Exploring CSA
Research and Extension Insights

Adapting Community Supported Agriculture to Modern Markets – Where is it Working?[1]

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Overview –

A national survey of CSA operations was conducted to specifically explore how CSAs are adapting the traditional CSA business model and how these modifications seem to be affecting the profitability of the operation. The survey was conducted in late 2014. Detailed results of this study will be published in the spring of 2016, but the summary of initial analysis presented here is based on a poster presentation shared at the Agricultural and Applied Economics Association meeting in 2015. The link to the poster is provided at the end of this piece.

The quick view –

Business practices and changes were examined in over 400 CSA operations nationally. CSAs have changed in many ways, trying a variety of new business practices with a view toward maintaining participation and economic viability.

CSA Projected Growth –

Managers were asked to provide some measure of expected growth in their CSAs over the next two years[2]. We looked at factors that might contribute to the type of responses managers would provide. In our model, the factors that helped best explain expectations of future growth included –

- **Assessment of the overall strength of demand for local products (+)** – not surprisingly, in those markets where demand for local food was strong, CSA growth outlook was also positive. CSAs

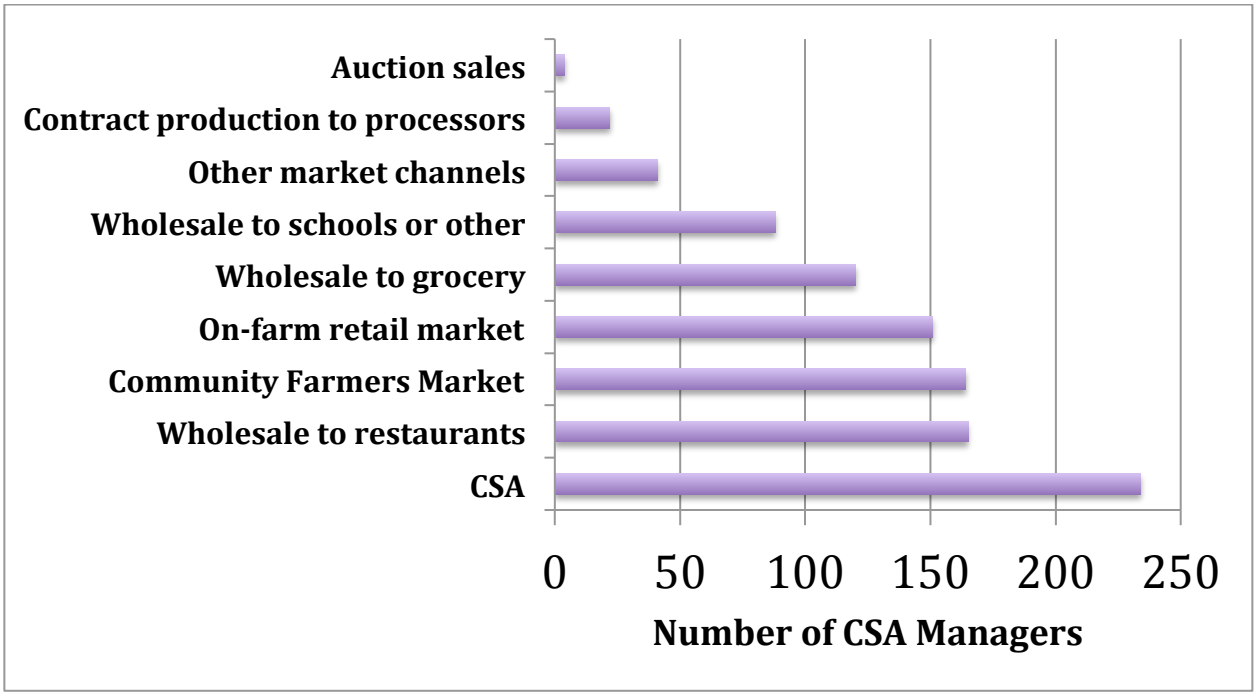
[1] This national CSA manager survey project was funded by Agriculture Marketing Service of the U.S. Department of Agriculture, Cooperative Agreement 12-25-A-5660.
[2] Specifically, CSA managers were asked to indicate "How do you expect sales to change in these markets over the next two years?" with the option of "does not apply", "about the same", and "increasing sales" for CSAs, but also for 8 other market channels where local products are typically being marketed.

remain in a very strong position to be a leading supplier in markets where local foods are in high demand.

- **Age of the CSA (-)** – older CSAs tended to be less likely to report strong two year growth projections. This may represent some evidence of market maturity, or it may also be the case where newer CSAs are actually trying to grow and older CSAs have reached their target capacity.
- **Multi-farm marketing collaboration (+)** – where farms were marketing their CSA in collaboration with others, CSA projected growth was higher. CSA farms based on an individual operation often have limited production and marketing resources. This is not to say there aren't advantages to maintaining control of the CSA as an individual farm. Branding, production, quality standards, profit sharing, and management responsibilities are common challenges facing multi-farm CSA operations. Still, many farms have found ways to make multi-farm operations work and create opportunities for growth. Such arrangements can allow for specialization and opportunities to capture important scale and scope economies as a group.

Table 1 shows expectations of sales changes by CSA managers over the next two years. While 54 percent indicated an expectation of increases in CSA markets – the most among all channels -- the CSA was also the most identified as a market with a likely decrease (11 percent).

Table 1. Number of CSA Managers Expecting Increased Sales in Next Two Years, by Market Channel

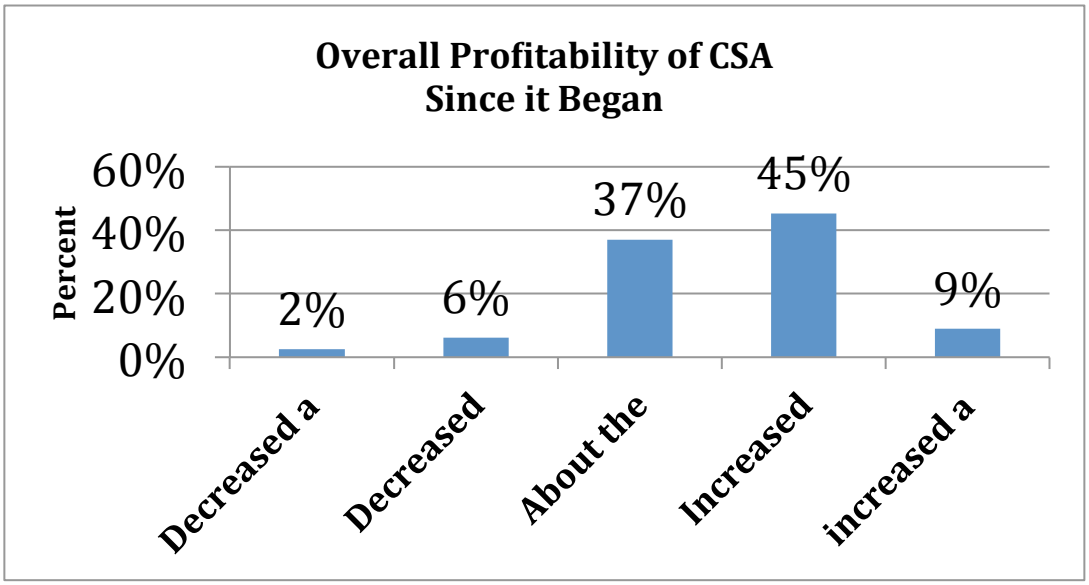


CSA Profitability –

Managers were asked to indicate changes in their CSA sales and profit over time. This was measured across a number of indicators, including a specific reference to "Overall profitability of CSA." A model was developed to examine differences in manager responses regarding the overall profitability and its connection to operational practices and the marketing environment, identifying the following indicators as the key contributor to – or detractors from – overall profitability. Key factors influencing profitability included –

- **CSA shareholder turnover (-)** adversely impacted overall profitability. Most conventional wisdom suggests it's more expensive to recruit new shareholders than retain existing ones. Additionally, extended periods of shareholder turnover may lead to more rapidly maturing or saturated markets, especially if there's competition.
- **Share of total farm income from CSA (+)** suggests perhaps there is some benefit from focus and specialization. Other marketing and production systems can place a substantial demand on resources, while the CSA itself generally requires substantial investment in production and marketing management.,
- **Assessment of the overall strength of demand for local products (+)**. As with growth, strong demand for local products contributes favorably to profitability.
- **Use of season extension technologies (+).** Farmers that have found ways to integrate production technologies that allow them to offer shares longer or add special "winter" or "fall" shares were more likely to report growth in profitability.
- **Use of flexible payment terms (i.e., installments, part-shares) (+)**. Managers who were steering their CSAs away from the traditional single, beginning-of-season payment were more likely to report growth in profitability. This is an interesting result. The study seemed to suggest at multiple points that fewer consumers were looking to participate in the traditional risk-sharing relationship with their CSA farm – which may also mean that many profitable CSAs were finding a way to connect through flexible payment plans to non-traditional shareholders.
- **Use of web-based sales (+).** E-commerce has rapidly become a centerpiece to effective direct-to-consumer marketing and plays an important role in local food retailing. This result seems to suggest, however, that it's not just a growth in web-based information, but that web-based sales was closely correlated to increased profitability. Such sales help reduce search costs and, in many cases, become a means for supplementing CSA sales. Several examples of this phenomenon are further explored in the forthcoming USDA-AMS report "Community Supported Agriculture: New Models for Changing Markets".

Table 2. Overall Profitability of the CSA Since it Began



Scale of CSA

CSAs ranged significantly in size. Although average shareholder size in this survey was 141 shares, the median was much lower at about 60 shares. Consequently, what we are looking at in the CSA landscape are many relatively small operations and a handful of very large, 1,000+ shareholder operations, which understandably take very different approaches to meeting the needs of their target market and their consumers. Interestingly, scale of CSA didn't really seem to be a factor in either projected 2-year growth or overall profitability.

Still, it's helpful to look at some of the determinants that help better understand differences in CSA scale – measured here in number of shareholders. In this analysis, those factors contributing to scale included:

- **East coast (+).** CSAs were divided into their region of response. Regional differences for the most part did not seem to play a major factor except in this case of scale. Eastern U.S. CSAs just tended to be larger.
- **Urban (+)**. CSAs located closer to an urban base can also more readily access more customers and take better advantage of distribution economies. While this variable explained overall scale, it wasn't a factor in either measuring future growth or profitability, per se.
- **Certified Organic (+)**. Organic CSAs having more shareholders may relate somewhat to the age of the operation, as many of the original CSAs were certified organic. Organic certification did not, however, seem to be correlated with projected growth or profitability.
- **Share of total farm income from CSA (+).** Farms that emphasized the CSA within their operation also tended to be larger.
- **Age of the CSA (+)**. Older CSAs tended to be larger than newer CSAs, not surprisingly. As noted earlier, however, there is evidence here that suggests CSA get larger over time, but only to a point. Older CSAs were less likely to project growth over the next 2 years.
- **Increasing sales of processed products (+)**. More CSAs are adding processed products to also help diversify their products and extend their marketing season beyond when fresh products are available. Several interesting examples are identified in the forthcoming USDA-AMS publication "Community Supported Agriculture: New Models for Changing Markets".
- **Use of flexible payment terms (i..e, installments, partialshares) (+).**CSAs adopting these flexible payment plans tended to be larger. This can be an effective strategy for reaching out to a larger audience with interest in the product but perhaps not as strong interest in the risk sharing or aiding farmer cash flow, as in the original CSA concept.
- **Use of web-based sales (+).** CSA operations actively selling through the web also tended to be larger. Such a strategy certainly has the potential to accelerate gross sales.

In summary –

These results are intended to summarize some of the technical analysis of this national CSA manager data presented in a condensed form in the AAEA poster. The analysis is not necessarily intended to be prescriptive. Every CSA is different – different goals, markets, competition, and resources. What we do hope to convey here is that many CSA managers have adapted the traditional CSA business model to meet different market conditions. Expectations for CSA managers in this survey are generally optimistic for both growth and profitability.

We encourage you to follow the work that comes out of this study and other CSA work we are exploring. For those interested in citing any of these initial results presented in our poster, please consider the following citation:

Woods, Timothy, and Debra Tropp, *"Adapting Community Supported Agriculture to Modern Markets – Where is it Working*", Selected poster for Agricultural and Applied Economics Association meeting, San Francisco, CA, July, 2015. http://purl.umn.edu/205885

A related analysis connected with this study is available at:

Woods, Timothy and Debra Tropp, *"CSAs and the Battle for the Local Food Dollar"*, Journal of Food Distribution Research 46(2):17-29, 2015. https://www.fdrsinc.org/wp-content/uploads/2015/10/2-113-Tim-Woods.pdf