

In the fall of 2013 an *Explore Local* Community Shared Agriculture (CSA) study was conducted to compare the business models, pricing structures and performance of CSA operations in Alberta. Forty-four CSA operators were contacted; 25 participated in the survey. Three critical success factors were discovered: product quality, convenience and strong customer relations.

### Customer convenience is key 77% average customer retention.

- Convenient pick-up locations and times encourage subscription renewal
- Select distribution hub based on community demographics; go where the money is
- Partner locally: use bakeries, meat shops, farmers' markets or churches as drop off/pick up locations

**70%** use distribution hubs

**16%** use home delivery to increase convenience

*"The beauty of the CSA is that you can transform it to work for you; there are so many ways you can tailor it to your business."*

Farmer 22

### Farm direct drives gross sales

Farm direct sales account for **82%** of gross farm receipts on average.

- **78%** had 100% of gross farm sales from farm direct
- **30%** respondents had more than 75% of gross farm receipts from CSA
- CSAs average 53% of gross farm receipts

### Improved cash flow impetus for starting CSA

Most use multiple market channels;  
40% plan to diversify further

**16%** CSA only

**60%** CSA and other market channels:

<b>32%</b> farmers' market	<b>20%</b> u-pick	<b>16%</b> retail
<b>24%</b> market to restaurants	<b>20%</b> farm gate	

### Respondents positive about the future of CSA and local food

**78%** stated the local food movement will grow

**39%** identified CSA is a growing trend

**26%** indicated CSA has massive potential

**17%** said CSA is an important niche market

*"I see [CSA] as a really positive, empowering model for farmer and community. You're connected, it's local, direct."*

Farmer 21

### Product choice adds value

**88%** of CSAs follow traditional model with pre-set share. For added benefit:

- Keep it simple: buffet-style pick-up reduces producer packaging time, provides consumers some choice
- Offer category variations: different types of greens or carrot varieties, etc.
- Facilitate product trading: *take one or leave one bin*
- Upgrade set box with optional items: maintains minimum order and payment in advance; may lead to on-line store
- Target delivery options: fee, variable pick-up locations and days, vacation mode; 76% deliver weekly while 20% deliver biweekly
- Offer high-quality products in appropriate quantity: too much is seen as wasteful

### CSA gross revenue rises with membership numbers

**25 or fewer** members averaged \$22,000

**30 to 135** members averaged \$64,000

**Over 250** members averaged \$219,000

## Diversity in pricing structure

Share prices were based on:

- The marketplace (**74%**)
  - What other CSAs are charging
  - Price of similar basket of goods at the local farmers' market
- Cost of production (**22%**)
- Willingness of customers to pay
- Ability to provide a return to the farmer at a given price

## Average Share Price

	Full Share (for 4)	Half Share (for 2)
Seasonal	\$605	\$343
Weekly veggie box	\$40 - \$50	\$25 - \$30

Accepted payments included cheques (**100%**), cash (**79%**), email electronic transfer (**46%**), online payment e.g. Paypal (**33%**).

## Innovation at work

Operators fix flaws seen in traditional CSA model.

### Innovative financing

- Slow Money

### Corporate subscriptions

- Drop off at large or corporate office locations
- 10 subscriber minimum

### Philanthropy

- Unclaimed shares donated to food bank
- United Way share raffle with church partner
- Philanthropic purchase to needy families

### Consumer education

- Participation of children as a teaching tool
- School tours

### Payment options

- Work share fee reduction
- Staggered payments
- Re-subscription or early payment discounts

*"We surveyed people doing CSAs, asked them what the problems were and then solved them."*

Farmer 2

## People make the business

Average labour cost estimated at **33%** of cost of production.

Labour issues include:

### Shortage

- Competition with other sectors
- Transportation limiting for farms outside urban centres

### Source

- Locally sourced (**48%**)
- Foreign workers (**12%**)

### Quality

- Inexperience (apprentices **16%**; shareholders **4%**)
- Work ethic not to farm standard
- Lack motivation
- Time limitations (students)

### Determining cost

- Revenue divided by farm labour rate (\$10 - \$12/hr)
- Formula (e.g. 1 employee/20 to 30 shares)

## Effective use of labour

Letting go when "I've always done it."

*"We did not have realistic expectations. We underestimated the number of hours, labour or family commitments, so it created undue stress."*

Farmer 1

## Perceived profit margin highly variable

- Operators don't always think in terms of profit
- Salary not always in profit calculations
- Some took profit as salary unless reinvesting
- Profits beyond monetary:
  - Feeding people healthy food
  - Building food security
  - Teaching people about their food
  - Enjoyment of CSA as retirement or hobby

**Most operators reported a profit margin of 20% or less per share.**