



North Dakota Grocers Association

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www.ndgrocers.com

Chairman Louser, committee members; good morning. I am John Dyste, President of the North Dakota Grocers Association (NDGA). I represent almost 200 Retailers, Wholesalers, and Vendors throughout the state of North Dakota. Prior to my becoming the President of NDGA in 2017, I owned and operated four rural grocery stores in South East North Dakota.

I have been involved in the Rural Grocer's Initiative, spearheaded by the ND Rural Electric Cooperatives, since becoming President of NDGA. Through this group, we have tried to communicate to the ND State Government and ND Legislature the issues facing rural areas of our state and particularly the problems facing rural grocers. This effort has produced numerous tv and print stories documenting the decline of rural areas. We would like to thank the North Dakota Legislature for recognizing the importance of rural North Dakota by supporting the Senate Concurrent Resolution studying this issue.

North Dakota is losing rural grocery stores at an alarming rate, causing consumers to travel greater distances to access healthy food choices such as fresh meat and produce. This especially effects the elderly and low-income members of these communities; they are in many cases left with few, if any, choices to purchase healthy foods.

The causes of the decline of rural grocery stores are many:

- Declining population
- Competition from regional shopping centers
- Online sales
- Recent introduction of "Dollar" stores in rural areas. Our experience has been that these stores offer a wide range of products including grocery items. They offer a very limited selection (if any) of produce and meat items. We see them as disrupting the rural market to the point that many more grocery stores will close, leaving more communities with no choice of fresh healthy food products.
- Distribution issues which result in higher costs to rural grocers.
 - Case ordering requirements which, if not met, result in large drop fees or no delivery
 - Warehouse up charges which most times are based on purchase volume. Rural stores are charged more resulting in a competitive disadvantage
 - Higher transportation charges.

The effect of these causes is to further reduce the profit margins in an industry that historically has had low margins. This then effects the ability of the owner to update equipment and purchase technology that could decrease their costs enabling them to stay in business.

How do we address the question of rural access to healthy food choices? I believe we first need to determine if the state and therefor its elected leaders acknowledge that a problem exists and if so, does the state have any role in solving it.

The North Dakota Grocers Association and the ND Rural Grocer's Initiative developed a list of talking points (see attached) which were formulated and shared with a select group of legislators and state government officials.

I have outlined some of them here:

- One stop access center located in a state agency (Commerce) where business can access information on regulations, permits and licenses. Also include links to grant programs and financing.
- Review the purchasing policies of local schools, hospitals, and nursing homes. Many of these entities have joined buying groups which effectively eliminate most local purchases.
- Establishing rural "Food Desserts" which could then enable individuals to receive tax credits for investing or donating to rural grocery stores.
- Fund grants for energy efficient equipment and to update technology.
- Review state regulations with the purpose of eliminating or updating unnecessary or burdensome ones. Identify areas where state agencies overlap and duplicate oversight.
- Technology center located in a state agency or with in the state University system which could facilitate the development and use of online means of advertising and customer outreach.

Solving the crisis in rural North Dakota will not be easy. I just read an article published in the Minneapolis Star Tribune last week where Beth Ford the CEO of Land O' Lakes, in her address to the Federal Reserve Bank of Minneapolis, stated that "rural America is the "new inner City" and it needs significant investment". She continued by stating "The rural communities where farmers live lack investment. Rural America is struggling with hospital closures, doctor shortages and a lack of quality fresh food. We need something like a 1930's rural electric initiative". You may access this article at <http://m.startribune.com/10-points-about-the-farm-economy-from-land-o-lakes-ceo/566845922/>

Also this week Agweek TV featured a story on the capture of natural gas being flared in Western ND to serve rural farmers to reduce the cost of drying their crops. The clip featured state Representative Mike Brandenburg and state Senator Terry Wanzek discussing the use of state funds to encourage investment in the use of this valuable resource. See article here <https://www.agweek.com/business/agriculture/4699273-north-dakota-looks-harness-natural-gas-flares-agriculture>

We believe that the state of North Dakota does have a role in preserving our rural areas. We have the people, Higher Education system, and the financial resources to make rural North Dakota, not an "inner city" but a shining example for the rest of America. There was a time when private enterprises would not bring light to rural areas. We are at that point again where private enterprise alone does not seem able or willing to address the needs of rural North Dakota.

Thank you and I will stand for questions

Discussion points – December 18, 2019

- Develop and maintain online shopping system for rural grocery stores.
- Review the purchasing policies for government/quasi-government entities – bring a portion of those purchases back to local (schools, hospitals, nursing homes, etc.)
- Grants for energy efficiency/upgrading equipment (based on sales volume, community size, or...?)

The MN Good Food Access Program Equipment and Physical Improvement Grant (GFAP) increases the availability of and access to affordable, nutritious, and culturally appropriate food (including produce) for underserved communities in low and moderate income areas. Grants help grocery store and small food retailers make physical improvements and purchase equipment to stimulate sales of such foods.

<https://www.mda.state.mn.us/grants/grants/gfapequipmentgrant>

- State tax credit for those investing in or donating to rural grocery stores (again with criteria)
- Marketing help – why buy local
- Education/mentors for grocery store management (NDSU)
- Encourage community-wide or regional collaborations – funding for planning and mapping
- Study whether a partnership with the ND Department of Health's transportation system would be viable.
- Establish a center on food access – one stop shop for small grocers – a place where they can address regulations, apply for permits, etc. with one contact.
- Fund and authorize a staffed task force to bring together the people who are impacted by the closure of rural groceries, state agencies, universities, Extension Service, foundations, health insurers, agriculture, economic development partners and others to develop concrete recommendations and options specific to our state, which may include ideas such as:
 - exploring ways for all the entities in a community that purchase food (café, senior center, hospital, nursing home, school, grocery) to purchase and receive deliveries jointly in organization by location rather than by industry
 - exploring regional cooperation in food purchasing, preparing and sales and/or service of food.
- Identify funding to implement and study the healthcare costs of people living in rural areas who are able to access food less than 10 miles from home compared to those who need to travel more than 10 miles to obtain food.