

## **DISTRIBUTION OF FOOD IN RURAL COMMUNITIES - BACKGROUND MEMORANDUM**

Senate Concurrent Resolution No. 4013 (2019) ([appendix](#)), directs the Legislative Management to study the distribution and transportation of food in the state necessary to the lives of individuals in rural communities, and the roles of state entities in facilitating the movement of food to rural areas of the state.

### **BACKGROUND**

Senate Concurrent Resolution No. 4013 was introduced to provide for a Legislative Management study of food distribution in rural communities in the state and how the system can be improved. Testimony in support of the resolution included the North Dakota Association of Rural Electric Cooperatives, North Dakota Grocers Association, Great Plains Food Bank, State Department of Health, and Creating a Hunger Free North Dakota Coalition. No testimony was received in opposition to the resolution.

According to the testimony, adequate access to healthy and affordable food can be a challenge for individuals, particularly for rural residents. Many rural areas lack food retailers and are considered food deserts, or areas with limited supplies of fresh, affordable foods. In North Dakota, rural grocery stores have declined by 15 percent in the past 5 years.

In rural areas, access to food may be limited by financial constraints or other factors, such as transportation challenges. Rural shoppers may rely on more expensive and less nutritious options, such as those available at convenience stores, or face a long drive to a town with a grocery store that stocks fresh produce, milk, eggs, and other staples.

Some potential solutions in the testimony included the feasibility of collaborative purchasing between rural grocers and exploring or facilitating innovative food distribution systems in the state.

### **United States Department of Agriculture**

According to the United States Department of Agriculture (USDA), a rural food desert is an area where at least 500 people, or at least 33 percent of the population, live 10 or more miles from a full-service grocery store. The USDA has documented a higher incidence of obesity and diabetes in food deserts. Both the Institute of Medicine and the Centers for Disease Control and Prevention have independently recommended that increasing the number of supermarkets in underserved areas would help reduce the rate of childhood obesity.

Some rural residents and households are also food insecure, meaning those individuals cannot rely on having access to sufficient affordable and nutritious food at all times. According to a 2017 USDA Economic Research Service publication, food insecurity is strongly associated with chronic disease and poor health. Long-term food insecurity also can affect learning, development, productivity, physical and mental health, and family life.

### **North Dakota Rural Grocery Initiative**

The North Dakota Association of Rural Electric Cooperatives formed the North Dakota Rural Grocery Initiative to begin looking at the issue of distribution of food in rural communities and has conducted statewide surveys to investigate the unique issues facing rural grocers. The North Dakota Rural Grocery Initiative documented in 2013 the state had 137 grocery stores in towns with populations of fewer than 2,100 people. As of the writing of this memorandum, only 99 of those stores remain. High operating costs, narrow profit margins, and high wholesale costs in the grocery store business make it difficult for small rural grocery store owners to keep up with building and infrastructure needs. Many small rural grocery stores struggle with competition from larger chain stores, a shrinking customer base, and changing customer demands for fresh produce and greater variety. Additionally, the food distribution system generally is designed for large volume purchases with short distances between stores, but this model does not adapt well when applied to rural areas.

The major suppliers of food to North Dakota grocers are grocery wholesalers and direct store delivery operators; however, according to a 2017 study of North Dakota rural grocers, nearly one-fourth of respondents purchase food at big box retailers. While most of the surveyed grocers indicated they do not collaborate by purchasing food with other grocers, a significant number of respondents noted they would be interested in doing so. Many of the surveyed grocers participate in either the supplemental nutrition assistance program (SNAP), the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), or other anti-hunger programs; however, the grocers who stated they did not participate in the programs indicated they did not participate because the cost of engaging in the program is prohibitive or there were not enough customers that participated in the programs to qualify.

## OTHER STATES' SOLUTIONS

Numerous states have identified access to healthy and affordable food in food deserts as a prominent issue that affects a number of their citizens. In response to this issue, several states have studied the issue or passed legislation to address this need.

In 2015, Alabama passed the Healthy Food Financing Act, which provides low-interest loans and grants to new or existing grocery stores that agree to provide fresh and nutritious food to underserved areas in the state.

In Minnesota, the University of Minnesota Extension Regional Sustainable Development Partnerships support rural grocers by offering fresh produce handling guides for small retailers, information on how to work with farmers to sell locally grown produce, and in-store produce handling training and education. The program also conducts research on innovative ways to help farmers sell local produce through rural grocers.

In 2017, Oklahoma passed the Healthy Food Financing Act to spur the creation and viability of grocery stores and other food providers in food deserts and similarly underserved areas. The Act created the healthy food financing revolving fund to help provide financing and grants for construction, renovation, and expansion of grocery stores and small food retailers. The law allows the state to access USDA federal dollars and permits private money to flow into the initiative without the contribution of state funds.

In 2019, Nevada lawmakers introduced a bill to create the Nevada fresh food financing initiative account, a \$10 million loan program to attract grocery stores to underserved communities; however, the bill was later amended to remove the \$10 million appropriation, leaving only language that provides tax credits for certain fresh food retailers located in underserved communities.

In 2019, Virginia lawmakers introduced a bill to establish the Virginia grocery investment fund to provide \$5 million for the construction, rehabilitation, and expansion of grocery stores in underserved communities in the state. Although the bill passed unanimously in the Senate, it later failed in the House of Delegates.

## PROPOSED STUDY APPROACH

The committee may wish to consider inviting the Department of Commerce, State Department of Health, Department of Human Services, Bank of North Dakota and private financial institutions, Great Plains Food Bank, North Dakota Rural Grocery Initiative, North Dakota Grocers Association, Creating a Hunger Free North Dakota Coalition, and other interested persons to provide information on potential solutions including the feasibility of collaborative purchasing; public-private partnerships to use existing infrastructure to improve the access, affordability, and variety of food in rural locations; helping facilitate rural grocers' participation in state administered anti-hunger programs, such as SNAP and WIC; and to explore or facilitate innovative food distribution systems in the state. The committee also may wish to explore other states' approach to this issue.

ATTACH:1