Community Supported Agriculture: A Farmer's Overview

Fact Sheet FS1174

Cooperative Extension

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Introduction

New Jersey farmers are confronted with many challenges including high land prices, reduced farmland availability and increased production costs. In order to remain economically viable, some farmers have focused on producing high value agricultural commodities or adopting alternative marketing methods. Many farmers across New Jersey and the Northeast have focused their marketing efforts towards the increasing urban and suburban populations. One successful marketing technique is the Community Supported Agriculture (CSA) system. The CSA system has similarities to road side markets and farmer's markets, and therefore may be a practical transition to farmers with retail marketing experience.

Although several variations exist, the basic premise of a CSA is mutual risk taking and production support by both consumers and the farmer. In return for their investment or subscription CSA members receive a portion of the harvest during the growing season. On a weekly basis, or another arranged time line, members receive a diverse supply of fresh, quality produce. By participating in a CSA members also share the season's production risks such as insect pests, diseases and weather problems which could possibly reduce yields. Typically a CSA farm will sell individual "shares" in the farming operation's harvest with yield being distributed on a per-share basis.

The concept of a CSA is believed to have been brought to the United States from Switzerland in 1984 and first implemented in the northeastern United States in 1986. While this strategy was designed to promote a relationship between the farming and non-farming communities, it is quickly becoming an economically viable alternative to traditional direct-marketing strategies.

Types of CSA's

There are many possible variations of the CSA model. However, CSAs generally fall into one of two distinct types based on the person or entity responsible for the management of the operation. These include; farmer (producer) managed and shareholder (consumer) managed CSA's. Each CSA farm sets prices, products to be grown, weekly delivery or pick up day and time. Example CSA types include:

Farmer Directed CSA: This CSA type places the management and organizational responsibilities on the farmer. The farmer is responsible for the day-to-day management decisions, as well as, promoting the CSA to potential customers, managing pick-up or delivery of the produce and communicating with shareholders. Managing a CSA properly can take considerable time and effort, often making it difficult for some farms to operate. As a result, a hybrid farmer directed CSA has been developed where multiple farms each contribute a portion of their products to the CSA. This arrangement, often called a cooperative CSA, provides the structure for multiple farms to share CSA responsibilities while providing more product diversity for the shareholders.

Shareholder CSA: This type of CSA places organizational responsibilities on a group of consumers rather than on the farmer. A shareholder CSA is often managed by a "core group" such as a non-profit or community organization who handles all of the organizational responsibilities of the CSA. This group hires a farmer to produce the products that the shareholders want to be included in the shares and will have input into many of the farming decisions including; varieties, production methods and distribution. This type of CSA is popular with groups that share similar values such as organic production, grass-fed or specially fed livestock or locally grown production.

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Advantages of CSA

CSA's can provide many benefits to both the farmer and consumer. They contribute to and support the local economy. CSA's also develop a connection between farms and the local community members.

Advantages for the consumer include:

- A fresh, affordable, nutritious and local food source
- Provide members with a sense of control over their family's food. This is a growing concern for many families due to food safety issues or personal preferences.
- Members have the opportunity to learn about agricultural production.
- Build stronger communities through farm and family connections

Advantages to the farmer include:

- Since members purchase CSA shares at the beginning of the season, farmers have an assured market and income, enabling them to focus on producing high quality food and practicing good land stewardship
- Production risk is shared with CSA members
- Potential for up front capital to purchase seed, fertilizer and other inputs at the start of the growing season
- Opportunity to educate consumers about the risk factors and other issues related to food production
- Easier business planning since yield is not the primary factor in sales

Potential Concerns of Operating a CSA

Choosing to operate a CSA is not for everyone. As with any endeavor there are potential concerns. Running a CSA can be dramatically different than just producing a commodity. Many consider a CSA as a type of agritourism. In this role you will be serving as a host which will require considerable social interaction with your customers. If you do not enjoy this role a CSA may not be for you. Another concern may be the additional planning and management required to produce the multiple crops needed to meet customer demand. There will also be marketing, customer service and customer retention efforts required to keep a CSA successful and sustainable. There may also be the need to develop payment options for potential shareholders. These options could require additional administrative and accounting work. For some producers labor may also be a concern. Labor is necessary to harvest the multiple crops needed, as well as to prepare weekly harvest bags and distribution of the bags to share holders. Also worth considering is the potential need for additional liability insurance as the general public will be on the farm. A CSA will need to comply with applicable local and state public health and safety regulations. Consulting with your insurance agent prior to starting a CSA is always a good idea in order to minimize or protect your operation from potential liability exposure.

Pricing Your CSA

In order for a CSA to be profitable, it must be priced appropriately. Share pricing will differ for every farming operation and should be carefully calculated before setting a price per share. One of the biggest mistakes made by new CSA farms is to price based on how much other farms are charging in the area. This method may work well for similar operations, but will not be effective for farms with different expenses. When pricing your CSA, consider the following factors:

- *Production costs*: One of the advantages of a CSA is that consumers pay in advance of the growing season. Having an accurate estimate of your production costs will help ensure that you will meet your expenses and make a profit.
- *Labor Costs*: Managing a CSA requires additional labor. Estimate the amount of time you and your employees will spend on production, marketing, packaging, and delivery as it relates to your CSA. It is important to include a salary for the farm operator, as well as, all employees to best estimate total labor costs associated with the operation.
- *Estimated yields*: It is important that you have an estimate of your farms production and only sell a number of shares that you can accommodate. Having an estimate of your on-farm yield will also allow you to compare the income generated through your CSA to the potential income of selling your product through conventional marketing such as farmers markets.
- *Consider the value of the on-farm experience*: Many consumers participate in a CSA to share in the on farm experience. The entertainment component of a CSA has value that many consumers are willing to pay a premium for and should be considered when determining your CSA share price.

Conclusions

A CSA can be an economically viable alternative to traditional on-farm direct marketing strategies. While a CSA may have potential, this marketing option is not an ideal fit for every farm or farmer. It is important that agricultural producers carefully review the potential benefits and risks before starting any new business venture on their farm. If considering a CSA, it is recommended to start on a small scale. This will give you the opportunity to develop a loyal client base, while gaining the skills needed to further grow and develop your operation.

Additional Resources:

Adam, Katherine. 2006. Community Supported Agriculture, ATTRA. attra.ncat.org/attra-pub/summaries/summary.php?pub=262

Ernst, M., and T. Woods 2009. Community Supported Agriculture (CSA). uky.edu/Ag/NewCrops/marketing/CSA.pdf

Oberholtzer, Lydia. 2004. Community Supported Agriculture in the Mid-Atlantic Region: Results of a Shareholder Survey and Farmer Interviews - Research from the Small Farm Success Project. winrock.org/wallace/wallacecenter/documents/wc-CSAReport.pdf

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