

The PA Fresh Food Financing Initiative: Case Study of Rural Grocery Store Investments



**TRF Impact:
IMPROVING FOOD
ACCESS IN RURAL
COMMUNITIES**

Bloss Holiday Market: An example of a supermarket that was purchased in 2008 using an FFFI grant.

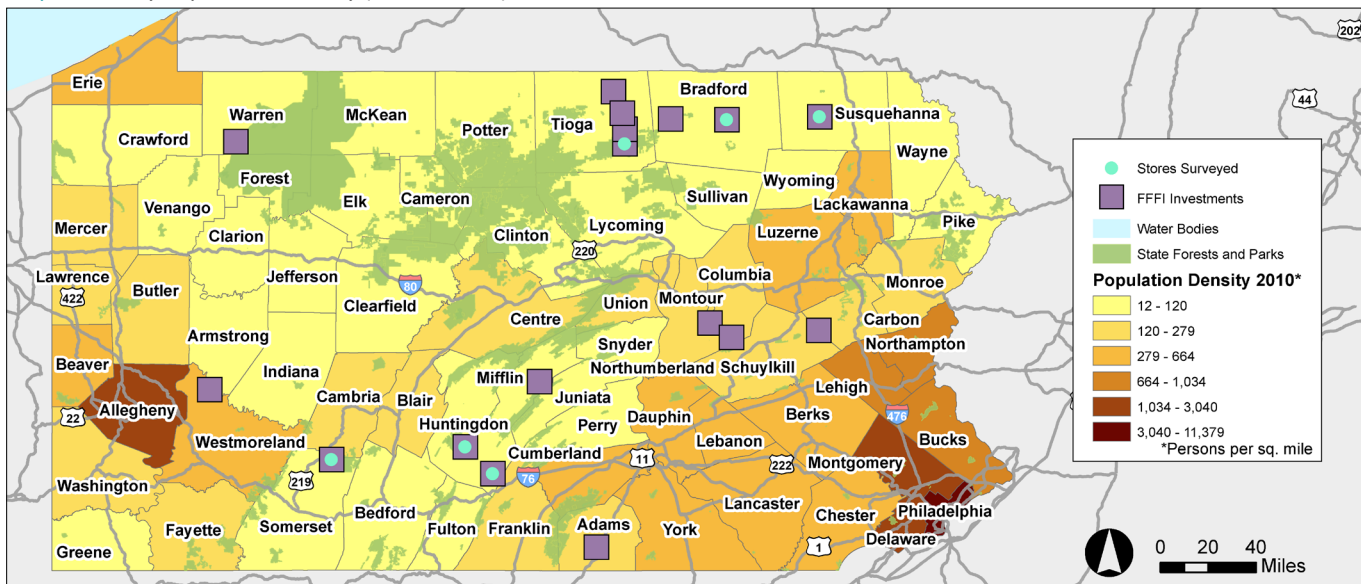
The Reinvestment Fund (TRF) created the Pennsylvania Fresh Food Financing Initiative (FFFI) in 2004 in partnership with The Food Trust, the Greater Philadelphia Urban Affairs Coalition, and with financial support from the Commonwealth of Pennsylvania. With the intent to bring fresh and healthy food to communities across Pennsylvania, FFFI committed over \$85 million in grants and loans to create new grocery stores and to expand existing ones. FFFI was an acknowledgement that access to food across the Commonwealth of Pennsylvania was unequal, a sentiment

expressed by USDA approximately five years later when they wrote about a national concern “that some poor or rural areas do not have access to supermarkets, grocery stores or other food retailers that offer the large variety of foods needed for a healthy diet.”¹

With support provided by the Convergence Partnership Fund of Tides Foundation, TRF assessed the program’s long-term impact on rural grocery stores in two parts of Pennsylvania: Susquehanna, Bradford and Tioga counties (Northern Tier), and Cambria, Huntingdon and Somerset counties (Southwest/Southcentral).

This document summarizes our findings based on qualitative and quantitative data. TRF gathered information through store owner interviews on how FFFI financing had affected their ability to access credit, stay in business, carry new lines of products (including fresh foods and produce) and stimulate economic activity in their communities. Six owners of stores that ranged in size from less than 2,000 square feet to almost 40,000 square feet discussed their goals for FFFI financing, purchases made with FFFI grants and loans, trends in sales and employment, and changes to future plans based on FFFI financing.

Map 1: County Population Density (Census 2000) and FFFI Investments in Counties with Fewer than 100,000 Residents



Store	Location	County	Store Square Footage	Tract Median Household Income	County Median Household Income	Census Tract Median Income as % of State	County Median Income as % of State
Bloss Holiday	Blossburg	Tioga	7,500	\$43,954	\$39,812	88.37%	80.05%
Hurley's Fresh Market	Towanda	Bradford	39,000	\$35,379	\$39,242	71.13%	78.90%
Robinson's	South Montrose	Susquehanna	10,200	\$39,909	\$41,624	80.24%	83.69%
Cassville Country	Cassville	Huntingdon	3,200	\$42,904	\$41,078	86.26%	82.59%
THEE Store	Shade Gap	Huntingdon	1,500	\$50,156	\$41,078	100.84%	82.59%
Randy's BiLo	Windber	Somerset	25,864	\$26,897	\$38,109	54.08%	76.62%

Table 1: Census Tract Median Income for Areas in which Case Study Stores are Located²

Study Areas³

The three Northern Tier counties were home to 147,959 people in 2010 – an approximate 1% rise over the 2000 count. The three Southwest/Southcentral Pennsylvania counties are home to 267,334 people – an approximate 3.9% decline from the 2000 count. Pennsylvania's total population grew by 3.4% between 2000 and 2010.

Demographically, the Northern Tier and Southwest/Southcentral counties are overwhelmingly White (greater than 92% in each county). Each also has a lower percent Hispanic (under 2%) than the statewide percent (5.7%). With respect to the age of the population, these areas tend to be somewhat older than the entire Commonwealth. Each county has a slightly higher percentage of its population aged 65 and older and approximately equal (or lower) percentages under 18.

Median (or typical) household and family incomes in both the Northern Tier and Southwest/Southcentral counties track substantially below the Pennsylvania median. And typically, although Susquehanna is somewhat of an anomaly, the percentages of people and children in poverty in these regions exceed the statewide percentages. The percentages of households in which Supplemental Nutrition Assistance Program (SNAP) benefits are utilized in these communities also exceed the statewide percentage (10%).

Unemployment in these counties has generally tracked the statewide rate throughout the recession, peaking in 2010. Each county experienced rates in excess of the statewide rate until 2010 when Bradford and later Tioga fell below the statewide average. That said, each county – and the state – continues to experience unemployment rates greater than when the latest recession began.

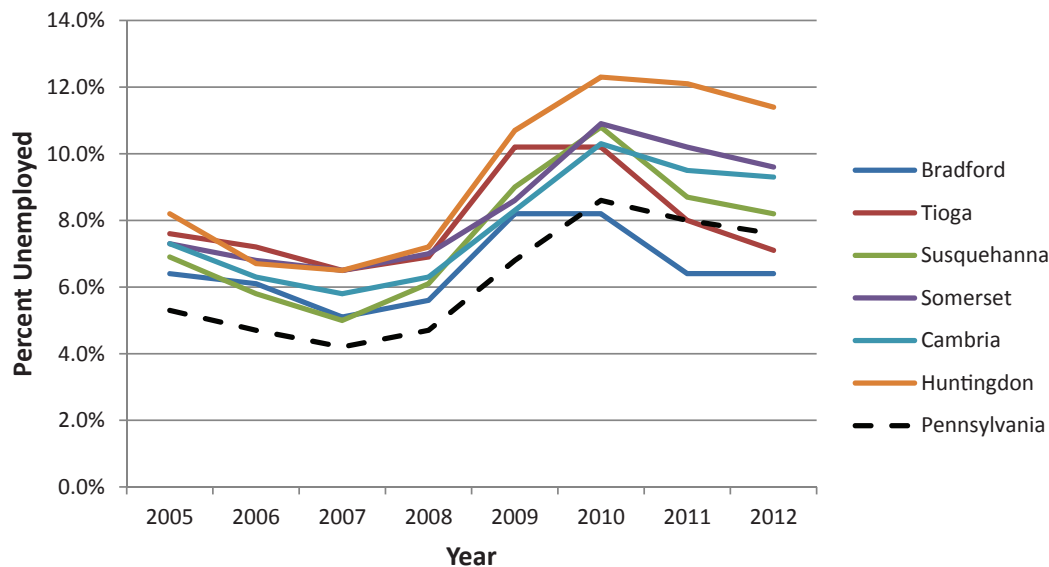


Figure 1: Percent Unemployed in the Case Study Counties



Bloss Holiday Market: A refurbished meat case.

Bloss Holiday Market

Bloss Holiday Market is located in Blossburg, PA, a small but growing community in Tioga County. The Census tract in which Bloss Holiday Market is located had a population of 5,251 residents in 2010, a 3.6% increase from its population of 5,067 in 2000 according to the Census. Of all the residents in the Census tract, 23.8% are over the age of 65. The median income for the Census tract is \$43,954.

Bloss Holiday Market opened in 1970. It is a 7,500 square-foot store that is open seven days a week. The only other grocery store within 15 miles is a Walmart. FFFI was an integral part of the financing package used to purchase the store. Store owners Ryan and Melanie Shaut purchased the store in 2008 through a combination of a bank loan, FFFI grant, and low interest loan from North Tioga CDC. The FFFI grant comprised 12.5% of the purchase price of the store (6% of the total project cost including rehabilitation). The Shauts used the FFFI grant to leverage a bank loan which provided the greatest share of funding.

The Shauts focused on serving the needs of the community while modernizing the store. They purchased refurbished meat and deli cases that have more product space, better lighting and energy efficient features. They replaced dial-up checkout and added catering services. The Shauts re-organized the store and removed cluttered displays in the entrance, creating an open walking space that draws customers to the deli, meat and produce cases.

Bloss Holiday Market caters community events and supplies fresh, healthy snacks to nearby Blossburg Elementary. Mr. Shaut feels “the community deserves a good market” and that “without FFFI the market wouldn’t be here.”

Findings

The interviews with storeowners provided an opportunity to gather financial information about the businesses and to observe and discuss the secondary impacts of the investment on the store and community. Several themes and trends emerged from the interviews.

FFFI financing modernized rural grocery stores in need of updated displays, equipment, layout, lines of business and lighting. All six store owners interviewed had purchased display cases with FFFI grant or loan money, including produce, meat and deli cases. The cases allowed stores either to expand the amount of product carried, carry new lines of product or both.

For example, the **Cassville Country Store** purchased a case that is stocked year-round with produce and seasonally with local produce, including tomatoes, peppers and corn. While interviewing the storeowner of **Bloss Holiday Market**, several customers interjected. Customers mentioned that they liked the look of the new meat display case. The case is a refurbished 2004 case purchased from another store; it replaced a case last refurbished in the 1970s. **Randy’s BiLo** store owner Randy Salem remarked that the new meat display case in his Windber store has increased sales. “It’s the same product, but it looks and sells better because the display is larger and the lighting is much better.”

Operators used FFFI funds for store modernization. Several stores updated their checkout counters, allowing for quicker credit card transactions and the collection of better sales data. Randy Salem updated the lighting in both **Randy’s BiLo** stores to energy efficient T8 fixtures, reducing energy costs and improving store appearance. **Cassville Country Store** purchased larger prep stations with refrigerated storage for its deli. This new deli allows the store to use produce in deli sandwiches and offer prepared food.

Consistent with recent trends in the grocery industry, studied stores either opened or expanded prepared food and catering lines of business with FFFI-financed purchases.⁴

Five of the six storeowners interviewed discussed the importance of offering prepared foods in their stores to remain competitive and to meet demand in their communities. **Hurley’s Supermarkets** tripled the size of its deli, and added a bakery, fresh meat section and fish counters. **Hurley’s** can now cater community events and business lunches. Storeowner Bob Hurley says the expansion “allows us to better serve the needs of individual customers” by offering a wider range of freshly prepared foods.

Store Number	FFFI Grant Funding	FFFI Loan Funding	Total FFFI Financing	Total Project Costs	Percentage of Project Costs from FFFI	Purpose of Financing
1	\$25,000	\$0	\$25,000	\$415,000	6%	Acquisition
2	\$150,000	\$900,000	\$1,050,000	\$1,250,000	84%	Major Expansion
3	\$15,000	\$0	\$15,000	\$30,000	50%	Equipment
4	\$15,627	\$0	\$15,627	\$43,000	36.3%	Rehab-No Expansion
5	\$15,000	\$0	\$15,000	\$155,000	9.7%	Minor Expansion
6	\$50,000	\$0	\$50,000	\$50,000	100%	Equipment
7	\$120,000	\$0	\$120,000	\$550,000	21.8%	New Construction
8	\$124,000	\$625,500	\$749,500	\$840,000	89.2%	Rehab-No Expansion
9	\$30,071	\$0	\$30,071	\$370,000	5.4%	Rehab-No Expansion
10	\$40,000	\$0	\$40,000	\$77,785	51.4%	Rehab-No Expansion
11	\$33,274	\$110,924	\$144,198	\$205,860	70%	Rehab-No Expansion
12	\$50,787	\$192,290	\$243,077	\$313,933	77.4%	Rehab-No Expansion
13	\$112,082	\$545,646	\$657,728	\$692,817	94.9%	Rehab-No Expansion
14	\$17,000	\$0	\$17,000	\$325,000	5.2%	New Construction
15	\$250,000	\$0	\$250,000	\$5,328,000	4.7%	Major Expansion
16	\$250,000	\$0	\$250,000	\$610,000	41%	Rehab-No Expansion
17	\$100,000	\$0	\$100,000	\$475,000	21.1%	Rehab-No Expansion
Total	\$1,397,841	\$2,374,360	\$3,772,201	\$11,731,395	32.2%	

Table 2: Funding Characteristics of FFFI-Financed Rural Stores (represented in dollars)

Cassville Country Store

Cassville Country Store is located in Huntingdon County in a census tract with 3,684 residents in 2010, according to the Census. The population of the Census tract has experienced a slight decrease of .4% from its 3,698 residents in 2000. Of all the residents in the Census tract, 15.1% are over the age of 65. The median income for the Census tract is \$42,904.

Storeowners Betsy and Mark Whitsel built the 3,200 square-foot Cassville Country Store (CCS) in 2009. Cassville had no local food options after a gas station market burned down in 2007. The closest grocery store was 15 miles away and many local residents purchased groceries 18 miles away in the City of Huntingdon.

Using an FFFI grant, the Whitsels purchased two produce coolers and a prep table with refrigerated storage to prepare food to order. Local farmers stock the produce coolers seasonally with tomatoes, peppers, eggs and apples. The sales of local corn has grown enough that corn has a full container. Preparing breakfast, lunch and dinner to order, CCS sells local produce and uses the produce stock in prepared meals. The prepared meals business has grown so much that last year Mark Whitsel built an addition with seating onto the store. When TRF visited, more than 20 customers were eating



Cassville Country Store: Cassville Country Store provides local food options for the residents of Cassville, a town of 247 people.

breakfast and a group of residents were meeting to talk over coffee. Business is steady and increases greatly during hunting season and the summer months.

Betsy Whitsel said of FFFI financing, "As a small business, access to money can be tough. [FFFI financing] was a great help to us."



FFFI Projects: Deli and prepared food counter at Bloss Holiday Market (left) and dairy products on display at Randy's BiLo (right).

Expanding prepared food offerings has helped **Robinson's Market** meet the lunch needs of the growing number of Marcellus Shale gas workers in the Northern Tier. **Robinson's Market** has served local quarry workers for over 40 years. The influx of gas workers has greatly increased lunch sales. Dave Robinson purchased a deli case twice the size of the previous case. Robinson's deli offerings have increased and the prepared food section now makes and sells fresh salads daily. As a result of the increased demand, Robinson's has hired three new full-time workers to staff the lunch counter.

FFFI stores increased sales and provided new employment opportunities.

Five of the six studied stores increased employment in their communities (the sixth is run as a co-op). **Hurley's** more than doubled the number of employees, from 48 to 100 workers. **Randy's BiLo** added 10 employees, **Cassville Country Store** added 8 jobs to the local economy, and **Bloss Holiday Market** now has 20 employees. Dave Robinson hired 3 full-time employees, a 20% increase, noting he "doesn't like to only offer part-time work," and that "having a great crew [of employees] is one of the best parts" of owning the store.

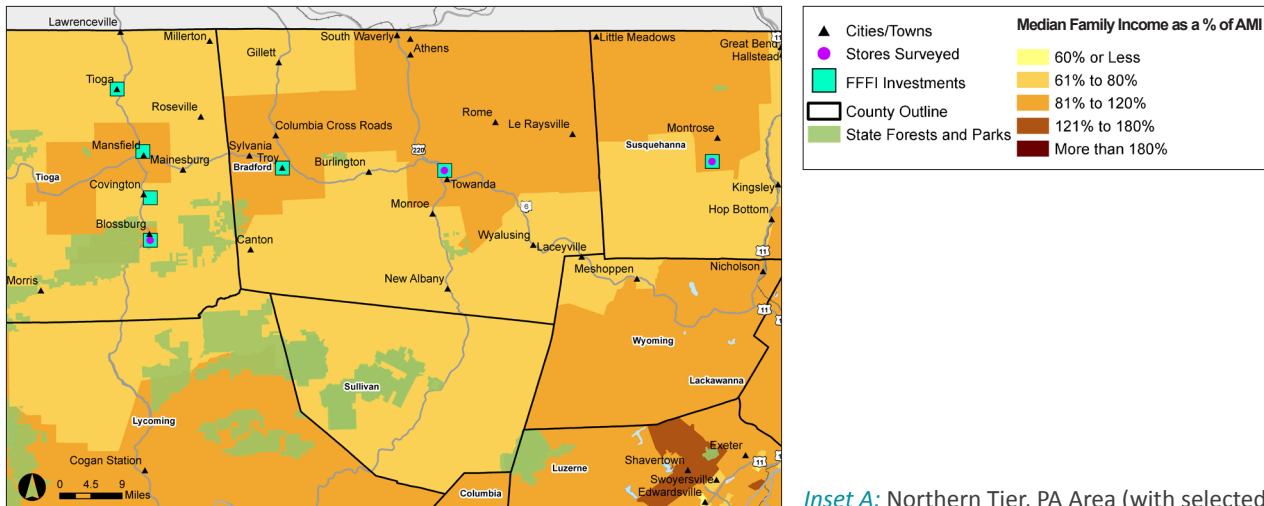
Sales in the studied stores have also shown growth. **Hurley's** expansion doubled sales to \$13 million annually. At **Randy's BiLo** stores, sales grew by 15% and 20% at the Johnstown and Windber locations, respectively. Dave Robinson estimates that sales at **Robinson's Market** have grown 5% to 10%. **THEE store** has begun selling fresh produce for the first time and regularly sells out of bananas, melons and local strawberries.

FFFI financing provided an integral part of the financing the studied stores needed to accomplish their goals.

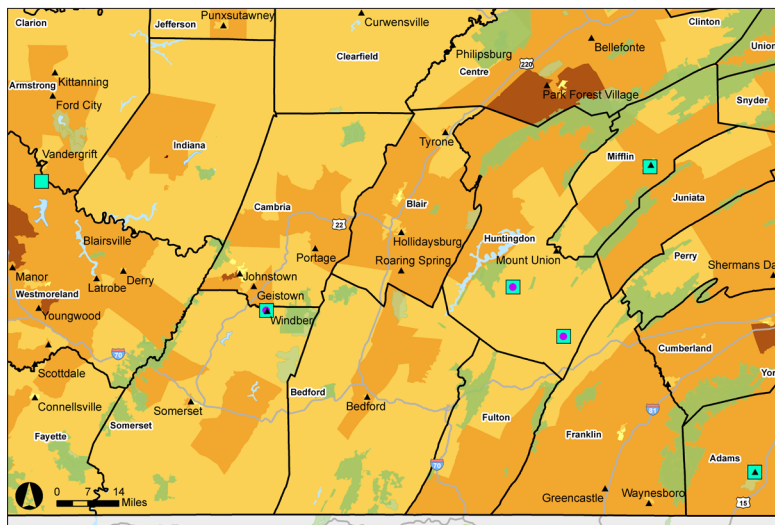
FFFI grants leveraged private loan funds and has helped store owners build relationships with private lenders. Overall, FFFI funds leveraged approximately two private dollars for every dollar of FFFI financing invested.⁵ Bob Hurley said, "The package is what really made [the expansion] work. A local bank disbursed the grant money and it helped us build a track record, as well as secure other low-interest financing." Randy Salem also worked with a local bank to combine disbursement of FFFI grant funds with a low-interest bank loan.

Not all FFFI-financed stores were able to succeed, especially during the recent recession. Of the 10 FFFI-financed rural stores contacted, two went out of business after FFFI financing.

The Button Whole Market in Tioga, PA was sold through the storeowner's bankruptcy. A staff person at the Tioga County Development Corporation stated that the former owner struggled during the recession, but that the store continues to operate under a new owner and name. **Troy Discount Groceries and Such** may have closed due to a Tops Market opening a mile outside of Troy. Also, a predevelopment grant site remained undeveloped when TRF visited. TRF was unsuccessful at reaching the grantee to learn why the project was not pursued.



Inset A: Northern Tier, PA Area (with selected cities)



Inset B: Southwest/Southcentral, PA Area (with selected cities)

Conclusions

FFFI funding has facilitated growth in employment, sales and the availability of fresh food in two rural Pennsylvania regions. The program extended loans and grants to aging existing stores and new stores in underserved rural communities.

Owners of existing stores sought to modernize their services and upgrade their stores. Stores now offer prepared foods, have upgraded product cases for greater capacity and more attractive displays. Owners added energy efficient displays and lighting as well as installed high-speed checkout systems. These improvements benefit both the stores and their communities; the stores gain sales and employees, and the communities gain food choice, jobs, and prepared meal options that are, in many cases, locally sourced. New stores reduce the distances rural Pennsylvanians must travel to purchase groceries, making grocery shopping for a full

range of foods more convenient and economical. In places like Cassville, the store doubles as a place for community members to meet and socialize.

FFFI financing helped these store owners achieve many of their goals, though the owners emphasized that they envision more ways to improve their stores. The Shauts plan to replace Bloss' produce cases and freezers. **Cassville Country Store** would like a walk-in freezer to increase storage capacity and reduce their delivery costs through less frequent deliveries. **Hurley's** would like to expand its ability to cater weddings. For these selected rural Pennsylvania stores, FFFI financing helped them not only retain market share, but to increase it.

ENDNOTES

- 1 United States Department of Agriculture. Access to Affordable and Nutritious Food: Measuring and Understanding Food Deserts and Their Consequences. Report to Congress 2009.
- 2 Income data in Table 1 reflect 2005-2009 American Community Survey (ACS) estimates. The median household income estimated for Pennsylvania in the 2005-2009 ACS is \$49,737.
- 3 Population and housing data referenced in this section were obtained from the US Censuses of 2000 and 2010. Economic information were derived from the Bureau of Labor Statistics (unemployment) and the Census' American Community Survey (2008-2010), 3-year estimate (income, poverty and SNAP utilization).
- 4 See "Supermarket Prepared Foods Sales Expected to Surge." Progressive Grocer. November 18, 2010. Available at: http://www.progressivegrocer.com/top-story-supermarket_prepared_foods_sales_expected_to_surge_-31594.html (accessed 4/27/2012).
- 5 See Table Two for the breakdown of FFFI funds to total project investment in rural parts of Pennsylvania. Overall, for every dollar of FFFI-financing, 1.4 dollars of private funds were invested.

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The Reinvestment Fund (TRF), a national leader in the financing of neighborhood revitalization, has invested \$1 billion in Mid-Atlantic communities since 1985. A CDFI, TRF finances housing, community facilities, supermarkets, commercial real estate and energy efficiency projects. It also provides public policy expertise by helping clients create actionable solutions and by sharing data and analysis via www.PolicyMap.com.