



RURAL GROCERY STORES: IMPORTANCE AND CHALLENGES



CENTER *for*
RURAL AFFAIRS
Lyons, NE 68038 Population 963

Jon M. Bailey
Center for Rural Affairs
Rural Research and Analysis Program
October 2010

The local grocery store is an integral institution of rural communities and in rural life. Not only does the local grocery store provide the sustenance of life, it fills the roles of economic driver, community builder, employer and meeting place. Unfortunately, many rural communities across the nation are losing local grocery stores, and residents are forced to leave their communities to purchase food, often at great expense due to great distance. This brief examines trends regarding rural grocery stores, reasons why rural communities are losing grocery stores, and some of the personal and community implications when a community lacks a grocery store. Finally, we examine some of the issues and challenges facing rural grocery stores.

The Disappearing Rural Grocery Store

Rural grocery stores are slowly disappearing across the nation. Specific data on the decline can be seen in Midwestern and Great Plains states.

- In Iowa the number of grocery stores with employees dropped by almost half from 1995 to 2005, from about 1,400 stores in 1995 to slightly over 700 just 10 years later. Meanwhile, “supercenter” grocery stores (Wal-Mart and Target, for example) increased by 175 percent in the 10-year period. (O’Brien)
- In rural Iowa, 43 percent of grocery stores in towns with populations less than 1,000 have closed. (Procter)
- In Kansas, 82 grocery stores in communities of fewer than 2,500 people have closed since 2007, and nearly one in five rural grocery stores has gone out of business since 2006 (Kansas State; Procter). In total, 38 percent of the 213 groceries in Kansas towns of less than 2,500 closed between 2006 and 2009. (Impact Lab)

As with many other traditional institutions in rural areas, the local grocery store is slowly being drained out of communities.

The Reasons Why

Many reasons conspire to leave a community without a grocery store. Declining populations mean that a number of rural communities are without an adequate customer base for a local store. A certain population is needed to maintain a grocery store. In 2000, the average population needed to maintain a grocery store was 2,843. By 2005 the necessary population had risen to 3,252. (O’Brien) While the minimum needed population is increasing, most rural communities and counties are decreasing in population. Rural grocery stores, therefore, are fighting larger rural demographic trends.

Rural grocery stores are also fighting changes in larger purchasing patterns among Americans. Between 1990 and 2000, the incidence of residents in towns with populations under 2,500 out-commuting (going to work and presumably shopping in

other communities) increased by 72 percent.

The advent of corporate, chain grocery store facilities in nearby larger cities and the relative ease in driving due to advances in vehicles and highways often make shopping at larger grocery stores more attractive, further reducing the customer base and the economic margins for small, local stores. The lack of employment opportunities in many rural communities means rural residents have to work in larger communities, with shopping more convenient in places where people work.

This combination of work and shopping patterns among so many rural people is also shown in consumer preferences of how people choose their grocery store. A 2007 Nielsen Company study found that 60 percent of consumers stated that a grocery store that “provides good value for the money” was the most important factor in deciding where to grocery shop. Only 23 percent of consumers cite proximity to home as the most important factor. (Nielsen)

Aging ownership and a lack of transfer opportunities may leave communities without a local store when owners retire or decide to leave the business. A lack of available small business capital in rural communities may also prevent younger or new entrepreneurs from beginning a grocery business.

All of these demographic and economic issues exist in many rural communities of the nation (and most rural communities of the Midwest and Great Plains), leaving a large section of the nation and a large portion of rural America to struggle with questions of how to provide food to a community in ways that benefit the local community.

Implications for the Community

For most rural communities facing the loss of a local grocery store, failure is not an option. Allowing a local store to close and remain closed until the community or the economy rebounds does nothing but place the community on a path for further depopulation and economic decline. New residents and young families are unlikely to want to live in a community without a place to purchase food, and purchase patterns get set as people start and become accustomed to purchasing food in another community. The lack of resources and reliable transportation for many rural residents also raises the specter of hunger and unhealthy eating in communities without a local grocery store.

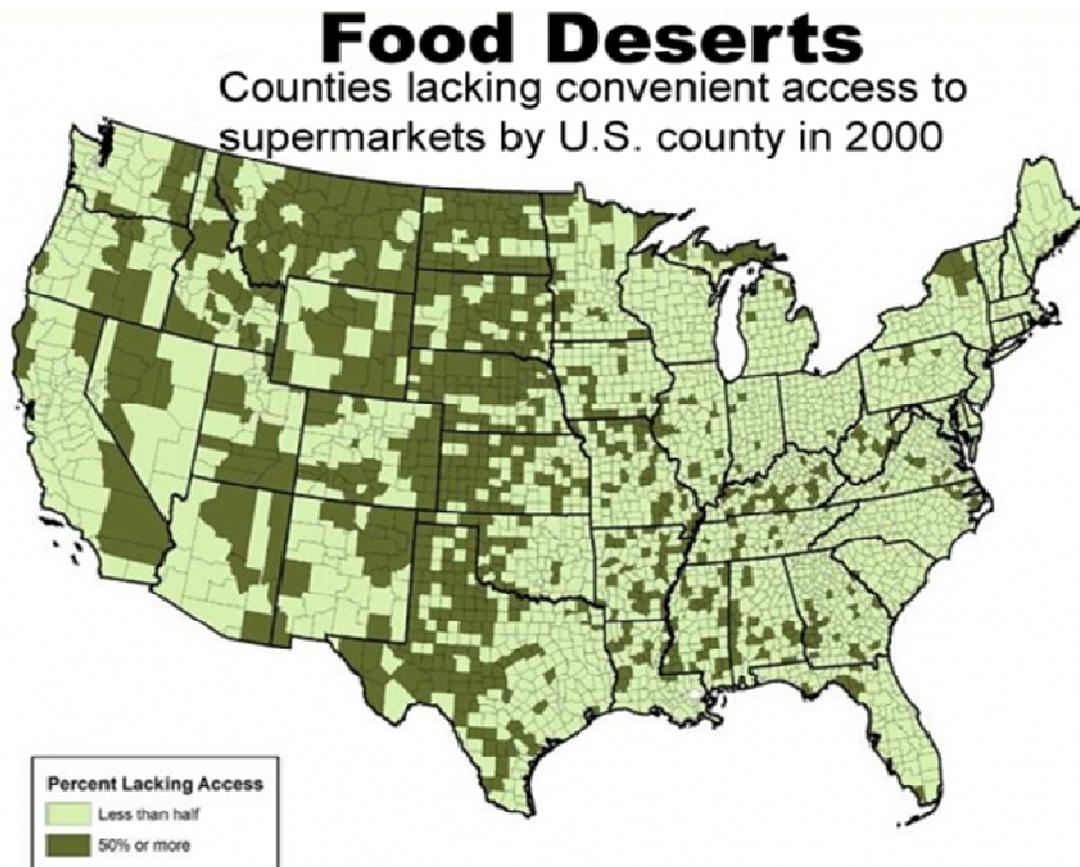
The loss of local grocery stores and the continued consolidation of food retailers also affect rural populations differently. Of particular concern is the rural elderly. As their “mobility and social support system diminish with the out-migration of younger family members” they become more dependent upon non-local food sources to which they have to drive or find transportation. (Morton 2004) An Iowa study of rural residents found significant long-term implications of the disappearing local grocery store. Rural residents over 70 years of age are more dependent on the local grocery store and depend upon others more for transportation for grocery shopping. (Morton 2004) As grocery shopping and transportation options become less available in rural

communities the rural elderly are the ones who will be most affected.

All residents in many rural areas of the nation—no matter their age or income—are affected by the growing phenomena of rural “food deserts”—the lack of outlets to purchase food despite the public and private resources to do so. The lack of access to grocery stores in many rural areas is striking. The most recent data available from USDA shows that 803 counties in the United States are classified as “low access” areas, meaning half or more of the population of the county lives 10 or more miles from a full-service grocery store. (Morton 2007)

The Great Plains region has the largest concentration of such counties (while also having the largest concentration of high out-migration counties). USDA has classified 418 counties as “food deserts”—all the residents of a county are 10 or more miles away from a full-service grocery store—and 98 percent of those counties are rural. (Morton 2007) Again, the Great Plains was found to have the highest concentration of “food desert” counties. The real life consequences of living in a “food desert” are less access to a full range of healthy foods, less healthy eating, and less healthy people. The long-term consequences of less healthy individuals, families and communities are, of course, substantial.

The map below shows counties lacking convenient access to grocery stores across the nation.



Source: Procter, Morton 2007

Issues and Challenges Facing Rural Grocery Stores

The issues and challenges facing rural grocery store mirror the larger ones facing rural communities and rural small businesses. In 2008, the Rural Grocery Sustainability Project of the Kansas State University Center for Engagement and Community Development surveyed rural Kansas grocers on a variety of topics, including the issues and challenges facing them. (Clark) The surveyed rural grocery stores offered the following, in order, as the major challenges for their stores (respondents could chose as many offered options as applied):

- Competition with large chain grocery stores
- High operating costs
- Availability of satisfactory labor
- Narrow profit margins
- Taxes
- Government regulations
- Lack of community support

When asked to identify the most significant challenge, the respondents offered, in order:

- Operating costs/utilities
- Labor availability/costs
- Competition with large chain grocery stores
- Taxes and regulations
- Lack of community support
- Low sales volume

The survey also revealed other issues facing rural grocery stores. Nearly half of respondents stated minimum purchasing or ordering requirements were set too high, with the most respondents stating that they were charged a surcharge if the minimum order was not met. About 40 percent of respondents also said they were not provided fair pricing compared to chain stores, and 35 percent stated they had problems getting products delivered because of their location. (Clark)

Based on this input, Kansas State University has identified six general challenges to rural grocery stores. (Rural Grocery Store Sustainability)

Challenge #1: Competition with Chain Grocery Stores

Challenge #2: Coping with the High Costs of Energy

Challenge #3: Meeting Minimum Buying Requirements

Challenge #4: Dealing with Labor Issues

Challenge #5: Dealing with Community Support

Challenge #6: Models of Ownership

Rural counties defined as “food deserts” or with low-access to food face significant economic and health challenges. A survey of rural Iowa counties meeting the “food desert” criteria found that large segments of the population lacked adequate consumption of fruits, vegetables, dairy and protein. (Morton 2007) This is an issue of cost or access, or both. Studies have found that rural grocery stores have “limited variety of quality foods” and “tend to charge higher prices for those products.” (Morton 2007, Morris, Kaufman) Yet the Iowa survey found that when compared to superstores, many local grocery stores charged lower prices for basic food products important to a healthy diet and that local residents took advantage of the small local grocery stores in their community. (Morton 2007) Findings demonstrate hope for local grocery stores in rural, low-access and food desert areas.

Our next Brief will examine models of rural grocery store ownership and how they deal with each of the challenges facing rural grocery stores.

References

- O'Brien, Meghan. 2008. *Small Town Grocers in Iowa: What does the future hold?* Ames, Iowa: Iowa State University Extension.
- Procter, David E. “The Rural Grocery Store Crisis,” *Daily Yonder*, August 18, 2010. <http://www.dailyyonder.com/rural-grocery-crisis/2010/08/17/2893>.
- Kansas State University, Rural Grocery Initiative. <http://www.ruralgrocery.org/>.
- Impact Lab. “Grocery Stores Closing in Record Numbers,” July 5, 2010.
- Nielsen Company. 2007. “Good Value is the Top Influencer of U.S. Grocery Store Choice, Nielsen Reports.” Schaumburg, Illinois: The Nielsen Company.
- Morton, Lois W., Bitto, Ella A., Oakland, Mary J., and Sand. Mary. 2004. “Iowa Food Security, Insecurity, and Hunger.” Ames, Iowa: Iowa State University Extension.
- Morton, Lois W., and Blanchard, Troy C. 2007. “Starved for Access: Life in Rural America’s Food Deserts.” *Rural Realities*, Volume 1, Issue 4.
- Clark, Paul, Tsoodle, Leah, and Kahl, Dan. 2008. *Rural Grocery Sustainability Project Owner Survey*. Manhattan, Kansas: Kansas State University, Center for Engagement and Community Development.
- Kansas State University, Rural Grocery Store Sustainability. <http://www.ruralgrocery.org/bestpractices/>.
- P. M. Morris, L. Neuhauser, and C. Campbell. 1992. “Food Security in Rural America: A Study of the Availability and Costs of Food.” *Journal of Nutrition Education* 24: 52S-8S; (1992).
- P.R. Kaufman. 1998. “Rural Poor Have Less Access to Supermarkets, Large Grocery Stores.” *Rural Development Perspectives* 13: 19-26.

ABOUT THE AUTHOR

Jon Bailey is Director of the Rural Research and Analysis Program at the Center for Rural Affairs. Jon has undergraduate and law degrees from Creighton University and a Masters in Public Policy from the College of William and Mary. Jon served as Legislative Fellow with U.S. Senator Kent Conrad and Special Assistant to the Associate Commissioner for Policy and Planning in the Social Security Administration. Jon has authored publications on rural health care policy, rural development policy and contributed to the Wealth Building in Rural America project sponsored by the Center for Social Development at Washington University.

ABOUT THE CENTER FOR RURAL AFFAIRS

Established in 1973, the Center for Rural Affairs is a private, nonprofit organization with a mission to establish strong rural communities, social and economic justice, environmental stewardship, and genuine opportunity for all while engaging people in decisions that affect the quality of their lives and the future of their communities.

ACKNOWLEDGEMENTS

This paper is made possible by the generous assistance of the Cooperative Foundation and the MSC Fund of the Cooperative Development Foundation.

© 2010, Center for Rural Affairs, 145 Main Street, P.O. Box 136 Lyons, Nebraska, USA 68038