Public Grocery Stores: A Guide for Policymakers
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Executive Summary

A growing number of Americans live in communities without supermarkets or large-scale grocery stores and struggle to access fresh, affordable food. Policymakers and grocers alike have responded to the increasingly important issue of food deserts in a variety of ways. From nonprofits to cooperatives, grocers across the country have implemented various types of stores to address the lack of food access in urban and rural communities, where private grocery store options are not meeting consumer and community needs. Most recently, Illinois Governor J. B. Pritzker signed the Illinois Grocery Initiative, allocating $20 million to support the creation and operation of grocery stores in food deserts throughout the state. While a one-size-fits-all solution may not exist to address this inadequate access to food, public grocery stores can provide significant advantages to communities living in food deserts.

This paper provides a practical guide for policymakers seeking solutions to food insecurity caused by food deserts. This paper offers an in-depth discussion of the benefits and challenges of multiple types of public grocery store models—publicly-owned, nonprofit, public-private, and cooperative—through case studies from stores operating in different parts of the country. In addition, this paper describes how to build and operate a grocery store in both urban and rural communities, providing actionable guidance for policymakers and local leaders. Drawing on discussions with grocers and organizations committed to expanding food access across the country, this paper highlights key insights and lessons learned from existing efforts.
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I. Introduction

In 2023, the Department of Agriculture’s Economic Research Service released a report detailing that in 2022, 12.8% of the U.S. population suffered from food insecurity, an increase from 2021.¹ The status quo approach to reducing food insecurity is not working, and policymakers are starting to take notice. In August 2023, Illinois Governor J.B. Pritzker signed the Illinois Grocery Initiative into law, allocating $20 million to support the establishment and operation of grocery stores in food deserts throughout the state.² This funding has prompted a deeper discussion of food deserts and the possible solutions to address their impact on communities.

Food deserts—areas with limited access to grocery stores and fresh and affordable foods—affect both urban and rural communities and are a significant source of food insecurity. While both urban and rural communities may live in food deserts, each has its unique causes. In rural areas, food deserts can be caused by “buying power” issues where stores do not have the capacity to offer competitive prices.³ Urban food deserts are often the result of historic practices, such as “supermarket redlining,”⁴ and leasing practices preventing the establishment of grocery stores in a certain radius.⁵ Communities living in both urban and rural food deserts can experience significant health disparities because they face limited options for groceries and may have no choice but to shop at convenience stores with few fresh food offerings.⁶

This guide for policymakers and implementers outlines how public grocery stores can be a solution to the problem of food deserts. Parts II and III describe the problem of food deserts and analyze different approaches to addressing it—including increasing supply, antitrust and land use reforms, and consumer subsidies—before focusing on public grocery stores as an option that deserves greater consideration and adoption. Part IV describes four models for implementing public grocery stores: publicly-owned, nonprofit, public-private, and cooperative. Each format has its obstacles, and we provide case studies of each to show how it worked on the ground and what challenges implementers faced.
In Part V, we turn to the practical questions and challenges involved in opening and operating a public grocery store: How should you analyze the market? Should you rent or own the space? What kinds of government funding are available? What kind of person should run the store? What does it take to get a store off the ground? Where does one source produce? What is a point-of-sale system and why does it matter so much? In detailing the fundamental aspects of planning, funding, and operating a grocery store, we describe the differences between operating in urban and rural communities. For instance, a grocery store in an urban location may have more options in choosing a distributor, unlike a rural grocer. On the other hand, a rural grocer may face fewer obstacles in finding the right space because zoning regulations may be less restrictive than in urban settings. In both cases, community buy-in plays an important role in the success of a public grocery store.

Finally, we close by outlining three simple lessons for policymakers: (1) developing a buying cooperative to keep distributor costs low; (2) joining a network of grocers to share resources and provide mutual support; and (3) engaging the community by stocking products that appeal to the community.

In the appendix, we provide two additional resources for policymakers and implementors: (1) Model legislation for a state that wants to facilitate public grocery stores, based on the Illinois legislation; and (2) a checklist for implementers of factors to consider at every stage of development.
II. The Problem of Food Deserts

The Importance of Food Deserts

One in eight Americans live in food deserts (also known as low-income, low-access tracts), where the availability of supermarkets or large-scale grocery stores is limited. Food desert refers to both urban census tracts where residents live half a mile from the nearest grocery stores and rural census tracts where residents live 10 miles from the closest grocery stores. The lack of grocery stores in these areas presents a difficult problem for policymakers seeking to improve food access in their communities.

Food inaccessibility can contribute to health disparities for already-marginalized communities. Lack of access to grocery stores means residents are increasingly cornered into shopping at local convenience stores that carry foods filled with preservatives, fats, and sugar. Residents may also go hungry due to the lack of options or suffer other types of emotional distress. This problem further exacerbates health disparities for low-income communities that too often struggle with increased rates of diabetes, heart disease, and obesity.

There is no consensus definition for a food desert. However, estimates show that between 17 and 50 million Americans live in areas that struggle to access food. While some have criticized food desert definitions because they rest on faulty assumptions about shopper behavior, neighborhood transportation patterns, and the inaccuracy of using an entire census tract to measure food deserts, data shows that food access and the ability to buy affordable groceries is a problem for many Americans and that the disparities fall hardest on minority, low-income communities.

The Causes of Food Deserts

Food deserts are caused by significant market factors, government policies, and community characteristics.
Food Deserts in Rural Areas

The limited availability of supermarkets or other comparable grocery stores in rural areas is primarily driven by the choices of market players. In lower-income, low-volume areas, grocery stores are rarely profitable enough for the owners to justify the investment and risk associated with operations. Profitability is challenging for two reasons. First, in rural areas, residents may lack the purchasing power to buy pricier healthy foods, resulting in smaller profits for store owners and creating a vicious feedback loop between residents and grocers. The low profit projections deter potential new grocers from entering the market, thus further entrenching food inaccessibility. These communities often rely heavily on SNAP benefits, which further reduces the purchasing power individual consumers have and undermines incentives grocers may have to open in poorer, rural communities.

A second concern is “buying power,” which refers to a store’s ability to offer competitive pricing. Large distributors often require stores to meet large minimum weekly purchase orders to take advantage of cheaper wholesale prices, which benefits grocery chains that operate many locations—or single stores—in areas with high volumes. In rural areas, single stores may not have sufficient volumes to meet these minimums. They may also be unable to find other stores to join them in buying in bulk, as similar stores may be 50+ miles away. As a result, a single store is left to either purchase goods from local retailers and farmers at higher prices or purchase goods from a distributor at higher prices. They then pass the higher prices onto the customer. Instead of a gallon of milk for $2.50, a smaller store may have to price the same milk at $3.99 to make up for their higher original purchase cost. This, in turn, makes a store less competitive; when a customer is faced with a longer drive for cheaper groceries or a shorter drive for more expensive groceries, many people may choose to drive the extra miles to save more. Without competitive pricing, stores operating only one location are especially vulnerable to closure if they cannot make enough money to remain open. The result is a rural food desert.
Food Deserts in Urban Areas

The causes of food deserts in urban areas differ, with three sources explaining the distinct challenges arising in urban communities. The first is called “supermarket redlining.” When white residents left for the suburbs, grocers saw the opportunity for greater profit in suburban communities.\(^{19}\) The potential for increased revenue saw grocers shutter urban stores in favor of their suburban counterparts.\(^{20}\) As supermarkets left minority communities to pursue the white suburban markets, many of these communities were left without grocery stores.\(^{21}\) Coupled with minority urban communities’ inability to move to the suburbs, this “redlining” expanded the scope of the food desert problem.\(^{22}\) In these redlined communities, the availability of transportation can often dictate where and how often residents shop for groceries, making public transit inextricably linked with urban food deserts.\(^{23}\)

Grocery store contracts are often another contributor to the creation of food deserts. When grocers contract with vendors for space to house their stores, they negotiate lease terms designed to optimize that grocer’s profitability, typically at the community’s expense. One example is what Christopher Leslie has called the “scorched-earth” covenant. Grocers will either negotiate terms in a lease or in the property’s ultimate sale that prevents a grocery store from opening in their former space for a term of years, often decades.\(^{24}\) The covenants either limit the specific leased space or place restrictions on the operation of other stores within a shopping complex.\(^{25}\) Stores use these covenants to ensure that residents are forced to go to other stores that the grocer operates to keep the competition from taking those customers in this space.\(^{26}\) Landlords justify these covenants as a way to initially attract investors to grocery store locations.\(^{27}\) The issue arises when these covenants are enforced after the grocer decides to leave the space. Grocers can enforce these covenants, keeping competition out of spaces meant to hold grocery stores. In food deserts, suitable grocery store locations are sparse, and these covenants combined with transportation inequality can deny urban residents access to grocery stores and, by extension, healthy food.\(^{28}\)
Another related way in which stores can prevent the use of suitable space is by “going dark.” Stores either own the property and decide to leave it vacant after they leave, or they add provisions in their lease to ensure that no other food stores can be opened in the same location or complex. Where grocers own the property, they are typically required to pay rent on their new space and make payments on the old property. While costly, some grocers may be willing to spend this money to prevent competition. This scheme benefits the business but takes away a grocery store from the community in a space meant for that purpose. In urban areas that have relatively few suitable grocery locations, the shuttering of a former store can be catastrophic for underserved communities.

In addition, government policies have contributed to the creation of food deserts. The government’s role in funding and promoting white flight is linked with the inaccessibility of grocery stores in abandoned areas because stores followed white flight to the suburbs. For example, the Federal Housing Administration (FHA) provided mortgages for white residents fleeing urban areas but did not provide the same funding for black residents. Local governments built highways through minority neighborhoods to ensure accessibility for white suburbs. These choices, among other government funding choices, helped create the disparities in urban minority communities that still prevent access to grocery stores.
III. Solutions to the Problem of Food Deserts

Supply-Based Solutions

Several proposed solutions take a market-based approach, attempting to increase the supply of healthy foods in food deserts. One market-based approach is to work with corner stores within food deserts that had not stocked healthy items to begin stocking them. This approach has obvious benefits—for one, the startup costs are much lower than opening a new store. Still, problems can arise. One study in Nashville evaluated the impact of introducing healthy food options into corner stores in five distinct food deserts. The study, sponsored by the Centers for Disease Control and Prevention, offered technical assistance to these stores in exchange for commitments to stock fruits, vegetables, low and nonfat milk, and 100% whole wheat bread. The study, after sampling 204 intercepts of customers leaving the store, found that none had purchased the low and nonfat milk or 100% whole wheat bread, and there were “few purchases of fresh fruit and vegetables.” Yet, some evidence suggested there was a general increase in availability of fresh fruit and vegetables in the communities.

There are limits to a supply-based approach that expands options in existing stores. One limit is that corner stores may not be able to afford the security needed to make patrons feel safe enough to do most of their grocery shopping there. In a 2012 study on increasing the availability of fresh produce in Nashville’s urban food deserts, safety concerns were cited as the biggest challenge, with researchers suggesting collaboration with local police departments as a possible mitigation strategy. Another issue with incentivizing corner stores to offer healthy foods is that this approach may not alleviate a general mistrust of the stores’ owners within the communities. Some levels of mistrust can certainly be mitigated by a sustained focus on community
outreach. It is often critical that grocers are people within the community who are sensitive to their residents’ needs. 

Another proposed solution is supporting efforts to expand farmers markets into food deserts. This solution also helps minimize startup costs, as the farmers markets’ “pop-up” nature and grower-to-consumer model reduces some customary capital investments. Although farmers markets on the whole are growing, efforts to utilize them to ameliorate food deserts have had mixed success. In one 2003 study, researchers attempted to open a farmers market in an East Austin, Texas food desert. The researchers covered a vast majority of the operational overhead by recruiting vendors, promoting the market, insuring the market, and generally controlling operations. Despite the researcher’s efforts, the market was forced to close after only two years due to lack of consumer interest. While the study is now more than two decades old and consumer tastes may have changed, it may still point to a possible challenge that some farmers markets might face. Further, a 2019 study posited that farmers markets may fall short in addressing the core issue of food access in underserved communities; in instances where they do operate in food deserts, the study found surrounding areas may exhibit heightened socioeconomic status and a greater proportion of white residents.

In the East Austin study, high consumer interest in Farmers’ Market Nutrition Program (“FMNP”) led researchers to pivot to operating a small market adjacent to a Women, Infants, and Children (“WIC”) clinic. This smaller market was much more successful, partly because the WIC market was smaller and therefore less staff-intensive, and the WIC clinics were eager and accommodating outreach partners. The researchers are now operating six of these WIC markets.

The success of the WIC markets, while remarkable, is unlikely to be scalable outside of the context of WIC clinics. The failure of the East Austin farmers market is illustrative of this point. There, the researchers explained that the market primarily failed because, although community members were generally aware of the market’s existence, “people felt it was inconvenient for regular shopping.” This is an understandable criticism, as most farmers markets do not provide all the necessary
groceries for the week, resulting in families needing an extra grocery trip to pick up certain staples. Of note, however, consumers did express that they particularly valued the fresh fruits and vegetables and were happy to support local farmers.

**Potential Antitrust Solutions**

University of California at Irvine Law Professor Christopher Leslie has argued for addressing legal restrictions on grocery store openings. Antitrust challenges have so far not been sufficient to address the problem because judges assume several consumer behaviors when assessing whether the contract restrictions are anticompetitive. Judges presuppose that consumers have cars, leading them to the conclusion that the unavailability of one grocery store location is trivial since consumers can drive to a different store. In poorer urban tracts, residents often lack this mobility and, as a result, antitrust does not currently serve as a viable way to challenge restrictive lease terms. Leslie urges advocates to fight these covenants with updated food desert research to show that the relevant market for anticompetitive behavior is smaller neighborhoods that lose food access. Leslie also presses advocates to strongly argue that scorched-earth covenants and going dark strategies (discussed earlier in this paper) are forms of anticompetitive behavior that have no legitimate business justifications. Leslie also proposes that antitrust agencies use their merger review process to require companies to stop any covenant use that operates to restrict grocery access in underserved areas. Although yet untested on a broad scale, antitrust can be one helpful tool among many to address food deserts.

**Vouchers and Subsidies for Shoppers**

Another solution to make healthy foods more attractive, and even worth traveling to, is vouchers. Currently, individuals who receive assistance through federal or state nutrition funding can use vouchers to purchase fruits and vegetables from a variety of vendors. In addition, sometimes individuals benefiting from federal or state nutrition funding can receive “double vouchers,” which effectively increases their produce buying power by stacking federal, state, and local vouchers onto each other.
At least one former policymaker is optimistic about the potential of vouchers to alleviate issues surrounding food deserts. August Schumacher, Jr., a former USDA undersecretary of farm and foreign agriculture services, noted a general upward trend in funding these programs in the new millennium, and an expansion of foundations who financially support these voucher programs.

Still, considering that WIC mothers only receive $11 (WIC children receive $8) in fruit and vegetable vouchers, amongst other small benefits, it’s hard to imagine these vouchers could prove an effective solution to food deserts. Further, many WIC-eligible individuals do not fully utilize their vouchers. One 2021 study in Oklahoma found that only 17.3% of WIC-eligible households redeemed their benefits in full during a given month. The reasons? Amidst various factors, one 2011 study, in finding that less than half of vouchers’ dollar value was being redeemed each month, reported that participants and grocery staff alike struggled to understand the redemption rules.

Another recently proposed solution is to subsidize rideshares for community members in food deserts to access grocery stores. “The Lyft Pilot Support” program was launched with funding from the City of Indianapolis in 2019. The program is available for residents of the Far Eastside neighborhood, supplying rides for residents to shop at one of six designated grocers. The program reduces the typically priced $10 Lyft ride to the grocery store down to a mere $1 per trip.

This could be a promising solution, though it lacks a substantial body of research and has some obvious drawbacks. For one, not everyone has a smartphone necessary to use Lyft. Furthermore, many older residents may not know how to use Lyft, and some people may not be comfortable getting into a car driven by a stranger. Finally, this approach does not confront the significant time and effort costs inherent in using a ride-share service to travel to a different part of town to get your groceries and would be even less feasible in a rural setting, where access problems are exacerbated.
Public Grocery Stores

Public provision of important services is ubiquitous in American life. Consider the post office, public libraries, and public schools. A public grocery store is a publicly-owned store that provides groceries just like any other grocer. However, since its focus is on public service and not purely on profits, it can be more flexible with pricing and serve the community in ways private stores cannot. For the purposes of this paper, we don’t mean “public” to mean exclusively government owned and operated—it could be a cooperative, nonprofit, or public-private partnership. The point is that it exists primarily to offer this service to the public and not simply to make profits.

The public grocery store, when effectively implemented, can ensure that disadvantaged individuals have real access to some of the necessities for competing and thriving in modern America. In the case of food deserts, the public grocery store offers a potential solution because its existence is not wholly defined by external factors like market forces. Well-run public grocery stores can weather tough economic times since their success is not solely reliant on revenue levels above what is absolutely necessary. Whereas a big-box store may decide to close a store in an isolated community when the store stops making profits, the public grocery store may keep its doors open in accordance with its public service mission.

Simply introducing a public option into the market can also have favorable effects on the market. Many food deserts are dominated by convenience stores and dollar stores that hamper consumer choice and lead to a decline in purchasing of healthier foods. Public grocery stores can help re-introduce competition into these concentrated markets. When public options “enter the fray as a baseline provider or a head-to-head competitor,” they pressure big-box and dollar stores alike to provide better services, expanded services, or better pricing and sourcing. In one instance, the local dollar store began providing some produce and deli meats upon merely the announcement that a public option grocer planned to open in a small Florida town. Finally, a central tenet of the public option is choice. Simply, if a citizen does not want to use the public option, they don’t have to, but it remains available regardless.
Still, the public grocery store has limitations. As a threshold matter, when operating in a food desert, it’s likely that big-box stores have leveraged teams of market researchers to determine that operating a store in that area is not feasible. Thus, from day one, the public grocery store will likely face economic headwinds. Furthermore, public grocery stores often find it difficult to compete with big-box stores. For one, “big-box stores” can quickly train management using the considerable institutional knowledge at their disposal. On the other hand, public grocery stores often must balance proper training with other factors: In one case, a store manager was promoted to her position for showing the foremost dedication to the store, and had to learn all of the technical expertise on the job. Additionally, big-box stores can almost always win on price and efficiency, making it vital for public grocery stores to prioritize engagement with the community to help drive sales. To counteract these various challenges public grocery stores must (1) meticulously plan their entrance into the market, (2) hire the right staff, (3) select a suitable location, (4) leverage external funding sources, and (5) work with distributor networks to find the most competitive prices. This paper offers an overview of these and other issues for public officials interested in opening a public grocery store.
IV. Case Studies

The following case studies represent four different public grocery store models that communities across the United States have adopted to provide greater food security for residents. These four models are presented as follows: publicly-owned, nonprofit, public-private partnership, and cooperative. While acknowledging that the public-private partnership format does not qualify as a traditional public option, its inclusion here serves to inspire other communities to collaborate creatively using assistance from both the public and private sectors, if that would be the best format for an individual community.

Publicly-Owned Stores

The publicly-owned grocery store offers economic benefits and long-term stability for food security. In this model, the state or local government controls all aspects of the store, including tasks like the initial funding plan, maintenance of the building, and inventory purchasing.

There are many benefits to a publicly-owned grocery store. One is that publicly-owned stores, unlike privately-owned stores, do not prioritize profit. This is especially helpful in the initial planning period. While private retail stores must prioritize profit when deciding where to locate the store, publicly-owned stores may consider different factors like whether the government already owns property or whether there are other frequented entities (like a Post Office) in the area that would make grocery shopping conveniently located.

The government’s involvement can also provide long-term stability, since the government is able to deliver funding resources to support the store during economically uncertain periods. This can be seen in the following case study of Baldwin Market, where government-ownership played an important role in stabilizing the store during the pandemic.
Case Study: Baldwin

Baldwin, Florida is a town of about 1,368 residents, and a majority of those residents are over the age of 65. Located about 20 miles west of Jacksonville, Baldwin has accepted its reputation as a retirement community, offering the feel of a small-town atmosphere for both transplants and lifelong Floridians. It has local restaurants, a Dollar General, and, until 2018, had a big-box grocery store. When IGA, the only grocer in the town, announced that it had decided to move out of its retail space that year, Baldwin Mayor Sean Lynch asked IGA's owner to reconsider. As the town's only grocery store, Lynch recognized that if IGA left, residents would be left with virtually no fresh food options. For reasons that Lynch can only speculate, but likely stemming from lack of profits, IGA carried out its plan and vacated the building, leaving Baldwin without a grocery store.

Undeterred, Lynch began reaching out to other grocery store chains to see if they would operate a store in the old IGA building. The town of Baldwin already owned the land and building, so he believed this could persuade another grocer to operate without significant build out costs. He did not want to offer tax incentives or other monetary relief for a potential grocer to move into the space, and ultimately, no grocer took him up on the offer to operate in the building. After IGA's exit, the nearest fresh food option was at least ten miles away. This left “[m]any of the town's seniors and [low-income] residents” without a fresh food option. While not unique to Baldwin, many of these residents instead relied on fast food and Dollar General, which only provided pre-made options at discount prices. Lynch recognized this reliance and worried that this dependence would only get worse, impacting the long-term health of residents and harming the population rates. He had seen this scenario play out over a decade earlier, when Baldwin officials originally built the IGA building on a government-owned lot in 2006, hoping it would take care of the initial build-out costs.
and incentivize an established grocer to operate in the space. This worked for IGA, until its closure in 2018.

With the health and safety of his residents at the top of mind, Lynch did something highly unusual: he approached the Town Council and proposed that the government itself operate a grocery store. Reporters pressed Lynch on his proposal because of the political makeup of the town, which is overwhelmingly Republican and would seemingly be against a public grocery store. When asked why he thought the government should get into the grocery store business, he claims that taking care of residents is just part of government’s role: “We take the water out of the ground, and we pump it to your house and charge you . . . [s]o what’s the difference with a grocery store?” And it worked. Lynch successfully persuaded the Town Council to enter the grocery store business.

With approval from the Council, Lynch drafted operating plans for the store just like any other business owner. Because the town already owned the building, Lynch focused on determining how the town would fund employee wages and store inventory. The Town Council had provided a $150,000 loan, and Lynch’s job was to budget this money in such a way that the store could operate through the first year without incurring greater costs.

Stocking the Store

Lynch wanted to source food locally as much as he could. He wanted to support local farmers and producers, but his interest in locally-sourced goods also stemmed from the difficulty in purchasing goods from a large distributor. The distributor, who previously worked with IGA, required a minimum $20,000 per week purchase order. While this amount was more than doable for IGA, with multiple locations throughout northern Florida, this amount was unattainable for a newly-opened local grocer like Baldwin Market. Shut out by the larger distributors, Lynch turned to smaller distributors and local business owners to help stock the store instead. During the pandemic, Lynch sourced even more food from local businesses. In what he referred to as a “win-win,” he approached local restaurants and purchased food from them
directly, since they were under shutdown orders in early 2020. This helped the local business owners, since their food was still purchased and did not go to waste, and it also helped lower costs for Baldwin Market, since the store typically had relied on higher cost goods.

Sourcing locally still has its drawbacks, and this way of stocking the store is what Lynch has identified as the biggest area for concern for local grocers. He reiterated that the lack of “buying power” harms local grocery stores as they compete for customers with Wal-Mart and other big-box grocers, who can offer much lower prices. Even with only needing to break even, Baldwin Market still feels the pressure from these grocers. While these big-box grocers must also balance profits, they can lower their costs for consumers by tapping into those larger distribution networks. Because of this bottom-line difference in product costs, some residents still choose to make the longer commute and shop at a store ten miles outside of town.

### Challenges

Baldwin Market is operating in its fifth year in business, but it still has a “buying power” problem. Lynch acknowledges that high costs may be the downfall of Baldwin Market, as it has been for many other nontraditional grocery stores. He has vowed not to utilize taxpayer dollars to subsidize the store, and he uses only the Council's reserve funding cache, which the store has repaid “times over” since the initial opening. Still, he has potential solutions to this problem, including streamlining inventory to essentials, rather than the larger offering provided currently, and waiting out inflation. When asked whether additional funding from the state would be of benefit to a store like Baldwin Market, Lynch agrees—but hesitates because it depends on how the funding is structured. For publicly-owned stores, Lynch recognizes that funding with restrictions on how it is spent is not as helpful as unrestricted funding, since the latter would directly combat the “buying power issue.” Especially in communities like Baldwin, where the government already owned the grocery store building and surrounding property, restrictions on funding usage tied to the initial development of the store does little to help its lasting impact. Rather, the flexibility of
unrestricted funding could do more for the store’s operational success during the first year and beyond.\textsuperscript{115} At the end of the day, Lynch recognizes that a publicly-owned store is still a store, and operations must be approached in much the same way as a private store.\textsuperscript{116}

**Non-Profit Grocery Stores**

The nonprofit grocery store offers a variety of benefits, coupled with a strong record of stable access to healthy foods when done successfully. This model utilizes private donors, universities, or charitable organizations to offset startup costs and subsidize food prices.

Nonprofits offer a variety of benefits to local officials looking to open a public grocery store, but they also require a strong donor base to be successful. On average, nonprofit stores can offer lower prices than the other approaches.\textsuperscript{117} In a study of seven different community food stores, only the two nonprofits were able to reduce prices to a point in which they offered healthy foods below the national average.\textsuperscript{118} Further, the long-term commitment of the donor base helps ensure that the nonprofit grocer can weather economic downturns and other issues which cut into the store’s bottom-line.

Still, there are drawbacks to the nonprofit approach which prevent it from being a perfect fit for every situation. The limiting factor on the success of nonprofit stores tends to be the donor base: when the base falls short, it can spell calamity for the store. For example, a study of one nonprofit store found that it was unable to maintain funding and was forced to close a mere three years after opening.\textsuperscript{119} Still, a successful nonprofit store in that same study “leveraged its nonprofit status and store founders’ connections to obtain philanthropic donations to cover 30% of costs and to procure discounts from vendors aligned with their mission.”\textsuperscript{120} Daily Table, a nonprofit in Massachusetts, offers a good example of how an engaged donor base has enabled the
store to not only offer competitive prices, but also to pay its employees $17 an hour and craft ready-to-eat meals which rival fast food’s convenience and price.

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**Case Study: Daily Table**

Daily Table, a nonprofit grocery store in Dorchester, Massachusetts, is dedicated to its mission of offering affordable, nourishing meals to low-income families. Dorchester, a collection of urban villages covering six square miles, is home to a fifth of all Bostonians, making it Boston’s largest community. Dorchester is also one of Boston’s most diverse neighborhoods—around three of every four residents are people of color and one of every three is an immigrant. Daily Table employs a core strategy of sourcing surplus food from growers, manufacturers, distributors, and supermarkets to offer wholesome, nutritional food at affordable prices. Daily Table sustains this strategy while simultaneously paying their employees roughly $17 an hour. Finally, approximately one in every four customers at Daily Table uses SNAP/EBT to cover the cost of their groceries.

**Key To Success**

A major advantage, which Daily Tables leverages, is that the founder and chairman, Doug Rauch, is the former president of Trader Joe's. Daily Table has utilized Rauch’s connections to build an extremely robust donor base. In 2022, Daily Table counted 70 different donors, including corporations such as Blue Cross Blue Shield of Massachusetts, Google, the Red Sox, Reebok, and the Massachusetts Institute of Technology. This massive philanthropic base empowers Daily Table to cover a substantial portion of its costs with donations.

Further, Daily Table has used local laws to develop a robust supplier network specializing in surplus food donations, thus providing customers with food items at considerably lower prices than conventional grocery stores. Daily Table capitalized on a Massachusetts regulation introduced in October 2014 which restricts “businesses...
and institutions from discarding more than one ton of food waste per week.” This regulation served as the foundation for building a network of over 25 vendors. These vendors either donate or sell their surplus food, as mandated by the regulation, to Daily Table at discounted rates. Combined, these advantages afford Daily Table the ability to both obtain food products at a steep discount and cover operating costs with philanthropic donations.

Other Success Factors

Daily Table's mission is to provide fresh, tasty, convenient, and nutritious food to communities most in need at prices everyone can afford. Keeping the goal of serving residents of food deserts front and center has helped them avoid actions which could undercut their stated mission. As an illustration, in the initial stages, Rauch considered a unique collaboration with Whole Foods Market, where Daily Table's stores would have been located close to existing Whole Foods locations. Still, given that most Whole Foods stores are not located in underserved areas, this approach would have constrained Daily Table’s ability to carry out its mission.

Daily Table allocates resources to ensure that they only offer nutritious foods to their community. Daily Table established a “Nutrition Task Force,” filled with experts from the Harvard T.H. Chan School of Public Health, the Boston Organization of Nutritionists & Dietitians of Color, and other health organizations in the Boston area. The task force sets guidelines for the store as to the amount of salt, sugar, fat, fiber, and other health factors in their offerings. The guidelines set by the task force are even more stringent than the guidelines set by the U.S. Department of Agriculture. As such, Daily Table rejects donations of unhealthy foods, such as highly processed or high-sugar foods.

Daily Table has successfully connected with its consumer base. By engaging with the local community, Rauch established a store that was warmly received from the community and successful at catering to its needs. This outreach played a pivotal role in shaping Daily Table’s product offerings and in inspiring its initiatives to hire staff and collaborate with partners from the community. Daily Table also shares its
achievements with a thriving social media presence (with over 14,000 likes), using Facebook to disseminate information about store operations and program initiatives. Furthermore, Daily Table extends invitations to local business, civic, health, education, faith, and community leaders to participate in its Community Advisory Council, where they serve as both advocates and consultants.

Daily Table also focuses on serving the community by adopting some unorthodox grocery practices, while staying in line with the store’s mission. For example, Daily Table management noted, “Poverty is not just economic. It’s also a poverty of time and sometimes it is also [a] poverty of knowledge and resources and knowing what to do with things.” This insight led Daily Table to develop a selection of ready-to-eat meals, prepared in a kitchen on-site. The pricing of the ready-to-eat meals is structured to directly rival fast food choices, offering families a healthy alternative that matches the convenience and cost of fast-food establishments. This allows Daily Table to offer meals with the recommended amount of nutrients within Supplemental Nutrition Assistance Program (SNAP) guidelines that are both low-cost and quick to prepare.

Public-Private Partnership Stores

Another funding model, the public-private partnership, combines local government and community ownership. It aims to provide the benefits of both publicly-owned stores and independently-owned stores, while limiting the drawbacks of each. The benefits of local government involvement range from funding assistance during the opening of a store to long-term economic stability once the store is up and operating.

Case Study: Garden of Eden
Garden of Eden in Little River, Kansas provides insight into the role the government can play in ensuring the success of privately-owned grocery stores. In 2005, the owners of the town’s grocery store decided to retire, and residents were worried that the store’s future would be in jeopardy. David and Debra Nelson purchased the store from the retiring owners but soon ran into troubles with equipment in a building that was nearly 100 years old. The upgrades that the Nelsons made were difficult because they were costly and the old equipment often had parts that could not be easily found.

A local banker heard about the challenges the Nelsons were facing, and proposed that the family sell the building to the city and then lease it back for operation. This would enable the Nelsons to operate the store while not being financially responsible for the constant improvements that the building needed. The city wanted to ensure that its residents had continued access to a grocery store, which further incentivized the city to buy the store.

In 2017, the city of Little River purchased the store from the Nelsons. The city also applied for a grant from the Little River Community Foundation to upgrade the store’s equipment. It was essential that the city owned the store, since for-profit stores were ineligible for the Little River Community Foundation’s grants. After receiving the grant, funds were used to repair the building’s HVAC systems, ceilings, and façade. The grant also included funding for new coolers and freezers. These upgrades allowed the Nelsons to spend less money on repairs and improve the efficiency of the equipment needed to run Garden of Eden. The Nelsons hope that the city’s ownership will ensure that the next operator of the store can do so without undertaking significant financial stresses.

The Nelsons currently operate the store with a focus on shoppers and the community. Shoppers are welcomed by friendly workers who help them find products and take groceries to their cars. The Nelsons also place strong value on promoting their community, emphasizing community partnerships. The store also boasts a seating area where residents can eat and connect with each other. The Nelson family supports community endeavors by providing the necessary supplies to
churches, schools, and other programs. Additionally, the Nelson family offers local products in their store that residents are likely not going to be able to find at competitive grocers.

**Cooperative Grocery Stores**

Cooperatives ("Co-ops") are run for and by the community, according to the definition provided by International Cooperative Values. There are three main types of co-ops: producer co-ops, worker co-ops, and consumer co-ops. Producer co-ops are generally owned by associations that produce similar goods or offer similar services. This framework can benefit producers by pooling together their products under one name, enabling them to obtain competitive pricing. Worker co-ops are owned and directed by the business's employees. Most co-op stores are set up as consumer co-ops, which are owned by members who purchase the goods and services provided by the business.

Cooperatives offer significant benefits to both consumers and owners. Because co-ops are directed by those who own the store, they can better respond to the needs of the consumers and the community. As Faye Mack, Executive Director of the Food Co-op Initiative (FCI), explained, co-ops are created “to fill a gap.” For instance, co-ops might evoke an image of a natural foods store because many originally formed in the 1960s and 1970s in response to the lack of natural food options available. Today, many co-ops are forming in response to the lack of food access in a community and are driven by non-white communities. Moreover, co-ops enter into a community of existing co-ops, which can help crowdsourced assistance whenever a store faces a particular challenge. Organized groups like FCI offer ways to facilitate community-building by facilitating peer mentor groups and providing resources on how to operate a co-op.

Co-ops come with some challenges. Buying power can serve as a barrier to offering competitively priced goods. Without the buying power of a chain grocery store, co-ops might encounter higher vendor prices, which ultimately affects the cost to the
consumer.\textsuperscript{175} Still, associations like National Co-op Grocers (NCG) can offer co-ops an opportunity to become part of a network and utilize this network to enter into purchasing contracts with distributors.\textsuperscript{176} For instance, NCG invites its member co-ops to enter into a purchasing contract with United Natural Foods (UNFI) and obtain products at a lower cost.\textsuperscript{177} Co-ops can face challenges in organizing to garner community support, which eventually delays the opening of a store. For example, Mack discussed the recent opening of a co-op in Dorchester that developed from grassroots organizing and took about 12 years to open.\textsuperscript{178}

\section*{Case Study: Harvest Market}

Located in the city of Winston-Salem, North Carolina, Reverends Gary Williams and Willard Bass Jr. created SHARE (Supplying Honest and Respectful Engagement) Cooperative to help address the issues created by the food desert in Forsyth County.\textsuperscript{179} After the only local grocery store closed, convenience stores became the only places where the local neighborhood could access food. Reverends Williams and Bass saw the community struggling to access food and created a food-box donation service that would provide individuals and families with vouchers to receive a box of locally-sourced food.\textsuperscript{180} By partnering with local churches, SHARE was able to make a small impact in the community, but the pastors saw this as a temporary solution to the much larger issue of long-term food access and food insecurity.\textsuperscript{181} This mission soon developed into a fully-operating store, Harvest Market (“Harvest”). This story of Harvest’s opening, its challenges, and its closing in January 2024 illustrate both the opportunities and difficulties of running a cooperative grocery store.

At the same location where the chain grocery store once ran its business, Harvest took over and began to build from the ground up.\textsuperscript{182} The store functioned like a traditional store in its everyday operations. Gary Roby, manager of Harvest, worked for a traditional grocery store chain for 25 years prior to taking over the management and operations at Harvest.\textsuperscript{183} He oversaw the co-op’s day-to-day operations and
managed other tasks like sourcing products, developing the store’s overall business strategy, and finding community partners to keep the store in operation. While the store was only open for fifteen months, there are significant lessons that can be learned from its example.

**Store Operations**

Unlike a chain grocery store, Harvest did not have a home office or headquarters to reach out to for assistance. There was not a template or blueprint that Roby could look to for a solution to any given problem, and he did not have separate departments to ask for help like he did in his previous role working for a grocery store chain. Instead, he played many roles and handled all kinds of issues that arose, such as reaching out to a vendor if the store ran out of a product. This was unlike a chain grocery store, which might have a department dedicated to working with vendor, or an inventory of the products they carry at a particular location. Since Harvest is not part of a larger network of stores, vendor and retailer relationships played a significant role in the store’s ability to purchase reasonably priced goods and, ultimately, in its success.

Harvest worked primarily with three vendors who provided produce and other food items to the store. Roby selected vendors by comparing their prices for a particular product. Because the vendors were local wholesalers who delivered products directly to the store, Roby described his store as a kind of “farm-to-table” enterprise that provided the community a level of comfort knowing where their food is coming from. Roby explained that he normally worked directly with the vendor if he needed to order more product or if there was an issue with a shipment. Alongside its primary vendors, Harvest had a strong relationship with other local vendors who circulated in and out of Harvest. For example, a local catering company ran the deli section at Harvest before the store contracted with a local butcher to source the meat so that Harvest could run the counter in-house. While sourcing foods locally provided many benefits both to the store and its customer base, it was not without its challenges.
# Challenges

While a chain grocery store might have a working relationship with a variety of local and wholesale vendors, there are certain challenges that come with sourcing local products. As in Harvest's case, one person overseeing many responsibilities may expend a considerable amount of time in building those relationships and then in overseeing the orders. This not only requires time and energy from the operators of the store to build the relationship, but it might also pass higher costs onto the customer.\(^\text{191}\)

Pricing is another challenge that Harvest faced throughout its operation. Pricing is the largest decision factor that customers take into consideration when deciding to buy at Harvest or drive to a store farther away.\(^\text{192}\) Working to cut costs in areas like vendor selection can help drive the ultimate cost of a product down and maintain customer buy-in. Roby specifically identified customer buy-in as one of the main issues the store encountered.\(^\text{193}\) Harvest benefitted from selling locally sourced foods, and customers benefited from not having to drive longer distances to reach a grocery store. Yet Harvest did not reach the revenue levels necessary for it to be successful without the assistance of external funding. One issue Roby highlighted was the significant difference between initial sales projections and average actual sales.\(^\text{194}\)

Even with a solid cash flow at the start, the store's inability to increase its cash flow made its business unsustainable in the long run.

# Closure

To address these challenges, Harvest underwent significant evaluation with the help of National Co-op Grocers, which provides services for food co-ops across the country.\(^\text{195}\) NCG functions like a home office for a grocery store chain, where they can negotiate and buy products through various vendors.\(^\text{196}\) For instance, NCG holds a contract with United Natural Foods, Inc., a vendor providing natural and organic foods.\(^\text{197}\) To help a store when it opens, NCG works to cover the cost of a limited amount of products in the initial order, also known as the “free-fill” order.
In October 2023, NCG completed a product reset for Harvest to increase the availability of natural and organic products. Harvest believed offering natural products would help them compete with conventional stores like the Family Dollar next door. NCG was able to help lower the prices on natural goods with a brand that exclusively sells to co-ops through NCG's contract. They also revisited the infrastructure and operations issues that were not fully addressed when the store first launched. Moreover, Harvest worked with SHARE to bring in community members from the Winston-Salem area from local officials to business leaders.

Despite these efforts, Harvest was not able to survive its pricing challenges, and it closed its doors on January 24, 2024. While NCG did provide additional support in the final months, Harvest continued to face low sales and was not able to raise enough cash to grow the business.
V. Building a Public Grocery Store

The planning stage for a public grocery store is pivotal; mistakes can prove fatal within a few years or fester long enough to cause the store to go under. It is critical that policymakers and implementers assess the context in which they plan to operate and avoid common errors. The first step is determining what type of store to open: nonprofit, public-private, purely public, or a cooperative. Nonprofit stores are proven to have the capacity to offer the lowest prices while still providing a healthy selection, but they require a massive donor base ready to cover up to 30% of the total operating costs. A public-private partnership store has clear advantages, mainly that it represents a reduced role for the local government—once they get the store on its feet, control shifts to a private party to operate it. Still, this approach is risky given the market did not support the existence of previous stores (leading to the food desert) because of low volume and high operating costs. The purely public store may be susceptible to similar challenges. The following section provides an overview of the considerations required to establish a public grocery store and highlights the unique challenges that stores in urban and rural locations might face.

Planning

A publicly-owned grocery store is likely best suited for a situation in which there is substantial public support to operate a store. Because a publicly-owned store typically does not prioritize profits, at least at first, this can provide a great deal of flexibility in the early stages of getting the store off the ground. Still, a publicly-owned store suffers from the major drawback of buying power: Since a local government is likely to operate only one store, public stores are unlikely to be able to tap into distributor networks which drive prices down. On the other hand, officials operating with a large amount of public support can open a co-op store. The co-op can be an effective solution as these stores require community buy-in, literally, from inception, which can help to crowdsourcing assistance and help when a store faces particular challenges. Furthermore, co-ops can join NCG, tapping into the organization's wealth
of knowledge and extensive distributor network, which cuts sourcing costs. Yet the regions in which co-ops thrive are usually wealthy, whereas co-ops targeting underserved communities face an array of different challenges. One explanation for this could be that co-ops in lower-income communities usually must continuously rely on nonprofit or community development funding sources—whereas co-ops in wealthier neighborhoods can rely solely on membership and loans for funding. Another possible explanation for this could be that co-ops typically need volunteers who have free time, which “the poverty of time” may strip from residents of urban food deserts.

The next step is to conduct a feasibility study for the store and then a market analysis. The feasibility study should, at minimum, explore the following: personnel considerations, income expectations, expenses, potential risks, and the attainment of desired sales figures. Conducting a feasibility study is a prudent step in making informed decisions about the survivability of a potential store and serves as a safeguard against investing resources into potentially unsuccessful ventures. A market analysis requires conducting a market survey and gathering information about potential locations and the community. This will allow the policymaker or implementer to assess the market potential of the proposed store and project sales. Conducting a market survey to project sales involves five key steps: (1) defining the store's trading area and product selection, (2) understanding the spending habits of the local population, (3) estimating the spending capacity within that area, (4) determining the achievable market share by consulting similar-sized grocers, and finally, (5) forecasting the total sales volume while considering the potential for attracting new business or merely redistributing existing sales. A variety of free and paid tools can readily be found to assist in ensuring a market survey is accurate. Once a feasible market has been identified, there are still several common mistakes to avoid in order to build a successful public grocery store. These issues are explored below: management and staffing, location and facilities, and security.
Management and Staffing

“Finding, developing, and training management staff” and formulating an effective operational strategy is critical. Stores often struggle with finding talent, and often resort to a “next employee up” strategy of promoting from within when management leaves, regardless of whether the junior employee has any management experience or the professional education necessary to effectively compete in such a low-margin enterprise. Management is often the make-or-break factor for small grocers, since big-box stores can almost always win on price and efficiency.

Further, in an industry in which 3% margins are acceptable, recruiting and training effective managers can be the difference between success and failure. Professor Anthony Cook, the founder and faculty director of Georgetown Law’s Coalition for Racial Equity and Democratic Economy (CREDE), has been spearheading the development of a community food store in Washington, D.C., named Rosie’s Grocery. Professor Cook noted that regarding management, as in many facets, the big-box stores have the advantage—3% of a billion dollars in revenue is quite profitable, but 3% of a revenue in the thousands will have community grocers struggling to stay open. Thus, making smart decisions on the margins is vital for small grocers. Effective management plays a crucial role here—failure to control shrinkage or setting product prices either too high or too low (which are all integral aspects of management) can make the difference between success and failure.

A critical component identified in one study was finding and retaining what the researchers refer to as a “store champion.” A store champion is “a manager from the surrounding community who is passionate about improving food access and health in the community. This person should be involved in store decision-making and trained on other aspects of store management and operations; still, the general passion and commitment to this work cannot necessarily be learned. Store champions can come from many backgrounds. They can range from engaged co-op members to longtime community residents who are especially motivated to juggle multiple roles in ensuring food access. Regardless, it is essential that the champion (or champions) be passionate
about the project. A successful store owner in Buffalo was said to be “constantly trying to expand his reach; he’s constantly trying to support more folks, whether it is through his store or just within the community.” Ultimately, it comes back to building and maintaining community trust to ensure the store achieves customer buy-in. One frequent customer of a healthy grocer in Detroit remarked, “I feel like a lot of the mistrust with [the supermarket], too, is that you know just in the past, a lot of grocery stores in the neighborhood have not had that quality produce, quality products, just in general. And to be able to make sure people establish [trust], I feel like doing stuff with the kids, doing stuff with the youth, doing stuff more community based, can kind of help instill that trust.”

Still, aspiring officials should be careful to consider the human factor of a “store champion.” Professor Cook observed that the past failures of grocers can sometimes be partially attributed to demographic disparities between store managers and the consumer base. This is particularly evident when the management team is predominantly of one racial or ethnic background, such as an all-white management team in a predominantly BIPOC (black, indigenous, and people of color) community. Finally, finding a store champion can go a long way in avoiding one substantial mistake: excessive management turnover. With margins as thin as they are in operating a healthy independent grocer, the loss of an experienced manager can easily doom a store. A failed healthy independent grocer in Syracuse, despite over a million dollars of state funding, ultimately went broke within three years—with stakeholders pointing to the loss of their manager within three weeks of opening as a key factor.

On balance, finding a “store champion” over an experienced manager is likely of greater importance, especially with the presence of tailored management training tools like Mighty Community Markets, an online grocery bootcamp run by Jeanie Wells, a former manager herself. In 2023, over 200 grocers completed the semester-based program, which also helps in placement of one-on-one mentorship programs for new managers. The program provides structured training programs like those available to larger chain stores. It furnishes participants, including department managers, newly hired or promoted managers, general managers, and merchandising departments with
essential skills and knowledge to enhance their sales growth, financial acumen, strategic decision-making abilities, and competitive edge. Covering topics such as grocery industry trends, financial metrics, pricing strategies, fundamental merchandising principles, and strategic planning, the program aims to empower these smaller stores to better serve their communities and succeed in the competitive grocery landscape. The boot camp offers accessible pricing tiers to accommodate stores of varying sizes and provides a comprehensive package of resources, including live classes, custom workbooks, and supplemental materials.

For stores with substantial resources, more intense hiring and training programs can pay dividends. Rosie’s Grocery, a community food store in Washington, D.C., is instituting a robust hiring and training program. Though it may not be generalizable without a significant funding base, this program provides a framework for some ideal hiring and training practices. Rosie’s Grocery requires some form of grocery retail experience as a requirement for new hires and is planning on putting candidates through multiple rounds of interviews and personality tests. Once selected, candidates will have to go through a yearlong training program. A significant limiting factor in this approach, however, is that candidates must be able to support themselves during that year-long training program, a luxury that many candidates are unlikely to be able to afford.

Anthony Goodwin of NCG commented that co-ops in particular may suffer from a lack of experienced general managers. At co-ops, managers are often expected to wear many (if not all) hats, responsible for everything from marketing to sourcing and accounting. Goodwin also stressed the importance of some form of apprenticeship model for aspiring managers. NCG is working with other technical assistance providers to develop a general manager training program. The program will include formalized classroom (likely virtual) instruction with a robust hands-on, in-store portion, consisting of two weeks spent in each department shadowing the operators at a successful co-op.
Location

Considerations on Location in Urban Settings

Location is crucial, no matter the context, because one of the biggest advantages that independent grocers have over big-box stores is convenience. In both the urban and rural setting, a few factors should be of utmost consideration: (1) the store should be accessible to potential customers with ample parking; (2) proximity to other businesses and traffic density is important; and (3) officials must consider the history of the site and restrictive ordinances.\(^{239}\)

As articulated in one study, “[c]ommunity input on store location was a critical factor for store success. Considering community need, four stores were in USDA-designated food deserts and three stores were in areas considered low-income but not low-access. Stores with leadership from outside the community worked with CBOs and health care systems, tapping into their existing community knowledge and relationships to help identify a location that could increase healthy food access and reach community members with limited economic resources.”\(^{240}\) In contrast, one Baltimore store chose a location based on operational convenience for their parent organization rather than community need or input. The store leadership in Baltimore explained, “. . . the store was never placed in a food desert, so there was no overriding reason to drive people to the store because they could go to a [grocery store].”\(^{241}\) Further, in Kimberly B. Morland’s study of the failed installation of a healthy grocer in an impoverished neighborhood in Brooklyn, she identified that, “[t]he [k]ey criteria for a good location included being close to public transportation, being in a commercial district, and having a space large enough.”\(^{242}\)

Professor Cook emphasized that his primary location-related considerations for Rosie’s Grocery were, first, that it should be situated within or adjacent to a food desert, aligning with their mission\(^{243}\) statement.\(^{244}\) Further, the Rosie’s Grocery team is only considering areas where they find that an income base exists to sustain the store.\(^{245}\) Finally, Rosie’s is focusing on a key factor for nonprofit stores: prioritizing well-known underserved communities, which in turn helps boost engagement with their
donors. Professor Cook’s counterpart at NCG working on Rosie’s Grocery, Anthony Goodwin, added that accessibility, visibility, and parking availability rank amongst the most important factors to consider in location.

Professor Cook also noted that he has seen community grocers fail in the past primarily due to a poor location. The location, Cook noted, failed due to a lack of parking, forcing customers to walk a long way from the lot to the store, and the local demographics could not support a grocer primarily catering to walkup traffic.

Finally, Morland’s study provides a cautionary tale on how an inappropriate space can doom a local grocer. Morland and her coauthors noted that, “[i]n the end, there was a strong consensus that the space that ultimately was settled on for the co-op was too big, which led to several major and ongoing problems, including paying too much for rent; higher costs to run the store (i.e., energy expenses); and a floor space that was too big to fill given the budget available to purchase stock (perishable and nonperishable items) in the grant. The latter issue ultimately contributed to the store often looking empty.

**Considerations on Location in Rural Settings**

Many of the location-based factors are greatly simplified in the rural context, but challenges can still arise. The most pressing concern should be to find a space which can support a grocery store (both in space and utilities) that the store, based on sales projections, can afford. The dearth of options in rural settings as compared to urban ones simplifies the selection process, but it also may force grocers into inappropriate spaces. Furthermore, since rural consumers are more likely to drive to the store than those in dense, urban communities, rural grocery stores should prioritize ample parking spaces over proximity to other businesses. With Morland’s study in mind, it would likely be prudent to prioritize affordability over the perfect space. Still, a rural setting does have some advantages in finding the right location. As zoning regulations are likely to be more flexible, rural grocers should be aggressive in seeking zoning changes when they negatively affect the store’s prospects.
Facilities

Independent grocery stores can range widely in size: A store of 1,800 to 2,400 square feet provides enough space to stock a variety of merchandise, but small stores with only 400 square feet can also be successful in meeting certain market segments. Professor Cook noted that facility size can be an important determinant of success, noting that he has watched a community grocer fail, in part, because their space was 2,000 sq. ft. too small, preventing the store from being a primary or secondary stop for local residents. When laying out the store, in general, about 25 percent of the space should be devoted to the checkout-customer service area. The checkout should also be located within ten feet of the front door, as stocking the checkout with “impulse items” such as magazines, gum, film, batteries, and razors can help drive last-minute sales.

The balance of the display aisles may be 60 percent of total area. The aisles should be positioned so that customers must walk through in-demand items to reach milk and other beverages in refrigerated coolers. Often, inventory is relocated to avoid customers establishing “shopping routes” and therefore, additional items are often seen and purchased when customers seek regularly purchased items. The aisles should be as wide as possible and cleanliness is essential. Walls painted a light color or white make the store look larger and allow brightly colored signs to stand out. Only 10 percent of the floor space should be devoted to receiving and storage, and 5 percent to office space.

As customers are not in the back room or the office, these areas do not generate revenue and should therefore be the lowest priority when considering layout. Receiving should be on the same side of the store as the milk and other refrigerated or frozen foods to avoid spoilage and delays in refrigerating new stock. The frozen food section is often placed toward the end of the shopping pattern, with the compressors for these units optimally located closely together for energy efficiency.
Security

For most grocers, robust employee training on preventing shrinkage (the industry term for shoplifting) is the most price-effective solution to ensure security. There are a variety of free and low-cost tools on the internet for this purpose. Still, for some grocers, especially those selling alcohol or operating in high-crime areas, employee training may not be enough. The aforementioned Nashville study, which in general failed to substantially increase availability of healthy foods in corner stores, found that, “[t]he greatest challenge for communities is the concern for safety from crime in and around the corner stores. Incorporating police department representatives in strategy development will be an important step to solving this problem.”

Grocers operating in high-crime areas would be wise to consider hiring a security guard. Of course, there are drawbacks to this approach, including cost.

According to Anthony Goodwin of NCG, some urban community grocers find having security to be a necessary expense. The challenge, of course, is to balance that expense with the extremely tight margins common to local grocers. “if you [the store owner] think you need security, then you probably do,” Goodwin said, noting that in many communities, an active security presence is expected at retailers, and some customers may even shy away from patronizing businesses that lack active security.

In these situations, Goodwin noted that the store owners find a way to “make the numbers work with security.”

Funding

Another major area of planning involves determining how to fund the store. Without adequate funding for both an initial investment and continued operations, a public grocery store—like any other retail store—will be unsustainable. There are many different sources of government funding for nontraditional grocery stores at the federal, state, and local levels. In addition, private sources of funding may also be viable options for funding such a store, if applicable. Of course, there will likely be limitations
on which funding sources are available to any public grocery store, depending on factors like geographic location or the type of project.

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<tr>
<th>Funding Source</th>
<th>Program</th>
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<tr>
<td><strong>Federal</strong>(^{275})</td>
<td>USDA Rural Economic Development Loan and Grant Program</td>
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<td>Federal Healthy Food Financing Initiative</td>
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<td>USDA Rural Business Development Grants (in coordination with states)</td>
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<td>Rural Cooperative Development Grant Program</td>
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<td>HHS Community Economic Development Funding</td>
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<td><strong>State</strong></td>
<td>Healthy Food Financing Initiatives (vary by state)</td>
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<td><strong>Local</strong></td>
<td>Direct loans and grants from local government</td>
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<td>Industrial Revenue Bonds</td>
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<td>Philanthropic organizations (donations, grants)</td>
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<td>Individual donors (GoFundMe)</td>
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**Federal Funding**

Unlike state- and local-level funding resources, federal funding resources often cover a variety of investment projects, rather than being limited to retail stores or another subset of projects.\(^{276}\) There are potential drawbacks to this type of funding, namely that many of these types of financial assistance are contingent on
Congressional action to appropriate funds in the first place. Without Congressional authorization, these assistance programs have nothing to offer applicants—and when discretionary spending is reconsidered each appropriations cycle, funding may be at risk.

The United States Department of Agriculture ("USDA") administers multiple development programs, including the Rural Economic Development Loan and Grant Program.\textsuperscript{277} This program provides "funding for rural projects through local utility organizations" through "zero-interest loans to local utilities which they, in turn, pass through to local businesses (ultimate recipients) for projects that will create and retain employment in rural areas."\textsuperscript{278} While "the ultimate recipients repay the lending utility directly[,] the utility is responsible for repayment to USDA."\textsuperscript{279}

| St. Paul's grocery store in southeastern Kansas provides an example of how this grant works in practice. The town of St. Paul had been without a grocery store for about two decades before the new mayor, Rick Giefer, decided to open a public grocery store in 2006.\textsuperscript{280} He hoped that it would operate as a public good and would help to prevent the town's population from declining even further.\textsuperscript{281} To emphasize the severity of the population decline, Mayor Giefer stated that "[the town] almost lost [the] high school[,] and as a committee [they] realized, in order to draw people to town, [the town] needed a food source other than a convenience store."\textsuperscript{282} After consulting with the "newly formed St. Paul Area Community Development Corporation (CDC)," the town applied for funding through the USDA's Rural Economic Loan and Grant program.\textsuperscript{283} The USDA approved the town's application and provided a $400,000 loan to the town's rural electricity provider.\textsuperscript{284} Then, the electricity provider transferred the money to the CDC so that they could directly fund the grocery store plans.\textsuperscript{285} While under the terms of the USDA's program, the electricity provider was ultimately responsible for repayment of the loan, town residents voted "overwhelmingly" to have the town government guarantee the loan.\textsuperscript{286} The store was ultimately funded by the USDA loan and a variety of other sources, including "public dollars from the residents of St. Paul, [who] bought the property and built the physical store, the CDC, a volunteer
group of St. Paul citizens [who] invested their own money to buy the business, and a husband and wife team [who] bought the inventory and managed the store.”

The USDA also administers a program targeted at improving Americans’ access to healthy food—the Healthy Food Financing Initiative. This is a federal “public-private partnership” program that “provides [one-time] loans, grants, and technical assistance resources to improve and support access to fresh, healthy, affordable food in urban and rural underserved communities.” Initially established by the 2014 Farm Bill with a grant of $125 million, Congress has continued to authorize funding for the program, which is run by the USDA, the Department of Health and Human Services (“HHS”), and the Department of the Treasury. While these three federal departments oversee the program, they have delegated everyday operations to the Reinvestment Fund, which serves as the private partner and acts as the “fund manager”—controlling the allocation of funding and administration of the program.

A Red Circle operates as a nonprofit in eastern Missouri, and its mission is to support the community’s access to healthy food “through a racial equity lens.” After a chain of affordable grocery stores closed in the area, A Red Circle’s founder, Erica Williams, noticed that “those stores shuttered, and there was nothing good to replace them. What came about was a lot of fast-food places and junk food stores and the decline in access to fresh produce.” Williams decided to draw up plans for a community grocery store, run by her nonprofit, to combat the “declining tax revenue and decreased investment in the community” that she witnessed and the overall “health decline, which was exacerbated during the pandemic.” After completing preliminary plans for the store, including a feasibility study, A Red Circle applied for a federal Healthy Food Financing Initiative Grant to assist with the initial build out of the store; the nonprofit was subsequently awarded a one-time, $100,000 grant from the Reinvestment Fund, which allowed them to secure a physical location and fund renovations for their future People's Harvest Community Grocery Store.
State Funding

State-level financial assistance can provide more tailored assistance for a public grocery store. While only some states have individual healthy food grant programs in place, many states can benefit from general economic grants, especially those encouraging more rural development projects. States with Healthy Food Financing Initiatives can offer this funding directly, as with the Pennsylvania Healthy Food Financing Initiative, or they can do so through the help of a private foundation, as the Kansas Healthy Food Financing Initiative does. In the Kansas version of this program, there is a “public-private partnership (foundation) that provides funding in the form of loan/grant funding mixes, which are made up of 15% grant funding and 85% loan financing, with grant caps dependent on total request.” It may be used to help with many of the startup costs for stores, including real estate acquisition, predevelopment, construction, rehabilitation, equipment and infrastructure. Overall, it requires that the requesting entity “expand healthy food offerings in low-resource, underserved areas at the retail level and fit local community needs.”

The Illinois Grocery Initiative

There are other direct sources of state-level funding, as shown by the recently enacted Illinois Grocery Initiative Act. The Act was signed on August 18, 2023 and went into effect on January 1, 2024. This bill contains several provisions to empower the state to study food deserts and provide targeted intervention to assure food access to all residents. The Department of Commerce and Economic Opportunity ("Department") is tasked with implementing this bill.

Section 10 of the Act requires the Department to conduct a study to understand the scope of the state's food access problem. The study is due to the Illinois Legislature by the end of the first year of the Act's effectiveness, and it must address the reasons for the problem, potential policy solutions, and potential food desert locations. The Department is also granted the discretion to study whether goals are
needed to promote women, minority, and disabled person ownership of grocery stores pursuant to another Illinois bill promoting those values in general entrepreneurship. The most important part of the Act is Section 15, which describes the types of projects for which the state will provide funding. The Act provides $20 million in grants for both existing food deserts and areas that are at risk of becoming food deserts, which allows for the government to be proactive in response to events like the shuttering of Walmart and Whole Foods locations in Chicago.

Section 15(a) provides that stores under practically any ownership model are eligible to receive grants, and this funding can go to many different parts of running a grocery store. Funding may go to:

1. market and site feasibility studies, promotional materials, and marketing;
2. salaries and benefits for workers;
3. rent or a down payment to acquire a facility;
4. purchase of ownership of a grocery store as part of establishing a new grocery store;
5. capital improvements, planning, renovations, land acquisition, demolition, durable and non-durable equipment purchases; or
6. other costs as determined eligible by the Department.

These costs cover large portions of a grocery store's lifetime operating costs and provide significant cost relief for owners trying to start a grocery store in areas with low demand. Section 15(a)(6) provides the Department with enough flexibility to provide funding for costs it discovers through the implementation process that prevent grocery store entry in a specific market.

Section 15 of this Act also grants the Department significant discretion in administering this aid, giving it the flexibility to limit funding eligibility based on a grocery store's size. The Department also retains discretion in the factors it chooses when prioritizing which communities receive aid. The Act's text provides the Department an iterative process, such that it is able to learn from its initial
implementation of the bill and to provide improved assistance for the communities most in need of help.

Section 20 of the Act requires the Department to provide business operation materials and a technical assistance provider with knowledge of grocery operation for grocers entering the field to ensure the long-term viability of grantees. The provider must be knowledgeable in “business planning, marketing, financing, supply chain management, and workforce development assistance.” The bill mandates a provider stationed within an urban county (over 3 million residents) and another provider trained in these subjects in a rural county (under 400,000 residents). This spread of providers ensures that grocers in both urban and rural food deserts are able to connect with support resources that will help keep their stores running.

Finally, Section 30 of the Act provides tax credits for grocery stores funded under the Act. A business funded by this bill is eligible to become a “high impact business,” and this exemption allows a business to alleviate its tax obligations for utility taxes, occupation taxes, and real estate taxes. Grocery stores under this law are exempted from traditional requirements of high impact businesses, such as job creation and investment in Illinois markets.

Updates on the Illinois Grocery Initiative

With a portion of the grant funding having launched on January 24, 2024, the Initiative is now underway. One program, the equipment reimbursement program, has started to accept and receive applications. The technical assistance program, which is meant to assist prospective applicants throughout the grant application process, is set to formally launch soon.

While the portion of the Act funding the creation and development of grocery stores has not yet launched, municipalities are working with key stakeholders on how to make use of these funds to help improve food access in their communities. Sean Park, Program Manager at the Illinois Institute for Rural Affairs, has had conversations with multiple municipalities around Illinois who are seeking to take advantage of this funding. One business format of particular interest is the public-private
partnership. As Park explained, there are many benefits to a public-private store that could help promote food access for communities and alleviate many of the challenges a grocer faces in establishing a new store. For instance, the municipality or the local economic development office could own the building and the major equipment while a manager or private grocer runs the day-to-day operations. Based on current conversations, Park hopes that in a year from now, there may be as many as four stores using this framework opening around Illinois.

Lessons Learned

While it is still early in the process to have a full understanding of how the grants may be implemented, this early stage of the program has highlighted a few areas that could be improved to help prospective applicants.

First, having technical assistance prior to the opening of a grant application can provide many benefits to prospective applicants. Park discussed the potential difficulties for independent grocers who plan to apply for the grant funding but are unaware of the technical, legal requirements needed in order to apply for these grants. This is often an issue for private grocers who have never applied for this kind of funding, particularly in rural and low-income areas. Having the technical assistance program rolled out prior to the opening the application can provide private grocers with more time and support in meeting the prerequisites for the grant application.

Second, the equipment reimbursement program may pose challenges for applicants who cannot access the funds to purchase the equipment in the first place. The program only provides reimbursements for equipment purchased, not funds to purchase the equipment. Thus, an applicant must purchase the equipment prior to applying for reimbursement. This may disadvantage grocers who are unable to access the funding needed to purchase the equipment, particularly grocers in rural areas of Illinois. As Park discussed, many local banks are not willing to go through the additional paperwork and process for individuals seeking a small business loan. In his experience, Park has seen local banks refuse to guarantee loans for individuals seeking loans through the Small Business Administration.
Third, there may be additional innovative ways of providing assistance to low-income grocers. For example, a sliding scale loan forgiveness program could provide greater assistance for grocers in low-income communities. While this may create a greater administrative burden, such a program could help provide relief to stores in rural areas who may see fewer returns compared to grocers in more populated areas.

Local Funding

Local governments can also serve as important funding resources for retail stores. They have many creative ways to work with the store to create a more sustainable funding plan, including direct ownership and industrial revenue bonds. As shown in the Baldwin Market case study, local governments can also function as private funders and provide direct loans and grants.

Private Funding

The final bucket of financial assistance opportunities contains private sources. These sources include but are not limited to individual donors, banks, or philanthropic organizations. These more traditional sources are particularly beneficial for co-ops, which primarily encourage individual investment, but they can also be effective for publicly-owned stores as a supplemental source of funding.

White’s Foodliner provides a comprehensive example of how these federal, state, local, and private sources of financial assistance can operate together to fund a public grocery store. After the town’s only local grocery store closed in 2016, residents of St. John, Kansas were forced to travel over 25 miles to access healthy food options from the nearest grocery store. Recognizing the significant impact on the community, St. John’s city leadership created an economic task force to brainstorm plans to bring in a new grocery store. Their funding process was “complicated,” since they needed to “cover a multi-million dollar project cost.” A single source of funding was not going to support their store plans, since many opportunities are one-time grants or loans, and these opportunities are capped at amounts around $100,000.
Instead, the final project involved more than ten different sources for financial assistance: USDA and HHS at the federal level; the Kansas Healthy Food Initiative, Kansas Corn Commission, Network Kansas, and Sunflower Foundation at the state level; the City of St. John, Industrial Revenue Bonds, St. John Independent Order of Odd Fellows, and Tax Increment Financing Revenue at the local level; as well as SJN Bank of Kansas and other private donors.\(^{338}\) While it may have been easier administratively to rely on a single source of funding for the grocery store, the example from St. John presents the drawbacks of relying on limited public funding sources—and how to maneuver around such limitations to ensure the near-full funding of a store.

**Operations**

**Day-to-Day Considerations**

A store's location can present both challenges and advantages in getting off the ground. Stores located in urban settings might have access to greater resources in the form of distributors, employees, and external supporters. Rural stores may be more isolated compared to their city counterparts but have greater access to locally grown food by virtue of their proximity to growers in the area.\(^{339}\) Yet, both types of stores may encounter difficulties when attempting to offer competitive prices to attract customers. At any stage of the implementation process, stores in both urban and rural settings might face a unique set of challenges and benefit from different kinds of solutions.

What does it take to get a store off the ground? Where does one source produce? What is a point-of-sale system and why does it matter so much? Whether opening a traditional grocery store or a nonprofit grocery store, there are basic considerations that one needs to take into consideration to get started. From setting up payroll to determining prices, there are many common stops that an owner or manager must consider in the day-to-day operations of a store.

Opening a public grocery store can resemble a traditional grocery store in its day-to-day operations. Here, we offer an overview of some of the major questions in opening a store and provide resources to address them.\(^{340}\)
**Liability Insurance:** The U.S. Small Business Administration provides help in researching and accessing liability insurance from general liability insurance to commercial property insurance.341

**Point of Sale:** Having a smooth-running point-of-sale ("POS") system is essential to a store's operations. It is important that a POS system is easy to use, records the information desired, and uses low-maintenance software and hardware.342

**Payroll:** Careful consideration of a payroll system's needs and a thorough evaluation of workforce size are critical factors in determining the best payroll system. First and foremost, a payroll system must be able to pay employees and file payroll tax forms on time.343 An additional consideration is whether to use an online-only platform or a hybrid of physical checks and direct deposit.

**Accounting Software:** There are several different options when it comes to accounting software programs. Some examples include FreshBooks, Intuit QuickBooks Online, and Wave Accounting.344 These programs vary in price from $15 to $180.

**Cybersecurity:** While it may not seem like a priority at the outset, it is important to ensure that there is some mechanism to protect any data collected by the grocery store. This may include customer information.345

**Product Placement:** Developing specialty services or highlighting particular goods can help promote a store on a customer's radar.346 By highlighting attractive products in the store and on social media, owners can boost their chances of building a customer base.

**Branding:** If the store itself decides to manufacture the product or service, such as managing a flower shop within a store,347 branding is key to ensuring that the public knows what the business offers.348 Mark Coe, founder of the company Michigan Farm to Freezer, echoed the importance of branding in the planning stages of a business.349 Coe identified brand development as one of the items that he wishes he spent more time on before launching Michigan Farm to Freezer.350 Developing a brand can help people know who you are and what services you offer.351 Moreover, building a website can help spread the name of the store around as well as providing a mechanism for
engaging with the community.\textsuperscript{352} Having a social media presence can help facilitate this, as well.\textsuperscript{353}

**Inventory Management:** Whether through manual or computerized inventory record keeping, there are a few essential components.\textsuperscript{354} First, periodic physical inventory is a valuable supplement to any computerized inventory process. This can help catch any errors not caught under the automatic system and helps keep eyes on what is selling or staying on the shelf for too long.\textsuperscript{355} Second, implementing a system that cycles through both selling and non-selling products is important.\textsuperscript{356} Third, after developing a system for checking inventory, setting up reorder points on a regular basis can ensure a smooth-running operation.\textsuperscript{357} Moreover, this can help sustain relationships with vendors who might expect a certain quantity to be bought over a certain period. Fourth, an inventory system should help identify trends in products.\textsuperscript{358} In line with reorders, it is important to be able to predict what customers are buying and what they are not to adequately stock the shelves.

**Distributors**

Thinking about immediate and long-term strategies for working with distributors to get produce into a store is critical for the store's long-term viability. The type of distributor, wholesale versus local, may also change depending on the location and funds available. The types and kinds of distributors a store engages with may change over the course of a business's lifetime. Nevertheless, it is equally important for a store to establish a good partnership with a distributor as it is for a retailer to establish a good relationship with its buyers. There are a few general principles to keep in mind that apply across the board to working with any vendor or distributor: good communication, especially on business needs; picking the right vendors to work with; and honoring agreements made with vendors.\textsuperscript{359}

In a 2022 study analyzing the factors that make healthy community stores successful, a “dynamic sourcing model” was identified as one of the strategies that led to community stores’ success at making healthy food affordable for low-income communities.\textsuperscript{360} Varying a store’s distributors can expand the kinds of products that it
offers and, importantly, draw in customers with unique, locally sourced goods.\textsuperscript{361} This can prove beneficial to stores located in both urban and rural settings.\textsuperscript{362} By pursuing a variety of sources for produce, stores can diversify their offerings and even offer lower costs on goods.\textsuperscript{363} Relying on only one distributor, however, might leave the store vulnerable to higher prices and limited options. For instance, a Baltimore nonprofit grocery store that opened in 2018 ended up closing in 2021 for many reasons including their reliance on only one wholesale retailer.\textsuperscript{364}

Regardless of whether located in a city or in a rural town, the size of the store can impact the types of distributors available. Smaller stores might naturally purchase less than larger stores because of their smaller client base and thus, not require the quantities offered by wholesale retailers. Smaller stores might have a smaller capacity to store pantry items and larger quantities of items, making their price per unit higher than at wholesale quantities.

From the distributor’s perspective, travel costs are an important consideration in determining what is feasible for a long-term partnership.\textsuperscript{365} Mark Coe said that travel costs are an important aspect of achieving a good price on locally-sourced goods.\textsuperscript{366} He advised that if the aim is to source foods locally, those products should come from distributors within a 30-50 mile radius. Anything further out becomes difficult for growers to subsidize travel and distribution on their own without an added cost to the buyer. For new stores, one approach may include working with wholesale retailers at the start and then supplementing with local producers and distributors. This strategy may mitigate the initial costs and also introduce unique attractions to the store.\textsuperscript{367}

\begin{center}
\textbf{Considerations for Distributors in Urban Settings}
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Urban environments can lead to both advantages and challenges when searching for an appropriate distributor or vendor. By virtue of the location, urban settings can operate in proximity to a variety of vendors, which may enable a store to amplify its inventory and offerings. For instance, a nonprofit grocery store in Boston uses “nontraditional sourcing” to expand their offerings to customers.\textsuperscript{368} In addition to buying from vendors, the store takes in “gleaned products, donated products, and opportunity buys” to lower costs.\textsuperscript{369} For example, the store may take in an order of
snap peas that another store rejected because of quality issues. While those snap peas may have sold for $3.99 at a supermarket, the nonprofit store can sell them for 49 cents. This offers a substantial benefit to the customer by making food more affordable, especially in low-income communities. Still, there are added costs to having a flexible sourcing model, including hiring additional staff to handle procurement.

Stores in cities can leverage partnerships with other stores to collectively purchase goods and keep costs down. In cities like Detroit and Minneapolis, collective purchasing was utilized by for-profit and co-op stores to purchase from wholesale retailers and keep costs low. Collective purchasing can lend a hand in cities, unlike rural areas where there may be fewer stores to partner with when ordering from a distributor.

Stores located in urban environments also have greater access to a diversity of local vendors and retailers with whom they can partner. The previously discussed Daily Table, the nonprofit grocery store network in Boston, discussed earlier, operates five locations in the local area. It works with a wide spectrum of vendors to keep prices down. Their “vendor partners” include retailers such as DownEast Coffee Roasters and Jessica’s Brick Oven Bread. Its diverse vendor partnerships has helped the Daily Table generate over $5.5 million in sales revenue across its stores, all while keeping the average price of a shopping trip at $15.89.

### Considerations for Distributors in Rural Settings

Stores located in rural stores can benefit from having access to local growers, unlike stores in urban settings. Having greater proximity to growers can keep locally-grown produce travel costs down, which otherwise might be cost-prohibitive in a city.

Moreover, collective purchasing in a rural town might look different than it would in a city. A group of stores, albeit located in different regions, might still find a way to partner with a supplier to provide an adequate volume purchase, while still keeping costs down. The Rural Access Distribution Cooperative (RAD Co-op) in North Dakota implemented this form of collective purchasing. As a result, two rural grocery stores saw an increase in sales after partnering to purchase from a single shared
supplier. Here’s how it works: The distributor drops off the order at one supplier and that supplier then takes the orders to their respective stores. This ensures that smaller stores are not dropped by suppliers expecting a larger volume of orders. Because of the fewer businesses in the area and the added costs non-local distributors face to deliver goods there, rural grocery stores face an added obstacle of finding partners who are willing to keep costs down and not drop them for not ordering the volume needed to keep costs feasible.

Pricing

Pricing largely depends on a store’s operating costs and business format, but ultimately the goal of public grocery stores is to keep prices low. Funding and thinking creatively about partnerships with vendors and community organizations can help accomplish this goal. In the 2022 study previously mentioned, the stores that were successful in their business setup kept profit margins below 30%. Price is a determinative factor for consumers when deciding where to shop and for stores when deciding how to procure goods. Still, this section aims to look beyond the strategies of pricing goods and services in a nonprofit store and to consider some of the broader factors that stores face in designing ways to keep prices down for consumers.

A significant factor in determining price is the size of the store itself. Perhaps unsurprisingly, smaller stores are likely to offer higher prices than larger grocery stores or supermarkets. This is due to a few factors, including having a limited ability to distribute items and limited capacity to store items on-site. Moreover, small stores are more likely to sell items in small package sizes which can yield a greater price per unit. A 2017 study aimed at understanding pricing dynamics in food deserts found that there was no statistically significant difference in price between geographically-isolated stores and those located outside of food deserts. The study found that prices were higher at a store located within a food desert for seven of the fifteen items they identified for the study sample, and were lower for another seven items. This indicates that the size of the store may play a more significant role in determining price than location.
Considerations for Pricing in Urban Settings

A challenge that stores located in urban areas may face is competition with other stores and retailers nearby. If there is a large chain store within driving distance or accessible via public transport, customers may opt to travel to the store if it offers lower prices. A store may have to think critically about how to price their items competitively, striking a balance between low prices and maintain sufficient profit margins to keep running.

One potential benefit that businesses in urban areas might have over stores located in rural areas is having a greater availability of public resources. For example, cities like Chicago may have a designated office that is dedicated to helping small businesses get off the ground. Moreover, there may be a greater number of community and vendor partners to choose from, unlike in rural areas.

Considerations for Pricing in Rural Settings

Rural stores might face the same pressure to set prices competitively like stores in cities. Additionally, stores in rural areas might face the issue of higher distributor/vendor prices. If they face greater distributor costs, this may ultimately impact how low they are able to set prices.

While rural communities may not always have designated economic development offices, there are still plenty of external funding resources that can provide support to new stores. As previously mentioned, there are formal programs, like the Rural Grocery Initiative, that provide support to individuals looking to start a rural grocery store. In addition, there are more informal ways in which the support can be found.

Community Buy-in

Community investment is one of the most critical aspects of successful grocery stores in food deserts. While upfront financial investment is helpful, grocers rely on the continued financial support of their communities. Grocery purchases are an obvious part of this support, but continued engagement with the store’s other services are
essential to the continued operation of grocery stores in food deserts. Grocers face different obstacles with community buy-in in rural and urban communities, requiring store owners to adapt to the needs of their communities.\textsuperscript{390}

**Considerations for Community Buy-In for Rural Communities**

Rural communities often rely on tight-knit community sentiment to support grocers that open to address food deserts. This is an advantage to potential grocers, as they are often uniquely positioned to understand the particular services that a community may need beyond just an opportunity to shop.

In Blue Rapids, Kansas, the Bergkamp family started selling groceries in their small flower shop after the local grocery store closed.\textsuperscript{391} Once the community realized the promise of a new grocery store, the Bergkamps were gently nudged by friends to start a full-scale grocer.\textsuperscript{392} After moving into a new store, the new grocers tried running a FedEx store to increase revenues but found the store to be a distraction from the operation of the store.\textsuperscript{393} The Bergkamps pivoted to using the additional space as a bakery, which was successful.\textsuperscript{394} The store also incorporated a deli, coffee shop, plants, and local products to drive traffic.\textsuperscript{395} True to their roots, the Bergkamp family maintains a robust flower department, which drives sales from special events.\textsuperscript{396} These strategies worked because Blue Rapids had strong community pride, and the Bergkamps knew what their community needed after operating a local business for many years prior to opening a grocery store.\textsuperscript{397}

In Evansville, Minnesota, the Ostenson family had a vastly different community to serve but were able to come up with an effective grocery solution to stay afloat.\textsuperscript{398} The Ostensons set up their store as a 24-hour unmanned store, with membership required.\textsuperscript{399} The family works at the store at certain hours and then members have access to the store using a key fob or mobile phone at all other hours.\textsuperscript{400} The Ostensons conducted and recorded lessons on Facebook showing the community how to use the cell phone access system to ensure that those unfamiliar with the technology were still able to access the store.\textsuperscript{401} The family decided on this model in
part because members of the community worked jobs with unconventional hours and thus had limited shopping options after their shifts ended.\textsuperscript{402}

Rural grocery store buy-in is also characterized by the general distinction between urban and rural life. Rural stores are typically closer to local farmers and producers, enabling them to provide fresh products more easily and at a lower cost than urban grocers could.\textsuperscript{403} Rural residents are more likely to rely on automobile transportation and space is more easily available, making gas pumps a valuable service to add in rural areas.\textsuperscript{404}

\textbf{Considerations for Community Buy-In for Urban Communities}

Community engagement in urban communities is as important as in rural communities but it often takes a very different shape. Urban residents in low-income, low-access areas likely either take public transit or walk to get their groceries. Community buy-in must account more for the convenience of the store rather than carrying local products or gas pumps, as in rural communities.\textsuperscript{405}

Urban grocers may increase community buy-in by taking steps to increase people’s willingness to walk to certain areas.\textsuperscript{406} Research shows that as individuals are more willing to walk, their access to food increases.\textsuperscript{407} While suggested interventions to increase this willingness may likely fall on the government (repairing sidewalks, creating more crosswalks), individual store owners may increase the appeal of their store such that residents are more willing to walk to their store.\textsuperscript{408} In urban areas with tight definitions\textsuperscript{409} of what constitutes a food desert, small changes can improve food access. Store owners can also site their stores near well-connected bus stations for the community, as residents are often more willing to walk to a bus stop than they are to the store itself.\textsuperscript{410}

Urban areas also offer a unique opportunity for expansion into ethnic markets. They often have large clusters of immigrant communities that regularly have markets that are ingrained within the community and have a strong support base.\textsuperscript{411} Ethnic markets are sometimes overlooked within mainstream food desert literature, as the focus is typically greater on supermarkets and large-scale stores.\textsuperscript{412} These stores rely
on community buy-in, which is easily achievable in a community of people who are generally unfamiliar with their area and gravitate towards familiar settings.\textsuperscript{413}

A study of an immigrant-dense area of San Diego found that “ethnic” stores were significantly more likely to have fresh fruit and vegetables.\textsuperscript{414} Ethnic markets that carried fresh fruit and vegetables typically had a greater variety of produce as well.\textsuperscript{415} Additionally, many items were cheaper per serving size than at non-ethnic stores and even the national average.\textsuperscript{416} These factors can drive locals to shop at the store, as does the ability to access culturally familiar produce.\textsuperscript{417} While ethnic stores may not be a solution to overall food access, community engagement offers a model that other urban areas can follow. The notion of adding fresh food to existing spaces and modifying capabilities where communities have dedicated space can ensure that residents gain or retain access to healthy, fresh food.\textsuperscript{418}

Community engagement is a critical part of grocery store success in both rural and urban settings. Ensuring that operators of a public grocery store learn the key needs of the community are vital to continued operation.
VI. Lessons Learned

Buying Power

Single public grocery stores are often unable to capitalize on lower wholesale costs for goods because of small purchase orders that do not meet the distributor’s minimum order prices. A workable solution to this issue is the creation of a “buying cooperative,” which would operate as a cooperative of public grocery stores in an area, like a region or state. These cooperatives would submit a single purchase order to cover all the stores in the cooperative, meaning that all of the stores would be able to unlock the wholesale prices that private grocers already receive.

Alternatively, there may be an opportunity for state legislatures to include a Most Favored Nation (“MFN”) clause in legislation aimed at creating and funding public grocery stores to ensure that smaller, individual grocery stores are able to purchase goods at the same price as private competitors. This clause would prevent the distributor from offering the wholesale price to a private competitor while a public grocery store was forced to purchase the same item at a higher price point.

Operations

Starting a store from scratch is difficult as it is. Adopting a particular type of public store can present unique challenges that can be addressed with the support from similarly situated grocers and those who have established a successful nonprofit or cooperative, for instance. Organizations such as the Food Co-op Initiative or the Rural Grocery Initiative can provide a substantial amount of support by joining a network of other grocers who can provide peer mentoring and resource sharing.

Community Engagement

Establishing different types of stores, like ethnic markets, can help to ensure that communities are able to access groceries and other healthy food at institutions with which they are familiar. Policymakers have shied away from promoting ethnic markets and other similar community institutions as they are typically—and wrongly—
associated with stocking more unhealthy foods. The value that these stores have already ingrained within the community, however, make them a viable solution for addressing food insecurity and increasing access to grocery stores in food deserts.
VII. Conclusion

Public grocery stores represent a workable way to address growing food insecurity in the United States. There is no one-size-fits-all model for public grocery stores, but as shown through our case studies and examples, different communities have adapted different formats—publicly-owned, nonprofit, cooperative, and the public-private partnership—to address food deserts. Policymakers seeking to create a public grocery store must consider not only which framework to adopt, but also even more fundamental issues, such as management and staffing, community buy-in, funding, and daily operations. For policymakers interested in addressing food deserts, public grocery stores may offer a viable approach.
Appendix 1: Startup Grocery Store Action Item List

Note: This list is based on, and we are indebted to, the following resources: Ill. Inst. for Rural Affs., *Rural Grocery Store Start-Up and Operations Guide*, W. ILL. UNIV. 3 (2014); *Rosie’s Site Criteria*, NAT’L CO+OP GROCERS (2023). We are grateful to Erica Blair and the entire Rural Grocery Initiative for providing important considerations reflected in this list.

**Startup Grocery Store Action Item List**

**Type**

- **Nonprofit Model**
  - Advantages:
    - Proven capacity to offer the lowest prices.
    - Healthy product selection.
  - Drawbacks:
    - Requires a substantial donor base
    - Reliance on donations can be unstable.

- **Public-Private Partnership Model**
  - Advantages:
    - Reduced role for local government once the store is operational.
  - Drawbacks:
    - Risky, especially in areas with low market demand.
    - Vulnerable to low volume and high operating costs.

- **Purely Public Model**
  - Advantages:
    - Greater control over operations.
• **Drawbacks:**
  • Susceptible to market forces that led to previous food deserts.
  • May face challenges related to low volume and high operating costs.

  □ **Cooperative Model**

  • **Advantages:**
    • Shared ownership and responsibility among community members.
    • Potential for sustained community support and involvement.
  
  • **Drawbacks:**
    • Requires strong community organization and ongoing collaboration on the front end.

**Feasibility Checklist**

*Personal*

□ Do you know which skills and areas of expertise are critical to the success of your business?

□ Do you possess these skills and know how to effectively utilize them, OR can you find personnel who have the skills, abilities, and expertise you lack?

□ Do you have a mission statement?

*Financial*

□ What minimum amount of income do you require?

□ What financial investment is required for your business?

*Expenses*

□ Do you know your necessary expenses, rent, wages, insurance, utilities, advertising, and interest, etc.?

□ Are you considering which expenses are direct, indirect, or fixed?

□ Do you know how much overhead will be?

□ Do you know how much selling expenses will be?
Supply

- Can you make an itemized inventory list of operating supplies needed?
- Do you know the quantity, quality, price ranges, technical specifications, and name/ location of potential sources of supply?
- Do you know the delivery schedule, credit terms and sales of each supplier?
- Do you know the risk of shortage for any critical materials or merchandise?

Major Risks

- Are you aware of the major risks associated with your product/business/service?
- Can you minimize these major risks or are they beyond your control?
- Can these risks bankrupt you?
- Are there major questions remaining about your proposed venture?
- Do the above questions arise because of a lack of data, management skills, or a “fatal flaw” in your idea?
- Can you obtain the additional data and management skills needed or correct the “fatal flaw” in your idea?
- Have you prepared a minimum of three years’ cash flow projections, showing seasonality if applicable to your business?
- Are you aware that there is less than a 50-50 chance that you will be in business two years from now?

Market Analysis

Define the Store’s Trading Area

- How high is the market potential (potential demand for my products/services)?
- How large is the market volume (actual/estimated turnover in a market)?
- How large is my expected market share (share of overall branch/market turnover)?
- How saturated is the market (how well are customers' requirements fulfilled by existing providers in terms of my goods/services)?
- How quickly is my intended target market growing?
Customer Base

- Have you defined the geographical areas from which you can realistically expect to draw customers?
- What is the makeup of the population in these areas, average family size, age distribution and per capita income?
- What do you know about the population growth trend in these areas?
- What is the consumer’s attitude, shopping/spending patterns of business?
- Is the price of your product or service important to your target market?
- Can you appeal to the entire market?
- If you appeal to only a portion of the market, is that segment enough to be profitable?

Competition

- Who are your major competitors and their strengths/weaknesses?
- Are you familiar with factors concerning your competitors’ price structure, product lines (quality, breadth, width), location, source of supply, promotional activities, and image from a consumer’s viewpoint?
- Do you know of any new competitors or competitor's plan for expansion?
- Have any firms of your type gone out of business lately? If so, why?
- Do you know the sales, market share, and profit levels of each competitor?
- Do you know whether the sales, market share, and profits of each competitor are increasing, decreasing, or stable?
- Can you compete with your competition?

Sales

- Determine the total sales volume in your market area.
- How accurate is your forecast of the total sales? Is it based on concrete data?
- Is the estimated sales figure “normal” for your market area?
- Are there conditions or trends that could change your forecast of total sales?
- Do you plan to mark down products occasionally to eliminate inventories?
If you do not carry over inventory, have you adequately considered the effect of mark-down in your pricing? (Profit margin may be too low.)

In the pricing category, have you described pricing for each product/service, explained sales terms and discounts, and discussed pricing policies and constraints, comparing them with competitors' strategies?

Forecast the total market share you can realistically expect—as a dollar amount and as a percentage of your market.

Can you create enough competitive advantages to achieve the market share in your forecast of the previous question?

Is your sales forecast greater than the sales amount needed to guarantee your minimum income?

Are you optimistic/pessimistic in your forecast of sales?

Are you willing to hire an expert to refine the sales forecast if needed?

**Site Criteria**

*Location Characteristics*

- Define what population you want to serve, including number & density.
- Are you near to retailers appealing to your customers and not in office/industrial areas?
- Are you near major transportation corridors and not cut off by water, bridges, or other mental barriers for shoppers?
- Will the city building and zoning departments allow the business to operate in the facility?
- Will the health department approve the business at this location?
- Is the cost of burglary insurance high in the area? Also, can the store be secured at a low cost against the threat of burglary?
- Will the fire department approve the operation of the business at this location?

*Site Characteristics*

- Lease vs Own (likely lease, open to ownership)
  - Building Characteristics
• Generally, 1,800 to 2,400 sq. ft. or more.
• 65% retail/total SF
• If leasing, request “warm vanilla shell”—while actual definition varies, it broadly means that at Landlord's cost, they will provide:
  • Surface lot, exterior walls, and roof in good condition
  • Environmentally sound, free from asbestos et al.
  • Concrete floor (unfinished)
  • Bathrooms installed
  • Code-required fire suppression systems
  • HVAC installed, though refrigeration systems will be Tenant responsibility
  • Separately metered utilities

□ Does the city or county health department require separate restrooms for male and female employees?
□ Will the landlord allow the alterations deemed necessary for the business?
□ Must the renter pay for returning the building to its original condition if the business moves?
□ If the store has plate-glass windows, who pays for insurance? (This can be expensive.)
□ Is there any indication of roof leaks? (Heavy rain could damage fixtures and products.)
□ If hot water is required, is there a water heater?
□ Have you evaluated whether a single-line telephone system would suffice for your store's needs, or if a multi-line system is necessary, particularly if the store is very busy?
□ Did you consider the importance of reliable cell phone service alongside the installation of a landline for telephone services, recognizing its significance for both customers and employees?
□ Gas: 2” line stubbed to space
□ Electrical: 208V, 800-1,200 Amp, 3-phase electrical supply
Have you explored the option of newer coolers equipped with curtains or doors, which can result in substantial cost savings in cooler usage and HVAC system operation?

Visibility
- How large a sign and what type can you erect at the facility? This may also be regulated by the municipality.

Access (ingress/egress)
- Does your space avoid difficult left-in or left-out movements (e.g. un-signaled, across multiple lanes of traffic at peak hours)?
- Does your space avoid medians at entrance?
- Does your space afford proximity to transit?
- Will the delivery and shipment of materials and goods to and from the building be easily accomplished?

Parking
- Typically planned at 4-5 spaces/1,000 sf for customer parking, but need really varies by volume and bike, transit, pedestrian access
- Additional employee spaces (varies by volume, back-office staffing)

Other retail needs
- Trash & recycling
- Have you addressed the handling of any waste stream if your business creates one?
- A few notes on multilevel buildings:
  - Many multiuse buildings (e.g. housing over retail) built are focused on the footprint of housing overhead and provide retail footprints that are difficult to plan/merchandise efficiently with larger than normal columns through the retail area.
  - Multiuse buildings also bring additional cost to deal with overhead mechanicals, chases, ventilation going through and around the additional space and the additional operational issues of leaks from upstairs tenants.
Parking for such buildings must be thought through both legally and practically; loading times must be negotiated for maximal flexibility to grocer within any lease or public agreements so that other tenants or nearby residents can't unreasonably restrict store's ability to receive during early morning or evening hours.

Legal and Regulatory

- In regulatory/environmental issues, have you considered potential environmental impact and identified relevant federal, state, or local agencies or industry programs?
- Have you indicated the legal structure of your business organization and identified owners, officers, and other key personnel, providing their contact details and ownership percentages?
- Have you checked with your local health department and city or county clerk to determine the licensing requirements for your grocery store, especially if you buy through normal wholesale channels?
- If you plan to sell alcohol and tobacco, have you considered the regulations set by the U.S. Bureau of Alcohol, Tobacco and Firearms and the relevant state liquor control commission?
- Is your deli-type operation in compliance with the regulations established by the state's Department of Public Health?
- If you intend to sell fresh or frozen fish, have you contacted your state's Department of Natural Resources to obtain a dealer's license and an official customer number for your business?
- Are you aware of the deadlines and requirements for obtaining and renewing your fish dealer's license?
- Have you registered your retail or wholesale operation with the state's Department of Revenue to obtain a Business Tax Number?
- If your business has employees, have you determined your obligations related to unemployment insurance contributions and contacted your state's department of employment security to assess your liability and complete the necessary forms?
Have you researched and complied with any local requirements, such as licensing, zoning, inspections, and other regulations imposed by your city or county?

Are you aware of the available resources and assistance, such as the First-Stop Business Information Center and the Service Corps of Retired Executives (SCORE), to help you navigate the regulatory and permitting process?

Have you explored the Small Business Administration's online publications and checked your local library or Chamber of Commerce for additional information related to your type of business?

Are you informed about both federal and state requirements, including obtaining a Federal Employer Identification Number (FEIN) and a Business Taxpayer Certificate of Registration, if applicable to your business?

**Marketing and Advertising**

What is the cost per customer to reach prospective customers?

Should there be one powerful message or a series of messages?

What medium can provide appeal to the proper senses?

How direct can the medium target your market?

In your marketing plan, have you identified the number and types of firms in your industry, described industry history and trends, and shown an understanding of the importance of target marketing?

**Funding**

Have you described your products and/or services and summarized your financial needs, including the amount of the loan requested, expected interest rate, loan length, and the purpose for which the funds will be used, as well as how the loan will be repaid?

Have you explored federal funding resources for your public option grocery store project? Do they require congressional authorization?

Have you considered federal programs like the Rural Economic Development Loan and Grant Program or the Healthy Food Financing Initiative?
□ Do you know if your state offers tailored funding options for healthy food projects or rural development?
□ Have you explored the potential for local government funding, including direct ownership, industrial revenue bonds, and grants or loans?
□ Have you looked into private sources of funding, such as individual donors, banks, or philanthropic organizations?

**Personnel**

□ Have you identified your management consultant team, including your attorney, accountant or tax preparer, and insurance advisor?
□ Have you addressed employee benefits, recruitment strategies, hiring time frame, commission structure (if applicable), and proposed salary schedule?
□ Do you discuss employee training, evaluation, and termination policies, as well as your understanding of and compliance with government regulations regarding human resource practices?
□ Have you considered and documented your quality control standards, monitoring procedures, and warranty/servicing policies for your products or services?
□ Do you have in mind an individual who could serve as a “store champion”?
□ Does your store champion share the same demographics as your perceived customer base?
□ Have you planned and coordinated for a management training regimen?

**Day-to-Day Operations**

*Liability Insurance*

□ Have you explored liability insurance options for your grocery store, including general liability and commercial property insurance?

*Point of Sale (POS) System*

□ Have you assessed the need for a reliable and efficient POS system for your store?
Payroll System
- Have you carefully considered your store’s payroll system requirements, including the size of your workforce?
- Are you prepared to ensure timely employee payments and payroll tax filings?
- Have you decided between online-only payroll platforms or a hybrid of physical checks and direct deposit?

Accounting Software
- Have you decided on an accounting software options for your business, such as FreshBooks, QuickBooks Online, or Wave Accounting?

Cybersecurity
- Have you considered the need for cybersecurity measures to protect your store’s data, including customer information?

Product Placement and Branding
- Have you developed strategies for product placement and branding to promote your store and attract customers?

Inventory Management
- Have you implemented a system for inventory management, whether manual or computerized?
- Are you conducting periodic physical inventory checks to complement your automated system and identify errors?
- Have you set up a system to cycle through selling and non-selling products effectively?
- Are you establishing reorder points to maintain inventory levels and vendor relationships?
- Have you implemented an inventory system to identify product trends and consumer preferences to optimize stocking decisions?

Distributors
- Have you evaluated the types of distributors suitable for your grocery store, such as wholesale or local distributors?
☐ Are you considering implementing a dynamic sourcing model, involving multiple distributors or vendors, to expand your product offerings?

☐ If your store is in a rural setting, have you leveraged the advantages of proximity to local growers for sourcing produce?

☐ If your store is located in an urban environment, have you explored opportunities for flexible sourcing, including gleaning, donations, or opportunity buys? Are you prepared for the additional costs, such as hiring staff for procurement, associated with a flexible sourcing model in urban areas?

☐ Are you communicating your business needs and goals clearly to your distributors or vendors?
Appendix 2: Model Bill

This model bill is based on the Illinois Grocery Initiative Act, passed in August 2023. Annotations in brackets depict where states may deviate or create their own unique solutions.

AN ACT concerning State government.

Section 1. Short title. This Act may be cited as the Grocery Initiative Act [or other similar name].

Section 2. Definitions. In this Act:

“Cooperative” means an organization that is organized according to the Co-operative Act [if applicable][If a state does not have a law related to the organization of cooperatives, a suggested definition for “cooperative” is an organization owned and operated by members who use its services or products.].

“Department” means the Department of Commerce and Economic Opportunity [or a similarly situated state agency. States should run this funding program directly, instead of operating the program through a public-private partnership, as previous programs have organized.1].

“Food desert” means a census tract that:

(1) meets one of the following poverty standards:
   a. the census tract has a poverty rate of at least 20%; or

1 See 7 U.S.C. § 6953(c) (authorizing a “National fund manager” to administer $125 million in federal subsidies for healthy groceries).
b. the census tract is not located within a metropolitan statistical area and has a median family income that is less than or equal to 80% of the statewide median household income; or

c. the census tract is located within a metropolitan statistical area and has a median family income that is less than or equal to 80% of the greater of
   i. the statewide median household income; or
   ii. (ii) the metropolitan area median family income; and

(2) meets one of the following population density and food accessibility standards:
   a. the census tract is a rural tract, and at least 33% of the population of the tract or at least 500 residents in the tract reside more than 10 miles from the nearest grocery store; or

   b. the census tract is an urban tract, and at least 33% of the population of the tract or at least 500 residents in the tract reside more than one-half mile from the nearest grocery store. The Department may also designate an area that does not meet the standards set forth in this definition as a food desert if the designation is made in accordance with criteria established by the Department by rule using data that includes, but is not limited to, poverty metrics and access to existing grocery stores. [Some states may choose a different definition for food deserts that focuses more on urban or rural food deserts per state needs].

"Grocery store" means an existing or planned retail establishment that:

   (1) has or will have a primary business of selling a variety of grocery products, including fresh produce;

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2 See, e.g., Econ. Rsch. Servs., Food Access Research Atlas: Documentation, U.S. Dep't of Agric. (last visited Oct. 27, 2023), https://www.ers.usda.gov/data-products/food-access-research-atlas/. Depending on the state's priorities, it could define food deserts to only include urban tracts 1 mile from the nearest grocery store or rural tracks 20 miles from the nearest grocery store. See id. Given that these are the most extreme scenarios, some states may want to start with this eligibility to target the neediest communities.
(2) derives or will derive no more than 30% of its revenue from sales of tobacco and alcohol in any given year;
(3) is or will be classified as a supermarket or other grocery retailer in the 2022 North American Industry Classification System under code 445110 [(2) and (3) may be different depending on how a state wants to prevent convenience stores from qualifying for grants];
(4) accepts or will accept Supplemental Nutrition Assistance Program benefits and Special Supplemental Nutrition Program for Women, Infants, and Children benefits; and
(5) provides or will provide for the retail sale of a substantial variety of perishable foods, including fresh or frozen dairy products, fresh produce, and fresh meats, poultry, and fish.

“Local governmental unit” means any county, municipality, township, special district, or unit that is designated as a unit of local government by law and exercises limited governmental powers or powers in respect to limited governmental subjects. “Local governmental unit” also includes any school district or community college district.

“Not-for-profit corporation” means an organization or institution that is organized and conducted on a not-for-profit basis with no personal profit incurred to anyone as a result of the operation and that is organized according to the [state’s not-for-profit corporation law].

“Rural tract” means a census tract that is not an urban tract.

“Urban tract” means a census tract having its geographic centroid in an urban area, as defined by the Bureau of the Census for the most recent year in which all relevant data to identify food deserts is available.

Section 3. Grocery Initiative Study.

(a) The Department shall, subject to appropriation, study food insecurity in urban and rural food deserts. The study may include an exploration of the reasons for current market failures, potential policy solutions, geographic trends, and the
need for independent grocers, and it shall identify communities at risk of becoming food deserts. [The study may also include a disparity study to assess the need for aspirational goals for ownership among minority communities, women, and persons with a disability.].

(b) The Department may enter into contracts, grants, or other agreements to complete this study. [This report should ideally be done before the legislation and funding are granted, because the information is necessary to ensure that the administering department is providing grants most effectively.].


(a) The Department shall, subject to appropriation, establish the Grocery Initiative to expand access to healthy foods in food deserts in [the state] and areas at risk of becoming food deserts in [the state] by providing grants and other forms of financial assistance to independently owned for-profit grocery stores, cooperative grocery stores, or not-for-profit grocery stores, as well as grocery stores owned and operated by local governmental units. [For a true public option, it may be beneficial to only allow grants for publicly-owned stores. Still, for the most flexibility for communities, cooperatives and other stores outside of the traditional publicly-owned stores should be eligible for funding].

(b) The Department may enter into contracts or other agreements to administer these grants and other forms of financial assistance. The Department may, by rule, place limits on the size of the grocery stores that are eligible for grants and other financial assistance under this Act, including, but not limited to, limits on the annual revenue or projected revenue of the applicant, number of full-time employees, or square footage of the facilities.

(c) The Department may prioritize grant awards and loan funding to applicants based on poverty rates, income, geographic diversity, local ownership, access to grocery stores in the area surrounding proposed project locations, and other factors as determined by the Department.
(d) The Department may award grants or provide loans for any one or more of the following:

1) market and site feasibility studies, promotional materials, and marketing;
2) salaries and benefits for workers;
3) rent or a down payment to acquire a facility;
4) purchase of ownership of a grocery store as part of establishing a new grocery store;
5) capital improvements, planning, renovations, land acquisition, demolition, durable and non-durable equipment purchases; [In Illinois, the law restricts the percentage of a loan or grant that can be used for equipment upgrades to 20% of the total allocation. Equipment upgrades should be studied to decide if providing funding for equipment upgrades is necessary for the applicable store.]
6) purchase of inventory and goods for the store after opening; or
7) other costs as determined eligible by the Department. [Other costs may also include direct food subsidies, tax write-offs, or other direct operational costs. The Department may also want to directly purchase operational materials to provide to grocers, as upfront financing may be difficult to obtain in low-income communities. In order to best meet the needs of a community, grants and loans should not be restricted to cover certain startup or operational costs. Instead, the government should provide the opportunity for stores to apply for grants and loans that would best alleviate their needs. For instance, a rural grocery store may apply for a grant or loan to subsidize inventory costs after opening, rather than to pay for initial building costs.]

e) The Department may, in its own discretion, issue a sliding scale forgiveness program for some of this funding to establish grocery stores in some low-income communities that may not be able to open a store in the current constraints.]
Section 5. Technical Assistance.

(a) The Department shall, subject to appropriation, provide technical assistance to grantees awarded grants under the Act, and other small, independently owned grocery stores to ensure their long-term viability and business success. Technical assistance, online resources, and materials provided shall include, but shall not be limited to, business planning, marketing, financing, supply chain management, and workforce development assistance. [States should seek to use all forms of business knowledge to ensure that these grocery stores have the resources necessary to survive. The exact form of assistance that the state provides to these public grocery stores can depend on the individual legislature. It is also important to ensure that the technical assistance for grant applications be established before the launch of the program to enable communities to access the funding early and have someone to guide them through the application process if needed].

(b) The Department may enter into grants, contracts, or other agreements to provide assistance. At least one technical assistance provider shall be located in a county with a population of at least 3,000,000 inhabitants, and at least one provider shall be located in a county with a population of less than 400,000 inhabitants.

Section 6. Rulemaking. The Department shall adopt rules to implement and administer this Act.

Section 7. Tax Relief. [States can provide some form of tax incentives for new grocery stores to offset the increasing cost of running at low margins. Illinois provides occupation, utilities, and electricity tax relief, but states could include other forms of tax relief, such as relief related to income, direct subsidies to lower supply costs, or sales tax credits.]
Section 8. Most Favored Nation (MFN) Status

[Distributors that opt to supply a public grocery store should consider providing them with most favored nation status to ensure that the best terms are available to a public grocery store. A court should look at the pro-competitive value that such status would offer to grocery stores that would otherwise be unable to operate sustainably in food deserts.]
Endnotes


3 Telephone Interview with Sean Lynch, Mayor, Baldwin, Fla. (Sept. 27, 2023) (hereinafter Lynch Interview).


5 See id.


7 This statistic is based on one definition of “food desert” as provided by the USDA. See Rabbitt, supra note 1.

8 FFAC STAFF, supra note 6.

9 See id. (detailing the stress that inaccessibility of food causes residents of food deserts as they are unable to provide for their own and their family’s needs).

10 See id.

11 See Rabbitt, supra note 1.


14 See id. This threat is especially poignant where residents rely on food stamps, which inherently puts grocers at a business disadvantage. See id. at 42.

15 See Katie Fitzpatrick et al., The Impact of Food Deserts on Food Insufficiency and SNAP Participation Among the Elderly, 98 AM. J. AGRIC. ECON. 19, 22 (2016).

16 Lynch Interview, supra note 3.
17 See, e.g., Rural Grocery Initiative, White’s Foodliner, KAN. STATE UNIV. 1, 2 (July 2019), https://www.ruralgrocery.org/learn/publications/case-studies/St_John_Success_Story2.pdf.
19 See Leslie, supra note 4, at 1733; FFAC STAFF, supra note 6.
20 See Leslie, supra note 4 at 1733.
21 See id. at 1729–30.
22 See Leslie, supra note 4, at 1733; FFAC STAFF, supra note 6.
24 See Leslie, supra note 4, at 1735–36.
25 See id. at 1738.
26 See id. at 1735.
27 See id. at 1737.
28 See id. at 1735.
29 See id. at 1738.
30 See id.
31 See id. at 1727–28.
32 See id. at 1728.
33 See id.
34 See FFAC STAFF, supra note 6 (blaming meat and dairy subsidies and the imbalance in funding for fruit and vegetable agriculture for the food desert problem).
36 See id.
37 See id. at 2.
38 See id. at 4.
39 The study did not specifically find causality with the CDC study, however.
40 See Larson et al., supra note 35, at 6.
41 Id.
42 Id.
43 Local clergy reported that, “[t]his is an overwhelmingly predominantly black community, but there are hardly any store owners who have any connections to the community.” See id.
Telephone Interview with Anthony Cook, Professor, Geo. Univ. L. Ctr. (Sept. 25, 2023) (hereinafter Cook Interview).


See id.

See id.

See id.


See id.

See id.

Id.

This can be a large hurdle in low-income communities who suffer from not only a poverty of funds but also a poverty of time. See Yerina Mugica, Daily Table: Rescuing Food and Creating Better Alternatives for Low-Income Families, Nat’l Res. Def. Council 1, 1 (2017).

See id.

See Leslie, supra note 4, at 1762–73.

See id. at 1749–51.

See id.

See id. at 1751–52.

See id. at 1765.

See id. at 1767–68.

See id. at 1771–73.


See Nat’l Resch. Council, supra note 45.

See id.

Two cities where this is possible are Boston, Massachusetts and San Diego, California. See id.

See id.

See id.

These other small benefits for WIC-eligible children include a monthly allowance of various food stocks like 16 quarts of milk, 36 ounces of breakfast cereal, and 2 pounds of whole bread. WIC Food Packages -

70 See generally Xuemei Li et al., The Magnitude and Determinants of Partial Redemptions of Food Benefits in the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), 35 Am. J. of Health Promotion 775 (2021).


73 Id.

74 Id.

75 Id.

76 See id.

77 Including those in low-income communities or without accessible public transportation.


80 See SITARAMAN & ALSTOTT, supra note 78, at 39.

81 Id.

82 Lynch Interview, supra note 3.

83 SITARAMAN & ALSTOTT, supra note 78.

84 Telephone Interview with Jeanie Wells, Organizational Dev. Consultant, Columinate (Sept. 12, 2023) (hereinafter Wells Interview).


86 Farzan, supra note 18(“We're not trying to make a profit. We're trying to cover our expenses, and keep the store running.”).

87 This concept is found in a case example from Onaga, Kansas, which lost its only grocery store to a fire in 2010. Sylvia Marie Gross, Planting New Grocery Stores in Rural Food Deserts, KCUR (Nov. 21, 2011, 12:22 PM), https://www.kcur.org/economy/2011-11-21/planting-new-grocery-stores-in-rural-food-deserts. When the new owners were not able to raise enough money from private sources, the city council granted an extra $375,000 in funding. Id. The Mayor of Onaga explained that the grant was essential to the town’s survival: “I feel you need to do those things in rural communities if you want to survive. You can’t just ignore the issue and say it’ll be alright . . . it won’t be.” Id.
88 U.S. CENSUS BUREAU, ANNUAL ESTIMATES OF THE RESIDENT POPULATION FOR INCORPORATED PLACES IN FLORIDA: APRIL 1, 2020 TO JULY 1, 2022 (2022).
89 Farzan, supra note 18.
90 Lynch Interview, supra note 3.
91 Id.
92 Id.
93 Id. News articles covering the creation of Baldwin's government-owned grocery store also mention the issue with the store's size. Beth Reese Cravey, Baldwin Opens Rare Town-run Grocery Store to Fill Food Gap, FLA. TIMES-UNION (Sept. 25, 2019, 1:42 PM), https://www.jacksonville.com/story/news/2019/09/25/baldwin-opens-rare-town-run-grocery-store-to-fill-food-gap/2667005007/ ("[B]ig-box chains said the 10,000-square-foot IGA space was too small, and mom-and-pop-type merchants said it was too big.").
94 Id.
95 Id.
96 Farzan, supra note 18; see Totty, supra note 79.
97 Lynch Interview, supra note 3.
98 Farzan, supra note 18.
99 Id.
100 Lynch Interview, supra note 3.
101 Farzan, supra note 18.
102 Lynch Interview, supra note 3.
103 Id.
104 Id.
105 Id.
106 Id.
107 Id.
108 Farzan, supra note 18(presenting some of these higher prices at Baldwin Market during its first year in business, including "$3.99 for a gallon of reduced-fat milk or $1.99 for a 16-ounce Diet Coke"). Farzan also writes that "[s]ome residents have taken to the Internet to voice concerns about whether the low-income and elderly people the Baldwin Market is intended to help can afford to shop there." Id.
109 Lynch Interview, supra note 3.
110 Id.
111 Lynch Interview, supra note 3; Farzan, supra note 18.
112 Lynch Interview, supra note 3.
113 Id. When asked about the Illinois Grocery Initiative Act, Lynch had not read the law in its entirety. This section reflects his views generally about state funding of grocery stores.
114 Id.

See John et al., supra note 85, at 10.

The researchers did not evaluate the effects on the COVID-19 pandemic on the store’s 2021 closing, however. Id.


See Mugica, supra note 54.


See id.

Id. at 18.

See id.

See Mugica, supra note 54, at 3.

Id.

Sourcing produce, which is disfavored by the big-box stores, can be a successful strategy for nonprofit stores. See John et al., supra note 85, at 12 (quoting a nonprofit store employee who noted that, “This logistics company called us, and they said they had 300 cases of bags of snap peas. And [a supermarket chain] had rejected them because they didn't quite like the quality . . . so I started asking the questions like 'what's the code date? [W]hat do they look like? [W]hat can we retail these for? [W]hat do they sell for elsewhere?' These are like $3.99 you know, they're 12 oz bag[s] of snap peas that you would see at [a supermarket chain]. And so we took them; we sent one pallet to each store and we're selling them [for] 49 cents. And they had like two weeks of code on them so that was part of the determining factor to say 'okay these are getting donated to us, this is not costing us anything;' they dropped them off.”); see DAILY TABLE, supra note 124, at 3, 16.

Id. at 3

See Mugica, supra note 54, at 2.

See id.

See id.

See id.

See id.

See id.

See id.

See id.

140 Smaller-scale, more personal gestures can also help build a sense of engagement with the local community. Id. at 6 (noting one nonprofit store that encourages employees to introduce themselves to customers using their first names, which has led to a sense that the store is “a church, it’s your local grocery store, it’s your confession center, your child center; this place is more than just fruits and vegetables. Some people just come in and don’t buy stuff; they just want to come in and talk to us.”).

141 See Mugica, supra note 54, at 2.

142 See id. at 2–3.

143 See id. at 2.

144 See id.

145 See id.

146 See, e.g., Rural Grocery Initiative, Garden of Eden: Little River, Kansas, Kan. State Univ. 1 (Feb. 2019), https://www.ruralgrocery.org/learn/publications/case-studies/Little_River_Success_Story.pdf. We are indebted to the Rural Grocery Initiative for conducting this case study on Garden of Eden. This section utilizes the case study to provide an example of the opening of a public-private grocery store.

147 See id.

148 See id.

149 See id. at 2.

150 See id.

151 See id.

152 See id.

153 See id.

154 See id.

155 See id. at 3.

156 See id.

157 See id.

158 See id.

159 See id.

160 See id.

161 See id. (“We are ensuring that when David and I retire, a younger person will be able to afford to own a grocery store without the financial burden of buying the building and repair costs of equipment.”).

162 See id. at 4.

163 See id.

164 See id.

165 See id.

166 Cooperative Identity, Values and Principles, Int’l Coop. All., https://www.ica.coop/en/cooperatives/cooperative-
identity#:~:text=Cooperatives%20are%20based%20on%20the,responsibility%20and%20caring%20for%20others (last visited on Oct. 20, 2023).


169 Id.
170 Id.
172 Id.
173 Id.
174 Id.
175 Id. For an explanation of “buying power,” see Part II.A.i.
177 Id.
181 Id.
182 Id.
183 Id.
184 Id.
185 Id.
186 Id.
187 Id.
188 Id.
189 Id.
190 Id.
191 Id.
192 Roby Interview, supra note 180. For more information on pricing challenges, see Part II.A.i.
193 Id.
194 Id.
196 Roby Interview, *supra* note 180.
198 *Id.*
199 *Id.*
201 *See John et al., supra* note 85.
202 *See Rural Grocery Initiative, Garden of Eden: Little River, Kansas, supra* note 146.
203 *See Lynch interview, supra* note 3.
204 *See Farzan, supra* note 18.
205 *See Lynch Interview, supra* note 3.
206 *See Mack Interview, supra* note 171.
207 *See Goodwin Interview, supra* note 176.
208 *See Mary Stennes Wilbourn, Bringing Grocery Stores to Low-Income Urban Food Deserts, 22 COOPERATIVE GROCER 22, 22 (2015).*
209 *Id.*
210 *See Mugica, supra* note 54, at 2–3.
212 *See id.*
213 *See id.*
214 *See id.*
215 *See id.*
216 Wells Interview, *supra* note 84.
217 *Id.*
218 For example, an employee at a healthy independent grocer in Boston explained that “[b]ecause sometimes, you know we’re smaller, we’re not getting a big bulk discount like a larger grocer would, so we don’t have the best costs in town and we’re trying to provide the best prices” *see John et al., supra* note 85, at 5.
219 Cook Interview, *supra* note 44.
220 *Id.*
221 *See id.*
222 *See Sundermeir et al., supra* note 117.
223 *See id.* at 6.

For further discussion, see John et al., * supra* note 85, at 8.

See Larson et al., * supra* note 85; Cook Interview, * supra* note 44.


* See id.
* See id.
* See id.

Rosie’s Grocery is spearheaded by Professor Anthony Cook, the founder and faculty director of Georgetown Law’s Coalition for Racial Equity and Democratic Economy (CREDE).

* Id.
* Id.

Goodwin Interview, * supra* note 176.

* Id.
* Id.

* Id.
* Id.

John et al., * supra* note 85, at 13.

* Id.


* Cook Interview, * supra* note 44.

* Id.

* Id.

Goodwin Interview, * supra* note 176.

* Cook Interview, * supra* note 44.

* Id.

* See Morland, * supra* note 242.
Id.


253 See id.
254 See id.
256 Cook Interview, supra note 44.
258 See id.
259 See id. at 5.
260 See id.
261 See id.
262 See id.
263 See id.
264 See id.
265 See id.
266 See id.
267 See id.
268 See Larson et al., supra note 35, at 6.
269 Id.
270 Goodwin Interview, supra note 176.
271 Id.
272 Id.
273 Id.


274 For a more extensive list of federal funding options, see Grants, HEALTHY FOOD ACCESS, https://www.healthyfoodaccess.org/launch-a-business-financing-grant (last visited Oct. 15, 2023) (“Other federal grant programs administered by the USDA that can support your healthy food business or project include Community Food Projects Competitive Grant Program, Community Facilities Programs, Local Foods Promotion Program, Food Insecurity Nutrition Incentive (FINI) Grant Program, Value Added Producer Grants, Rural Business Development Grants, Rural Microentrepreneur Assistance Program, Rural Cooperative Development Grant Program, and Socially Disadvantaged Groups Grant.”).


278 Id.
279 Id.
281 Id.
282 Id.
283 Id.
284 Id.
285 Specifically, the CDC used the money “to buy and prepare the land, construct the grocery facility and purchase all the equipment needed in the store.” Id.
286 Id.
287 Id.
290 About the Healthy Food Financing Initiative, supra note 288.
292 Id.
293 Id.
294 Id.

297 Id.

298 Id.


302 Id.

303 See id.

304 See id.

305 See id. § 15(a).


307 See S.B. 850 § 15(a) (including “independently owned for-profit grocery stores, cooperative grocery stores, or not-for-profit grocery stores, as well as grocery stores owned and operated by local governmental units” as eligible stores for subsidies).

308 See id. § 15(a)(1)–(6).

309 See id. § 15(a)(6). Section 15(b) allows the Department to use up to 20 percent of funds to fund equipment upgrades in existing stores, with a focus on energy efficiency. This funding is notably not available to grocery stores owned and operated by local government units, unlike the funding of Section 15(a), thus limiting the tools that local governments can use to pursue equity. See id. § 15(b).

310 See id. § 15(a) (“The Department may, by rule, place limits on the size of the grocery stores that are eligible for grants and other financial assistance under this Act, including, but not limited to, limits on the annual revenue or projected revenue of the applicant, number of full-time employees, or square footage of the facilities.”).

311 See id. (“The Department may prioritize grant awards and loan funding to applicants based on poverty rates, income, geographic diversity, local ownership, access to grocery stores in the area surrounding proposed project locations, and other factors as determined by the Department.”).

312 See id. § 20.

313 See id.

314 See id. § 20(a)–(b).

315 See id. § 30.

316 See id.

317 See id.

318 See id.
See Video Interview with Sean Park, Program Manager, Ill. Institute for Rural Affs. (Feb. 02, 2024) (hereinafter Park Interview).

See infra Section IV.C. for an in-depth discussion of this model.

See supra Part III.A.; see Rural Grocery Initiative, White’s Foodliner, supra note 17, at 2.


Rural Grocery Initiative, White’s Foodliner, supra note 17.

Id. at 3.

Id.

Id.

Id.

Id.

Id.

Id.


We do not endorse any of the organizations or resources mentioned here, but we include them for illustrative purposes.


Telephone Interview with Mark Coe, Founder, Mich. Farm to Freezer (Sept. 7, 2023) (hereinafter Coe Interview).


John et al., supra note 85.

Rural Grocery Initiative, Case Study: Blue Rapids, KS, supra note 347.

John et al., supra note 85.

Id. at 12.

Id. at 10.

Coe Interview, supra note 349; See also Michigan Farm to Freezer, https://mifarmtofreezer.com/ (last visited on Sept. 23, 2023).

Id.

John et al., supra note 85, at 12.

Id. at 12. Opportunity buys refer to products that regional distributors need to move quickly and may include items that are expiring within six months or have been rejected for quality reasons e.g. imperfect produce.

Id.

Id.

Id. at 12.


DAILY TABLE, supra note 139.

Id. at 23.

Coe Interview, supra note 349.

Id.


Id.

John et al., supra note 85, at 11.


Id. at 2.

Id. at 7.

Id. at 6.

Roby Interview, supra note 180.

Id.


Cook interview, supra note 44.

Telephone Interview with Erica Blair, Program Manager, Kansas State University Rural Grocery Initiative (Sept. 6, 2023).

Rural Grocery Initiative, Case Study: Blue Rapids, KS, supra note 347, at 2.

See id. at 3.

See id. at 6.
394 See id.
395 See id. (describing the store’s sales of Kansas State’s favorite ice cream, which often drives traffic into the store on its own).
396 See id. at 5.
397 See id. at 4.
399 See id. at 4.
400 Id.
401 See id.
402 See id. at 2.
403 See Rural Grocery Initiative, Case Study: Blue Rapids, Kansas, supra note 347, at 5–6.
404 See Rural Grocery Initiative, White’s Foodliner, supra note 17.
405 See Rural Grocery Initiative, White’s Foodliner, supra note 17; Abel & Faust, supra note 23, at 2.
406 See Abel & Faust, supra note 23, at 8–9.
407 See id. at 9.
408 See id.
409 For example, some metrics state that tracts without a grocery store within a half mile are considered food deserts. See id.
411 See Pascale Joassart-Marcelli et al., Ethnic Markets and Community Food Security in an Urban “Food Desert”, 49 ENV'T & PLAN. A 1642, 1643 (2017). These stores are typically characterized as convenience stores, which do not count as grocers in many definitions of food deserts. See id. at 1643–44.
412 See id. at 1647.
413 See id.
414 See id. at 1652.
415 See id.
416 See id.
417 See id. at 1654–55.
418 See id. at 1656–57.
420 Id.
423 See Joassart-Marcelli et al., supra note 411, at 1644.