



Consumer Focus

► by *Mary Lou Peter, Kansas State University*

Researcher takes close look at five rural grocery stores

It's odd to think about a lack of fresh, nutritious foods in the midst of thousands of acres of wheat, soybeans and other food crops, but rural communities across the country are having a hard time keeping their grocery stores open. Kansas State University (K-State) ag economist Hikaru Peterson is taking a closer look at the problem that's as pervasive in Kansas as it is in other states. What she's found are significant challenges for rural grocery stores, and those challenges can differ depending on the size of the community. She also found that some have taken innovative steps to keep stores viable, even in the smallest of communities.

Each has its own story

Peterson's latest work as part of the Rural Grocery Initiative (www.ruralgrocery.org) was to take an in-depth look at five grocery stores in the rural Kansas communities of Cuba, Sedan, Smith Center and Minneola, and in Hebron, Neb. The study, initiated in 2012, was funded by a USDA Agriculture and Food Research Initiative (AFRI) grant.

Despite challenges common to many rural stores, she found that, like the communities themselves, each of the five grocery stores surveyed had a unique story.

- **Cuba Cash Store** in Cuba, Kan. (Republic County), which has a population of 156, is known for its Czech-heritage meats and catering, and its owners own a restaurant in town, which creates a synergistic effect. The owners have built working relationships with local schools, prisons, restaurants and senior centers, which helps with the grocery store's minimum purchasing requirements from suppliers.
- **Home Town Market** in Minneola, Kan. (Clark County), with a population of 745, closed at one time but reopened in 2012 as a community-owned store with a hired manager and governing board. The community sold more than 4,000

shares at \$50 per share.

- **Floyd's Market** in Sedan, Kan., population 1,306 (Chautauqua County seat), also developed working relationships with local institutions.
- **Gene's Heartland Foods** in Smith Center, Kan., population 1,700 (Smith County seat), has developed working relationships with local farmers, and is one of 11 stores owned by one family that is locally managed.
- **Central Market** in Hebron, Neb., population 1,600 (Thayer County seat), also has developed working relationships with local farmers.

Size differences

"Grocers in the smallest rural communities, with fewer than 1,000 people, face different managerial challenges than those in small communities with populations of 1,000 to 2,500," Peterson said.

Stores in the larger communities were not so concerned with the minimum purchasing requirements imposed by wholesalers, and believed that working with local institutions such as schools, churches and other organizations to combine orders contributed to good will in the community.

Rural grocery business models are numerous, varied

When it comes to the way rural grocery businesses operate in rural communities across the country, one size does not fit all. Examples include:

- School-based stores in Leeton, Mo.; Cody, Neb.; and Rothsay, Minn.;
- Community-owned grocery stores in Minneapolis, Kan., and Walsh, Colo.;
- Public/private partnerships in Onaga, Kan., and Saint Paul, Kan.;
- Cooperative in Kiowa, Kan.;
- Sole proprietorships in Hebron, Neb., and Jetmore, Kan.; and
- 501(c)3 in Plains, Kan., and Morland, Kan.

More information about rural grocery stores is available at www.ruralgrocery.org.

Source: Rural Grocery Initiative – Center for Engagement and Community Development at Kansas State University.

They also have found ways to work with local farmers.

Conversely, stores in communities with populations of fewer than 1,000 felt they had to constantly monitor minimum purchasing requirements in order to get purchasing discounts. They had to work harder to actively seek out institutional accounts and did not believe they had room to work with local farmers.

The study showed that managers of stores in the 1,000-2,500 population category felt that having a café or deli in the store was beneficial, but not critical to absorb "shrinkage," which includes items unsold by the "sell by" date. They wanted to remain specialized in their grocery operations so that they did not take

Rural grocery facts and figures

Facts about grocery stores in rural U.S. communities include:

- The USDA defines a rural "food desert" as a census tract where 20% of the population is below the poverty level and 33% live more than 10 miles from a supermarket or large grocery store. That amounts to 2.3 million rural citizens who live in a food desert.
- The primary challenges rural grocers face are competition from big-box stores,

operating costs, labor issues, government regulations, lack of community support, low sales volume, and having to meet minimum buying requirements from suppliers.

- Rural grocery stores are an important economic driver in their communities and a primary source of nutritious foods.
- Grocery stores are part of the social fabric of a community, sometimes providing meeting places.
- Grocery stores hire local people, on

average creating 14 jobs (five full-time and nine part-time).

- Grocery stores generate local sales taxes — on average 20%. Locally owned small businesses such as grocery stores have a large economic multiplier effect.

More information about the Rural Grocery Initiative is available at www.ruralgrocery.org.

Source: Rural Grocery Initiative – Center for Engagement and Community Development at Kansas State University.

business away from other local businesses, and had a mutually beneficial relationship with local eateries.

Stores in the smaller communities (less than 1,000) viewed having a café or deli as being more important to their operations because they helped reduce shrinkage and brought in additional customers. They also viewed that part of the store as a venue for community socializing.

“Owners and managers of grocery stores in the smaller communities are serving their communities through ‘wearing many hats,’” Peterson said, in part to keep their stores in business.

All store owners and managers viewed having a custom meat counter as a trait that significantly differentiated them from big-box supermarkets where meats are generally pre-packaged. Stores in the smaller communities, in particular, featured their meat counter prominently.

Some stores are exploring whether serving shoppers by offering nutrition scores and other educational information at the point of sale could help their customers and their business at the same time.

In addition to competition from big-box stores within 30 miles of some communities, and smaller convenience stores often linked

to gas stations, an emerging competitor for rural grocery stores are what can best be described as “dollar stores,” Peterson said. That is particularly true in communities of 1,000 or more.

She and her colleagues are currently tabulating the responses of a survey sent in June to all postal patrons in a five-county area of Kansas. The survey will shed light on grocery shopping behavior. Preliminary results of the survey will be available this fall.



Editor’s Note: *This article is provided by K-State Research and Extension.*