

# Salina Community EDO (KS)

Target Industry Update and  
Business Case Development

Executive Summary Report –  
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**Provided to:**

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## OBJECTIVE & KEY THEMES

The objective of this project is to refine existing target industries (pictured to the right) to identify opportunities to drive future industry growth and diversification in Salina and the region. This will include looking at the impacts of Covid on Salina’s main industries, as well as new industry sub-sector opportunities that may arise from the pandemic.

Target Industry	Subsectors of Focus	Comments
Agribusiness and Supply Chain	<ul style="list-style-type: none"> <li>• Crop Production (NAICS 111000)</li> <li>• Animal Production and Aquaculture (NAICS 112000)</li> <li>• Other Animal Food Manufacturing (NAICS 311119)</li> <li>• Animal (except Poultry) Slaughtering (NAICS 311611)</li> <li>• Farm Machinery and Equipment Manufacturing (NAICS 333111)</li> <li>• Farm and Garden Machinery and Equipment Merchant Wholesalers (NAICS 423820)</li> <li>• Grain and Field Bean Merchant Wholesalers (NAICS 424510)</li> <li>• Livestock Merchant Wholesalers (NAICS 424520)</li> <li>• Farm Supplies Merchant Wholesalers (NAICS 424910)</li> </ul>	<p>Companies in these industries would benefit from the strong agriculture and manufacturing history in the region, as well as the availability of water. Additionally, Salina’s proximity to Western Kansas is highly advantageous.</p> <p>Food manufacturers who are looking to have a regional presence with access to markets, such as Denver, Salt Lake City, Oklahoma City, etc. would benefit from the location and distribution assets of the region. Moreover, the presence of the Bulk Solids Research Center may provide value to this industry. The center can offer strategic partnerships with industries focused in the bulk solid industry or related supply chain.</p>
Aerospace	<ul style="list-style-type: none"> <li>• Aircraft Manufacturing (NAICS 336411)*</li> <li>• Aircraft Engine and Engine Parts Manufacturing (NAICS 336412)</li> <li>• Other Aircraft Parts and Auxiliary Equipment Manufacturing (NAICS 336413)</li> <li>• Other Support Activities for Air Transportation (NAICS 488190)</li> <li>• Other Airport Operations (NAICS 488119)</li> </ul> <p><i>*Note: Aircraft Manufacturing includes the manufacturing of drones.</i></p>	<p>Although this industry did not show up strongly through the NAICS code analysis, Salina has a number of assets to support this industry, including good highway access, an under-leveraged airport, and a strong aerospace program at Kansas State Polytechnic.</p> <p>More specific aerospace industries are included in the identified subsectors. This includes areas of focus like aircraft interior manufacturing, avionics, maintenance repair operations, etc.</p>
Distribution	<ul style="list-style-type: none"> <li>• Distribution related to any of the identified target industries</li> <li>• Aircraft Merchant Wholesalers (NAICS 423860)</li> </ul>	<p>Saline County sits on two Interstates, I-70 and I-135, and within a 500 mile radius, companies in Salina can reach large regional markets, including Dallas, St. Louis, Denver, Oklahoma City, and Kansas City, among others.</p>

During the virtual on-site analysis, Ady Advantage conducted a variety interviews, roundtables, surveys, and stakeholder sessions to gain direct input. Key themes were identified through all these means of input, aggregated together and analyzed. Questions aimed to understand the area’s competitiveness related to operating conditions and operating costs along with key opportunities around talent, partnerships, growth, etc. The questions also aimed to understand barriers to growth and other challenges employers and talent may experience. The following themes emerged:

1. The Salina region has a **robust product pipeline**, with a large number of sites and buildings available for businesses looking to relocate or expand. This is especially true as it relates to **sites that are suitable for industrial development**. Sites are generally quite shovel-ready, with flat terrain and utilities and infrastructure already in place or close by. There are many **sites located near the Airport**, making it ideal for the aerospace industry and other industries that benefit from proximity this asset.

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## KEY THEMES

2. Stakeholders expressed a **mixed view for the growth potential of the three target industry clusters**, expressing a very positive outlook for the aerospace cluster, a somewhat neutral to positive outlook for the agribusiness and supply chain cluster, and a somewhat pessimistic to neutral view for the distribution cluster.
  - A. Regarding the **aerospace sector**, stakeholders noted all the positive developments regarding **recent project interest and wins** and the new aerospace-related businesses choosing to locate in the Salina area. There is a **strong aerospace talent pipeline** from the education institutions in the region. Additionally, the **Salina Regional Airport** is an immense asset which features some of the longest runways in the country. Overall, aerospace was viewed as having the strongest growth potential.
  - B. Regarding the **agribusiness and supply chain sector**, stakeholders noted that while they had viewed less notable activity in this cluster in the immediate Salina area, they understood it to be a **critical industry for the broader region and the state of Kansas**. Data from the market assessment shows that agribusiness continues to maintain a strong concentration for the greater Salina region, and growth is projected.
  - C. Regarding the **distribution sector**, stakeholders noted that intuitively distribution makes a great deal of sense for Salina. The region has **strong transportation assets, most notably road and interstate infrastructure, but also rail and the airport**. However, stakeholders noted how much of the activity in the **distribution industry seems to gravitate to the bigger metro areas like Kansas City and Wichita**. Stakeholders questioned the viability of the distribution industry in the Salina area as industry trends change and evolve. Data from the market assessment shows that growth is projected for the transportation and warehousing.
3. **Employers in the Salina region continue to experience workforce challenges**. Until recent years, Salina had experienced relatively steady population and labor force growth which helped to alleviate the workforce shortages experienced by employers. The **COVID-19 pandemic has exacerbated the workforce challenges** as employees are routinely forced to quarantine due to exposure incidents or become sick themselves. This is **especially challenging for production-related occupations** that make up a significant portion of the backbone of the Salina region economy, and who do not have the ability to work from home as other occupations and industries may be able to.
4. The **downtown of Salina is an immense asset** to the community and features **many amenities that contribute to the quality of life**. Such amenities include the community theatre, the theatre for performing arts, the art center, and the bowling alley arcade, just to name a few. The downtown has experienced **significant construction and renovations** in recent years, showing a willingness from the community to re-invest in itself.

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5. As noted in the previous key theme, the Salina region offers an exceptional quality of life. However, this quality of life is **little known outside of the Salina region**. There is a growing recognition that historically Salina has done a **poor job of messaging and communicating and telling its story to the outside world**. In response to this, Salina launched **the Imagine Salina campaign** earlier this year. While it was unfortunate that this timing coincided with the onset of the COVID-19 pandemic which has stalled its progress, the Imagine Salina campaign is a great start towards addressing this challenge. It provides a **strong foundation that can be built upon** towards telling a positive narrative of the Salina region and ultimately talent attraction.
6. **Housing is a challenge** in the Salina region that is currently constraining full growth and development potential. There is increasing **scarcity in available housing that is suitable and affordable** for the low-skilled and semi-skilled workers, as well as entry level salaried professionals. As with most communities across the country, developers are primarily interested in the development of high-end housing projects, and not the entry to middle-tier level housing that is needed. The scarcity of housing that is suitable and affordable for workforce is a **deterrent to the Salina region's ability to capitalize on attracting and retaining talent**, including the growing segment of remote workers.
7. The **availability and affordability of childcare in the Salina region is a significant challenge**. While COVID-19 has exacerbated the childcare challenges in the region, these challenges pre-dated the pandemic and will continue post-pandemic if left unaddressed. This issue is contributing to **the talent retention and workforce challenges experienced by employers** in the region. There is a growing recognition from employers and stakeholders in the region that the scarcity of childcare is an **economic constraint for the region**, and that employers may have to play a more proactive role in addressing the childcare issue if they wish to alleviate their workforce challenges.

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8. There seems to be a relatively **fair amount of alignment between stakeholders and partners** in the Salina region. There is a sense that in the not-so-distant past there had been some degree of misalignment and strife between economic development partners, and although this is not necessarily forgotten there is greater consensus that today the City, County, Salina Community EDC, and other economic development partners work fairly well together. In particular, **the three higher education institutions are well aligned** and have little overlapping programming that could cause competition.
9. **Kansas Wesleyan University, Salina Area Technical College, and Kansas State University Polytechnic Campus are major talent pipeline assets** to the Salina region. Not all communities the size of Salina have access to both a 2-year college and a 4-year university right within their own backyard. Additionally, the Polytechnic campus provides **specialized vocational training that aligns with the aerospace target industry**. Employers noted their appreciation for the work these education institutions do and the programming and training they provide to their businesses. The three aforementioned institutions do an **exceptional job collaborating**, and there is little overlapping programming or competition amongst them.
10. There is a perception among many stakeholders that historically, Salina's employers were collectively **paying wages that were somewhat uncompetitive**, which likely had a detrimental effect on the Salina region's ability to attract and retain talent. This perception is supported by data from the market assessment of this report, which shows that in general Saline County wages are lower than the greater region and considerably lower than the state or national averages. Many speculated that the reason Salina has won some recent projects and new employers is that the lower wages in the region provided these businesses the confidence in the knowledge that they could locate in the region and pay wages that were higher than the region but still competitive relative to the national average. This would translate to their **ability to attract and retain top tier talent** in the region. It should be noted that wages in the region have started to increase over the past couple of years, likely due to the low nationwide unemployment rates. Wage increases will likely continue to accelerate as **new competition and pressure for workforce is driven by these new employers locating in Salina**.

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## TARGET INDUSTRY REFINEMENT

Ady Advantage conducted thorough research on the existing target industries and all potential subsectors. Ady Advantage prioritized these subsectors based on the key screening criteria from the previous section. These key screening criteria include the following:

- Projected growth in the greater region over the next 5-year period
- Projected growth in the US over the next 5-year period
- Life cycle stage
- Concentration
- Technology Change
- Capital Intensity
- Revenue Volatility
- 2020 Driver Direction
- Regulation and Policy Level & Trend
- Industry Assistance Level & Trend

The weighting of the key screening criteria above in the sub-sector prioritization process is different for each target industry, dependent on the input from Salina Community EDO leadership as to what it considers the most important factors to consider. Those key screening criteria deemed higher in importance for a particular target industry correspondingly received a higher weighting in the sub-sector prioritization process.

An additional layer of qualitative analysis was applied in the prioritization process, based on our industry experience and expertise. This qualitative analysis can be found in the summaries for each target industry accompanying the ranking of the sub-sectors. It is also reflected in the priority tier level assigned to each sub-sector, where Ady Advantage further categorized the sub-sectors into Tier A and Tier B based on our assessment of priority based on these qualitative factors and inputs. It is important to note that all sub-sectors shown here are stars and opportunities for the Salina region, and even those sub-sectors assigned as Tier B still show competitive potential.

As a result of this analysis, we recommend the industries and sub-sectors as prioritization targets for the Salina region on the following pages. Regional and refined target industry positioning and business case development can be found in the later in the report.



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## AGRIBUSINESS AND SUPPLY CHAIN PRIORITIZATION

In Ady Advantage's assessment, Agribusiness and Supply Chain is an industry that offers opportunity for the Salina region. As noted earlier in the report, while there is less activity in this cluster in the immediate Salina area, it is a critical industry at a regional and state level and there are synergies that can be created with the broader region and state economies and supply chains. Additionally, the target industry analysis data shows that the agribusiness industry continues to maintain a strong concentration and growth in the greater Salina region. Sub-sector prioritization below focuses on the animal and crop production and processing operations, and business recruitment efforts should focus on trying to build out the full value stream for the agribusiness cluster. This includes both the production of the raw materials already produced in the region, as well as increasing value-add processes to those raw materials and producing end consumer products.

Target Industry Sub-Sector	Sub-Sector Prioritization Score	Assigned Priority Tier
Animal (except Poultry) Slaughtering (NAICS 311611)	32	Tier A
Crop Production (NAICS 111000)	30	Tier A
Other Animal Food Manufacturing (NAICS 311119)	29	Tier A
Livestock Merchant Wholesalers (NAICS 424520)	29	Tier B
Flour Milling (NAICS 311211)	27	Tier A
Grain and Field Bean Merchant Wholesalers (NAICS 424510)	27	Tier B
Crop Harvesting, Primarily by Machine (NAICS 115113)	26	Tier A
Farm Labor Contractors and Crew Leaders (NAICS 115115)	26	Tier B
Soil Preparation, Planting, and Cultivating (NAICS 115112)	25	Tier A
Support Activities for Animal Production (NAICS 115210)	21	Tier A

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## AEROSPACE PRIORITIZATION

In Ady Advantage’s assessment, Aerospace is an industry with significant opportunity for the Salina region, but also with an uncertain national outlook at the current moment. As noted earlier in the report, Salina has had recent project activity and wins within the aerospace industry, and thus a proven record of recent success. However, commercial activity in this industry nationally has taken a massive hit from COVID-19, and even under the best of projections is not anticipated to fully rebound for at least a few years. Freight and defense should be the higher priorities for the Salina region, at least in the short-term. There may be opportunities for Salina to leverage the educational assets in the region to position itself as a technology and innovation hub for the aerospace industry, particularly around automated planes, software development and analytics. Sub-sectors below marked as a higher priority can support both the defense industry, as well as other manufacturing opportunities in the Salina region. Those sub-sectors marked as a lower priority tier are predominantly commodity-based products and/or are sub-sectors less closely related with the aerospace industry; however, they can still support aerospace and should continue to be considered from that perspective.

Target Industry Sub-Sector	Sub-Sector Prioritization Score	Assigned Priority Tier
Fabricated Pipe and Pipe Fitting Manufacturing (NAICS 332996)	32	Tier A
All Other Miscellaneous Fabricated Metal Product Manufacturing (NAICS 332999)	32	Tier A
Other Airport Operations (NAICS 488119)	32	Tier A
Bolt, Nut, Screw, Rivet, and Washer Manufacturing (NAICS 332722)	31	Tier B
Aircraft Manufacturing (NAICS 336411)	31	Tier A
Aircraft Engine and Engine Parts Manufacturing (NAICS 336412)	31	Tier A
All Other Plastics Product Manufacturing (NAICS 326199)	30	Tier B
Ornamental and Architectural Metal Work Manufacturing (NAICS 332323)	29	Tier B
Other Industrial Machinery Manufacturing (NAICS 333249)	29	Tier A
Storage Battery Manufacturing (NAICS 335911)	29	Tier B
Fabricated Structural Metal Manufacturing (NAICS 332312)	28	Tier A
Construction Machinery Manufacturing (NAICS 333120)	28	Tier B
Other Support Activities for Air Transportation (NAICS 488190)	27	Tier A
Machine Shops (NAICS 332710)	26	Tier B
Industrial Valve Manufacturing (NAICS 332911)	26	Tier B
Rolling Mill and Other Metalworking Machinery Manufacturing (NAICS 333519)	25	Tier B
Conveyor and Conveying Equipment Manufacturing (NAICS 333922)	25	Tier B

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## DISTRIBUTION PRIORITIZATION

In Ady Advantage’s assessment, distribution is an industry that offers opportunity for the Salina region, particularly as it relates to supporting the supply chain of other recommended target industries. As noted earlier in the report, the region has strong transportation assets, including road, interstate, rail, and the airport. It is true that on a macro level the distribution industry has traditionally gravitated towards the larger metro areas, but the target industry analysis data shows that select sub-sectors of the distribution industry have shown growth in the region and can support the supply chain of other industry clusters at a regional level. We can also see increasing pressures for same-day delivery, which is driving the emergence of more physical locations, including in smaller markets like that of Salina. This opens up further opportunities in this industry in the long-term. Focus should be on further cultivating clusters in these areas and leveraging downstream opportunities, and sub-sectors have been prioritized below accordingly. Additional sub-sectors have been added below to further build out the distribution cluster and support other target industry clusters, please see the footnote for additional detail regarding this.

Target Industry Sub-Sector	Sub-Sector Prioritization Score	Assigned Priority Tier
Local Messengers and Local Delivery (NAICS 492210)	25	Tier B
Other Support Activities for Air Transportation (NAICS 488190)	23	Tier A
General Warehousing and Storage (NAICS 493110)	23	Tier A
Farm Product Warehousing and Storage (NAICS 493130)	21	Tier A
General Freight Trucking, Long-Distance, Truckload (NAICS 484121)	20	Tier A
Rail Transportation (NAICS 482110)	*	Tier B
General Freight Trucking, Local (NAICS 484110)	*	Tier B
General Freight Trucking, Long-Distance, Less Than Truckload (NAICS 484122)	*	Tier B
Specialized Freight (except Used Goods) Trucking, Local (NAICS 484220)	*	Tier B
Specialized Freight (except Used Goods) Trucking, Long-Distance (NAICS 484230)	*	Tier B

*\*Select sub-sectors that were not stars or opportunities have been added to the prioritization recommendations above. These sub-sectors were included to build out the distribution cluster further, and while they currently have projected negative growth ahead they support other industry clusters and associated opportunities. Accordingly, they are assigned as a Tier B priority rather than a Tier A.*

Thank You!