Trends in Community Supported Agriculture
Business Strategies to Enhance Your CSA

- June 5, 2017 -

Presented by:
Debra Tropp
USDA, Agricultural Marketing Service

Timothy Woods
University of Kentucky

Hosted by:
Food Animal Concerns Trust (FACT)
Introductions

Food Animal Concerns Trust (FACT) is a national nonprofit organization that advocates for the safe and humane production of meat, milk, and eggs.

FACT’s Fund-a-Farmer Project awards grants and facilitates peer-to-peer farmer education to increase the number of animals that are raised humanely.
Our Presenters

Debra Tropp
Deputy Director, Marketing Services Division
USDA Agricultural Marketing Service (AMS)

Timothy Woods
Professor, Department of Agricultural Economics
University of Kentucky
Emerging CSA business models and what they say about consumer preference

Debra Tropp,
Deputy Director
Marketing Services Division
How Do We Help?

AMS’s Marketing Services Division has three areas of concentration:

- **Food Value Chains and Food Hubs**
- **Facility Design**
- **Farmers Markets and Direct to Consumer Marketing**

Find additional resources at [www.ams.usda.gov/services/Local-Regional](http://www.ams.usda.gov/services/Local-Regional)
Farmers Markets and Direct to Consumer Marketing:
Helps stakeholders better understand trends in the direct to consumer marketplace by developing market research reports, data products and other research tools

- Maintains four national directories on local food (FMs [8,682], CSAs [766], food hubs [171], on-farm markets [1,432]) at www.usdalocalfooddirectories.com.

- Directory listings are submitted by managers on a voluntary basis and refreshed within two business days.

Farmers Markets and Direct to Consumer Marketing:

Administers national FM market manager surveys, approved by Office of Managed and Budget

- Uses national FM directory as a listframe
- Voluntary; allows managers to opt-in or out

Produce periodic research reports on direct to consumer marketing issues (i.e., CSA trends)
Legislative Authority Supports Local Food Work

**1946 Agricultural Marketing Act:**
- Agency mandated to reduce distribution costs and the price spread between producers and consumers.
- Directed to market the “full production” of American farmers—regardless of scale—in a useful, economical, profitable, and orderly manner.
- Improvement of overall dietary and nutritional standards is a primary policy goal.

**1976 Farmer to Consumer Direct Marketing Act:**
- Encourages promotion of direct farm marketing activities for mutual benefit of farmers and consumers.
Bottom line: USDA/AMS is mandated to:

- Support the development and creation of **shorter food supply chains** wherever feasible
- Work to ensure that food producers receive a **greater share of the final retail price** that consumers pay
- Support profitable marketing of all American farmers at **all scale levels**
- Promote direct marketing of farm products where it provides **mutual benefit** to farmers and consumers
Background on CSA Study

USDA/AMS cooperative research agreement with Dr. Tim Woods at the University of Kentucky

Objective: To examine:

- Recent changes in CSA business practices
- Motivation behind shift in business scope
- Perceived impact of changing practices on business performance and competitiveness
Focus on Risk Management Shifts to Consumer Preference, Convenience and Affordability

Emerging trends shaping the CSA industry include:
- Multiple season offerings
- Expansion of product mix/multi-farm collaborations
- Greater opportunity for product selection by consumer
- More affordable pricing structures (including sliding scale and SNAP redemption options)
- Adoption of health and wellness incentives
- Reliance on multiple marketing outlets
CSA: not just about summer produce anymore

CSA business model accommodates a variety of products -- produce, meat, dairy, eggs, as well as value-added and processed products coming from the farm – adding income opportunities for extended parts of the year.

- Season-specific, partial and optional add-on shares (e.g., eggs, meat, flowers) contribute to income and cash flow stability
- Aided by widespread adoption of season extension technologies
- May have driven move toward greater multi-farm cooperation
Overarching challenge for CSA industry: how to compete successfully in an increasingly crowded local food marketplace while maintaining a distinct identity.

“When CSAs were first around, it seems like it was more like customers saying, ‘We really believe in you, the farmer, and how can we make this work for you?’” he observed. “Now, it seems like it has shifted and the farmers are saying, ‘How can we make the CSA work better for you, the customer?’” - Neil Stauffer, former General Manager for Penn’s Corner Farm Alliance in Pittsburgh, PA
Growth of local food demand is increasingly shifting toward wholesale channels, prompted by:

- **Greater retail/food service buyer interest** in meeting consumer demand for local foods
- **Producer interest** in catering to higher-volume customers
- **Comparatively low revenues** from DTC marketing channels
- **Growing producer ability to provide wholesale volumes over longer portions of the year**, supported by aggregation services and adoption of season extension technology
Profitability of wholesale channels hard to ignore; raises stakes of marketing competition in local foods

Latest U.S. Census of Agriculture figures (2012), Low (ERS, 2015)

Estimated 2012 local food sales: $6.11 billion

- $3.35 billion (54.8 percent) had been generated by farms that exclusively used intermediated wholesale marketing channels
  - Only 22,600 farms, sales=$148K per farm
- $1.15 billion (18.8 percent) was generated by farms which exclusively used DTC channels
  - Approximately 5x as many farms (112,304) as exclusive intermediated/wholesale channel users, sales=$10.2K per farm
Local Food Marketing Practices Survey
(NASS, December 2016)

More than 167,000 U.S. farms locally produced and sold food through direct marketing practices in 2015

- Resulted in $8.7 billion in revenue

Largest revenue generator ($3.4 billion): Farms selling food directly to institutions and intermediaries, such as wholesalers who locally branded the product or food hubs

- Direct-to-consumer sales amounted to $3 billion from approximately 115,000 operations
- Sales directly to retailers were $2.3 billion from more than 23,000 operations
Contact for AMS Market Research and TA

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Community Supported Agriculture: New Models for Changing Markets

This presentation is part of a USDA-Ag Marketing Service study:
“National Survey of CSAs: Emerging Marketing and Business Strategies”
Funded through Cooperative Agreement 12-25-A- 5660
USDA-AMS National CSA Emerging Business Strategies

Study Rationale
How is the traditional CSA model being adapted to evolving demand and supply of local food?
Can it be competitive?
What can we learn from these innovations?

Methodology
• Case-level observations across 6 models
• National manager survey of established CSAs
Community Supported Agriculture

- Direct farm to consumer subscription marketing model
- Traditionally oriented toward organic and sustainable agriculture
- “Shareholders” subscribe to weekly delivery of variety of produce in-season (on-farm or dedicated pick-up site)
- Typically 25-35 weeks
- Typical “share” prices $550-750 per season paid at beginning
## CSA Production Orientation

<table>
<thead>
<tr>
<th>Production Methods</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>My CSA is certified organic</td>
<td>25.8</td>
</tr>
<tr>
<td>I produce according to organic standards, but I’m not certified</td>
<td>59.8</td>
</tr>
<tr>
<td>I incorporate some organic along with conventional methods</td>
<td>12.9</td>
</tr>
<tr>
<td>I use primarily conventional growing techniques</td>
<td>1.5</td>
</tr>
</tbody>
</table>

N=458
How would you rate the demand for local food in your market area?

<table>
<thead>
<tr>
<th>Change</th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>No good basis for knowing</td>
<td>1.1</td>
<td>2.0</td>
</tr>
<tr>
<td>Declining significantly</td>
<td>0.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Declining somewhat</td>
<td>3.8</td>
<td>1.6</td>
</tr>
<tr>
<td>Staying about the same</td>
<td>14.8</td>
<td>8.1</td>
</tr>
<tr>
<td>Increasing somewhat</td>
<td>57.9</td>
<td>60.3</td>
</tr>
<tr>
<td>Increasing significantly</td>
<td>22.4</td>
<td>26.3</td>
</tr>
</tbody>
</table>
Ranking emerging competition relating to your CSA

- Farm markets
- New CSAs entering the market
- Established CSAs expanding
- Natural food stores
- Traditional grocers offering local food
- Other home food delivery services
- High end grocers
- Restaurants offering local food

Forced rating highest to lowest
CSA shareholder recruitment for this year (2014) compared to previous few years has been....

<table>
<thead>
<tr>
<th>Change</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Much less difficult</td>
<td>10.6</td>
</tr>
<tr>
<td>Somewhat less difficult</td>
<td>15.7</td>
</tr>
<tr>
<td>About the same</td>
<td>45.5</td>
</tr>
<tr>
<td>Somewhat more difficult</td>
<td>19.7</td>
</tr>
<tr>
<td>Much more difficult</td>
<td>5.3</td>
</tr>
<tr>
<td>Doesn’t apply</td>
<td>3.2</td>
</tr>
</tbody>
</table>

Shareholder Turnover

- Decreased a lot: 3.1%
- Decreased some: 11.3%
- About the same: 64.9%
- Increased some: 16%
- Increased a lot: 4.7%
Consider the following potential changes to your CSA production since it began - please indicate where it may apply

<table>
<thead>
<tr>
<th>Business function</th>
<th>Does not apply</th>
<th>Decreased a lot</th>
<th>Decreased some</th>
<th>About the same</th>
<th>Increased some</th>
<th>Increased a lot</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scale and variety of products offered</td>
<td>1.4</td>
<td>1.7</td>
<td>4.8</td>
<td>20.7</td>
<td>43.3</td>
<td>28.1</td>
</tr>
<tr>
<td>Processed products offered</td>
<td>51.2</td>
<td>0.5</td>
<td>1.9</td>
<td>18.0</td>
<td>22.3</td>
<td>6.1</td>
</tr>
<tr>
<td>Season extension technologies</td>
<td>14.5</td>
<td>0.5</td>
<td>0.7</td>
<td>21.8</td>
<td>40.1</td>
<td>22.3</td>
</tr>
<tr>
<td>Product sourcing from other producers</td>
<td>50.6</td>
<td>2.2</td>
<td>2.2</td>
<td>16.8</td>
<td>21.9</td>
<td>6.3</td>
</tr>
<tr>
<td>On-farm shareholder activities</td>
<td>32.8</td>
<td>2.0</td>
<td>6.8</td>
<td>31.4</td>
<td>22.1</td>
<td>4.9</td>
</tr>
<tr>
<td>Share packing on the farm</td>
<td>38.7</td>
<td>3.2</td>
<td>2.0</td>
<td>39.5</td>
<td>10.1</td>
<td>6.6</td>
</tr>
<tr>
<td>Variable</td>
<td>CSA Scale</td>
<td>Growth Rate</td>
<td>Profitability</td>
<td>Share Turnover</td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-----------</td>
<td>-------------</td>
<td>---------------</td>
<td>----------------</td>
<td></td>
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</tr>
<tr>
<td>East</td>
<td>++ (32%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Midwest</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban</td>
<td>++ (23%)</td>
<td></td>
<td></td>
<td>--</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover</td>
<td></td>
<td>--</td>
<td></td>
<td>na</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certified organic</td>
<td>+++ (49%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% CSA of farm sales</td>
<td>+++ (1%)</td>
<td>+++</td>
<td></td>
<td>--</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Demand</td>
<td></td>
<td>+++</td>
<td>+++</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSA age</td>
<td>+++ (10%)</td>
<td>---</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scale 2014</td>
<td>na</td>
<td></td>
<td></td>
<td>+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Processed products</td>
<td>+ (5%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Season Extension</td>
<td>- (6%)</td>
<td></td>
<td>+++</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multi-farm Marketing</td>
<td>++ (7%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment Options</td>
<td>+ (8%)</td>
<td>+</td>
<td>+++</td>
<td>+++</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Web Sales</td>
<td>+++ (14%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSA profitability</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>---</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
New marketing models

• Widen CSA traditional shareholder base
• Expand season
• Expand scope of products
• Reaching lower income markets
• Cooperating for distribution economies
• Building community linkages
• Building wellness linkages
Elmwood Stock Farm
Central Kentucky

- Evolution of traditional single farm CSA
- Complement to farm market and local branding
- Value added products – farm estate branding
- Sustainable food customer base
- Difficult to compete with local suppliers to restaurants and schools
- Competition from local food aggregators also emerging – also from local university
Elmwood Stock Farm
Central Kentucky

- Risks of shared CSA markets
  - Shareholder relations
  - Product quality
  - Mission creep
  - Farm branding limits

- Demand for season extension
  - 18 to 22 weeks, fall shares
  - High tunnels, meats
Connecting to Low Income Urban Shareholders

$6-8 weekly subsidy per share through food income assistance programs
Farmer Dave’s/Many Hands Organic Farm

• Partnering with urban community development agencies to reach lower income and inner-city shareholders
  – Harvard Medical School
  – Boston Housing Authority
  – Madison Park Development Corporation
  – East Boston Neighborhood Health Center
  – NOFA

• Seafood CSA: Community Supported Fishery – extending the distribution model to a host of products
Farmer Dave’s/Many Hands Organic Farm

- Shareholder recruitment
- SNAP and other subsidy facilitation
- Peer shareholder leadership
- Cooking classes, expanded community health programs
- Food consumption behavioral studies
- Shared missional fit with community food systems

Elizabeth Gonzalez Suarez
Trinity Property Management
Taking the CSA Beyond the Traditional Shareholder Base

Ginger Turner
CSA Manager for Farmer Daves
(Dave Demaresq)
• Rapid expansion of e-commerce
• Small Farm Central
• CSA, farm stand, restaurant/wholesale
Downtown warehouse location
CSA SNAPSHOT: PENNS CORNER FARM ALLIANCE (Pittsburgh, PA)

Timeline:
1999    Formed marketing co-op to restaurants, $16,000 in sales
2003    Started CSA; 10 grower members
2007    Hires Neil Stauffer as GM
2008-11 +20% sales growth annually
2012    Add flower, winter CSA program; start processing tomatoes
        Four full-time staff
        Acquired 3800 sq. ft. Pittsburgh warehouse, office, cooler space

Size:  traditional cooperative of 36 farms, including a 12-farm Amish/Mennonite cooperative (Clarion River Organics)

CSA Members: ~700
             2012: 509 spring shares, 630 harvest shares, 237 biweekly winter shares; 15 flower shares; ~30 egg shares

Other Outlets: Direct-to-restaurant, online ordering “Farm Stand”

Sales: $1.4 million in 2012; about 20% annual sales growth 2008-11

Future Plans: Continuing CSA; expand Farm Stand online ordering; dabbling in providing locally sourced foods to universities, private schools; developing Gift Basket line; encouraging high-end cheesemaking in the region.
Contrast Multi-Farm CSAs

• **Fair Shares CCSA** (Combined Community Supported Agriculture)
  – St. Louis-based 450 share multi-farm CSA network
  – Around 40 farms, meat, produce, coffee, bread, pasta, cheese
  – Private venture

• **Grasshoppers** Kentucky-based food hub/CSA/specialty foods distributor
  – 40-50 KY and IN farms
  – Wide diversity of fresh and processed products
  – CSA a shrinking share of the business
  – Significant public investment from state
  – Bankrupt in 2014
FairShare
Madison, Wisconsin

• Association of organic CSAs
• Health Insurance Rebate program
  – Physician’s Plus
• Cookbook sales funding substantial cooperative programming
• Coalition support from Extension, medical community, strong local foods culture
• Coalition able to provide
  – specialized CSA training for members
  – Shareholder recruitment
  – Community and fundraising benefits
### FairShare Health Rebate Program Growth

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Estimated total rebates</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>issued</strong></td>
<td>96</td>
<td>972</td>
<td>1282</td>
<td>3550</td>
<td>6100</td>
<td>6800</td>
<td>7300</td>
<td>7200</td>
</tr>
<tr>
<td><strong>Approximate # of shares</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>available via FS farms</strong></td>
<td>2000</td>
<td>2800</td>
<td>3500</td>
<td>4500</td>
<td>6950</td>
<td>8650</td>
<td>8733</td>
<td>9700</td>
</tr>
</tbody>
</table>
Denver Area CSAs

• CSA community post-Grant Farms (failed 10,000 share CSA)
• Urban CSAs – links with Denver Housing Authority
• CSA as a connection to city planning
• Strong local foods and sustainable ag community in region
Granata Farms CSA and Urban Farmers Collective
Downtown Denver, CO
Star Acre Farms
Farms in planned community development

Local, sustainable, organic veggies!
Community Supported Agriculture (CSA) memberships now available! Veggies, herbs, flowers and eggs grown in Arvada!

Star Acre Farms
www.starcarefarms.com
Aggressive pursuit of the “local” share

Can the CSA compete
For future local food dollars?
CSA Shareholders

- Strategic reach
  - Grocer
  - Specialty wholesaler
  - Peapod

- Value Proposition
  - More price sensitive
  - Less price sensitive

- Periphery
  - Food hubs
  - Local food aggregators
  - Multi-farm CSAs

- Mid-Level

- Core

- Traditional single farm CSA
What we are learning

• E-commerce a core part of CSA business with growing applications for management
• Rapid expansion in new products marketed through the CSA model
• Season extension brings greater value
• New, non-traditional shareholders (income, wellness) may have different food values – must adapt
What we are learning

- CSA agency and community partnerships that bridge entry barriers – helping with logistics, education, retention.
- Scale economies still important in distribution and promotion. Pros and cons to multi-farm models
- Tension between “authentic” farmer and community relationship objectives and subscription delivery model (Peapod, Green Bean and others)/ other scale efforts
• Many thanks

Tim Woods, University of Kentucky
Tim.woods@uky.edu
859-257-7270
Please type your questions!

Photo taken at Radical Root Farm