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March 17, 2025

To: North Dakota House Finance & Taxation Committee

From: Ellen Huber, NDAREC Rural Development Director

RE: **Support of Senate Bill 2228**

Chairman Headland and members of the House Finance and Taxation Committee, on behalf of the North Dakota Association of Rural Electric Cooperatives (NDAREC) and our members, I share our strong support for Senate Bill 2228.

### **What Will This Bill Accomplish?**

SB 2228 reauthorizes the Rural Food Sustainability Grant, first approved as a \$1 million pilot program in 2023. The impetus was to support collaboration among rural grocery stores for better pricing, availability, and variety of fresh foods based on the model of the Rural Access Distribution Co-op formed in 2021 in Park River, Edinburg, Hoople and Fordville, which has yielded positive impacts for all.

Administered by the N.D. Department of Commerce, the pilot program funded feasibility studies, business planning, and project implementation in nine small towns and organizations (see attached status report). However, many applicants were ineligible because funds were restricted to expansion, innovation, or collaboration, excluding critical needs like building repairs and equipment upgrades necessary for store transitions when an owner retires or sells.

The current bill focuses funding on rural grocery stores and prioritizes existing stores. We also ask that funding be allowed to facilitate succession planning and store transitions. Increasingly, small cities are buying grocery buildings and leasing them to operators at little to no cost to retain grocery services. Some stores transition to non-profit ownership or form a consumer cooperative when private buyers cannot be found. Communities that have lost their stores need resources to secure a new operator or location. A suggested amendment to cover these situations is included with this testimony.

### **NDAREC's Expertise in Rural Grocery Work**

Since the early 1990s, our state association has provided rural development services with support from rural electric and broadband cooperatives operating in North Dakota, guided by the cooperative principles of "cooperation among cooperatives" and "concern for community."

My predecessor, Lori Capouch, noticed an uptick in calls in 2014 from rural grocers seeking financial support to cover operating costs. She knew something was changing and began studying the issue in depth. As she retired in July and is being inducted into the national Cooperative Hall of Fame, I am doing my best to continue this important work.

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Last week, I and a colleague visited grocery stores in Turtle Lake, McClusky, Fessenden, Maddock, Velva, Dunseith, Belcourt, St. John, Rolette, and Towner, plus small food stores in Hurdsfield and Granville, and the community of Drake, where volunteers for a non-profit organization are seeking to re-open a store. We explored needs and interest in a pilot regional warehouse and distribution system for north-central North Dakota, aimed at reducing wholesale costs and improving food access.

Many store operators are trying everything in their power to earn customers and help their communities. This includes interest in innovative approaches to after-hours access such as climate-controlled lockers like those installed in Fordville and Park River, or through door entry and security systems with self-checkout as in Munich and soon at Hurdsfield's Farm and Family Center.

### **The Decline of Rural Grocery Stores**

Grocery stores are as essential to small-town survival as water, emergency services, and healthcare. Yet, since 2014, North Dakota has lost 47 rural grocery stores, leaving only 90 remaining.

Some rural residents often travel 100-200 miles to buy groceries in one of the state's 10 largest cities at big box stores, while others lack the means. And those big box stores benefit from unfair wholesale pricing advantages, unchecked since the 1980s due to lack of Robinson-Patman Act enforcement. The result? Independent grocers' market share has dropped from 53% in 1982 to just 22% today (Institute for Local Self-Reliance).

This leaves rural communities increasingly dependent on distant markets, paying higher transportation and fuel costs. With a shrinking supply chain—now reliant on warehouses in Fargo, Grand Forks, and Billings, MT—many rural towns are at risk of becoming food deserts, and eventually, ghost towns.

### **Public-Private Partnerships: Shared Solutions**

We seek government support only where needed, with private-sector solutions remaining the primary model for store operations. However, rural grocery stores increasingly require public and nonprofit support for loans, grants, technical assistance with research and planning activities, plus infrastructure, or in other words, the building and equipment.

Here's how NDAREC and our partners are helping:

- 1) The Rural Development Finance Corporation (RDFC), the financing arm of our state's rural electric and broadband cooperatives, has a revolving loan fund that will participate in loans to community organizations and small businesses at a 2% interest rate. Since 2012, the RDFC has approved \$915,180 in low interest (2%) loans for stores in Bottineau, Bowman, Towner, Steele, Lidgerwood, Beach, Strasburg, and Crosby. Available funds are now under \$200,000 to service many types of rural development projects statewide.
- 2) The NDAREC rural development center facilitates requests to a private organization that provided nearly \$700,000 in grants since 2016 for community or non-profit grocery stores in New Leipzig, Wimbledon, Edinburg; Regent, Hague, Bowdon, Lidgerwood, Kulm, Drayton and Hazelton. This included help with N.D Rural Grocery Initiative studies that eventually opened the door to the Rural Access Distribution Co-op in Walsh County. The donor organization prefers to remain anonymous.
- 3) USDA's Rural Economic Development Loan and Grant program has also been of help. Along with Dakota Valley Electric Cooperative, in 2013, staff attained a 0% interest \$1 million loan for LaMoure's new grocery and hardware store.

### **Ongoing and Future Needs**

Despite the resources outlined, demand for rural grocery support far exceeds available funding. NDAREC is actively working on several projects and monitoring others including:

- 1) Exploration of a proposed pilot north central regional grocery warehouse to serve a 100-mile area around Minot.
- 2) A smaller collaboration in the Emmons-McIntosh county area.
- 3) A desire for retirement and transition of store ownership in Fessenden and Maddock, interest in expansion and renovation projects in Milnor and Abercrombie and hope for a rebuild in Enderlin.
- 4) Interest by citizens in Dunn Center, Lincoln and Casselton in fostering investment in grocery stores.

### **Conclusion**

A state investment through SB 2228 will complement federal, cooperative, private sector, community, and philanthropic efforts to retain, expand, and reopen rural grocery stores.

Rural grocery sustainability is not just about food—it's about keeping small towns alive where people deserve access to the necessities in life.

House members will also be considering SB 2390, which proposes broader rural development grants. We support this bill, too, but believe when it comes to support of rural grocery stores, our state cannot afford to wait for the establishment of a new oversight committee, program criteria and application process. SB 2228 ensures dedicated funding for rural grocery stores in 2025, providing immediate relief and preventing further closures.

For these reasons, NDAREC urges a "Do Pass" recommendation on SB 2228.

**SENATE BILL 2228**

***Amendment Suggestion – March 17, 2025***

A BILL for an Act to provide an appropriation to the department of commerce for a rural grocery store sustainability grant program.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1. APPROPRIATION - DEPARTMENT OF COMMERCE - RURAL GROCERY STORE SUSTAINABILITY GRANTS - ONE-TIME FUNDING.**

There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$1,000,000, or so much of the sum as may be necessary, to the department of commerce for the purpose of providing grants for the preservation of rural grocery stores and increasing the availability of food access in the state, for the biennium beginning July 1, 2025, and ending June 30, 2027. The department shall prioritize grant funding awarded under this section for supporting existing rural grocery stores before awarding grant funding for ~~feasibility costs related to reopening a grocery store in a~~ **community without a grocery store or feasibility costs.** The funding may not be used for food processing or offsite preparation operations of a rural grocery store. The department of commerce shall establish guidelines for awarding grants under this section. This funding is considered a one-time funding item.

## **ND Commerce Rural Food Sustainability Grant Program, 2023-2025 Biennium**

Administered by the Office of Community Development and Rural Prosperity

Funding [Senate Bill No. 2273 - Sixty-eighth Legislative Assembly of North Dakota - LC Number 23.0708.02000](#)

**Purpose** The purpose of the rural food sustainability grant program is to support the expansion of sustainable grocery service, access to food, and/or development and expansion of food co-ops in rural areas. Food co-ops are centralized facilities or nonprofits that play a crucial role in aggregating, storing, processing, and distributing food to consumers, retailers, institutions, or other markets. This grant program aims to address specific challenges faced by rural communities related to food access, economic development, and sustainability.

### **Program Objectives**

- Strengthen local and regional food systems by facilitating the efficient movement of healthy, quality foods within rural areas.
- Improve the quality and safety of existing grocery supply.
- Encourage partnerships and collaboration between local organizations, businesses, and government entities.
- Support innovative approaches to address unique challenges faced by rural areas in sustainable food supply and delivery.
- Foster community development and revitalization efforts in rural regions.
- Provide collaboration between food supply and community entities such as restaurants, schools or other entities which purchase grocery products which provides positive economic impacts for the community/region.
- The program will be broken into two components:
  - Component one: conduct feasibility studies to assess the viability of potential projects or initiatives aimed at increasing food accessibility and sustainability in rural areas.
  - Component two: support the creation or expansion projects or initiatives that aim to increase food accessibility and sustainability for entities that have developed profit loss statements and backup materials to show the expansion of the project will be sustainable.

*This grant will not fund regular maintenance of equipment or facilities, projects that do not provide increased affordability and availability of food products, or applications that do not have sustainable profit/loss or business plans which provides long term sustainability for food access.*

**Eligible Entities:** Rural Nonprofits, City, County, Economic Development organization (JDA, regional Councils, EDC, CVB) and local tribal entities. *Rural shall be defined as any community or region, based on the application, with a population of less than 10,000.*

**Matching Requirements** Matching funds are encouraged but not required.

**Component 1 Timeline** Applications open: September 8, 2023 Awarded: October 24, 2023

**Component 2 Timeline** Applications open: Tuesday, January 16, 2024 Awarded: Tuesday, February 27, 2024

### **Component 1: Up to \$20,000 per community**

- Total Awarded Phase one: \$115,000
- Total Number of Applicants: 11
- Total Requests: \$220,000

### **Component 2: Up to \$300,000 per community**

- Total Awarded Phase 2: \$880,000
- Total Number of Applicants: 12
- Total Requests: \$2,703,000

**Total Est. Populations Touched by Grant Dollars: 371,000**

### **Component 1 Awardees**

- **City of Milnor:** \$20,000 for a feasibility study which showed the need and ability to support in the community. Next steps will be to add on space for their existing grocery store to accommodate freezer, canned goods and other needs in the community.
- **Pembina County JDA:** \$20,000 to complete a feasibility study.
- **Strengthen ND:** \$20,000 complete a feasibility study and determined a Mobile Market Truck distribution service operated at the Strong Farm Incubator near Baldwin, ND can attain economic self-sufficiency provided the service has sufficient daily utilization of the truck by local food producers and processors to transport their products to customers.
- **Hazelton Development Corporation:** \$20,000 completed a feasibility study showing interest and ability to support a regional food hub and distribution center was sustainable.
- **City of Casselton Economic Development:** \$20,000 to complete a feasibility study and provide data to prove a grocery store would be feasible in the community. They are actively pursuing an owner/operator or chain to locate in the community.
- **North Dakota Rural Electric Cooperative Foundation:** \$15,000 to support the planning of a regional grocery warehouse and food hub in the Minot area serving a 100-mile radius, and guidance in implementation and expansion of a start-up grocery cooperative in Emmons and McIntosh Counties.

### **Component 2 Awardees**

- **Rural Access Distribution Cooperative:** \$243,000 for the shared services co-op, which involves the communities of Park River, Hoople, Edinburg and Fordville to purchase a new larger delivery truck and a climate-controlled van for small deliveries, plus to construct a concrete slab for food lockers in Fordville. The lockers in Fordville had previously been installed inside a building and would overheat. Relocating the lockers outside will resolve this issue. Food lockers in Park River and Fordville should become operational in early 2025 and expands the opportunity for new customers.
- **City of Enderlin – CDC:** \$20,000 to complete a feasibility study.
- **Hazelton Development Corporation:** \$183,000 for the expansion of a hub location and purchase of mobile market truck to facilitate local foods cooperative, serving the communities surrounding Hazelton. Napoleon, which was initially in the hub declined participation. Zealand, Hauge, Strasburg, Linton also considered but concerned about changing distribution. Ashley, which was not part of the initial discussion has now expressed an interest in participating and being a hub distributor. Additionally, Linton Senior Center and Hazelton School are participating on a small level.
- **Baldwin/Strengthen ND:** \$300,000 to support the construction of the first-of-its-kind regional local foods processing facility near Baldwin in Burleigh County, serving a 100-mile radius. This was part of a regional agriculture and

economic development project and is tied to a \$675,000 grant from the EDA, complemented by \$168,329 in local funds, is projected to create 47 new jobs and generate an impressive \$1.8 million in private investment.

- **Crystal Community Boosters:** \$134,000 to match locally raised funds and assist in the purchase and reopening of the local convenience store which added groceries and restaurant.

## ND COMMERCE — RURAL FOOD SUSTAINABILITY GRANT PROGRAM

FUNDING SOURCE: SENATE BILL 2273 (68<sup>TH</sup> LEGISLATIVE SESSION)

### Supplemental Progress Update

*Compiled by the N.D. Association of Rural Electric Cooperatives — Rural Development Center*

**City of Milnor:** \$20,000 for a feasibility study posted at [www.milnornd.com](http://www.milnornd.com). The study proved their hypothesis that the existing store's walk-in freezer, refrigeration units, and backroom storage for dry goods and prep are inadequate to meet the area's needs. This causes shortages of foods to replenish the customer access areas and does not allow the manager to order in bulk to receive discounts that in turn could be given to the customer. As an example, the backroom walk-in freezer is one-third the size it would normally be.

The community would like to build on, but city officials indicate it is not monetarily feasible without a grant of about \$300,000 to match what the city can do, which is \$100,000. The City owns the building and keeps the rent low to allow the business to function. This is Milnor's only grocery store. They do not have a dollar stores.

**City of Enderlin:** \$20,000 for a grocery store feasibility study. The community's previous store closed in 2023, and its equipment was sold. To address this gap, the city is examining possibilities for a new store. A survey in early 2025 will gather input from area residents about essential products, expected shopping frequency, and interest in innovative models such as 24-hour key fob access combined with limited on-site staffing. Findings will help determine public and private sector support for investing in a new store, which will likely involve acquiring land, constructing and equipping a new facility, as no suitable existing buildings are available.

**Pembina County JDA:** \$20,000 for a feasibility study to identify needs, challenges and opportunities to improve food access in Pembina and Nelson counties. Early findings show rural residents prefer to shop locally, but will travel or order online for better prices and quality. The applicant is using Placer.AI, which tracks cell phone data, to gain insights into foot traffic at stores, particularly looking at impacts of Dollar General stores on local grocery consumer visits. They'll next be interviewing grocery store owners to assess interest in collaboration via a grocery co-op or other innovative solution.