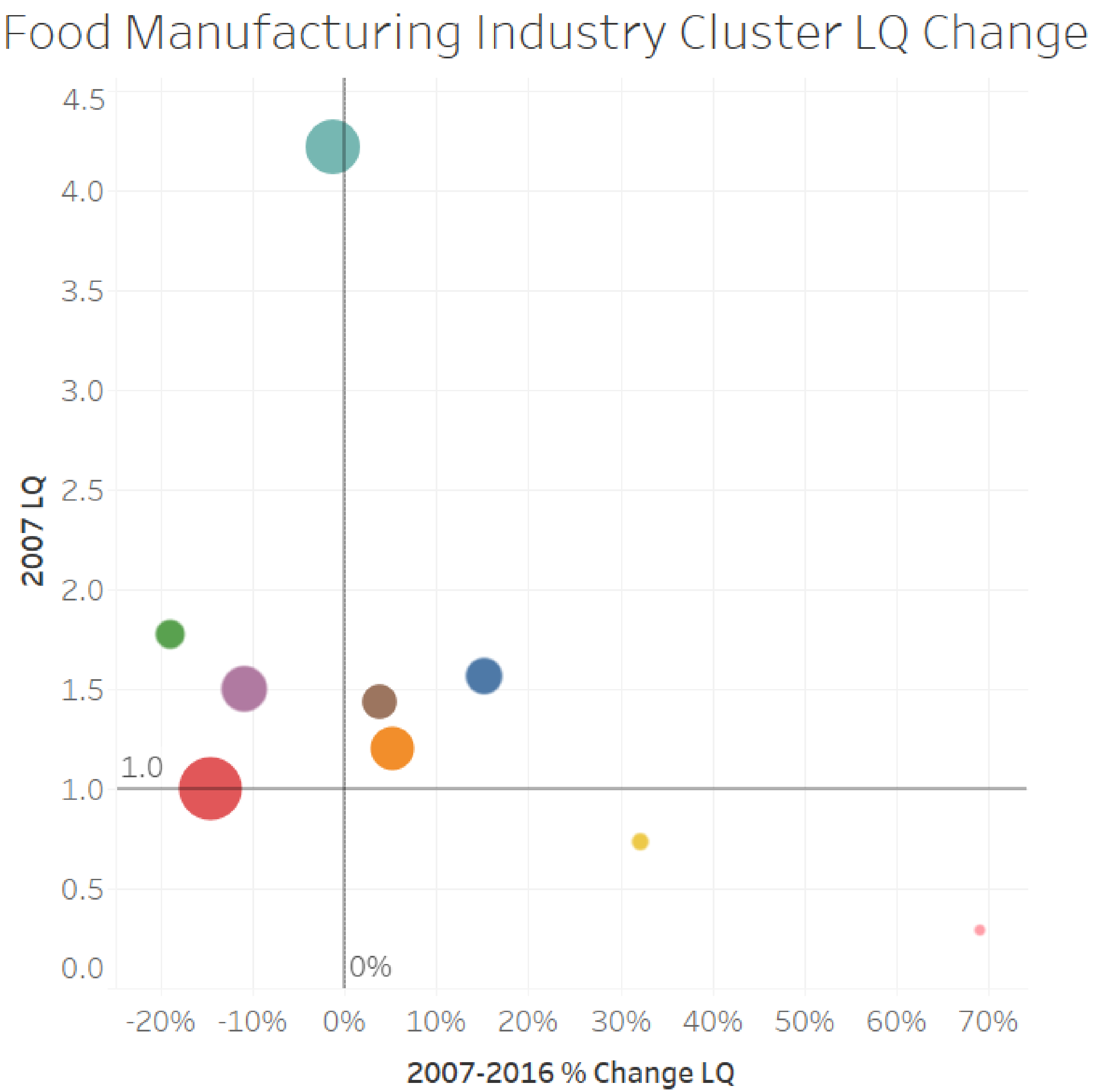
Dane County

Food and Beverage Segment	Firms	Employees	Revenues
Manufacturing & Processing	195	4,181	$477.7 Million
Retail	2,202	29,727	$1.9 Billion
Wholesale	164	2,298	$1.6 Billion
Distribution & Warehousing	307	1,923	$557.8 Million

Industry Concentration

Industry

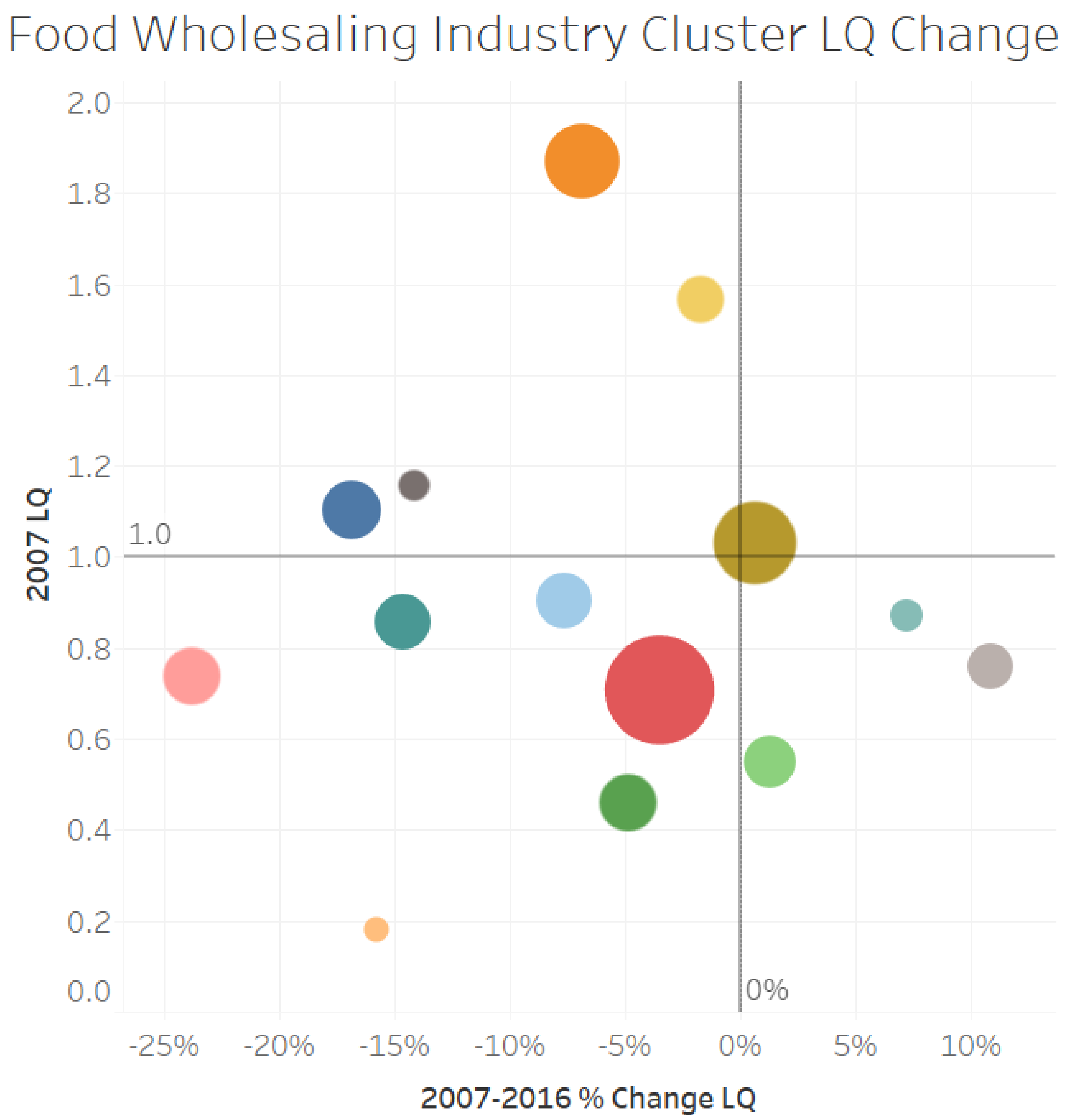
- Animal food manufacturing
- Animal slaughtering and processing
- Bakeries and tortilla manufacturing
- Dairy product manufacturing
- Fruit and vegetable processing
- Grain and oilseed milling
- Other food manufacturing
- Seafood product preparation and packaging
- Sugar and confectionery product manufacturing



Industry Concentration

Industry

- Beer and ale wholesalers
- Confectionery wholesalers
- Dairy product wholesalers
- Fish and seafood wholesalers
- Fresh fruit and vegetable wholesalers
- General line grocery wholesalers
- Grain and field bean wholesalers
- Livestock wholesalers
- Meat and meat product wholesalers
- Other farm product raw material wholesalers
- Other grocery and related products wholesalers
- Packaged frozen food wholesalers
- Poultry and poultry product wholesalers
- Wine and liquor wholesalers



Freight Carriers

	2007	2016	% Change
General freight trucking	**2,224**	**2,550**	**15%**
General freight trucking, local	874	941	8%
General freight trucking, long-distance, truckload	1,097	1,244	13%
General freight trucking, long-distance, less than truckload	253	365	44%
Specialized freight trucking	**1,673**	**1,674**	**0%**
Specialized freight trucking, local	1,173	1,194	2%
Specialized freight trucking, long-distance	310	309	0%

- LTL is fastest growing segment, but contributes to:
  - System inefficiency
  - Wholesale bypass
- Trucker-Jobber growth is slow to emerge

Warehousing and Storage

	2007 Firms	2016 Firms	% Change	2007 LQ	2016 LQ	% Change
Warehousing & storage	**343**	**391**	**14%**	**0.9**	**1.0**	**11%**
General warehousing & storage	245	277	13%	1.0	1.0	5%
Refrigerated warehousing & storage	39	57	46%	1.3	1.9	44%
Farm product warehousing & storage	18	17	-6%	1.0	1.2	19%
Other warehousing & storage	41	40	-2%	0.6	0.7	4%

- Dry grocery dominates market share
- Refrigerated warehouse is fastest growing segment

City of Madison Retail Surplus/Gap

Sector	Demand	Supply	Gap
Grocery Stores	$507,401,093	$642,945,203	-$135,544,110
Specialty Food Stores	$41,957,068	$26,238,975	$15,718,093
Beer, Wine, Liquor Stores	$34,290,100	$69,583,939	-$35,293,839
Restaurants	$374,891,708	$486,953,380	-$112,061,672
Source: ESRI, Business Analyst Online			

Critical Issues Driving Change

TECHNOLOGY INTEGRATION

MATERIAL HANDLING

SUPPLY CHAIN VISIBILITY

REGULATORY STRUCTURES

Technology Integration Is Driven by a Host of Needs

- Industry 4.0
- Big data
- Blockchain & distributed ledger
- Multi-tenant applications
- Artificial intelligence
- Virtual & augmented reality

Material Handling Trends Are a Response to Low Labor Availability and Improved Fulfillment Requirements

PROCESS AUTOMATION

AUTONOMOUS SYSTEMS

DIGITAL TWINS

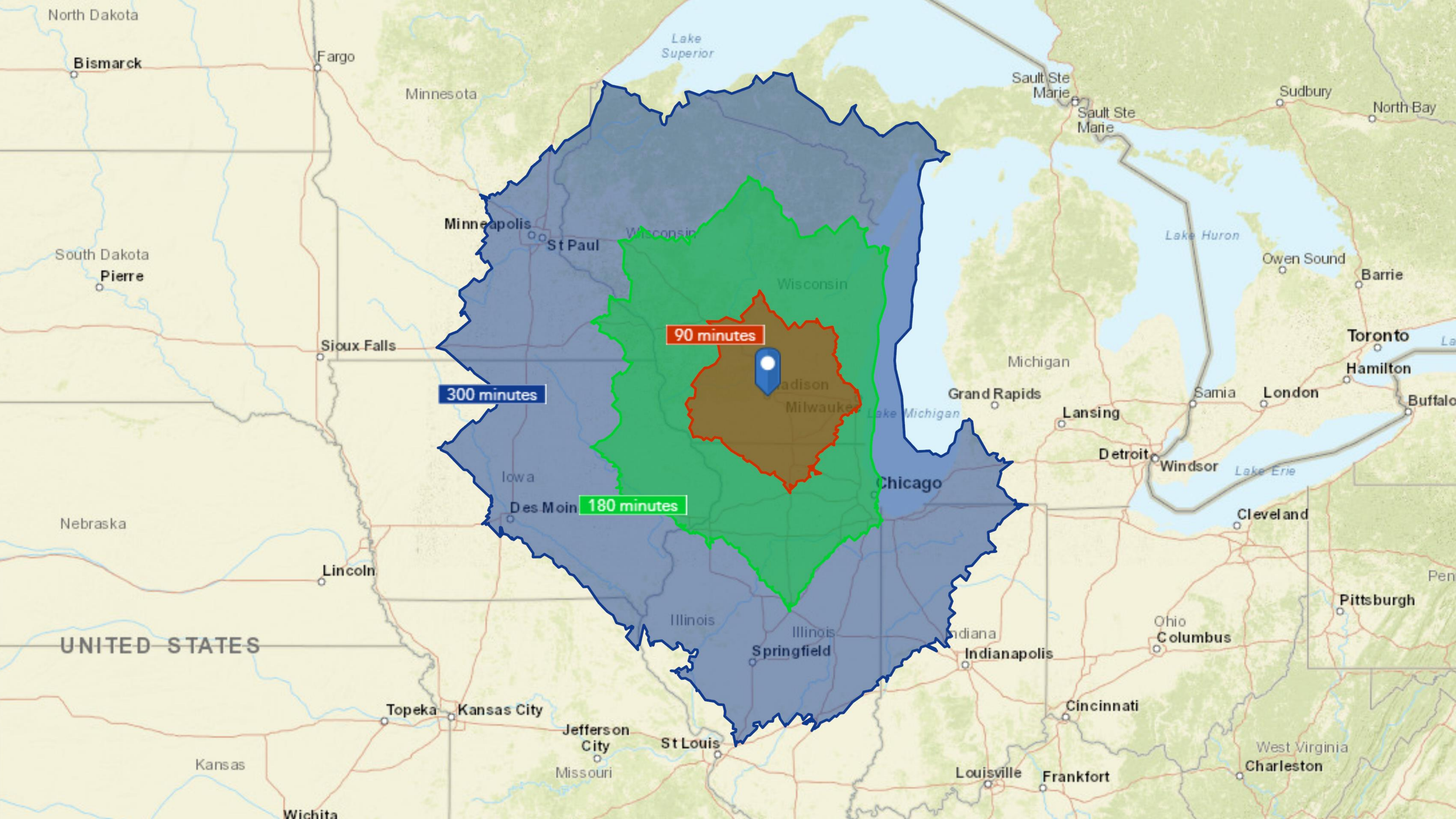
MACHINE LEARNING

Supply Chain Visibility Is Building Collaborative & Trusted Relationships

- Food Safety
- Efficiency
- Transparency
- Cost Control
- Just-in-time Fulfillment
- Resource Sharing - Category Management

Regulatory Influences

- Food Safety
  - GAP
  - Harmonized GAP
  - FSMA
  - Global Food Safety Initiative
  - Others
- Transportation
  - 11 hour rule
  - 100/150 rule



North Dakota
Bismarck
Fargo
Minnesota
Lake Superior
Sault Ste Marie
Sault Ste Marie
Sudbury
North Bay
Minneapolis
St Paul
Wisconsin
South Dakota
Pierre
Wisconsin
Lake Huron
Owen Sound
Barrie
90 minutes
Sioux Falls
Toronto
Michigan
Hamilton
300 minutes
Madison
Grand Rapids
Sarnia
London
Buffalo
Milwaukee
Lake Michigan
Lansing
Detroit
Windsor
Lake Erie
Iowa
Chicago
Des Moin
180 minutes
Nebraska
Cleveland
Lincoln
Pittsburgh
Illinois
Illinois
Indiana
Ohio
Columbus
UNITED STATES
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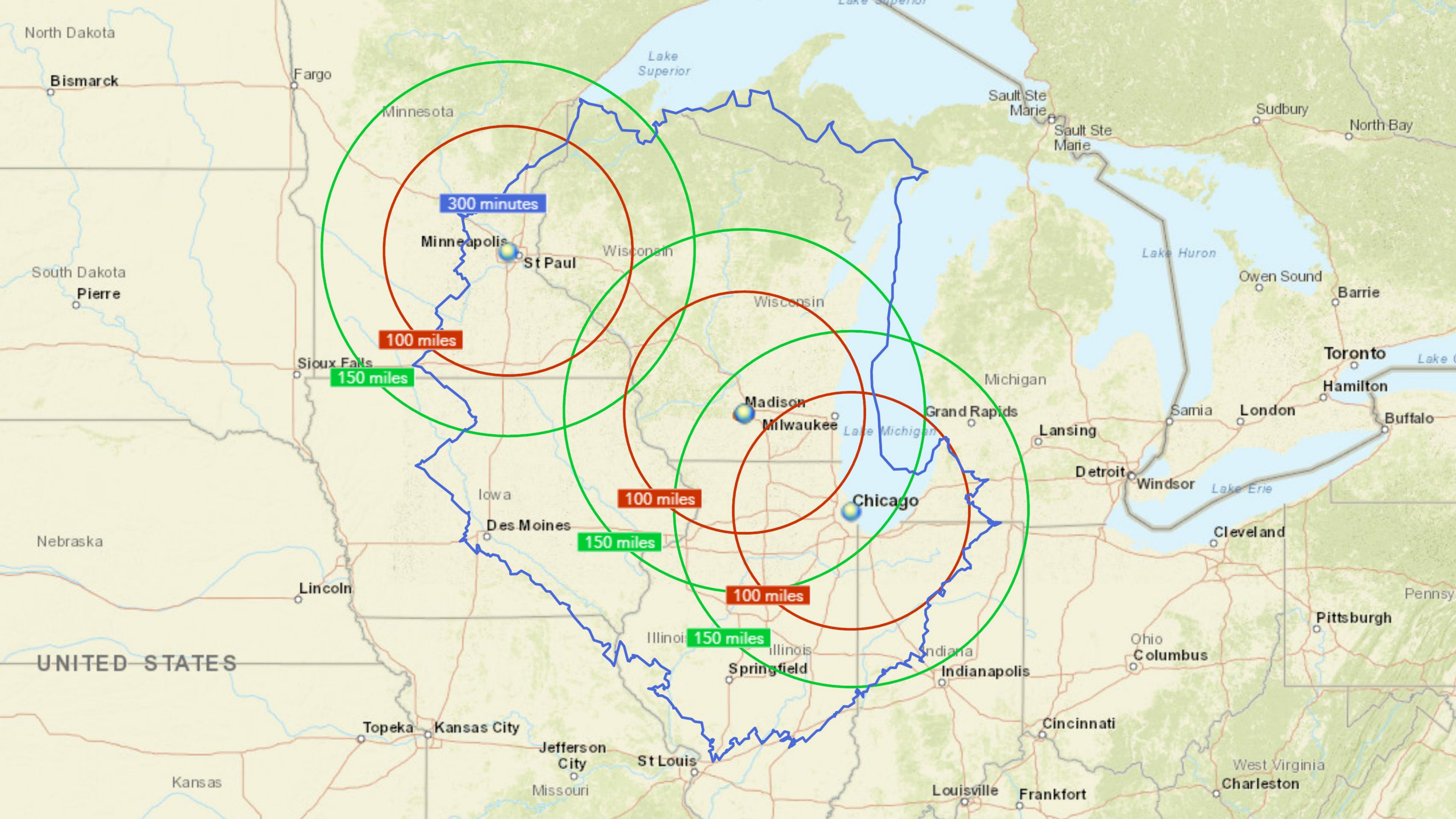
Frankfort
Wichita



North Dakota
Bismarck
Fargo
Minnesota
Lake Superior
Sault Ste Marie
Sault Ste Marie
Sudbury
North Bay
300 minutes
Minneapolis
St Paul
Wisconsin
South Dakota
Pierre
Lake Huron
Owen Sound
Barrie
Wisconsin
100 miles
Sioux Falls
150 miles
Toronto
Michigan
Hamilton
Madison
Milwaukee
Lake Michigan
Grand Rapids
Lansing
Sarnia
London
Buffalo
Detroit
Windsor
Lake Erie
Iowa
100 miles
Chicago
Des Moines
Nebraska
150 miles
Cleveland
Lincoln
100 miles
Pittsburgh
Illinois
150 miles
Illinois
Indiana
Ohio
Columbus
UNITED STATES
Springfield
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Jefferson City
St Louis
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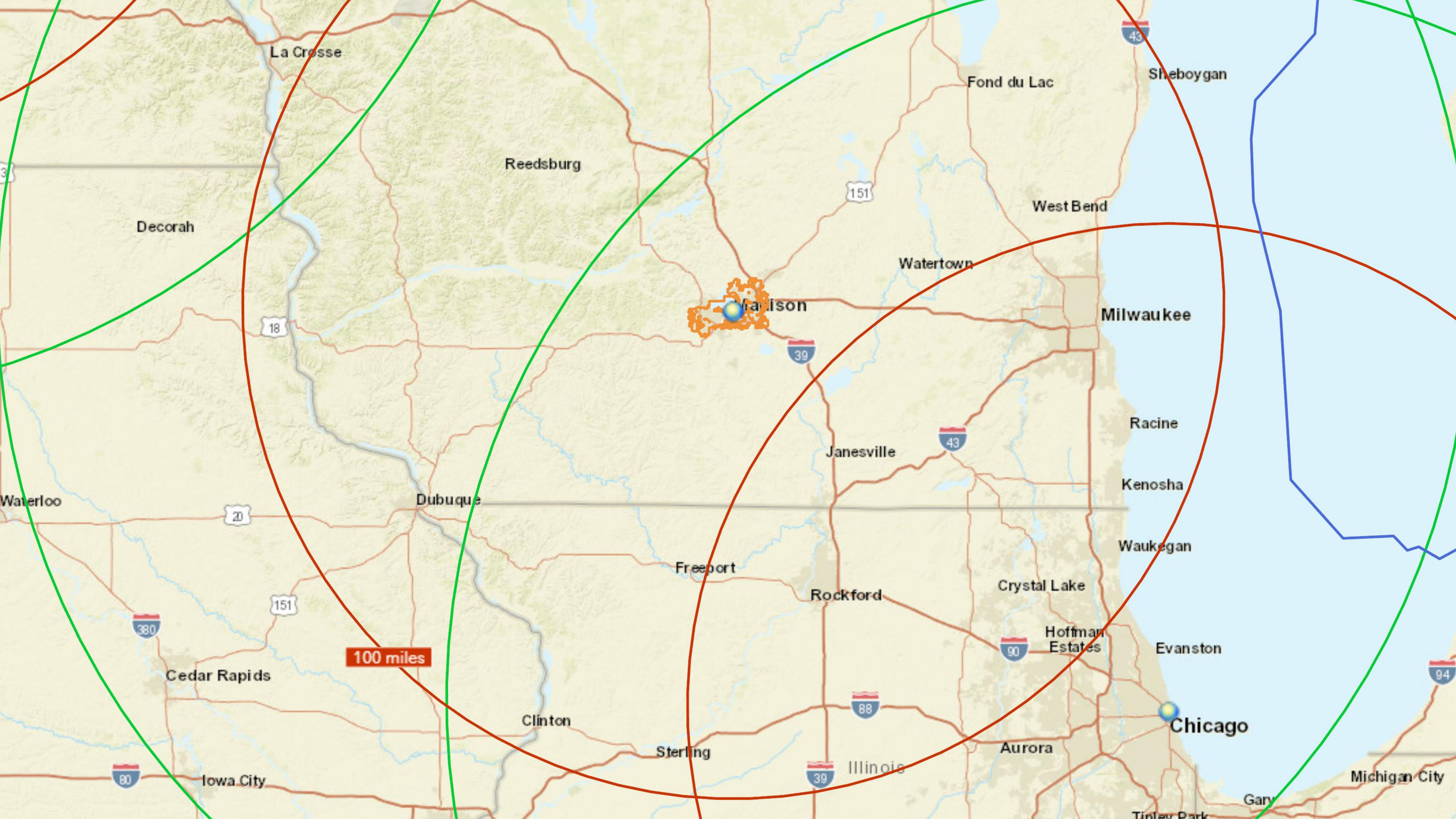
West Virginia
Charleston
Louisville
Frankfort



La Crosse
Fond du Lac
Sheboygan
Reedsburg
151
West Bend
Decorah
Watertown
Madison
Milwaukee
18
39
Racine
43
Janesville
Kenosha
Waterloo
Dubuque
20
Waukegan
Freeport
Rockford
Crystal Lake
151
Hoffman Estates
380
90
Evanston
100 miles
Cedar Rapids
94
88
Chicago
Clinton
Sterling
Aurora
80
Iowa City
39
Illinois
Michigan City

How Do We Move Forward?

Adopting a systems approach to new development

Leading customer trends

Creating flexible real estate environments

Investing in Technology

Building shared and scalable systems that are tech friendly

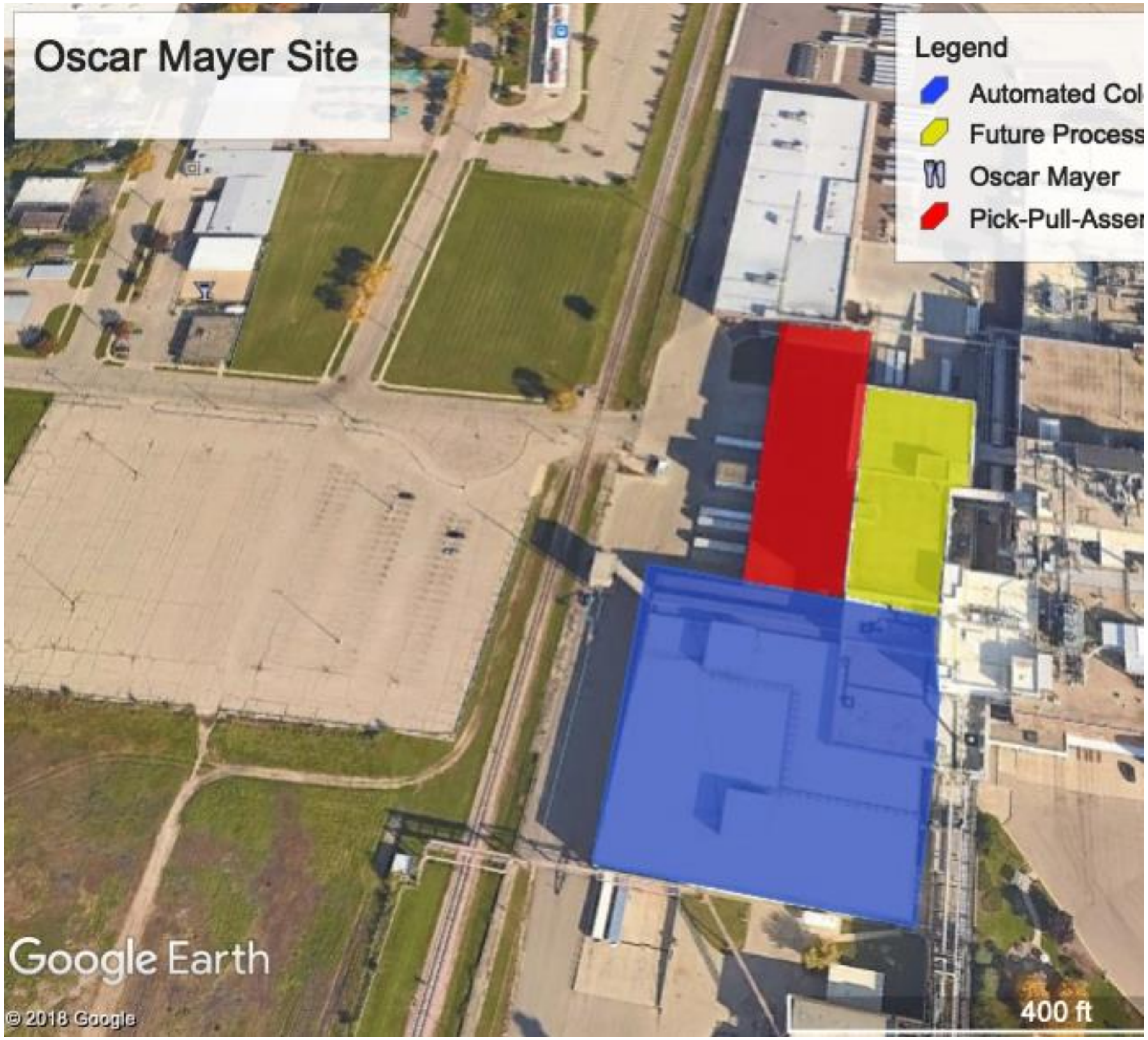
Supporting nimble, crossover business platforms

Industry Facing Products

Real Estate Solutions

- Warehousing
  - Preconditioning
  - Long-term crop storage
  - Automated storage facilities
  - Pick and pull
  - Repacking/club pack
  - Order fulfilment
  - LTL Assembly
  - GFSI, FSMA and BRC compliant
  - Food waste recovery system
- Processing
  - Single user Gluten Free Processing facility
  - Multi-user commissary
    - Modified Atmosphere Packing
    - Individual Quick Freeze
    - Cut and wrap
    - USDA processing
    - Fermentation
  - Functional foods
    - Clean room processing/packing
    - Lab services

Oscar Mayer Site



Additional Location Criteria

Up to 100,000 square feet of high cube (50’ plus) Warehouse

Zoned for ambient, cold, and freezer

Floor sloped and drained, as needed

Narrow aisle, automated racking

Pick and pull center

Load assembly area

Up to 50,000 of flex manufacturing

Interstate adjacency

28’ or higher

Floor sloped and drained, as needed

Flex units ranging from 2,000 sf to 20,000 sf

Additional Features

- Shared offices
- Meeting and conference space
- Lab
- Retail

Technology Solutions

- Multi-tenant application
  - Inventory management
  - Logistics planning
  - Transactions
  - Traceability
  - Transparency
  - Recall

- Distributed ledger/blockchain
- RFP – Bid center
- Trucker – jobber dispatch
- Retail integration

Business Services

Trucking and Logistics Support

- Local distribution
- Long haul load consolidation

Merchandising and Category Management Support

- In-store stocking and support
- Promotional activities
- Collaborative marketing

Training

- Food entrepreneur
- Food worker

Collaborative Brand Development

- Audience segmentation
- Advanced advertising using RCS and SMS
- Journey mapping

Consumer Facing Products

Consumer Interface

Mobile Application

- White face/Multi-tenant
- Imbedded augmented or virtual reality experiences
- AI to track preferences
- Transaction enabled
- Linked to distribution and logistics module

Last Mile Lockers and Vending

- Meals and meal kits
- A la carte orders

Corporate stores and catering

“Click and Collect” Market Units

Next Steps

- Complete interviews 7-18
- Complete draft report and business cases 8-2
- Hold listening session on draft business cases 8-12 to 8-23
- Complete business case by Fall 2019