

Community Supported Agriculture (CSA)

Introduction

Community Supported Agriculture (CSA) is a term that has come to describe a variety of direct farm marketing practices with certain common characteristics, including:

- Emphasis on community and/or local produce
- Shares/subscriptions that are sold prior to the season's beginning
- Weekly deliveries to members/subscribers

CSA is fairly new to the United States, beginning in Massachusetts in 1986 and growing to 60 CSA farms in the U.S. in 1990.¹ The CSA structure grew significantly in popularity among both producers and consumers during the 2000s. In 2005, a CSA database reported more than 1,150 CSA farms, with 15 of these in Kentucky. In 2009, the same database listed 20 CSAs in Kentucky and over 1,300 in the U.S.² Other recent estimates have placed the number of CSAs in the country at more than 1,500. This marketing mechanism continues to increase in popularity, especially among more affluent consumers around urban centers.

UK Survey of CSAs

During the spring of 2009, the University of Kentucky Horticulture Council and the New Crop Opportunities Center sponsored a direct mail survey of CSA farms and farms using the CSA concept. More than 300 farms in Kentucky, Illinois, Indiana, Missouri, Michigan, Ohio, Pennsylvania, Tennessee, and West Virginia responded to the survey.



This marketing profile will frequently refer to findings from the UK survey, including strategies used by CSA operators to price member shares. The full version of the survey report is available on the New Crop Opportunities Center and the University of Kentucky Department of Agricultural Economics Web sites.

USDA Definition of a CSA

In basic terms, a CSA consists of a community of individuals who pledge support to a farm operation so that the farmland becomes, either legally or vicariously, the community's farm. The growers and consumers partner together to share the risks and benefits of food production. Members (or shareholders) of the farm or garden pledge in advance to cover the anticipated costs of the farm operation, including the farmer's salary. In return, members receive shares in the farm's bounty throughout the growing season, plus the satisfaction gained from reconnecting to the land. Members also share in

the risks, such as poor harvest due to unfavorable weather or pests.

A number of farms operating as CSAs hold to this “original” definition of Community Supported Agriculture. However, the CSA concept has also evolved into one of a number of marketing channels that can be used to sell a farm’s produce. Many farms (and customers) find the CSA just as beneficial for its ability to directly deliver fresh, high quality, locally grown produce from the farm to the consumer.

Characteristics of CSAs

COMMUNITY

Community is the premise around which the first CSA emerged. Early CSA operators wished to forge a connection between local farms and local residents. Many of the first CSA farms offered local organic produce in exchange for a small fee and the subscriber’s labor at harvest.



While some CSA farms still operate with their members physically participating in the crop’s production, many more now operate solely on a subscription basis. Most farms, however, maintain the community-building distinctive of the CSA movement. The majority of CSA farms distribute newsletters with their weekly delivery, sharing news of the harvest, produce-usage ideas and recipes, as well as other news and opinions. This allows CSA members to feel connected to their food and its production.

CSA farms have also been quick to adopt the Internet as a means of building community among their members. In the 2009 survey, more than 85% of respondents indicated that direct e-mail and e-mail newsletters are effective for their CSA. More than half of the respondents

indicated that they find Web site postings or blogs effective. While the use of the Internet and technology has been crucial to the growth of CSAs, CSA operators also find that technology cannot substitute for the “personal touch” that happens easily in a CSA. Getting to know the CSA members in person, as well as members getting to know one another, builds a kind of community around food that customers often find well worth the price of a CSA membership.

SHARES/SUBSCRIPTIONS

As CSA numbers multiplied, CSA farms tended to move away from expecting subscribers to contribute labor. Many of the country’s CSA farms now operate primarily as a subscription service, which is one part of their total farm marketing plan. Furthermore, CSA members today may not even visit the farm where the food is grown. However, CSA operators frequently have special field days or other farm events that will still connect CSA members to the land where their food is grown. Some farms even have “member-only” days where U-pick and other farm products are offered exclusively to CSA members.

A “share” was originally the term used to describe a box of produce that would supply the weekly needs of a family of four.³ Traditionally, CSA customers invested in the farm before the season began, providing the CSA with operating capital that was needed to begin production. Through that investment, CSA members were subject to the risks and rhythms of the season; shares reflected production allowed by weather and growing conditions.

Under the majority of current CSA arrangements, a “share” is probably better described as a subscription. It represents a commitment by the member/consumer to receive a certain

amount of product over a certain course of time. CSAs now offer their members numerous options to customize their shares. As eating locally grown and organic foods has increased in popularity with consumers, a share has come to represent less of an equity commitment and more of a market commitment from the member.



DELIVERY

Part of the marketing appeal of a CSA is being able to receive farm-fresh produce at a location convenient to the member. Most shares are distributed from a central location, such as a farmers market or church. Some CSA farms, especially those located near their membership base, distribute shares right from the farm. Other CSA farms deliver straight to the member's door.

Pricing Shares

The sale of shares is perhaps the main compelling business planning reason to consider a CSA. Selling shares pre-season allows inventory (in this case, produce) to be sold before production. The producer is then able to use share fees for production expenses throughout the season, which can reduce the need for borrowed operating capital. This makes the CSA an attractive marketing option for first-time farmers or those without extensive financial resources.

CSA shares are typically priced between \$300 and \$1,000 per season. CSA farms often offer variations on this concept, such as "half-shares" or other alternatives crafted to member needs and desires. Some Kentucky CSAs offer an "egg share" option for members interested in free-range eggs. Other CSAs offer various lengths

of shares according to the member's preference. Meat and other farm products are also offered with increasing frequency by CSAs.

In the 2009 survey, producers rated their "overhead and fixed costs of production" as the most important factor in setting their share price. In other words, many CSA producers use their CSA shares to cover the costs of production that they know for certain that they will incur during the year. Some producers that are also marketing through other channels (farmers markets and restaurants are the most common) set their CSA share price to cover their "up-front" expenses for their entire crop.

A recommended method for pricing your CSA shares is as follows:

- Estimate what your production expenses will be for the CSA season
- Estimate the number of labor hours you will use (or hire) to produce for the CSA
- Estimate the hourly wage rate that you would like to earn from your CSA production

PRICING A CSA SHARE—AN EXAMPLE

Sally Sustainy is starting a CSA for the first time this year. She sold various vegetables ($\frac{1}{2}$ acre) at the farmers market last summer. This year, she will expand her vegetable production to $\frac{3}{4}$ acre, primarily for a CSA. She has 20 CSA members signed-up for a 15-week share. She estimates that she will put about 250 hours of labor into the $\frac{3}{4}$ acre and that her costs for the $\frac{3}{4}$ acre will be:

Seeds & Plants	\$ 500
Fuel	\$ 100
Fertilizer	\$ 350
Pest Control	\$ 300
Labor (\$8/hr x 250 hrs)	\$2,000
TOTAL	<u>\$3,250</u>

If Sally wants to cover these costs, she needs to charge her CSA members at least \$165 (\$3,300 divided by 20 shares) per share, or \$11 per week. This example assumes a very minimal charge for

Sally's labor. It also does not include the "fixed costs" of production (the cost of land, equipment, and other things that the CSA grower uses each year). If the distribution of shares involves a significant investment in time and fuel, these costs should also be factored into the total. Accounting for her true cost of land, labor, and management and marketing time will likely justify setting Sally's CSA share price well above \$11 per week.

Setting CSA share prices with all your expenses in mind is crucial to ensure that your CSA is profitable. Whether you choose to set your share prices to cover your total costs or simply the variable costs of producing your CSA market baskets, knowing your costs will help you serve your customers more efficiently and facilitate the growth of your CSA.

PRICING ACCORDING TO NEARBY CSAs

In the 2009 survey, many beginning CSA producers indicated that they determined what nearby CSAs were charging before setting their CSA share price. If there are other CSAs nearby, it is obviously important to price your shares competitively. However, you still should have an idea of how much it is actually costing you to grow the crops on a per share basis. One trait of CSA consumers is that they may be more willing to pay for quality. If there is something unique about your production system (like being certified organic or offering more varieties to choose from than your competitors), don't be afraid to set your prices a little higher than neighboring producers who may not have as much to offer. Just be sure to clearly explain to potential CSA members *why* your prices are a little higher.

CONTRACTS AND PAYMENT PLANS

The 2009 survey of CSAs found that beginning CSA operators were more likely than existing CSAs to utilize customer contracts to help plan for their CSA's production. There are a variety of legal and practical reasons to ask customers to sign a simple contract. These can include (but are not limited to):

- Contracts help a producer plan for length of

production

- Contracts may contain language that manages a farm's liability for food safety in cases of customers mishandling or misusing CSA products
- Contracts can specify the type of payment plan to be used

In the 2009 survey, slightly less than half of the CSAs surveyed required their customer members to sign a membership contract. CSAs utilizing contracts were generally those just starting production or those with fewer than 25 members. Businesses that are based on relationships, like a CSA, may move away from formal contracts over time after building a core base of repeat customers.

More than three-fourths of the CSAs surveyed offered some form of payment plan for their members. The most common form of payment plan was simply to offer members the option to pay in two or more installments throughout the season. This differs from the original CSAs, which often required members to pay up-front. Other CSAs offer members the option of making a deposit in the winter or early spring, then paying the balance by a certain date.

If you choose to offer a payment plan for your CSA, be sure to:

- Have initial payments that will adequately cover your earliest season expenses
- Have contingency plans for people that may not complete their installment payments

Waiting Lists

One way that CSAs, especially those offering "monthly" or "weekly" memberships, can manage their membership and cash flow is by offering waiting lists. The waiting list is simply a list of potential CSA members maintained by the CSA operator. Even if your CSA production and service are perfect, not everyone may return the next season. Waiting lists help you recruit more members. They may also create an air of exclusivity to your CSA—people may

actually be more interested in the quality that you have to offer if they have to wait a short period before becoming members. Waiting lists of approximately 200 CSAs surveyed in 2009 ranged in length from a few days to two years.

Consistency

Since CSA farms deliver product every week to the same customers, the consistency of the produce quality is very important. This may present a challenge for beginning produce growers — a CSA has to also offer a variety of produce throughout the season that customers will be able to incorporate into their family's diet. A typical family does not consume large amounts of radishes, kale, and other crops that may be easier to produce! Working with a production expert or your local Extension agent can be helpful in developing a production plan. It is essential to communicate with your customers regarding weather conditions and other related production concerns that affect the weekly CSA share.

One way that CSA producers can enhance the consistency of their market basket is to expand the diversity of the products in that basket. One of the most common ways for growing a CSA, according to more than 200 CSAs surveyed in 2009, was extending the produce season using hoop houses/high tunnels, row covers, different varieties, and other season-extension techniques. Learning from other growers, conducting your own research, and obtaining resources from your local Extension service professional can help you determine what techniques and varieties may work well to extend your CSA's season.

Before investing in new products to offer a longer season, however, be sure that your CSA membership *wants* a longer share. By talking with your existing membership, you'll be able to determine what crops are in greatest demand and even how much more people would be willing to pay for fresh, locally grown produce a little earlier or later than your customers are used to purchasing it. Remember: if you can't cover the extra cash costs of production, it's usually not a good idea to add that new enterprise to your farm.

A significant number of producers also indicated that they added non-produce items to their CSA market basket to extend the season. Eggs are at the top of the list of popular items to add, followed by meat products. Honey and dairy products have also been added by some CSA growers. Be sure to follow any and all federal, state, and local laws that may apply to selling these products through your CSA.

Products that are relatively easy to add and are not subject to potential restrictions and liability include flowers, soaps, and fall ornamentals. Many of these kinds of products may be requested by the shareholders in greater quantities than what you have included in their share, creating opportunities for additional sales.



One final word concerning consistency: your CSA may benefit from using products that you may not produce yourself. In the 2009 survey, almost 30% of the CSAs surveyed indicated that they did not produce 100% of the products contained in their shares. CSA members may enjoy the diversity that comes when you offer high-quality, locally grown or crafted products to complement your market basket offerings. Some CSAs also offer these additional items for sale at the location where members pick up their weekly shares.

Again, be sure that any new products you add are worth the time and capital used to produce them. Some products are easily added — it's not

hard to add leeks when you're already growing spring onions. But some appealing products, such as handcrafted herbal sachets or soaps, can be labor intensive to create — especially for the CSA grower that is focusing on produce quality. You might barter raw materials for finished goods with a local soap maker or herbalist interested in sourcing products from your farm. You then have a finished product to add to your CSA basket without a large (if any) cash outlay.

Communication

Good communication is a hallmark of successful CSA farms. CSAs include recipe ideas with their weekly deliveries, especially early or late in the season when cool-season crops (beets, turnips, kale) are harvested. These crops could be unfamiliar to consumers, who may be waiting for more familiar later-season crops. Members will appreciate help with how to prepare the beets and turnips they receive early in the season!

It is common for CSA farms to issue a newsletter in each share. The newsletter can provide facts about the farm, update members on how the season is progressing, and provide updates regarding how the various crops are shaping up for harvest. Some CSA farms offer colorful commentary on farming, community, and even politics in their newsletter. Your customer base will determine what goes in your newsletter, but some form of communication is vitally important to the success of CSA marketing.

CSA farms have discovered that maintaining a presence on the Internet is very important in connecting with the kinds of customers that are likely to be interested in CSAs. In the 2009 survey, more than 85% of the responding CSAs rated electronic communication as “important” or “very important” for their CSA. Web sites (such as Local Harvest) allow CSA operators to maintain a presence on the Web for free or minimal costs. You can access a list of Web sites offering CSA listings through the CSA Resources for Farmers on the USDA Web site.

Another communicating strategy is to invite your customers onto your farm. While many CSAs do not follow the original CSA design of members providing labor for their products, about 35% of the CSAs surveyed in 2009 found it effective to offer an on-farm event for their members.

Good communication also helps you connect with potential new customers. The CSA operators surveyed in 2009 affirmed that their best advertising was word-of-mouth. But good Web sites and e-mail communication were also important. CSAs also find it beneficial to advertise at farmers markets, local community centers (such as libraries), government offices, co-op or health food stores, and churches.

CSA Consumer Characteristics

Like any other marketing mechanism, CSA producers need to first identify their market. They must then determine whether they have the capability to market to the consumer base most interested in purchasing from a CSA. Promotion and planning are critical to attract the necessary volume required to cover costs.

CSA consumers tend to fall into the following two general categories:

- Upper-middle class consumers with above-average incomes and some interest in buying higher quality or local food
- Consumers valuing the idea of local food enough to invest a substantial amount in it for the whole season

A farm considering becoming a CSA needs to identify where it might find these kinds of consumers. Larger population areas and towns with colleges may be two locations favorable to a CSA. In addition, CSA farms are frequently used by certified organic growers, whose clientele may be more familiar with the CSA concept. Research has indicated that there are different kinds of CSA members. Some of your customers will be extremely interested in your farm and the way that your crops are grown. For other

members, things like the end quality, product diversity and “freshness” of the produce will be the most important factor for their patronage. While newsletters, Web sites, and e-mail are all important ways to communicate with your members, one-on-one conversations and other “personal touches” will likely help you get the best idea of who your members are and what they are looking for in your product.

Competition for Consumers

Identify other CSA farms that may be operating in your area. Since the CSA model is based on developing community, two or more farms may choose to cooperate to supply weekly shares. For example, a CSA farm primarily producing vegetables may cooperate with a nearby berry farm or orchard, thus adding more diversity to the weekly share.

Some CSA members may be attracted to a CSA where multiple farms cooperate to serve their membership base, referred to as a collaborative CSA. The North Central Regional Center for Rural Development (NCRCRD) has completed a project on this type of CSA model in Iowa and offers its insights in an online presentation. For this, as well as other information on collaborative CSAs, refer to their Web site (listed in Selected Resources, below).

Even if cooperating with other CSA farms, one must remember that the demand for CSA and subscription-based produce is still relatively limited and confined to a few specific kinds of consumers. Studies have shown that farmers markets may compete with the CSA farm since both can draw similar types of consumers. In the Iowa study mentioned above, the top three reasons that customers were likely to cease participation in a cooperative CSA were: not being in town enough to make participation worthwhile, having too little produce, and having a more suitable way

of meeting their produce needs from a farmers market.⁴

Prospective CSA consumers are also likely to value organic production. A potential CSA producer will need to consider this consumer characteristic and plan for appropriate production if necessary. Alternative sources for organic produce should be considered during the CSA formation stage as the producer evaluates his or her competition.

Legal Issues

Legal issues that CSA operators should be aware of include: whether CSA members who assist on the farm are considered employees, regulations about including processed food, and storage or refrigeration requirements at drop-off sites. These are all issues that should be addressed by consulting the appropriate local regulatory agencies or officers.

A book published in 1999, *The Legal Guide for Direct Farm Marketing* by Neil Hamilton, is a helpful starting point to identify these and other legal issues for CSA farms. General resources, such as this book, as well as other direct farm marketing guides, can provide excellent information. However, farm operators should always be sure to identify the resources and regulations specific to their particular products, geographic location, and customers.⁵



Another important issue for CSA farms is the structuring and wording of a membership agreement. It is always a good idea to put agreements in writing, and a simple, properly-worded CSA membership agreement is no exception. Following published guidelines for wording membership agreements, as well as having your agreement reviewed by an

attorney familiar with agriculture, are wise and recommended CSA management decisions.

If you plan to operate your CSA as a substantial portion of your household or farm income, it may be to your advantage to investigate a business structure for your CSA outside of a sole proprietorship. This may especially be the case if you are relying on other farms or family members to produce some of your products. Partnerships, limited liability companies, and limited liability partnerships are some of the forms of business organization that the CSAs surveyed in 2009 have utilized to benefit their business.

¹ Strohlic, Ron and Crispin Shelley. 2004. "Community Supported Agriculture in California, Oregon and Washington: Challenges and Opportunities." California Institute for Rural Studies.

<http://www.cirsinc.org/Documents/Pub0504.1.pdf>

² Robyn Van En Center for CSA Resources: CSA Database <http://www.wilson.edu/wilson/asp/content.asp?id=1567>

³ Robyn Van En Center for CSA Resources. "What is Community Supported Agriculture (CSA)?"

<http://www.wilson.edu/wilson/asp/content.asp?id=1273>

⁴ Bregendahl, Corry and Cornelia Butler Flora. 2006. *The Role of Collaborative Community Supported Agriculture: Lessons from Iowa*. Ames, IA: North Central Regional Center for Rural Development.

<http://www.ncrcrd.iastate.edu/projects/csa/CSAReport-2006-LessonsFromIowa.pdf>

⁵ Neil D. Hamilton. 1999. *The Legal Guide for Direct Farm Marketing*. Drake University/SARE. p. 27, 58-60.

Selected Resources

- Kentucky Community Supported Agriculture Farms (CSA) (Kentucky Department of Agriculture)
<http://www.kyagr.com/marketing/farmmarket/csa.htm>
- Survey of Community Supported Agriculture Producers (University of Kentucky, 2009)
<http://www.ca.uky.edu/cmspubsclass/files/extensionpubs/departmentseries/2009-11.pdf> and
<http://www.uky.edu/Ag/NewCrops/csareport.pdf>
- Community Supported Agriculture (ATTRA, 2006)
<http://attra.ncat.org/attra-pub/summaries/csa.html>
- Community Supported Agriculture (Local Harvest)
<http://www.localharvest.org/csa/>
- Community Supported Agriculture (NCRCRD)
<http://www.ncrcrd.iastate.edu/projects/csa/index.html>
- Community Supported Agriculture (USDA)
<http://www.nal.usda.gov/afsic/csa/>
- CSA Resources for Farmers (USDA, 2009)
<http://www.nal.usda.gov/afsic/pubs/csa/csafarmer.shtml>
- Robyn Van En Center for CSA Resources (Wilson College)
<http://www.wilson.edu/wilson/asp/content.asp?id=804>
- The Role of Collaborative Community Supported Agriculture (cCSA): Lessons from Iowa (NCRCRD, 2005)
<http://www.ncrcrd.iastate.edu/projects/csa/leopoldworkshop.pdf>

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