

PROJECT SUMMARY

LOCAL SOURCING INNOVATION IN INDEPENDENT AND LOCALLY-OWNED GROCERIES

The “Local Sourcing Innovation in Independent and Locally-Owned Groceries” project was developed under a cooperative agreement between the Rural Grocery Initiative at Kansas State University (RGI) and USDA Agricultural Marketing Service (AMS). Funding was provided through USDA Cooperative Agreement No. 23-TMLRF-KS-0021.

RGI and AMS would like to thank the numerous individuals who contributed to this project, including the stakeholders who were interviewed about each model and the advisory committee members who provided ongoing feedback and guidance. Many thanks also go to Acevox for their design services.

All outputs are available on the Rural Grocery Initiative’s website:
www.ruralgrocery.org/learn/research/local-sourcing-innovation.

CONTACT INFORMATION

Rural Grocery Initiative
K-State Research and Extension
rgi@k-state.edu



Rural Grocery
Initiative



Agricultural Marketing Service
U.S. DEPARTMENT OF AGRICULTURE





ABOUT THE PROJECT

OVERVIEW

Local and regional food systems play a crucial role in community development.^{1,2} Studies show that, compared to conventional food systems, local food contributes more to local GDP, generates new income, and catalyzes job creation through its production, processing, and transportation.^{3,4,5} For instance, one study found that sourcing from local producers helped small Minnesota grocers generate an additional 60 cents for every dollar spent, or three times the economic impact of typical food and beverage stores.⁶

Independent and local-owned grocery stores provide access to healthy and affordable food options, contribute to the local economy, and serve as community gathering places.^{7,8,9} Still, while they are a key part of the food system, many often lack local food offerings, especially on a broad scale. This is due to numerous barriers to sourcing local food, such as a limited supply of locally produced food and supply chain complexities.^{10,11,12} This is a missed opportunity for both grocers and producers: local food offerings can give grocers a competitive edge while independent grocery stores can serve as stable, flexible marketing outlets for producers.^{13,14,15}

Recognizing the importance of local food offerings at grocery stores and the challenges associated with sourcing local food, the Rural Grocery Initiative at Kansas State University and USDA Agricultural Marketing Service endeavored to answer the

following question: ***What lessons can be learned from innovative local sourcing models that could help locally owned, independent, and rural groceries become better integrated into local and regional supply chains?*** Efforts began in early 2024 to first identify innovative local sourcing initiatives occurring across the country. The research team then developed in-depth case studies of five businesses and organizations that are leading the way. The resources developed through this project aim to help businesses, organizations, and other stakeholders identify and learn about local sourcing solutions that could be implemented in their own communities.

TEAM

This project was carried out through a cooperative agreement between the Rural Grocery Initiative at Kansas State University and USDA's Agricultural Marketing Service. The Rural Grocery Initiative aims to sustain locally-owned rural grocery stores to enhance community vitality and improve access to healthy foods. It does so by identifying, developing, and sharing resources that support grocers and rural communities. The Agricultural Marketing Service administers programs that create domestic and international marketing opportunities for U.S. producers of food, fiber, and specialty crops. It also provides the agriculture industry with valuable services to ensure the quality and availability of wholesome food for consumers across the country and around the world.

METHODOLOGY

This research project was broken into four phases:

PHASE ONE —

In Phase 1, the project team developed a Project Advisory Committee to confirm project goals. The Project Advisory Committee was made up of key stakeholders who convened virtually four times over the course of the project to provide feedback and direction.

PHASE TWO —

In Phase 2, the project team solicited examples of innovative local sourcing models from across the country. As examples were received, the project team conducted preliminary research using secondary sources and saved this data in a catalog. This preliminary research allowed the research team to categorize models and determine which five examples to interview.

PHASE THREE —

In Phase 3, the project team conducted interviews with two to four stakeholders (e.g. grocers, producers, distributors, community organizations, etc.) from each of the five distinct local sourcing models selected. Once interviews were complete, the project team reviewed interview notes and compiled findings in a comparison chart that illustrates the characteristics of each model.

PHASE FOUR —

In Phase 4, the team drafted in-depth case studies about each model and worked with a graphic designer to develop visuals. These resources were then promoted to partners and stakeholders.



PROJECT OUTPUTS

CATALOG OF LOCAL SOURCING INNOVATIONS

The [Catalog of Local Sourcing Innovations](#) highlights pioneering businesses and organizations that have developed unique solutions to connect locally produced food with independent grocery stores. Communities are invited to use this catalog to learn more about local sourcing models and opportunities across the country.

After an initial call for innovative local sourcing models in spring 2024, 40 entries were collected from regions across the country representing various types of operations, including aggregation,

distribution, retail sales, and producer services. Each entry in the catalog includes a brief summary of the organization or business, its location, operational focus, ownership structure, and year established.

The catalog will continue to be updated and grow over time. Individuals are invited to share additional examples of local sourcing models, including creative methods of aggregating local food, streamlining distribution systems, developing programs to help grocers purchase local food, and more. To contribute to the catalog, [complete a short online survey](#). The Rural Grocery Initiative will review and update submissions before including them.



CASE STUDIES AND DIAGRAMS OF LOCAL SOURCING MODELS

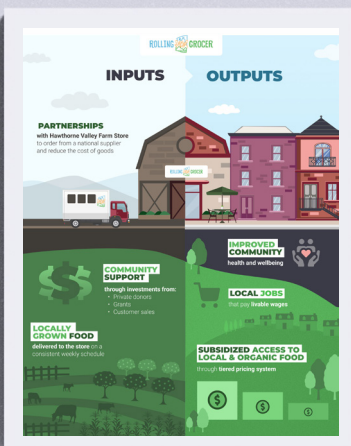
To understand how grocery stores can become better integrated into local and regional supply chains, the Rural Grocery Initiative developed five in-depth case studies of pioneering businesses and organizations, each highlighting a different model for connecting locally produced food with grocery stores. The case studies examine how these models were established, how they evolved over time, challenges they faced, and lessons learned along the way.

A diagram of each model was also developed to illustrate the flow of goods and relationships involved in the five local sourcing models.

Included in each case study are key findings related to 1) business model and operations, 2) financial strategy, 3) equipment, technology, and infrastructure, 4) product offerings, and 5) partnerships and community engagement. The key findings and lessons learned for each individual case study are briefly provided in the [comparison chart](#) below.



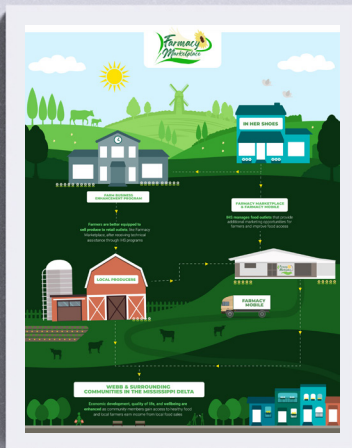
Farm Runners is a for-profit distributor and retail grocer with headquarters in Hotchkiss, Colorado, that was established in 2015. It fills the local food distribution gap, making it easier for new and established farms to get their product into far away retail outlets. In 2024, the company worked with over 100 local producers and distributed local food to over 500 wholesale customers in both urban and remote rural communities across the Western Slope. In addition to wholesaling local food, Farm Runners found an innovative way to reduce waste and improve food access by operating their own small grocery store, called The Station, out of their aggregation facility.



Rolling Grocer is a full-service nonprofit grocery store in Hudson, New York. It was established in 2018 by a group of local organizations and community members seeking to improve food access and affordability. While initially a mobile grocery that served locations across Columbia County, it is now a brick-and-mortar storefront that also offers local delivery free of charge to anyone in the county. A particularly innovative feature of this store is its three-tiered Fair Pricing System, which aims to make high quality and local food more accessible to low-income residents. In 2024, 1,700 community members were enrolled in the Fair Pricing System, with 60% of shoppers receiving subsidized pricing. The nonprofit grocery store offered products from 50 local producers.



Farm to Freezer is a for-profit food processor that freezes organic and conventional fruits and vegetables grown by small and midsized farmers in the Great Lakes region who would otherwise struggle to access larger processors. It was established in 2014 to extend the availability of locally grown fruits and vegetables in northwest Michigan. What started as a nonprofit workforce development initiative then transitioned to a for-profit company with facilities in Detroit, Grand Rapids, and Traverse City. The company's products are sold throughout the year at various outlets, including grocery stores, restaurants, schools, and hospitals. In 2024, the company worked with over 40 local producers, and their products were sold to over 500 wholesale customers.



Farmacy Marketplace is a nonprofit grocery store based in the rural town of Webb, Mississippi. It was established in 2022 as an initiative of In Her Shoes, an organization dedicated to improving economic stability and quality of life in the Mississippi Delta. To support beginner- and intermediate-level farmers in selling to Farmacy Marketplace and other retail outlets, In Her Shoes also provides technical assistance and training through the Farm Business Enhancement Program (FBEP). In 2024, eight local producers completed the FBEP, and the nonprofit grocery store offered products from 12 local producers. The same year, the organization began operating Farmacy Mobile, which brings fresh food to nearby communities each week.



Balls Food Stores is a grocery chain in the Kansas City metropolitan area. Founded in 1923, the company now has 25 store locations across Kansas and Missouri. While local food was always an important part of the company's identity, the process of ordering and delivering local food for each individual store was logistically complicated. The company's primary wholesaler was also unable to meet demand. To address this problem and streamline operations, Balls Food Stores developed a central warehouse where it aggregates and distributes local food on its own. In 2024, the supermarket chain offered products from over 100 local producers.

COMPARISON CHART

The comparison chart below highlights key characteristics of the five unique local sourcing models explored in this project. It provides an overview and lessons learned from each case study. This chart can be used to quickly identify similarities between these businesses and organizations.

| OVERVIEW OF LOCAL SOURCING MODELS | | | | | |
|---|--|--|---|--|---|
| | IN HER SHOES & FARMACY MARKETPLACE | ROLLING GROCER | BALLS FOOD STORES | FARM RUNNERS | FARM TO FREEZER |
| DESCRIPTION | Farmer support organization and non-profit grocery store | Non-profit grocery store | Chain grocery store (25 locations in Kansas City metro) | Food distributor and retailer | Frozen food processor |
| KEY INNOVATION | <ul style="list-style-type: none">• Technical assistance to help local farmers integrate into retail markets• Creation of retail outlet for producers to sell product | <ul style="list-style-type: none">• Creation of three-tiered pricing system to make local food more affordable | <ul style="list-style-type: none">• Creation of its own warehouse to aggregate and deliver local foods across chain locations | <ul style="list-style-type: none">• Delivery of local food• Creation of retail market to reduce wholesale waste | <ul style="list-style-type: none">• Processing of local food for small and mid-sized farmers to extend availability of local year-round |
| HQ LOCATION | Webb, MS | Hudson, NY | Kansas City, KS | Hotchkiss, CO | Detroit, MI |
| GEOGRAPHY SERVED | Rural | Rural | Urban | Rural and Urban | Rural and Urban |
| YEAR ESTABLISHED | 2022 | 2018 | 1923 | 2015 | 2014 |
| OWNERSHIP STRUCTURE | 501(c)(3) nonprofit | Fiscally sponsored nonprofit | Domestic For-Profit Corporation | LLC | Domestic For-Profit Corporation |
| KEY OPERATIONS | <ul style="list-style-type: none">• Producer Services• Retail Sales | <ul style="list-style-type: none">• Retail Sales | <ul style="list-style-type: none">• Retail Sales• Aggregation• Distribution | <ul style="list-style-type: none">• Aggregation• Distribution• Retail Sales | <ul style="list-style-type: none">• Processing |
| PRIMARY CLIENTS | <ul style="list-style-type: none">• Local Farmers• Retail Customers | <ul style="list-style-type: none">• Retail Customers | <ul style="list-style-type: none">• Retail Customers | <ul style="list-style-type: none">• Wholesale Customers (grocery stores, restaurants, food hubs, schools)• Retail Customers | <ul style="list-style-type: none">• Wholesale Customers (grocery stores, restaurants, food hubs, schools, hospitals) |
| DEFINITION OF LOCAL | Mississippi Delta | Hudson Valley | 250-mile radius | Western Slope of Colorado | Great Lakes region |
| ANNUAL GROSS SALES (2024) | \$309,000 | \$1.17 million | \$5 million (local food sales only) | Wholesale: \$2 million Retail: \$676,000 | \$1.5 million |
| PERCENT OF FOOD SALES THAT ARE LOCAL (2024) | 10% | 17% | 20-25% (produce only) | Wholesale: 100% Retail: 77% | 100% |

SUMMARY OF KEY FINDINGS AND LESSONS LEARNED

| | IN HER SHOES & FARMACY MARKETPLACE | ROLLING GROCER | BALLS FOOD STORES | FARM RUNNERS | FARM TO FREEZER |
|--|---|--|--|---|---|
| BUSINESS MODEL & OPERATIONS | <ul style="list-style-type: none"> • Technical assistance and food access programs are mutually beneficial • Mobile market now serves nearby low access communities • Working on replicating the model elsewhere | <ul style="list-style-type: none"> • Started as mobile market but faced weatherization challenges • Transitioned to brick-and-mortar storefront to meet community needs more effectively | <ul style="list-style-type: none"> • Local producers deliver to central warehouse rather than multiple stores • Warehouse stores merchandise on sale from primary wholesaler to keep store prices low | <ul style="list-style-type: none"> • Focuses on serving small- and mid-sized farmers • Independent grocers are key, as they tend to have fewer vendor requirements compared to chains | <ul style="list-style-type: none"> • Strong customer demand led to a transition from nonprofit initiative to for-profit business • Maintains commitment to small and midsized farmers, even as the business has grown |
| FINANCIAL STRATEGY | <ul style="list-style-type: none"> • Federal and private grants support technical assistance and food access programs • Farmacy Marketplace now largely sustains itself through sales | <ul style="list-style-type: none"> • Fair Pricing System is subsidized by higher-income shoppers and philanthropic dollars • Long-term funding commitments are paramount | <ul style="list-style-type: none"> • Revenue streams include retail sales, sale of local food to other retailers, and sales to pantries • Operational costs of the warehouse are charged to stores | <ul style="list-style-type: none"> • Owners subsidized the business by working multiple jobs for years • Proximity to affluent communities supports growth | <ul style="list-style-type: none"> • Used loans and grants to scale • Able to remain a midsized processing company through philanthropic support |
| EQUIPMENT, TECHNOLOGY, & INFRASTRUCTURE | <ul style="list-style-type: none"> • Same POS system at brick-and-mortar and mobile market; allows for Double Up Food Bucks • Product sorted at central aggregation facility before going to retail outlets | <ul style="list-style-type: none"> • Manages pricing model with customer-oriented POS system • POS system isolates sales by supplier to track local vs. non-local products | <ul style="list-style-type: none"> • Warehouse designed to accommodate local producers • In early stages of implementing AI software that uses historical data to streamline ordering and reduce waste | <ul style="list-style-type: none"> • Uses an e-commerce platform so customers can browse and place orders online • E-commerce streamlines operations but reduces customer interactions | <ul style="list-style-type: none"> • Facilities process relatively small volumes • Scale of equipment enables partnership with specialty crop farmers who produce small volumes |
| PRODUCT OFFERINGS | <ul style="list-style-type: none"> • Farmacy Marketplace offers the full range of products found in grocery stores • Purchases from 12 local producers • Differentiates itself by providing fresh meat and produce | <ul style="list-style-type: none"> • Carries primarily organic food • Purchases from 50 local producers • Barriers include limited space, seasonal variations, and a shortage of local processors | <ul style="list-style-type: none"> • Purchases from 100 local producers • At the end of each growing season, BFS meets with local producers to review sales data and plan for the next season | <ul style="list-style-type: none"> • Surrounded by abundance of organic specialty crop growers • Distributes local food from over 100 farmers within a 200-mile radius • Supplies organic and conventional | <ul style="list-style-type: none"> • Located in agriculturally diverse state with wide variety of fruits and vegetables • Purchases from 40 local producers • Offers 21 organic and conventional product varieties |
| PARTNERSHIPS & COMMUNITY ENGAGEMENT | <ul style="list-style-type: none"> • Solidifies relationships by providing technical assistance to agricultural producers • Numerous local, regional, and national partners contribute to success | <ul style="list-style-type: none"> • Conducted extensive community outreach initially • Group orders with nearby store to receive volume discounts from a national distributor | <ul style="list-style-type: none"> • Signage, brochures, and programs highlight local food in stores • Partnership with Good Natured Family Farms significantly expanded local producer network and products | <ul style="list-style-type: none"> • Emphasis on building genuine relationships with wholesale customers and producers • Partnership with CO Dept. of Ag enables delivery to remote areas | <ul style="list-style-type: none"> • Maintains direct relationships with wholesale customers, not just the distributors • Independent retailers are key because they are flexible and willing to try new products |

This Comparison Chart was developed through a collaboration between the Rural Grocery Initiative at Kansas State University and USDA Agricultural Marketing Service. It is part of a larger research project, "Local Sourcing Innovation in Independent and Locally-Owned Groceries." Funding was provided through USDA Cooperative Agreement No. 23-TMLRF-KS-0021.

*Kansas State University Agricultural Experiment Station and Cooperative Extension Service
K-State Research and Extension is an equal opportunity provider and employer.*

KEY FINDINGS

In this project, we studied a mix of local sourcing models in various regions across the country. Each business or organization that we examined uses a distinct strategy to expand access to local foods in grocery stores. Because the models are so different from one another, key findings that are unique to each model are listed in the comparison chart. However, several overarching themes emerge when considering this project as a whole.

- **Business Model and Operations:** The businesses and organizations highlighted in this project used a variety of ownership models, both for-profit and nonprofit. The ability to source local food was not dependent on any particular ownership structure. A common theme, however, was that all models worked with an array of producers, distributors, and buyers. In addition, several models diversified their income streams. Farm Runners, for instance, added a retail component to their wholesale operation, and Balls Food Stores added a wholesale component to their retail operation. By expanding into other areas and working with a wide variety of partners, these businesses became more resilient to potential shocks in the supply chain.
- **Strengthening Local Supply Chains:** To source local food, all models maintained direct relationships with local producers and worked individually with them to plan and/or order product. While approaches varied across models, all sought to streamline local sourcing logistics, either through new technology or by standardizing their ordering and delivery processes. Still, all models experienced barriers to sourcing local food. Overall, there was not adequate local food production or seasonal availability. Farm to Freezer is an example of one model that seeks to address the challenge by freezing local food for year-round local food access. Additionally, getting local food into wholesale distribution networks was a challenge, since those networks



require large volumes of standardized products. Building more local food infrastructure for aggregation and distribution, like Farm Runners and Balls Food Stores, could help expand local and regional food systems. Finally, all models affirmed that independent and locally-owned grocery stores play a critical role in local and regional food system development, as independent grocery stores are more flexible and willing to try new local products compared to large national chains.

- **Community Engagement:** All models described their local sourcing efforts as a way to strengthen their local community and support local farmers. Partnerships and community engagement supported the success of all models. Trusting relationships with producers and wholesale customers were assets that helped the businesses and organizations grow.

While the effort to maintain relationships may take more effort, in some cases, they made the models more resilient to supply chain disruptions. Seasonal planning with producers, in-store marketing efforts, and collaborations with local organizations were commonly cited across the case studies.

- **Financial Strategies:** External funding helped local sourcing models start up and/or scale. Except for Balls Food Stores, the largest and longest-established business that we examined, these enterprises utilized a variety of funding mechanisms, including grants from state and federal governments, grants from private foundations, loans, and donations. These financial resources were primarily used for build-out costs, the purchase of equipment, and operating expenses.



CONCLUSION

This project identified and examined various local sourcing models to learn how independent and locally-owned grocery stores can become better integrated with local and regional supply chains. The five in-depth case studies showcase how organizations and businesses are innovating to expand access to local foods. By sharing these stories and lessons learned, other businesses and stakeholders will be better equipped when considering similar projects in their communities.

Many more innovative local sourcing models exist beyond what this project team explored. Additional lessons could be learned through subsequent case studies, and the Catalog of Local Sourcing Innovations may be a good place to look for additional examples. Future research could incorporate an economic analysis to better understand how local sourcing at grocery stores affects local and regional economies.



REFERENCES

1. Ackerman-Leist, P. (2013). *Rebuilding the foodshed how to create local, sustainable, and secure food systems*. Chelsea Green Publishing.
2. Lamie, R. D., & Deller, S. C. (Eds.). (2020). *Local Food Systems and Community Economic Development*. Routledge. Retrieved from <https://doi.org/10.4324/9781003016151>
3. Rossi, J.D., Johnston, T.G., and Hendrickson, M. (2017). *The Economic Impacts of Local and Conventional Food Sales*. Journal of Agricultural and Applied Economics, 49(4), 555–570. Retrieved from <https://doi.org/10.1017/aae.2017.14>
4. Conner, D. S., Knudson, W. A., Hamm, M. W., & Peterson, H. C. (2008). *The Food System as an Economic Driver: Strategies and Applications for Michigan*. Journal of Hunger & Environmental Nutrition, 3(4), 371–383. Retrieved from <https://doi.org/10.1080/19320240802528849>
5. Swenson, D. (2009). Investigating the Potential Economic Impacts of Local Foods for Southeast Iowa. *Leopold Center for Sustainable Agriculture, Iowa State University*. Retrieved from <https://www.leopold.iastate.edu/files/pubs-and-papers/2010-01-investigating-potential-economic-impacts-local-foods-southeast-iowa.pdf>
6. Tuck, B., Winchester, B. S., & Pesch, R. (2019). *Economic Impact of Locally-Sourcing Retailers*. University of Minnesota. Retrieved from <https://hdl.handle.net/11299/211423>
7. Cho, C., & Volpe, R. (2017). *Independent grocery Stores in the changing landscape of the U.S. food retail industry (Governmental 240; Economic Research Report)*. United States Department of Agriculture Economic Research Service. https://ers.usda.gov/sites/default/files/_laserfiche/publications/85783/ERR-240.pdf?v=63639



8. National Grocers Association. (n.d.). *Grocers impact America*. National Grocers Association. Retrieved from <https://www.nationalgrocers.org/grocers-impact-america/>
9. Souza, K., Procter, D., Carver, R., & Clark, S. (2018). *Groceries and gatherings: Leveraging community social capital to increase local grocery store patronage*. Rural Grocery Initiative, Kansas State Research and Extension. <https://www.ruralgrocery.org/learn/research/social-capital/Final-Report-Groceries-and-Gatherings.pdf>
10. Olive, R., Draeger, K., Kim, H.-Y., Hanawa Peterson, H., Jarvi, M., Park, D., & Jorgenson, A. (2020). *2019–2020 Minnesota Rural Grocery Survey Report*. University of Minnesota Digital Conservancy. <https://hdl.handle.net/11299/217207>
11. Low, S. A. and Vogel, S. J. (2011). *Direct and Intermediated Marketing of Local Foods in the United States*. USDA-ERS Economic Research Report No. 128. Retrieved from <http://dx.doi.org/10.2139/ssrn.2114361>
12. Wells, J. (April 2017). *Growing pains: Why supermarkets are struggling to source local products*. Grocery Dive. Retrieved from <https://www.grocerydive.com/news/grocery-grocery-source-local-vegetables-fruit-produce/535172>
13. Abate-Kassa, G., & Peterson, H. C. (2011). *Market Access for Local Food through the Conventional Food Supply Chain*. International Food and Agribusiness Management Review, 24(2), 63–82. Retrieved from <https://ageconsearch.umn.edu/record/100876>
14. Roach, A., & Parcell, J. (2022). *Market Channels for Locally Raised Foods*. University of Missouri Extension. <https://extension.missouri.edu/publications/g6221>
15. Bauman, A., Thilmany McFadden, D., & Jablonski, B. B. R. (2018). *The Financial Performance Implications of Differential Marketing Strategies: Exploring Farms that Pursue Local Markets as a Core Competitive Advantage*. Agricultural and Resource Economics Review, 47(3), 477–504. Retrieved from <https://doi.org/10.1017/age.2017.34>





Kansas State University Agricultural Experiment Station and Cooperative Extension Service

K-State Research and Extension is an equal opportunity provider and employer.