

# THE REAL COSTS OF CITY-OWNED GROCERY STORES

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## THE AISLE OF DENIAL: CITY-RUN GROCERY STORES DON'T WORK

*"In 2020, we purchased the Erie Market grocery store in Erie, Kansas, and we had one profitable month, and then after that, we were bleeding. We made no profit."*

— Erie City Mayor Lester "Butch" Klingenberg

Against the backdrop of recent years of [higher grocery prices](#), city-owned and managed grocery stores (referred to here as city-run) have re-emerged as flashy [policy proposals](#) to lower grocery costs and alleviate hunger. In reality, they have the opposite effect: wasting taxpayer resources to prop up inefficient government-run operations that harm local food businesses.

While the cost of food soared during the last four years it has since stabilized, and the overall share of U.S. household income spent on groceries is still at historic lows, declining from [20–25% in the 1930s to just 5% in 2024](#). This decline is attributable to greater agricultural productivity, supply chain efficiencies, and technological advancements. Furthermore, in 2025, early wins in [egg price relief](#) and numerous agricultural [trade deals](#) demonstrate that the current administration is serious about tackling food prices. Given these successes, government-operated grocery stores are an unnecessary gamble that risks wasting taxpayer funds and even increasing grocery prices.

### CITY-RUN GROCERY STORES ARE UNSUCCESSFUL

Look no further than the [Soviet Union](#) and [Venezuela](#) for failed past examples of why city-run grocery stores have never been widely adopted or otherwise economically successful. It is completely unreasonable to expect bureaucracies to match private sector efficiencies in managing complex, customer service-driven businesses like grocery stores, which must operate efficiently or fail due to their thin margins.

#### City-run grocery stores are synonymous with:

- **No guarantee of lower food prices:** Some [proposals](#) suggest that city-run grocers can offer lower food prices by operating as nonprofits. Yet, that sector already runs on [razor-thin margins](#) (i.e., 1–2%). Further, any savings associated with subsidies, such as not paying rent or property taxes, would likely be redirected towards a host of other expenses, including staffing and civil-service level benefits, energy costs, spoilage, shrinkage, and addressing theft. There is no inherent guarantee that savings are passed along to customers.
- **Threats to small businesses, delis, and bodegas:** City-run grocery stores mean increased competition for small businesses, which are already facing thin margins and are [often minority owned](#).
- **Corruption and organized retail theft:** In 2021, more than 50% of small business owners [experienced](#) an increase in shoplifting, and larger retailers saw crime costs up 50% from the previous five years. City-run grocery stores would not be immune to the [same persistent retail theft](#). In fact, they may be more at risk given city-run grocery stores care less about profits.
- **Draining taxpayer dollars:** Unlike the private sector, taxpayers subsidize city-run grocery stores and there is no bottom line to motivate them to be well-run and avoid losses.
- **Chronic long lines, poor customer service, and a lack of variety:** As mentioned above, city-owned grocery stores do not exist to make a profit, so there is little incentive for stores to yield strong [performance indicators](#) and obtain other markers of success, including fast checkout speeds, customer retention, inventory accuracy, and diversified offerings. One only needs to look at state-run Departments of Motor Vehicles to understand how they would operate.
- **Continued lack of food availability:** This issue persists in areas of the U.S. where city-run groceries have failed (see below). Further, opening city-run grocery stores does not remedy

other issues contributing to food deserts, such as transit problems, restrictive zoning laws, and persistent crime.

### PREVIOUS ATTEMPTS IN THE U.S.

- In 2023, [Chicago](#) Mayor Brandon Johnson pursued a feasibility study for a city-run grocery store. However, after local business advocates questioned the city's lack of grocery expertise and potential for bureaucratic delays, the city did not apply to the Illinois Grocery Initiative to fund it.
- [The Erie Market](#) in Erie, Kansas, the community's only grocery store, was purchased by the city in 2020. After being initially operated by the city, it was later leased to a private operator due to financial strain. It is now scheduled to close this year because the operator is declining to renew their lease, and no other willing operator has been identified.
- [The Baldwin Market](#) in Baldwin, Florida was a city-run grocery store that opened in 2019 following the closure of the town's last for-profit grocery store. After closure, the town took over, covering payroll and operations costs and aiming for breakeven operations rather than turning a profit. The store still struggled financially, seeing large operating deficits year after year, and ultimately ceased operating in 2024.
- [Sun Fresh Market](#), located in Kansas City, Missouri, cost taxpayers \$17 million to acquire and was then run by a nonprofit. The shelves were bare by May 2025 due to safety issues and financial woes. The store closed permanently in August of 2025.

### ALTERNATIVE POLICY CONSIDERATIONS

City-run grocery stores have failed to demonstrate the ability to succeed. However, policymakers seeking to further address food affordability and security might consider the following alternative policy options to city-run grocery stores:

- **States should repeal and prohibit grocery taxes.** At present, 11 states continue to impose sales taxes on groceries. Specifically, four states impose full state tax rates on groceries, and seven impose reduced rates. Repealing these taxes would help families navigate times of higher food costs and keep more of their hard-earned dollars. In repealing her state's grocery tax in 2025, Arkansas Governor Sarah Sanders [stated](#) that this move would ultimately yield \$10.9 million in savings to taxpayers.
- **States should take advantage of pro-growth tax policies, including Opportunity Zones, to boost private sector investment in grocery stores.** The One Big Beautiful Bill creates permanent Opportunity Zone tax benefits, which can be used to encourage greater private sector investment in businesses sorely needed in underserved communities.
- **Local governments should pursue zoning reforms to permit grocery stores, delis, bodegas, and other food businesses to operate in areas where they are currently restricted.** In many communities, zoning laws prohibit grocery stores or food shops in certain areas. Revising zoning laws to allow for greater options would encourage competition and more affordable food prices.
- **State and local governments should prioritize public safety to encourage commerce.** Cities should reduce crime and other barriers to commerce if they want to retain and attract retail, including grocery stores. Crime and theft have run unchecked in larger cities, including in [Chicago](#), New York, and Washington, D.C. In response, the current Administration has demonstrated it is open to [mobilizing the National Guard](#), a move that state and local governments should welcome. Public safety, a foundational duty of government, attracts private sector retail to cities, including groceries, which in turn encourages competition and affordable food prices.