



Expanding Alcohol Sales Will Harm Kansas' Rural Grocery Stores



Kansas State University, through its **Rural Grocery Initiative**, is a leader in research on the challenges facing rural grocery stores. Their work can be seen at www.ruralgrocery.org None of their research, or any research nationally, indicates selling alcoholic beverages will keep rural stores open.

Research indicates rural grocers face imbalances and disadvantages in the marketplace created by big-box and chain grocers.

Here is a look at several important issues rural grocery stores need assistance with to survive in the marketplace against big-box and national chain grocers:

Pricing Imbalances

In a survey conducted by Kansas State University and the Kansas Sampler Foundation of Kansas' rural grocers, **"Nearly 40 percent of respondents also said they were not provided fair pricing compared to chain stores..."** (1)

No study indicates selling alcoholic beverages will keep rural stores open. Studies do conclude the biggest threat to rural, Kansan-owned businesses is out-of-state operated grocers and big-box stores.

Unlike big-box and chain stores, "Independent rural groceries in Kansas must buy at least \$9,000 per week to avoid paying a weekly surcharge of 5 percent on their purchase amount." (2)

Non-Proportional Tax Incentives

Since 1991, Wal-Mart stores in Kansas have received a minimum of \$34 million in tax abatements, incentives and breaks that have not been offered to rural grocery stores(3). Since 2007, Kroger has received more than \$93,000(4). The Hy-Vee in Manhattan was the anchor for a development which used Tax Increment Financing(5). Regardless of the benefits of these projects, **these same incentives are not made available to rural grocers, providing big-box and national chains financial market advantages.**

Lending Crunch

Lending to rural businesses, and all small business, continues to show a downward trend. Nationwide, loan applications in 2012 from small businesses were up, but actual lending was down as much as 11% from national banks and credit unions(6). Credit conditions among regular small-business lenders have not improved, according to the National Federation of Independent Businesses(7), and Kansas banks have adhered to these trends(8).

National chains and big-box stores do not suffer from this lending crunch, providing them the ability to expand instantly while rural grocers struggle to keep pace.

Kansas Grocers Can Invest in Alcohol Today

Under **current** Kansas law, independent rural Kansas grocers can own and invest in liquor sales. They can open a liquor store adjacent to their store or design a liquor department so customers do not have to leave the building. **This is being done by Cimarron Shurfine Foods, which has a liquor department inside their grocery store in Cimarron, Kansas!**(9)

The ability to invest in alcohol sales today allows Kansas grocers to compete against their biggest threat - big box, out-of-state retailers.

Expanding the sale of strong beer, wine and spirits, only assists big-box and out-of-state companies continue to put local, rural grocers out-of-business.



Expanding Alcohol Sales Will Harm Kansas' Rural Grocery Stores



A survey by Kansas State University and the Kansas Sampler Foundation found 80% of rural grocers said the biggest threat to their business is out-of-state grocers and big-box stores.(10)

David E. Proctor, Director of the Center For Engagement and Community Development at Kansas State University, wrote in his article *The Rural Grocery Crisis*: "The most frequent, significant challenge identified by our rural grocers was competition with big box grocery stores. In the past twenty years, we have seen a tremendous rise in the number of big-box, national-chain markets. In addition, big-box wholesalers have moved into the grocery business, and now many offer large food sections as part of their stores. Rural store owners view these stores as competition that threatens their very survival." (11)



In a report on factors leading to why rural grocery stores are closing, **Jon Bailey, Center for Rural Affairs,** concluded: "The advent of corporate, chain grocery store facilities in nearby larger cities and the relative ease in driving due to advances in vehicles and highways often make shopping at larger grocery stores more attractive, further reducing the customer base and the economic margins for small, local stores."

In Iowa, 43% of grocery stores in communities with less than 1,000 population have closed. Leading factor: big-box and out-of-state grocers.(1)

Expanding alcohol sales to grocery, convenience, department and other stores, only assists big-box and national grocers in increasing market share and buying power.

Sources

- (1) *Rural Grocery Stores: Importance and Challenges*, Jon M. Bailey, Center for Rural Affairs, Rural Research and Analysis Program, October 2010
- (2) *Working to Save Our Rural Grocery Stores One Challenge at a Time, Challenge Three: Meeting Minimum Buying Requirements*, Volume 1, Issue 3, K-State Center For Engagement and Community Development.
- (3) *Good Jobs First*, Wal-Mart Subsidy Watch, www.walmartsubsidywatch.org
- (4) The New York Times, *United State of Subsidies, Explore the Data*, <http://www.nytimes.com/interactive/2012/12/01/us/government-incentives.html>
- (5) *Downtown Redevelopment News*, Manhattan KS, Volume 5, Edition 1, September 2007
- (6) *Small Business Loan Approvals Decline at Big Banks, Credit Unions*, 2012, [ecreditdaily](http://ecreditdaily.com), <http://ecreditdaily.com>
- (7) *NFIB Small Business Economic Trends*, William C Dunkelberg & Holly Wade, January 2013
- (8) *Bank Grades*, Ami Kassar, Multi Funding LLC, 2013, <http://bankgrades.com>
- (9) www.facebook.com/cimarronwinesandspirits
- (10) *USDA RBOG Project: Rural grocery sustainability project*, KSU Center for Engagement and Community Development, Owner Survey, 2008.
- (11) *The Rural Grocery Crisis*, David E. Proctor, Kansas State University, 2010