

An aerial photograph of a rural landscape. The foreground shows a dirt road or path winding through a green field. In the distance, there are more fields and a horizon line under a cloudy sky. The overall scene is a typical rural setting.

# Wholesale Grocery Distribution Study for Rural Kansas

A report conducted by New Venture Advisors LLC  
Prepared for the Sunflower Foundation: *Health Care for Kansans*

## What is the Sunflower Foundation and why does it care about wholesale grocery distribution patterns?

- “Food deserts in farm country” paradox
- Lack of grocery stores put physical health at risk (nutrition) as well as economic vitality and community resilience
- Sunflower, other health foundations, other usual partners (USDA) have been working together to help communities address grocery needs
- Reoccurring theme: concern about not being able to meet MPR’s (Minimum Purchasing Requirements)

## Does Kansas Need a Statewide Alternative Distribution System?

- Growing concerns – or perceptions thereof – since merger of two major retailer-owned, wholesale grocer co-operatives
  - Merger of Associated Wholesale Grocer with Affiliated Foods Midwest, retaining AWG name
- Concerns that \$20K/week MPR would present insurmountable obstacle to any newly established rural grocery stores
- Also concerns that grandfathered terms of \$10K/week MPR for existing stores would soon cease
- Meetings to discuss rural grocery issues often floated the idea of some sort of statewide alternative system

## **The Sunflower Foundation Decided to Study the Issue**

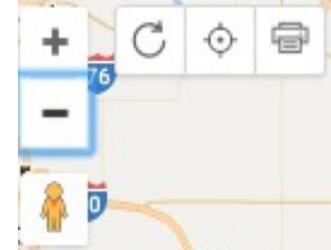
- Foundation contracted with New Venture Advisors LLC, food business consulting firm, to objectively assess the landscape of rural grocery distribution in Kansas

OBJECTIVE 1: To better understand what challenges store owners face following the AWG/Affiliated merger, specifically around delivery minimums

OBJECTIVE 2: To gauge interest in alternative distribution solutions or strategies

## Details of the Study

- New Ventures Advisors (NVA) worked with staff at Rural Grocery Initiative (RGI) to compile list of interviewees: grocery store owners, managers and other stakeholders/partners across KS.
- Collaborated with North Central Kansas Regional Planning Commission (USDA study to assess local growers, grocers, consumers)
- NVA and RGI did in-depth interviews (phone or onsite) with 24 interviewees:
  - 2/3 grocery store reps, 1/3 other
  - Questions: store operations, finances, purchasing patterns, relationship w/distributor, perceived challenges/threats, etc
- Study took place July 2017 to December 2017

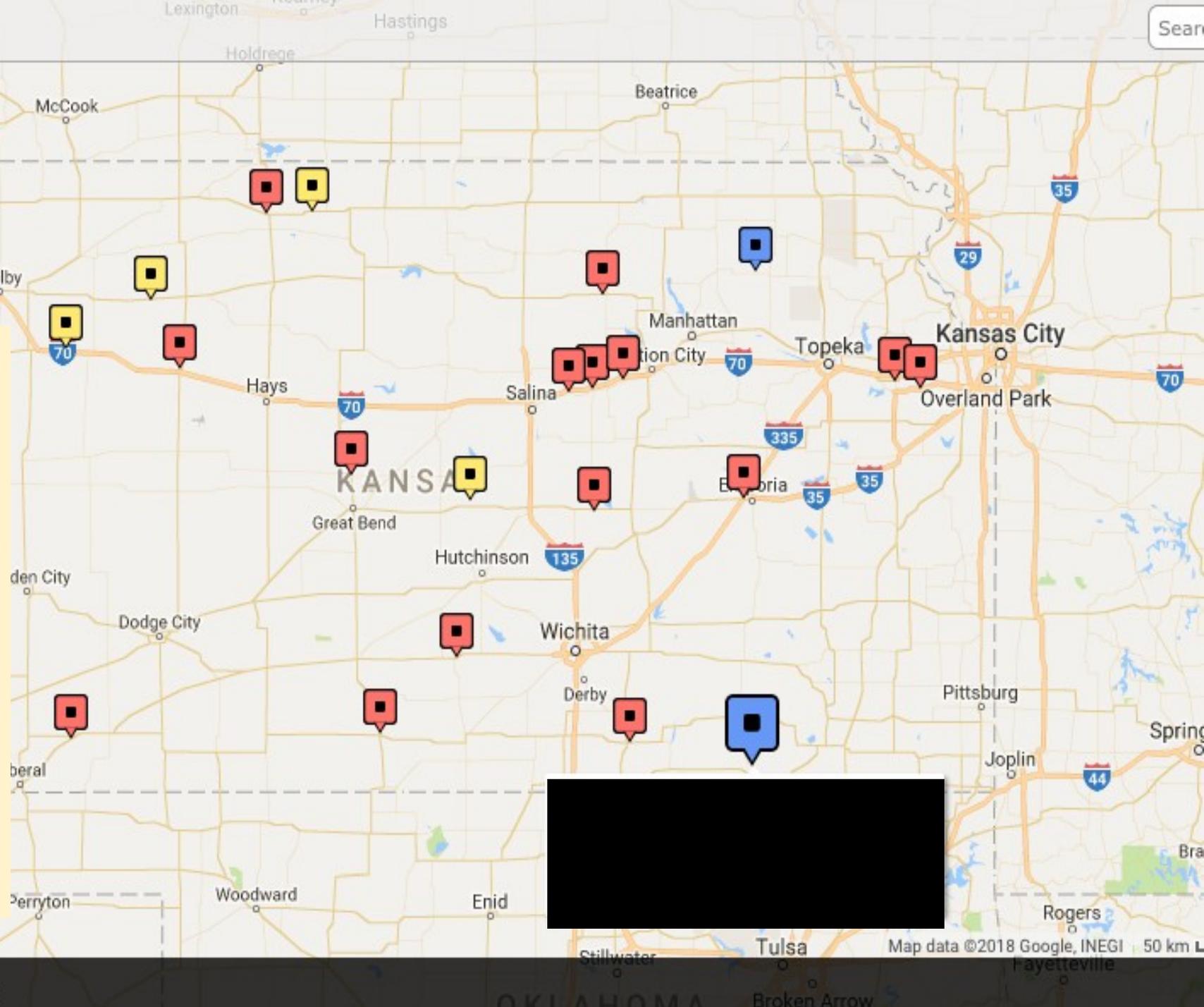


**Small stores:** town population < 500 people

**Medium stores:** town population 501 – 1000 people

**Large stores:** town population > 1000 people (but most < 8000)

Other criteria for store size: financial health of store, amount of purchases from distributor each week



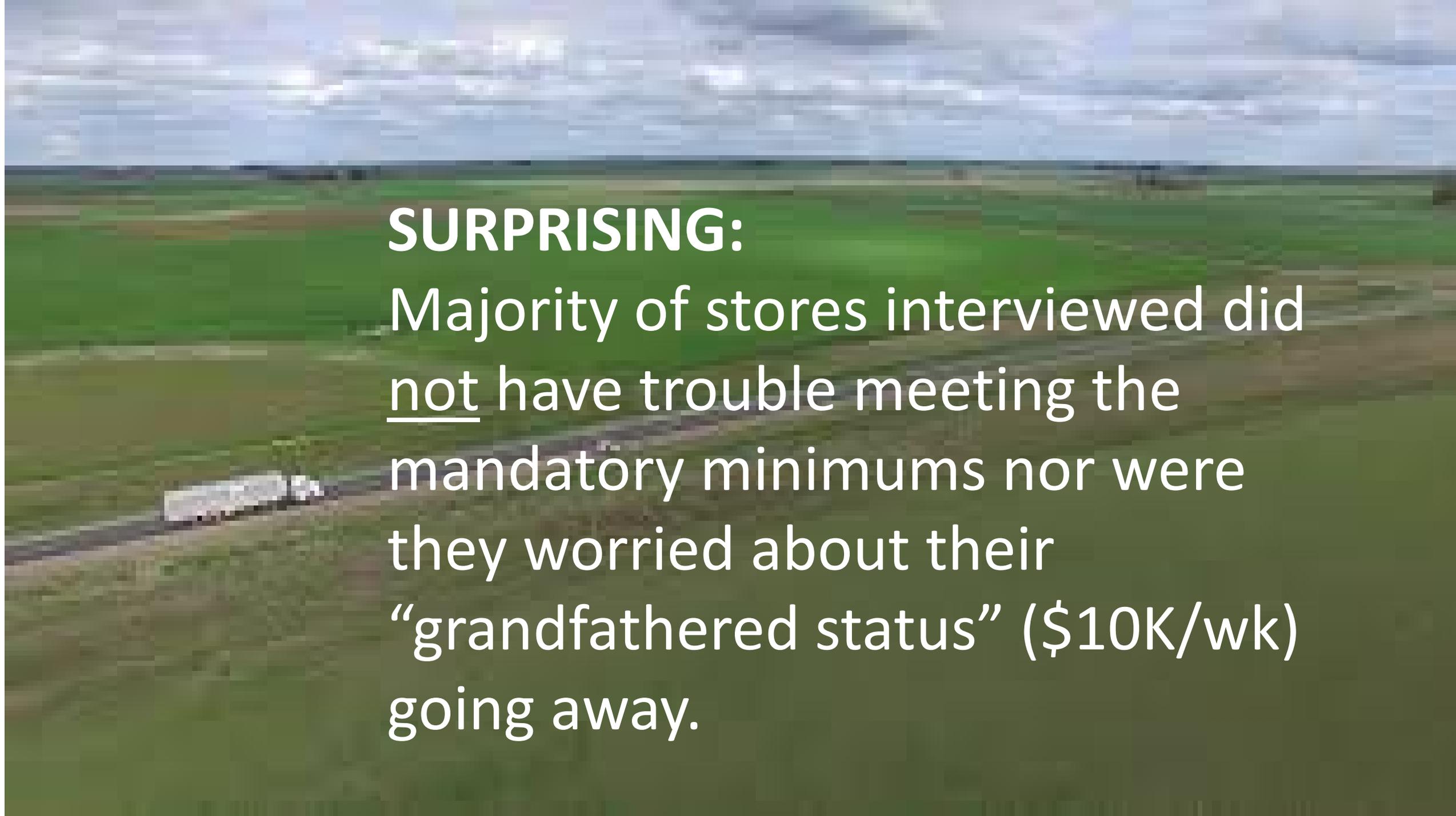
An aerial photograph of a vast green field, likely a farm or agricultural area. A dark road or path runs diagonally across the field from the bottom left towards the center. On the left side of the road, there is a small white rectangular building. The horizon is flat, and the sky is filled with light, wispy clouds. The overall scene is rural and open.

**So what did we find out?**

An aerial photograph of a rural landscape. A dirt road winds through a green field. In the distance, a small white building is visible. The sky is blue with some clouds.

**NOT surprising:**

Stores in very small, rural, remote towns (esp western KS) have toughest time turning a profit.

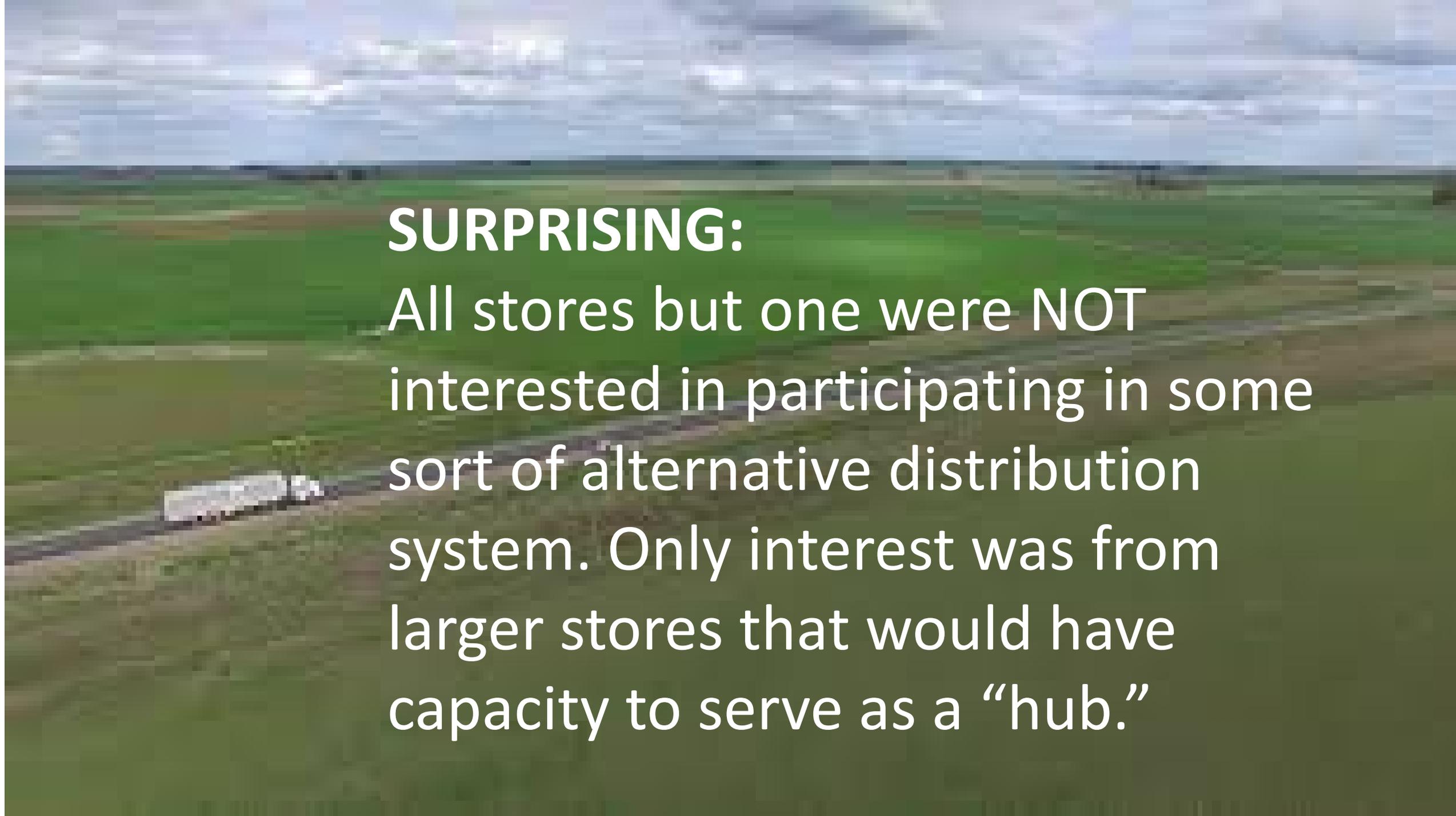


## **SURPRISING:**

Majority of stores interviewed did not have trouble meeting the mandatory minimums nor were they worried about their “grandfathered status” (\$10K/wk) going away.

## Data Suggest Stores Have More Pressing Challenges Than Distribution

- Aging and diminishing customer base (de-population)
- Cultural practice of people driving long distances to big box store
- Lack of dependable workforce supply
- Increase in online grocery delivery competition (esp dried goods)
- Proliferation of “dollar type” stores (e.g., Dollar General)

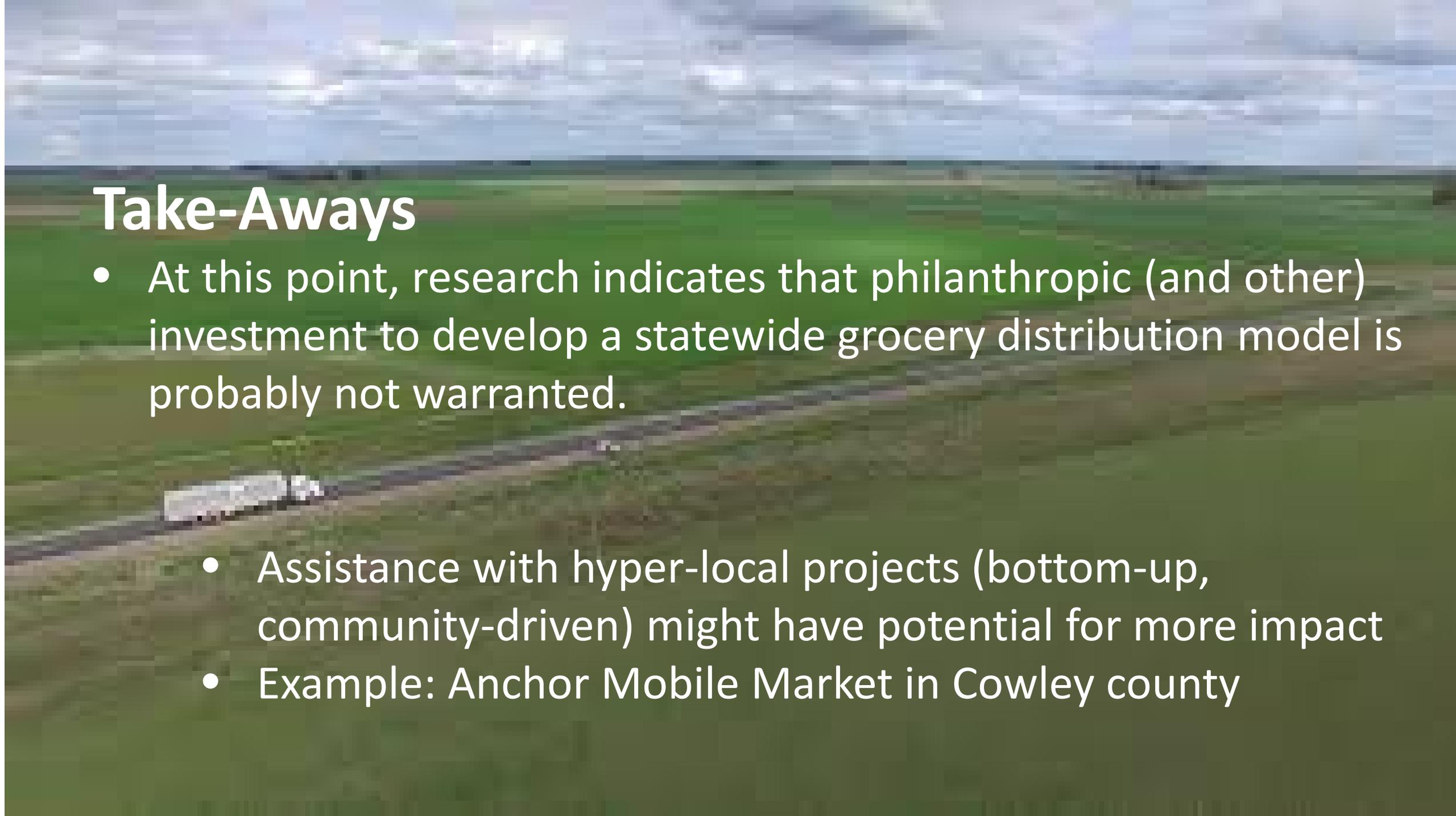
An aerial photograph of a vast green field, likely a farm or agricultural area. A dirt road or path runs diagonally across the lower-left portion of the image. In the distance, a small white building is visible. The sky is overcast with grey clouds.

## **SURPRISING:**

All stores but one were NOT interested in participating in some sort of alternative distribution system. Only interest was from larger stores that would have capacity to serve as a “hub.”

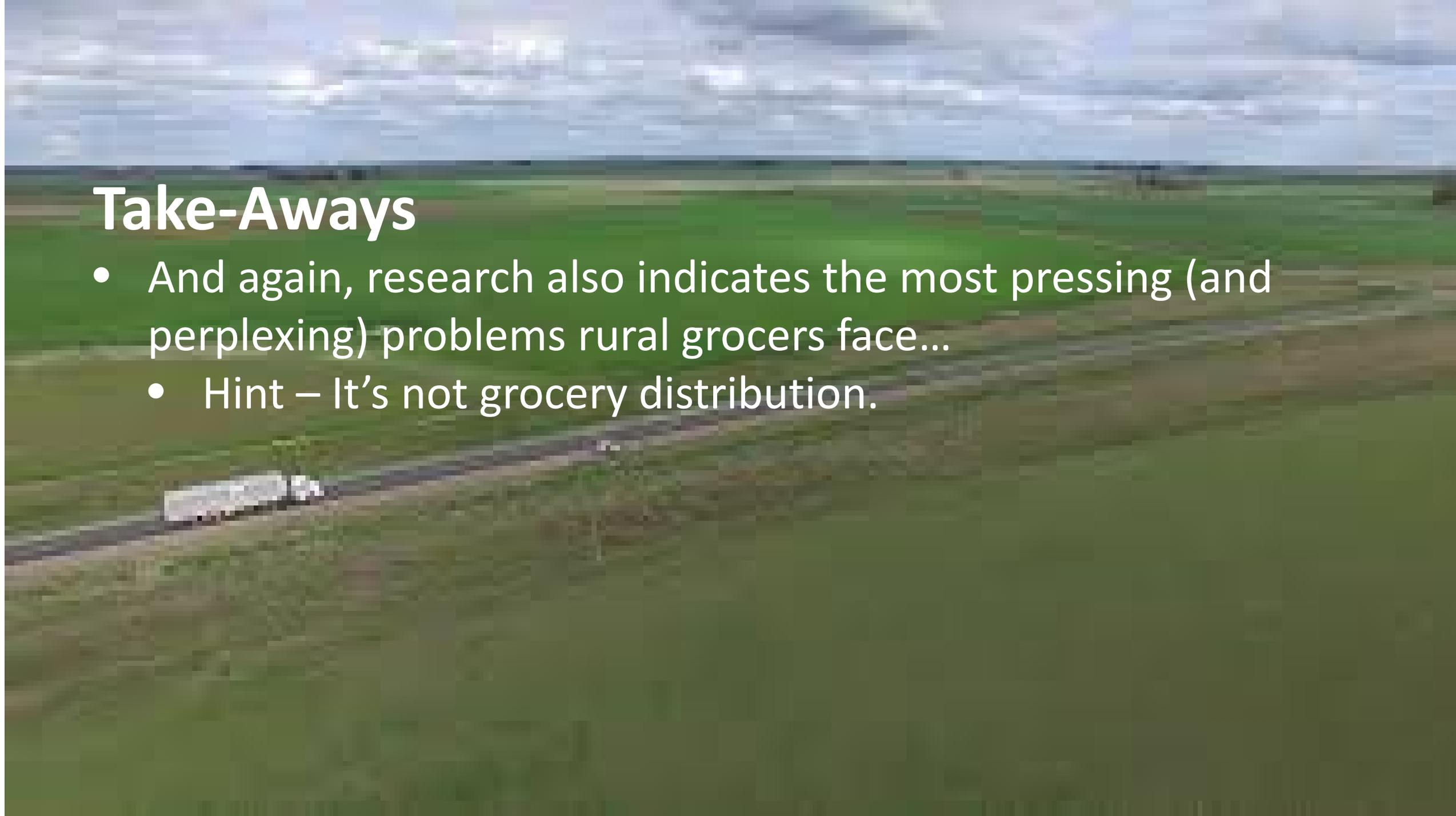
## Other Findings (surprising or not)

- Even smaller stores reported they are currently able to secure enough groceries from AWG/other... and the concept of another distribution system was perceived as logistically/economically challenging.
- Stores report the transition from Affiliated to AWG was very rocky, especially for smaller, more rural stores.
- Larger stores indicated interest in serving as a redistributor, provided it would contribute to economic health of their store.
- Some stores already organically figuring out hyper-local redistribution strategies.



## Take-Aways

- At this point, research indicates that philanthropic (and other) investment to develop a statewide grocery distribution model is probably not warranted.
  - Assistance with hyper-local projects (bottom-up, community-driven) might have potential for more impact
  - Example: Anchor Mobile Market in Cowley county



## Take-Aways

- And again, research also indicates the most pressing (and perplexing) problems rural grocers face...
  - Hint – It's not grocery distribution.

## Bloomberg

OPINION | [VIEW](#)

# Rural America Is Aging and Shrinking

Technology and diverging values widen the gap between small-town USA and cities.

By [Justin Fox](#)

128 June 20, 2017, 1:54 PM CDT



Not much room for optimism. *Photographer: Josh Edelson/AFP/Getty Images*

Americans in rural areas and small towns see the world a lot differently from those living in and around cities, according to a [survey](#) that the newspaper has

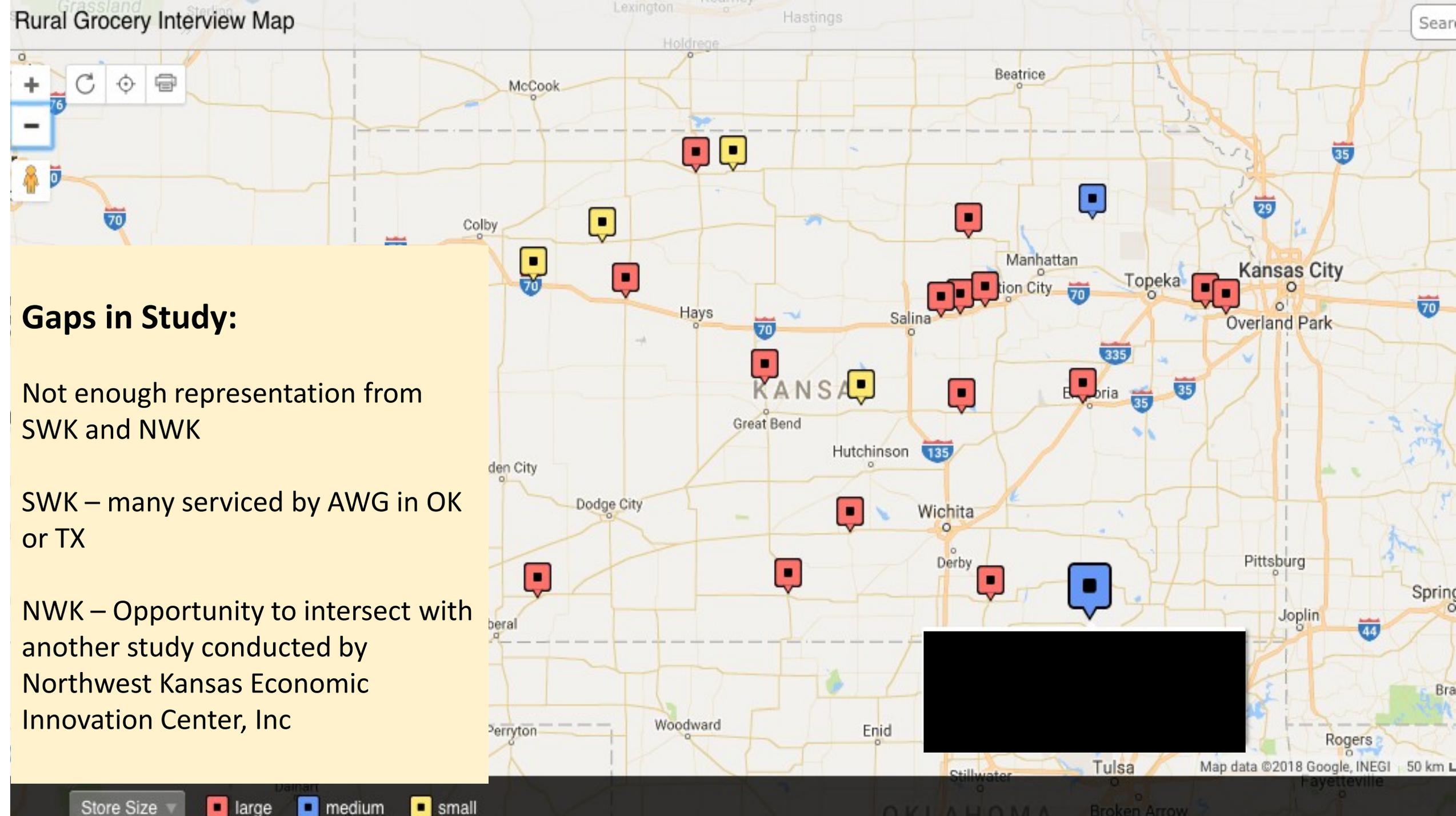


▲ 154 N Main St., Dacota, Ark. PHOTOGRAPHER: TERRY A. RATZLAFF FOR BLOOMBERG BUSINESSWEEK

## Dollar General Hits a Gold Mine in Rural America

In the poorest towns, where even Wal-Mart failed, the little-box player is turning a profit.

By [Mya Frazier](#)

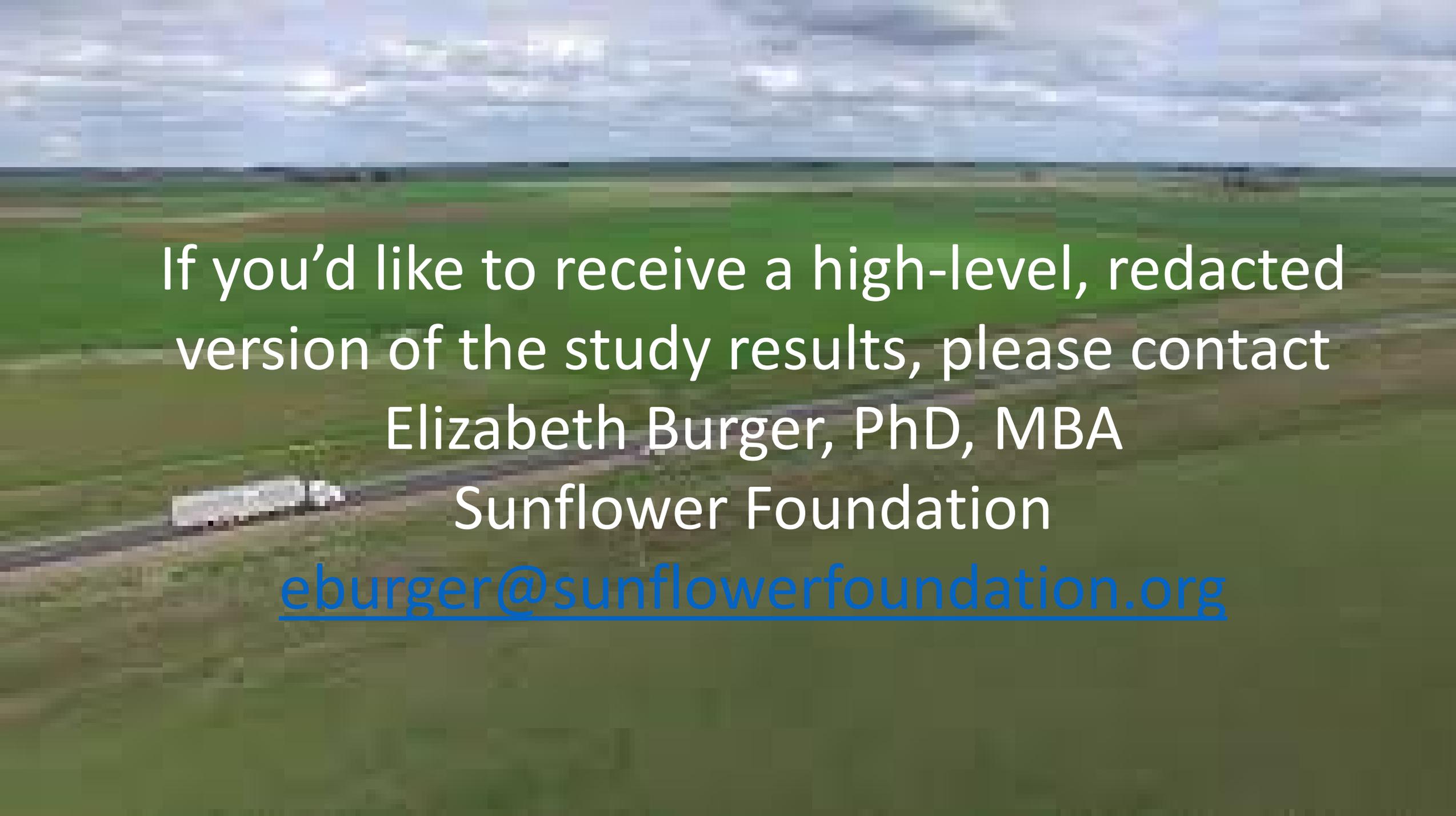


### Gaps in Study:

- Not enough representation from SWK and NWK
- SWK – many serviced by AWG in OK or TX
- NWK – Opportunity to intersect with another study conducted by Northwest Kansas Economic Innovation Center, Inc

Store Size ▾

- large
- medium
- small

An aerial photograph of a vast, flat agricultural landscape. The foreground and middle ground are dominated by a lush green field, likely a crop field. In the distance, a thin, dark line marks the horizon. The sky above is filled with soft, white and grey clouds, suggesting an overcast day. The overall scene is serene and expansive.

If you'd like to receive a high-level, redacted  
version of the study results, please contact

Elizabeth Burger, PhD, MBA

Sunflower Foundation

[eburger@sunflowerfoundation.org](mailto:eburger@sunflowerfoundation.org)



Northwest Kansas Economic  
Innovation Center, Inc.  
**Growers, Grocers & Distribution  
Study**

[NWK Grower-Grocer Map](#)