Rural Healthy Food Retail: Challenges and Opportunities

Dr. David Procter, Kansas State University
Daniel Wallace, Coastal Enterprises, Inc.
Rick Gowell, Gowell’s Store

January 10, 2013
Winter Webinar Series
Winter Webinar Series

- Nurture the growing healthy food financing sector
- Provide webinars to CDFIs and CDFI partners interested in healthy food financing

Capital One

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Nurturing Healthy Food Financing
Today’s Webinar Topic

• Examine the unique challenges and opportunities in the rural food system, particularly financing food retail outlets.

• Explore how CDFIs work in the rural retail space, with a focus on Maine.
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Mission

To connect the resources and expertise of Kansas State University to the significant issues of public need facing Kansans and communities worldwide.

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Nurturing Healthy Food Financing
Why Lend to Rural Food Retail Outlets?

Because rural grocery stores provide...

• **Economic Development**
  – Rural grocery stores are an important rural economic driver

• **Food Access**
  – Rural grocery stores provide a primary source of nutritious and competitively priced foods

• **Important Community Hubs**
  – Rural grocery stores provide important local, civic and social meeting spaces
Economic Development: Why Focus on Rural Grocery Stores?

Because rural grocery stores are a critical small business …

• Grocery stores provide numerous local jobs
  – 2.5 million of jobs nationally
  – 14 average number of jobs in rural communities (5 full time; 9 part time)

• Grocery stores represent a significant source of local sales taxes (20%)

• Locally-owned small businesses have a larger economic multiplier
Healthy Food Access: Why Focus on Rural Grocery Stores?

Because...

2.3 million rural citizens live within rural food deserts (USDA ERS)

- **Poverty:** 20% of census tract is below poverty level.

- **Lack of Access:** 33% of the census tract's population resides more than 10 miles from a supermarket or large grocery store.
Healthy Food Access: Why Focus on Rural Grocery Stores?

Because...

- Rural areas suffer the highest obesity rates in the nation.
- Rural grocery stores offer more healthy foods, at lower cost, than rural convenience stores.
- Prevalence of grocery stores in non-metro counties is inversely associated with incidence of obesity.
Healthy Food Access:
2011 USDA Food Desert Map
Community Hubs: Why Focus on Rural Grocery Stores?

Because...

- They are sites where community bonds are created and sustained
  - Meeting spaces
  - Libraries
  - Art galleries

- They are sites where creative interaction takes place

- They are a setting for grassroots politics, and

- They promote social equality by leveling the status of citizen patrons
Kansas State University
Rural Grocery Initiative Goals

• Identify challenges facing rural grocery stores (population size 2,500 or less).

• Develop responses to those challenges.

• Identify and detail sustainable business models of grocer operation.

• Build virtual and face-to-face information network for rural grocers.
Identifying Grocer Challenges

- 2008: Surveyed 213 KS rural grocers
  - View complete survey and results at: [www.ruralgrocery.org/survey](http://www.ruralgrocery.org/survey)
- 2011: Surveyed rural grocers again (101 responded)
- Conducted face-to-face interviews with numerous grocers
2011 Survey of Rural Grocers: What can Legislators do to help Rural Grocery Operations?

- Encourage "Buy Local" (15%)
- Address Supply Chain Inequalities (15%)
- Support Programs to Re-Populate Rural America (8%)
- Lower Store Operating Costs (6%)
- Offer Government Programs to Assist Rural Grocery Stores (22%)
- Lower Taxes (12%)
- Reduce Government Regulations (12%)
- Level Playing Field (4%)
- Provide Informational Guidance (6%)
Responding to Grocer Challenges: Generating Community Support

• Highlight the power of community support
  – Walsh, CO

• Build community investment
  – FEAST events

• Promote effective grocery store operations
  – Customer service
  – Store cleanliness
Responding to Grocer Challenges: Meeting Minimum Buying Requirement

- Identifying and facilitating grocery collaborations
- Facilitating/energizing regional distribution centers
- Exploring ways to increase food sales
  - Community Support
  - Institutional Buyers
  - Local Growers
Identifying and Detailing Sustainable 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
  - Little River, KS; Jetmore, KS
- 501(c)3
  - Plains, KS; Morland, KS
Building Information Network for Rural Grocers & Stakeholders

• Virtual Networks
  – www.ruralgrocery.org
  – Rural Grocery Facebook/Twitter

• Face-to-Face Networks
  – Rural Grocery Summits
  – Food Distribution Dialogue
  – Rural Grocery Leadership Team
Retail Food Access and Finance in Rural Maine

Daniel Wallace
Program Specialist, Sustainable Agriculture
Coastal Enterprises Inc.
January 10, 2013
Why did CEI want to work with Rural Grocers?

- Most people buy their food at conventional groceries
- SNAP/WIC access
- Stores are community hubs
- Connect farmers to markets; leverage the value chain
- Similarities to other small business people across the state
- Job creation
Program Strategy

- Independent Grocers and Food Hubs
- Regional geography – Maine and New England
- Alignment within Ag and Food System Program
- Typical finance: Micro up to $500,000 (can be larger)
- Capital expenses, equipment, expansion, refresh, succession planning, working capital...
- Commitment of internal staff resources
Food Deserts

Nurturing Healthy Food Financing
Limited Supermarket Access (LSA) Areas
Priority Areas

MAP 6
Areas with Greatest Need

Nurturing Healthy Food Financing
MAP 7
Areas with Greatest Need (TFT),
Limited Access Areas (TRF),
Food Deserts (USDA)

Access Overlay
Outreach and Learning

- Trade Groups
- Wholesaler Networks
- Grocery Consultants
- Individual Grocers/Road Shows
- Trade Shows were not as effective
- Learning the industry...store formats...etc
- OFN Capacity Building opportunities; listserv
- This took some time...and is ongoing
Characteristics of a ‘Good Grocer’

• Store cleanliness, lighting, organization, marketing
• Social and community space in the store
• Management experience and level of sophistication
• Community and civic engagement
• Real desire to improve choices for customers, i.e. healthy, local food
• Very rough demographic – men in their 30s and 40s with families; spouses involved in the business
Year 1 and Pipeline

• Some numbers...
  – Y1: Deployed $600,000 into 6 value chain businesses and 2 Halal grocers
  – Pipeline: Around $3.5MM, including 4 groceries, 2 food hubs, and 7 value chain businesses

• Rural retail sweet spot: general store expansions

• Other: energy efficiency, co-ops, (buying clubs, farm stands, FMs, & CSAs)

• Virtually all ‘but for’ projects - only one new grocery in development to date
Ongoing Challenges

• Data or research needs, i.e. industry information, access studies, or impact analysis
• Predevelopment costs, esp. market demand analysis
• Projects take **time** to pull together
• TA capacity: more counselors, more context specific skills
• Raising $$$
• External obsolescence!!!
Works-in-Progress

• Mobile groceries, especially for Native populations
• Transportation policy around access to food for elders
• New financial tools, i.e. revenue participation models
• Convenience stores; Farm to Institution strategies
• Bringing programming to projects
• Place or population-based strategies
• Increased impact through additional collaboration
  – Public health, government, foundations, investor groups, etc.
Summary

• Significant regional, diverse opportunities
• Every situation is unique and requires ground-truthing – no simple solutions
• Building the entire value chain simultaneously by identifying appropriate interventions
A Conversation with Rick Gowell of Gowell’s Store in Litchfield, Maine
Questions & Answers
Additional Resources
Upcoming Winter Webinars

• **Underwriting Supermarkets and Grocery Stores**
  – January 15, 2013 @ 2pm ET

• **CDFIs and Public Health**
  – January 24, 2013 @ 1pm ET

• **Energy Efficiency and Healthy Food Retail**
  – January 30, 2013 @ 2 pm ET

To register: opportunityfinance.net/fhfowebinars
Financing Healthy Food Options Resource Bank

I. Training Curriculum

- Food Systems Overview
- Healthy Food Retail Financing
- Financial Services for Mid-Tier Food Chain Enterprises
- NMTC & Urban Supermarkets
- Understanding the Grocery Industry
- Underwriting Supermarkets & Grocery Stores
- Mid-Tier Food Chain Enterprises Overview & Underwriting
- Capitalizing Healthy Food Retail Initiatives
- Identifying Optimal Areas for Supermarket Development
- Understanding the Food Production Sector
- Credit Skills for Lending to the Food Production Sector
- Food Producers Case Studies
- Identifying Partners and Convening Stakeholders

II. Training Webinars

III. Additional Resources

- Searching for Markets: The Geography of Inequitable Access to Healthy and Affordable Food
  - Executive Summary
  - Full Report
- Financial Resources Catalogue

IV. Food Desert Mapping Tools

- USDA Food Desert Locator
- PolicyMap
Connect with OFN

http://www.opportunityfinance.net/industry/industry_locator.asp
Connect with OFN
For CDFIs: Become a Member

How to Apply

OFN welcomes all CDFIs that are committed to performance to apply for Membership. Our standards for Membership are different and generally higher than the CDFI Fund’s requirements for CDFI certification. Not all OFN Members are CDFI Fund-certified and not all CDFI Fund-certified CDFIs qualify to be OFN Members.

To apply please complete OFN’s new online membership application. You will be able to provide all necessary attachments when completing the application. If you want to work on the membership application prior to submitting it online please download a practice copy. We recognize that not all CDFIs are ready for or interested in OFN Membership. We invite these CDFIs, as well as non-CDFI organizations and individuals who support OFN’s mission, to become OFN Allies.

Do you want more information?

- Download our Membership Guidelines.
- Read our Membership FAQs.
- Contact our Membership Department at membership@opportunityfinance.net.
Connect with OFN
For CDFI Partners: Become an Ally

OFN Allies

OFN Allies actively support OFN’s mission and the important work that OFN does on behalf of the opportunity finance industry. CDFIs—including those that do not currently meet OFN’s Membership requirements—as well as individuals and organizations that are not CDFIs, are invited to become OFN Allies.

Ally benefits include:

- Participation in OFN’s policy and advocacy efforts on behalf of the opportunity finance industry.
- Policy Action Alerts at key times in the legislative process when your participation in advocacy can make a real difference.
- Regular policy updates and analysis.
- Free participation in Quarterly Ally Calls led by OFN’s policy team.
- The Member discount to attend OFN Regional meetings.
- Subscription to OFN’s E-newsletter, quarterly CDFI Market Conditions Report, and a complimentary copy of the annual Opportunity Finance Institutions Side by Side publication.
- Recognition on OFN’s Web site list of Allies.
- Allies that aspire to become OFN Members are invited to participate in Member Staying Connected calls, a valuable peer learning opportunity for any CDFI.

Annual Ally dues are $75 for individuals and $250 for organizations.

Become an OFN Ally Today.
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Thank You!

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