

# Purchasing Cooperatives in Rural Grocery

*Rural communities, often isolated and distant from urban centers, encounter notable hardships regarding the availability and affordability of food. Using the purchasing cooperative model, grocery stores can combine their buying power to obtain goods and services at lower rates, providing significant economic and health benefits for their communities.*

## Case Study: Rural Access Distribution Cooperative

The Rural Access Distribution (RAD) Cooperative in Walsh County, North Dakota, exemplifies an effective community-based response to alleviate food sourcing challenges faced by many rural grocery stores.

Walsh County is home to several small, independent and community-owned grocery stores. Given their size and the small populations they serve, two of the stores were unable to meet the minimum buying requirements of a national grocery wholesaler. Instead, to stock their stores, they purchased product from a convenience store distributor, which had higher prices and fewer product offerings.

To lower their costs, the stores in the community banded together. Rather than placing individual orders, they combined orders with a third grocer who was already purchasing from a national grocery wholesaler. This collaborative purchasing model has led to lower per-unit costs for members and more diverse offerings at their stores. The grocers pass savings on to customers, which has led to greater customer retention and loyalty. In addition, by increasing their order volume, they have been able to secure their position with the national wholesaler.

By working together, grocers in Walsh County have achieved more competitive pricing and improved profit margins. The cooperative purchasing model has supported the long-term sustainability of these stores, thereby enhancing food accessibility for their communities.

## Additional Resources

[Rural Food Access](#), North Dakota Association of Rural Electric Cooperatives

[A cooperative approach to food access](#), North Dakota Living

[A RAD-ical Solution](#), Bush Foundation

## RAD Co-op Overview

**Location:** Walsh County, North Dakota

**Population:** 10,305

**Ownership Structure:** Cooperative

**Year Established:** April 2021

**Members:** Jim's Supervalu (Park River, ND); Market on Main (Edinburg, ND); Hoople Grocery (Hoople, ND); Wells Drinking Well (Fordville, ND); Adams Community Development Corporation (Adams, ND)

**Key Partners:** North Dakota Association of Rural Electric Cooperatives

**Problem:** Over the years, North Dakota has experienced a sharp decline in rural grocery stores. A key issue is that small stores in low-population areas cannot purchase in high volumes, leading to higher wholesale costs, which further strains their finances and contributes to store closures.

**Solution:** A group of community members and local businesses banded together to purchase collectively from suppliers, ensuring better pricing and more diversified product offerings.

**Key Operations:** Co-op members collectively purchase product, which is delivered to the central hub in Park River. From there, orders are separated and redistributed to co-op members, customers, and climate-controlled grocery lockers.

**Sources of Income:** Members pay a delivery fee to the co-op, which is used to compensate truck drivers and cover maintenance costs. Local brands also advertise on the truck for additional revenue.

## RAD Cooperative Key Performance Indicators

*At the core of RAD Cooperative's success are the principles of trust, adaptability, and effective communication. These elements were crucial in building a strong, cohesive network capable of withstanding both external market pressures and internal challenges. These successes are summarized in the table of Key Performance Indicators (KPIs) below.*

KPI	Strategy Implemented	Challenges	Solution
<b>Cost Saving</b>	Engaging in collective bargaining and bulk purchasing to negotiate better prices with suppliers.	Facing stiff competition from larger retail chains that offer lower prices due to their scale.	Leveraging the cooperative model for bulk purchasing to achieve cost savings, associated grocery stores saw cost savings ranging from 16-23%.
<b>Trust</b>	Effective data-sharing among stores.	Overcoming initial reluctance among stores to adapt to new operational methods and technologies.	Building on the existing relationships of trust, facilitating smooth transitions to new systems, and ensuring members see tangible benefits from their cooperation.
<b>Flexibility</b>	Introduction of innovative solutions like climate-controlled grocery lockers and online ordering platform.	Adapting to rapidly changing consumer demands and the technological landscape.	Adjusting to new ordering methods through the cooperative and implementing the POS system for this store, moving away from their prior suppliers.
<b>Leadership Stability</b>	Focus on developing internal leadership.	Departure of key figures and upcoming retirement.	The need for robust succession planning and nurturing internal leadership.
<b>Revenue Diversification</b>	Diversifying income streams through innovative channels such as advertising on delivery trucks and implementing delivery fees for the schools and stores.	Dependence on a single revenue stream.	Exploring multiple revenue streams to build a more resilient financial model, helping ensure the cooperative's sustainability and growth.

### Acknowledgments

This fact sheet is a companion piece to the masters thesis written by K-State graduate Adetola Lamidi, titled "Feasibility of a purchasing cooperative for rural grocery stores: the case of Rural Access Distribution Cooperative North Dakota & exploring purchasing cooperative model for rural grocers in Southeast Kansas." We deeply appreciate the RAD Co-op and NDAREC for their generosity in sharing valuable insights into their business and operations.