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## Rural Grocery Stores-More than Just Groceries

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# Cornhusker Economics

## Rural Grocery Stores-More than Just Groceries

Market Report	Year Ago	4 Wks Ago	6-9-16
<b>Livestock and Products,</b>			
<b>Weekly Average</b>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight . . . . .	156.00	128.41	130.00
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb. . . .	290.76	169.93	176.50
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb. . . . .	229.43	150.56	*
Choice Boxed Beef, 600-750 lb. Carcass . . . . .	249.66	205.72	222.40
Western Corn Belt Base Hog Price Carcass, Negotiated . . . . .	79.20	72.35	76.84
Pork Carcass Cutout, 205lb. Carcass 53-54% Lean . . . . .	85.73	81.93	85.16
Slaughter Lambs, woolled and shorn, 128-150 lb. National . . . . .	148.02	132.12	139.90
National Carcass Lamb Cutout FOB . . . . .	359.01	340.15	*
<b>Crops,</b>			
<b>Daily Spot Prices</b>			
Wheat, No. 1, H.W. Imperial, bu. . . . .	4.82	3.62	3.82
Corn, No. 2, Yellow Nebraska City, bu. . . . .	3.51	3.46	3.86
Soybeans, No. 1, Yellow Nebraska City, bu. . . . .	9.23	9.53	10.66
Grain Sorghum, No.2, Yellow Dorchester, cwt. . . . .	6.89	5.40	6.17
Oats, No. 2, Heavy Minneapolis, Mn, bu. . . . .	2.93	2.48	*
<b>Feed</b>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton . . . . .	*	152.50	138.75
Alfalfa, Large Rounds, Good Platte Valley, ton . . . . .	*	*	90.00
Grass Hay, Large Rounds, Good Nebraska, ton . . . . .	120.00	85.00	85.00
Dried Distillers Grains, 10% Moisture Nebraska Average . . . . .	151.75	125.00	149.00
Wet Distillers Grains, 65-70% Moisture Nebraska Average . . . . .	48.00	46.00	47.50
* No Market			

The National Rural Grocery Summit was held this week in Wichita, KS hosted by Kansas State University's Center for Engagement and Community Development. This was the 5<sup>th</sup> summit which is held every other year, focused on the Rural Grocery Initiative (RGI) "Strengthening Our Stores, Strengthening our Communities" program.

Attendees were able to participate in multiple breakout sessions focused on helping to make rural grocery stores successful and sustainable. It became clear that the challenges faced by small town grocers are shared by many. It also became clear that the grocery store is so much more than just a place to get groceries. Rural stores are a source for access to healthy foods for rural residents. Healthy food is key for our population as the incidence of obesity and diabetes rises in rural areas. The small town grocery has a significant economic impact on its community providing jobs and employing services for the store such as legal and accounting, building maintenance, plumbing and electrical needs, HVAC service, and upkeep and service on coolers and freezers. The dollars generated in economic activity by the local store has a higher replication rate than corporate stores where those dollars may be exported from the community. The local store is often the primary source of foods for those families using the Supplemental Nutrition

those families using the Supplemental Nutrition Assistance Program or the Women, Infants and Children program in our rural areas.

The rural grocery also services our senior citizens in our communities where the availability of transportation is limited or simply the lack of desire to travel significant distances for everyday foods for their table. The access to a local grocery is a significant factor for the elderly to be able to stay in their home as they age.

The National Rural Grocery Summit also focused on the fact that most rural stores are hubs of the community in terms of social interaction and activities. Rural stores are an essential part of the social network in small towns. Everyone has to eat. Everyone needs groceries. But rural stores are also where community organizations often source supplies for activities and events in their communities. School organizations, churches, civic organizations, and youth groups often have activities or fund raisers for their organization where the local store is key to their success. We also have seen in Nebraska towns that when the grocery store closed, other businesses in town suffered a significant decrease in foot traffic.

But we know that keeping the grocery store open in a small town is a real challenge. Our society is so mobile and we may think nothing of driving several miles to a larger town to conduct business. Often times, rural residents may be employed in a larger town which may make it more convenient to shop in the larger community while they are there. But if rural communities want to maintain essential services in their community, it takes an intentional mind set to patronize their local businesses, for those essential services to have a chance to survive. It becomes the classic “if you don’t use it, you will lose it” situation. Rural grocery stores are faced with the competition of the large grocery retailers in nearby cities. But that large retailer is not a part of our rural neighborhood. Patrons of the large stores often don’t consider the cost of driving to the corporate store as well as the time it takes.

Those costs can offset at least a portion of the perceived higher prices at their local store. That 30 mile round trip costs \$16.20 just in transportation costs using the IRS mileage rate, not accounting for your time. A customer would have to find significant savings to offset that cost.

Local grocers are often faced with finding an economical source of wholesale supply for their store. There are grocery wholesalers who service rural Nebraska, but stores are faced with minimum levels imposed by the wholesaler before they will service that store. Those minimum levels are often difficult for small stores to meet, so they may have to resort to a convenience store supplier, or a company that “re-sales” wholesale groceries at a significant markup. Suppliers of bread, chips, and beverages may refuse to service a store unless a certain volume is reached. Many of these situations force the small grocer to pay more for their inventories.

Some rural stores find success in partnering with a neighboring store in a nearby town to increase the size of their orders and then share the delivery. Many times a larger independent store in the neighboring town will allow a smaller store to order groceries through them at a minimum markup for the larger store. That can be a win-win for both stores.

Rural stores that are having success are working hard to earn the business of their communities. Customer service is paramount to their success. Staff and management of our small stores often know their customers personally. That personal connection is one that the large box stores won’t have. Small stores can be competitive when customers consider more than just the price on one or two items. That personal service is part of the package that customers are buying from their local store.

The Nebraska Cooperative Development Center (NCDC) based in the Agricultural Economics de-

department at UNL is working with several grocery store efforts across rural Nebraska.

While a significant part of NCDC's work is focused on the cooperative business model for ownership of a store in a rural community, we are also learning what kinds of business activities are being employed and finding success in some rural stores.

Many small stores find that some kind of a "deli" is beneficial to both the store and its customers. Fresh-made sandwiches, salads, and other 'grab and go' foods are popular. The store can use its inventory to make fresh convenient 'meals' which cuts down on product waste, and at the same time provides a revenue stream for the store. A daily special has become a popular addition to the products offered by many rural stores. Incorporating a 'deli' into a rural store is a practice that was confirmed by many of the store owners at the RGI conference.

A fresh meat counter is also finding success in many rural stores. Meat (USDA inspected) that is cut and packaged locally has been a popular attribute, again shared by many rural stores in Nebraska and other states.

Fresh produce is an area that is often rated high in importance by those surveyed by NCDC clients in the development of their grocery store. The fresh produce section is one of those areas where store owners walk a fine line of having adequate and abundant supply without suffering a significant loss due to produce going out of condition. Balancing the supply and demand is crucial for small store success and is highly dependent upon rural residents using their local store for fresh foods.

Home delivery or other personal services is an additional area that is helping small town stores set themselves apart from the competition. Home delivery can be helpful for busy families, but more often is seen as a welcome service for elderly or others who may be facing illness or medical issues.

Featuring locally grown foods in a rural store is an area that many Kansas stores are using successfully. They are featuring locally grown seasonal produce as well as locally produced food products such as beef, pork, or lamb, processed and labeled by a USDA inspected facility, and offered in their local store. This approach promotes the growth of another local businesses, is popular with customers, and adds jobs and economic activity to the community.

The rural small town grocery is a complex business that takes good management to be successful. Thin profit margins don't leave much room for mistakes. But the small store can do things that a large store won't do. A well thought out business plan that is always being updated and expanded is essential for success. Do a cost analysis for each section of the store. Don't be afraid to try something new, but make sure it can be a profitable venture through good business planning. There are opportunities for small grocery stores. As one store owner from Kansas put it, "You can't be the big corporate store. They can't be the 'neighborhood store', but you can. Be the neighborhood store and serve your neighbors."

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