

## **20. Rural Grocery Initiative**

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*Hikaru Peterson is Professor and Undergraduate Program Director in the Department of Agricultural Economics at Kansas State University. Her research area spans the entire food and agricultural supply chain, examining the consumers' preferences and producers' decisions to respond to them. She has been devoting her recent research efforts on the issues of sustainable food and agricultural systems in rural America. In particular, she has been actively collaborating with the Rural Grocery Initiative at Kansas State University, led by the Center for Engagement and Community Development.*

### **Abstract/Summary**

*Rural communities struggle to sustain core economic, nutritional, and civic needs as they battle economic and demographic forces of decline. A central piece of the infrastructure sustaining rural regions is the small-town, independently-owned grocery store. These stores are a vital piece of the local food system, providing a supply of fresh fruits, vegetables, dairy, breads, grains, and meats. They are a cornerstone business functioning as an important part of the economic engine that drives rural regions of our country. These stores are also important community assets, serving as community recruitment and retention tools and functioning as sites where social capital is built. Yet, almost daily, another of these small businesses shuts its doors and calls it quits. The Rural Grocery Initiative at Kansas State University was launched in 1997 to identify and develop models to sustain retail sources of food for rural Kansas citizens. This session will share the Initiative's recent research and outreach efforts and asks the audience to share stories about their community needs.*

# Rural Grocery Initiative

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Risk & Profit Conference 2013

## Outline

- Why rural groceries?
- About the Rural Grocery Initiative
- Research & outreach activities—past, current & future
- Grocery stores in your community

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## Role of grocery stores in rural America

- Economic development
  - Rural grocery stores are an important driver of local economy
- Food access
  - Rural grocery stores provide a primary source of nutritious foods
- Social infrastructure
  - Rural grocery stores provide local, civic, and social meeting spaces



## Economic development

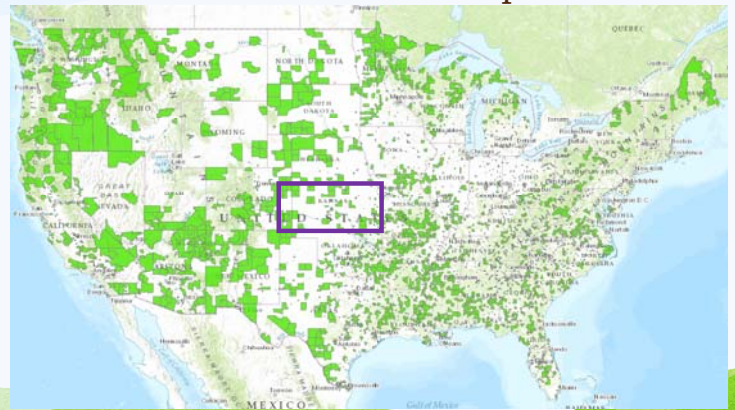
- Grocery stores hire local people
  - On average 14 jobs (5 full time, 9 part time)
- Grocery stores generate local sales taxes
  - On average 20%
- Locally-owned, small business has a large economic multiplier



## Food access

- 2.3 million rural citizens live in “food deserts”
  - Economic disadvantage: 20% of population is below the poverty level
  - Low access: 33% of population resides more than 10 miles from a super market or large grocery store
- Rural areas suffer the highest obesity rates in the nation

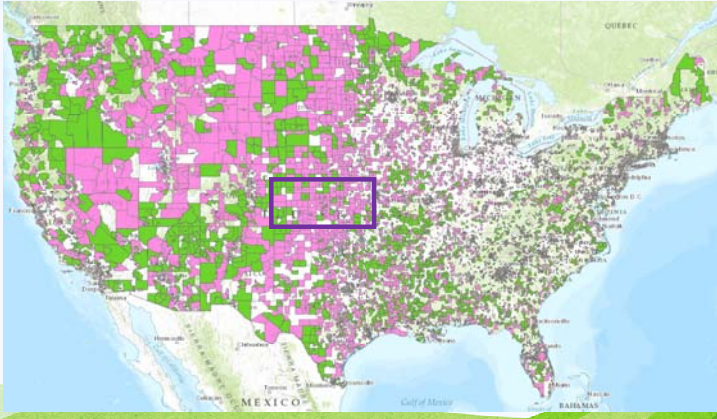
## Food desert map



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## Food desert + low access



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## Food access

- Rural grocery stores offer more healthy foods, at lower cost, than rural convenience stores
- Rural grocery stores are often distribution point for locally-sourced foods
- Prevalence of grocery stores in non-metro counties is inversely associated with incidence of obesity

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## Social infrastructure

- Grocery stores offer place for people to interact:
  - Socializing
  - Information sharing
  - Grassroots activism

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## Plight of rural grocery stores

*If things do not change soon, the **owners of our local grocery store** are probably going to put the "For Sale" sign up and close. They are in immediate **danger of bankruptcy** and if there is any way we can work with you to change that situation, I would be grateful. I know **this is the same story in so many rural towns in Kansas** and I am very pleased to see the effort being put forth to work on this project. – County Economic Development Director*

*I received the letter from you about a program to address the needs and concerns of rural grocery stores. This is an area of **huge need** and should be approached with the **greatest urgency**. Store owners need to address issues such as cooperative buying, central buying through one store then redistributing, etc. This is a very valiant effort to address a serious problem facing rural independent stores. I would hope that combining your resources and efforts with others will bring about some much needed change. – Rural Grocery Store Owner*

## Rural Grocery Initiative @ K-State

- Center for Engagement & Community Development (CECD)
  - Mission: To connect the resources and expertise of Kansas State University to the significant issues of public need facing Kansans and communities worldwide.
- USDA Rural Business Opportunity Grant 2007
- Focus on communities with less than 2,500 pop.

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## Rural Grocery Initiative @ K-State

- Initial goals:
  1. Identify challenges facing rural grocery stores
  2. Develop responses to the challenges
  3. Identify & detail sustainable business models of groceries
  4. Build virtual & face-to-face information networks for rural grocers

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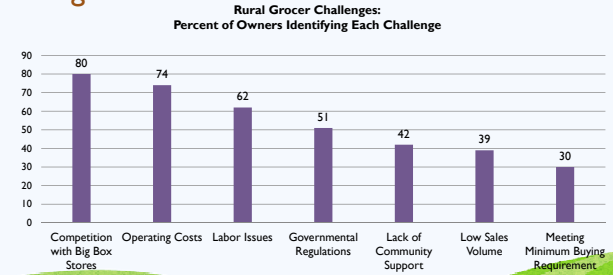
# Network for rural grocery stakeholders

- Database of rural grocery stores in KS
- [www.ruralgrocery.org](http://www.ruralgrocery.org)
- Rural Grocery Summit 2008, 2010, 2012, 2014

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# Rural grocery challenges

- Survey of 213 store owners in KS, 2008
- Top 7 challenges



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# Search for viable strategies

- USDA AFRI Grant 2012
- Focus on 3 strategies:
  1. Sales of local foods
  2. Institutional sales
  3. Community involvement
- Continue to facilitate conversation among stakeholders

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# Case study of 5 stores/communities

1. Cuba, KS
2. Minneola, KS
3. Sedan, KS
4. Smith Center, KS
5. Hebron, NE



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# Cuba, KS—Cuba Cash Store

- Pop. 156
- Republic County
- Working relationships with local institutions, including schools, prisons, restaurants, and senior centers
- Known for their Czech heritage meats and catering
- The owners own a restaurant a few doors down from the store

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# Minneola, KS—Home Town Market

- Pop. 745
- Clark County
- Community-owned with a hired manager and governing board—the community sold 4,000+ shares of \$50 to reopen their grocery store in 2012
- Manager left the store after our interview



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## Sedan, KS—Floyd’s Market

- Pop. 1,306
- Chautauqua County (county seat)
- Working relationships with local institutions

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## Smith Center, KS—Gene’s Heartland Foods

- Pop. 1,700
- Smith County (county seat)
- Working relationships with local farmers
- One of 11 stores owned by a family; locally managed

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## Hebron, NE—Central Market

- Pop. 1,600
- Thayer County (county seat)
- Working relationships with local farmers

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## Store owner interviews, 2012

- Scale difference in strategies
- Sedan, Smith Center, Hebron
  - County seats, pop. 1,300+
- Cuba & Minneola
  - Pop. < 1,000

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## Minimum purchase requirement

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>• Sedan, Smith Center, Hebron<ul style="list-style-type: none"><li>• No concern</li><li>• Institutional sales is for good will to the community</li><li>• Working with local farmers is feasible</li></ul></li></ul> | <ul style="list-style-type: none"><li>• Cuba &amp; Minneola<ul style="list-style-type: none"><li>• Constantly monitored</li><li>• Actively seek out institutional accounts</li><li>• No room to work with local farmers</li></ul></li></ul> |
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## Role of café/deli

- |   |   |
|---|---|
| <ul style="list-style-type: none"><li>• Helps absorb shrinkage</li><li>• Sedan, Smith Center, Hebron<ul style="list-style-type: none"><li>• Not as critical to minimize shrinkage</li><li>• Making sure doesn’t cannibalize other local businesses</li><li>• Mutually beneficial relationship with local eateries</li></ul></li></ul> | <ul style="list-style-type: none"><li>• Cuba &amp; Minneola<ul style="list-style-type: none"><li>• In-house</li><li>• Brings additional customers</li><li>• Venue for socializing</li></ul></li></ul> |
|---|---|

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## Meat counter

- Custom meats differentiate them from big box stores
- Sedan, Smith Center, Hebron
  - Not obvious
- Cuba & Minneola
  - Showcase
- Specialized skill → challenges for succession

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## FEAST workshops, 2013

- “Food, Education, Agriculture Solutions Together”
- Oregon Food Bank
- Community organizing process for participants to engage in an informed and facilitated discussion about food, education and agriculture in their community, and begin to work toward solutions to help build a healthier, more equitable, and more resilient local food system

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## Consumer survey, 2013

- All postal patrons in 5 counties
  - Distributed in June
  - 1,400+ returned to date
- Questions on:
  - Grocery shopping behavior (store choice)
  - Social capital

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## Search for viable strategies (cont'd)

- Offering nutrition scores at point of sales
- Education on healthy grocery shopping
  - Collaboration with [Affiliated Foods Midwest](#) & [NuVal](#)



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## Models of grocery operation

- School-based enterprise (Leeton, MO; Cody, NE; Rothsay, MN)
- Community owned (Minneola, KS; Walsh, CO)
- Public / private partnerships (Onaga, KS; St. Paul, KS)
- Cooperatives (Kiowa, KS)
- Sole proprietorships (Hebron, NE; Jetmore, KS)
- 501(c)3 (Plains, KS; Morland, KS)

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## Food distribution dialogue, 2013

- Long-term goal: to establish a workable model for small rural community food distribution
- Participants (24):
  - Resource agencies, cooperatives, rural development non-profits, universities, grocery owners, food distributors, local growers

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# Critical barriers & ways forward

## Barriers

- Operating costs/logistics
- Having necessary volume
- Local buy-in
- Limited product offering
- Competition from big box stores
- Geographic distance
- Lack of network/communication
- Regulations
- Lack of local entrepreneurs
- Local buying power
- Owner burnout

## Priorities moving forward

- Education (consumers & store owners)
- Having enough volume (profitability)
- Resilient regional food system
- Lower operating costs
- Regulatory infrastructure to support rural economies