

**Rural Grocery Stores are Key to Supporting Rural Community Health**

**Statement of  
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## **Rural grocery stores are vital to rural communities**

Across the country, rural communities face a multitude of challenges: declining and aging population, school consolidation, poor access to healthcare and broadband, and the list goes on.<sup>1</sup> Among those challenges is the all-too familiar story when a rural, independent grocery store shuts its doors the community loses out on yet another essential resource.<sup>2</sup>

In 2007, the Center for Engagement and Community Development at Kansas State University was founded to connect Kansas residents with resources generated by the university. A series of listening sessions were conducted to identify the critical needs of Kansans, and one theme that arose was a deep concern for the viability of their community's grocery store. As a result, the Rural Grocery Initiative was founded with the mission of sustaining locally-owned rural grocery stores in order to enhance community vitality and improve access to healthy foods by identifying, developing, and sharing resources that support grocers and rural communities.

## **Rural grocery stores provide key benefits**

The vitality of a rural community is directly linked to the viability of its local grocery store. Rural grocery stores play three key roles in their communities: they boost local economies, they support community health, and they promote community vibrancy.

### *Economic Development*

A survey of rural grocery stores in Kansas communities of 2,500 people and below showed that, on average, the rural grocery store contributes \$644,000 to the local economy annually.<sup>3</sup> This stems from the rural grocery store's contribution to the local tax base in sales and property tax dollars.<sup>4</sup> The average rural grocery store's payroll includes 17 employees, comprised of a mixture of full and part-time positions.<sup>5</sup> Rural grocers compliment other businesses in the town: they are top customers of the local water and electric utility, and when a grocery store closes, other local businesses are negatively affected.<sup>6</sup> Additionally, independent businesses, including rural grocery stores, return more than three times as much money per dollar of sales to the community as compared to their chain competitors. The independent retailer's greater impact on the local community can be attributed to local employment, purchasing items locally for sale at the store, contracting services from local companies, and donating to community causes.<sup>7</sup>

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<sup>1</sup> Dornauer and Bryce, "Too Many Rural Americans Are Living In the Digital Dark. The Problem Demands A New Deal Solution"; Warshaw, "Health Disparities Affect Millions in Rural U.S. Communities"; Pew Research Center, "Similarities and Differences between Urban, Suburban and Rural Communities in America."

<sup>2</sup> Keen, "Small Towns Try to Save Vital Grocery Stores"; Noori Farzan, "When a Deep Red Town's Only Grocery Closed, City Hall Opened Its Own Store. Just Don't Call It 'Socialism.'"; Young, "When Grocery Stores Close, Rural Food Deserts Turn To City-Owned Cooperatives."

<sup>3</sup> Miller, "The Economic Contribution of Rural Grocery Stores in Kansas."

<sup>4</sup> National Grocers Association, "Grocers Impact America."

<sup>5</sup> Clark, Tsoodle, and Kahl, "Rural Grocery Sustainability Project Owner Survey."

<sup>6</sup> Keen, "Small Towns Try to Save Vital Grocery Stores."

<sup>7</sup> American Independent Business Alliance, "The Local Multiplier Effect."

### *Community Health*

Rural grocery stores play a critical role in their community's health. Rural communities experience higher rates of obesity and other chronic diseases, and research shows that improving access to retail outlets with healthy food options is an effective strategy for combatting chronic disease.<sup>8</sup> Rural grocery stores also provide a greater variety of healthy foods at lower cost than their convenience store counterparts.<sup>9</sup> Additionally, rural grocery stores offer access points for federally funded nutrition programs like the Supplemental Nutrition Assistance Program (SNAP) and Women, Infants and Children (WIC) as well as nutrition incentive programs that double SNAP dollars for eligible recipients.<sup>10</sup>

### *Cultural Vibrancy*

Rural grocery stores are anchor institutions. They serve as community hubs and places where social capital is built.<sup>11</sup> The presence of a rural grocery store can be a critical factor in quality of life for a community and in resident retention and recruitment.<sup>12</sup>

### **The grocery industry is tough and it's even tougher for independent and rural grocers**

Nationally, the grocery industry sees profit margins between 1% and 3%.<sup>13</sup> For every \$100 in sales, a grocer is lucky to hold on to \$3 after covering inventory and operational costs like utilities and staffing. In addition to low profit margins, the grocery industry has continued to consolidate over the past three decades. The independent grocer has lost more and more of its share in the grocery industry, making it harder to compete. With their purchasing power, big box retailers are able to negotiate huge discounts and favorable terms from suppliers. As a result, customers are drawn to lower prices offered by chain competitors and away from rural and independent grocery stores. Single location stores, a category of store commonly found in rural areas, have lower average sales than chain stores.<sup>14</sup>

Operating costs are also difficult to control for rural grocers, as many stores are located in aging buildings. According to the latest Kansas Rural Grocery Survey, conducted by the Rural Grocery Initiative, 78% of rural grocery stores are located in buildings that are more than 30 years old and the majority of equipment and infrastructure in these buildings (refrigeration and HVAC) are over ten years old.<sup>15</sup> Renovating grocery stores to support efficient operations is of great importance for grocery stores to remain viable and is difficult to accommodate without external support due to aforementioned low profit margins.

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<sup>8</sup> Befort, Nazir, and Perri, "Prevalence of Obesity among Adults from Rural and Urban Areas of the United States"; Centers for Disease Control, "Adults Living in Rural Counties More Likely to Be Obese than Adults Living in Urban"; Centers for Disease Control, "Current Practices in Healthy Food Retail: Small Stores"; Procter et al., "The Need for Healthy Food Retail in Kansas."

<sup>9</sup> Liese et al., "Food Store Types, Availability, and Cost of Foods in a Rural Environment."

<sup>10</sup> Chrisinger, "Reconsidering the Supplemental Nutrition Assistance Program as Community Development."

<sup>11</sup> Center for Engagement and Community Development, "Groceries and Gatherings: Leveraging Community Social Capital to Increase Local Grocery Store Patronage."

<sup>12</sup> Janney, "As Population Shrinks, Morland Finds a New Way to Provide Groceries"; Tanner, "Humboldt Rebounded Once. Can the SE Kansas Town's Revival Weather the Pandemic?"

<sup>13</sup> Johnson, "The Industry Standard for Gross Margin in Groceries."

<sup>14</sup> Alex et al., "The Food Retail Landscape Across Rural America"; Zeballos and Sinclair, "USDA ERS - Retail Trends."

<sup>15</sup> Ramirez et al., "Rural Grocery Survey Preliminary Findings."

Tracking of retailers during the period between 1983 and 2021 shows that more than 4,200 grocery stores are estimated to have closed across the country<sup>16</sup> and many of these closures have affected rural areas. Nationally, the share of grocery stores in rural areas has decreased by 15% between 1990 and 2015.<sup>17</sup> Between 2008 and 2018, the Rural Grocery Initiative found that one in five rural grocery stores in Kansas shut their doors for good.<sup>18</sup>

In conjunction with this trend of store closures, an enormous sea change in rural grocery ownership is on the horizon. According to a recent study conducted by the Rural Grocery Initiative, rural grocers in Kansas are aging. Many have worked in the grocery industry for decades, and 40% plan to retire within the next five to ten years. Overwhelmingly, 81% of Kansas rural grocers do not have a plan in place to transition ownership of their grocery store.<sup>19</sup> Rural communities will lose out on the benefits of rural grocery stores if rural grocers cannot find a successor.

### **Rural grocery stores need local supports and national solutions**

Rural grocery stores need help if they are to continue playing the vital role of driving local economics, providing access to nutritious and affordable food, and promoting community vitality. While some solutions are already underway, additional support is needed to level the playing field.

#### *Local Solutions*

Fortunately, rural communities are flexing their creative muscles to develop innovative solutions to keep healthy food options in town. Just in Kansas, there are numerous examples of cooperative and non-profit rural grocery stores. As opposed to a single owner, some stores are run by municipalities and schools, while others leverage public-private partnerships to stay in business. These emerging models of shared ownership are reliant on strong partnerships, creative thinking, and community input. None of these models are set in stone, but components of each can be combined to create a new, unique model that fits the needs of individual communities.<sup>20</sup>

#### *State and National Supports*

Many existing federal programs have been utilized to support rural grocery store construction, renovations and owner transitions in Kansas. USDA Rural Development's Rural Economic Loan and Grant (RED-L/G) program has supported several communities that have lost their grocery store and needed to build anew. Perhaps one of the greatest success stories has been the work of the Kansas Energy Program in supporting small business energy assessments and applications to the USDA Rural Energy for America Program (REAP). USDA REAP has funded energy improvements at 30 rural Kansas grocery stores since 2016, equating to \$550,000 in grant

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<sup>16</sup> Cox, "By 2021, We'll Have Lost More than 4,000 Grocery Stores."

<sup>17</sup> Alex et al., "The Food Retail Landscape Across Rural America."

<sup>18</sup> Center for Engagement and Community Development, "Kansas Food First."

<sup>19</sup> Ramirez et al., "Rural Grocery Survey Preliminary Findings."

<sup>20</sup> Brinkley et al., "'If You Build It with Them, They Will Come'"; Rural Grocery Initiative, "Rural Grocery Ownership Models."

funding that lowers utility costs and allows businesses to invest in other aspects of their business.<sup>21</sup>

Healthy Food Financing Initiatives have also gained traction over the past few years.<sup>22</sup> Such initiatives provide financing to support the development and/or long-term sustainability of healthy food retail outlets. They operate at various levels of government in states across the country. In Kansas, the Kansas Healthy Food Initiative is a public-private partnership between the Kansas Health Foundation, the Rural Grocery Initiative, NetWork Kansas, IFF and The Food Trust. An economic impact analysis of the program showed that every \$1 of initial healthy food access investment contributed to another \$1.11 in economic activity across the Kansas economy<sup>23</sup>. At the national level, USDA Rural Development operates America's Healthy Food Financing Initiative, which was established in the 2014 Farm Bill. Through its Targeted Small Grants Program, funding is available to support food retail projects located in underserved and low-income communities across the country.<sup>24</sup>

## **Conclusion**

Home to 60 million Americans, scores of families have, for generations, called rural America home.<sup>25</sup> It is a quintessential attribute of American culture and history that has left an indelible mark across the country. Yet, rural communities face a multitude of challenges, one of them being the continued decline of rural grocery stores. As essential infrastructure, rural grocery stores are vital to sustaining the health and well-being of rural America for generations to come.

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<sup>21</sup> Carter, "Engineering Extension Surpasses \$1M in Grant Assistance to Kansas Ag Producers, Rural Small Businesses."

<sup>22</sup> "HFFI Impacts: The Nationwide Success of Healthy Food Financing Initiatives, A Proven, Economically Sustainable Solution."

<sup>23</sup> Schwab, Leatherman, and Yao, "Evaluation of the Kansas Healthy Food Initiative (KHFI)."

<sup>24</sup> USDA Rural Development, "Healthy Food Financing Initiative." <https://www.rd.usda.gov/about-rd/initiatives/healthy-food-financing-initiative>

<sup>25</sup> U.S. Census Bureau, "One in Five Americans Live in Rural Areas."