

Chapter 4



The Business Side: Managing and Financing Your CSA

*When you concentrate on agriculture
and are frugal in expenditures,
Heaven cannot impoverish your state.*

—Xun Zi

Remember that your urban farm is a business, and you must consider this aspect of urban farming as you plan your startup. The two main things to consider on the business side of a CSA are what kind of management or administrative structure you will use and how you will finance the endeavor, and those are the subjects of this chapter. We will also cover some basic insurance considerations and end with a few thoughts about how to make a difference in our economy—or create a new kind of economy.

THE ADMINISTRATIVE STRUCTURE

We began the Enright Ridge CSA in November 2008, bringing together a dozen people interested in setting up an urban farm project. One of the people in the group was an experienced farmer who became our CSA's first lead farmer. We are aware that having the farmer on board as part of the organization from the beginning gave us a big head start in getting the farm operational by spring 2009.

Some of the initial issues the organizing committee had to deal with included finding the land, recruiting shareholders, developing a budget, working out the finances, establishing how the CSA would collect money and track work hours from members, and keeping records.

Our CSA began as a project of the nonprofit Enright Ridge Urban EcoVillage (ERUEV), an established entity in Price Hill that is working towards sustainable living in a city neighborhood. Our association with a nonprofit from the start has given us several advantages:

- ▶ We were able to apply for grants for the CSA (which we used to purchase a greenhouse).
- ▶ We applied for and were allocated several AmeriCorps volunteers in the first three seasons.
- ▶ We had access to a bookkeeping system already in place.

However, the relationship also created another layer of administration. Since we are part of ERUEV, we must receive approval from its board for some of our actions, especially those that relate to finances. Several original CSA shareholders were members of the ERUEV board, which assisted us in working with it.

In developing a structure for your CSA, it is important to work with the assets that you have. You may have land, a farmer, potential members, a small group of people who are highly committed to the CSA's success, start-up funds, or some mix of these. Consider the assets you have and make the most of them; they are the building blocks you need to plan around and use as the foundation for your CSA.

Management/Directors

We developed what we called a “core group,” a small committee of people who wanted to see the project succeed. They took on the management of the farm project. We were also fortunate enough to be able to participate in the AmeriCorps program, which matches people willing to work for low wages—volunteers who earn a small stipend, essentially—with positions that make an impact in city neighborhoods.

This made it possible for us to hire one of the core group members as a half-time administrator for the CSA in its initial season, which was a great help in starting out. However, in subsequent seasons we ran the CSA with a strongly committed volunteer administrator, and that model was also successful. In

our fourth season, we made plans to hire a part-time administrator to handle management tasks. We've discovered that there is a definite need for one or two people to handle the administrative tasks of the CSA, but the structure for this position can be set up in more than one way.

The important thing is to have a system in place to handle the day-to-day business of the CSA that is not directly related to farming. This gives the farmer the time to plan and do the farming. That said, there are many traditional, farmer-owned CSAs that are run and managed by the farmer alone or with help from family members. We have found, however, that it makes sense to have someone other than the farmer to manage the work not directly associated with farming. The important thing to remember is that there's more to the CSA than just growing food, and it's all those other things that need administrative oversight.

WHAT'S THE BUZZ



One of the advantages of a nonprofit organization is the ability to write and receive grants to help fund some aspects of the urban CSA.

Structuring the Business of the CSA

Our CSA is a co-operative. We hire and pay a farmer to manage the crops and arrange for an administrator and team leaders to take care of the many other tasks, from watering plants to making compost to sending out a newsletter. This book is concerned with how you can best accomplish urban farming, and whereas being part of a nonprofit organization and functioning as a co-op has worked for us, there are other structures or models that you might find will serve you better, such as one of the following.

Sole Proprietorship. Most small farms are organized as a sole proprietorship. An individual owns the farm, the farmer is responsible for all debts and obligations, and he also takes all profits. Pros: This type of

farm business is easy to start; one person makes all the decisions; taxes are levied according to the farmer's personal income. Cons: It can be difficult to borrow money for this type of business; it is cumbersome to transfer the farm to heirs.

General Partnership. Two or more people invest in and share in management of the business. Partners share debts and obligations; responsibilities are typically spelled out in a partnership agreement. Pros: Partnership is fairly easy to organize; initial costs are low; the partnership can own assets and enter into contracts; partners provide a larger pool of resources than an individual. Cons: Each partner is liable for all obligations and may be held liable for obligations of another partner; control is shared, so having a wrong partner can be a major disaster, and if one partner wants to leave, the farm must be reorganized.

Limited Partnership. The limited partnership is a formal agreement between one or more general partners and one or more limited partners. Limited partners are primarily a source of capital and have no voice in management. Profits are divided among the investors. Pros: Each limited partner is liable for debts only up to the amount of his/her investment in the company; limited partner interests can be sold to raise capital. Cons: It can be costly to set up a limited partnership; accounting and state reporting requirements can be onerous; at least one general partner must be fully liable for partnership obligations.

Corporation. The corporation is the most complex business structure that would typically be considered by an agricultural business. It is the structure of most large agri-businesses. The corporation is a separate legal entity comprised of shareholders, directors, and officers. A corporation can enter into contracts, own property, and act as a separate legal entity. Pros: No shareholder, officer, or director can be held liable for debts unless a law is broken; interest in the business can be readily sold. Cons: This structure can lead to a lack of personal responsibility and commitment to the farm; startup costs can be high; articles of incorporation and extensive record keeping and filing of reports are required.

Limited Liability Company (LLC). A limited liability company is a business entity that combines the limited liability of a corporation with the flexible management options of a general partnership. Pros: Can be organized as a partnership but without the liability burden of a general partnership. Cons: The setup for an LLC can be complicated and expensive setup; there are complex accounting and reporting requirements; ownership of an LLC does not transfer easily.

If you are interested in any of these business models for your CSA, you will need to find out more and get legal advice about how to proceed.

Finding Qualified Farmers

Some farms begin with a farmer. If you are contemplating starting an urban CSA because your group includes an experienced farmer, you are one step ahead of the game. The most important person in your organization is already there.

If you have the vision for a CSA but you don't have a farmer, start the search process by doing a little planning first. Work out how you plan to compensate the farmer. Compensation can include a salary, of course, but there are also less tangible forms of compensation including health insurance, workers' compensation coverage, a share of the food, lodging, and of course, the opportunity to farm—all of which may be pro-

WHAT'S THE BUZZ



The Family Limited Partnership is a special form of limited partnership in most states.

vided to the farmer in the way of payment for his/her services. The farmer can be paid a salary as an employee of the CSA or may be hired as a contractor. You will set these terms or negotiate with the farmer during the hiring process. As a startup with members working alongside the farmer, you may find that a part-time farmer may be sufficient to meet the needs of your CSA. Our lead farmer was half time for the first four years of our operation.

If there is no farmer already involved in your organization, start your search locally. Begin by networking with food groups in the area. In Cincinnati, the Central Ohio River Valley (CORV) local food directory has a list of local CSAs, farms, and food groups; people involved with these organizations may know about farmers in the area who are looking for positions or may be able to publicize your need for a farmer. If you can't find a farmer locally, look at these same types of groups in nearby cities. There are also national groups interested in quality local food and farms that may be able to help you find a farmer.

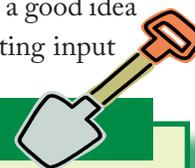
When you have found a few likely candidates, interview them carefully. Develop your interview questions in advance and make sure they relate to the candidate's experience and the CSA's needs. Ask for references—and be sure to check them! You'll want to find someone with the right qualifications, but keep in mind your farmer will also need to have the right personality and motivation to fit in with your group and the vision you have for your urban CSA.

It's a good idea to have more than one candidate during the interview process. It's also a good idea to have more than one person involved in meeting and interviewing the candidates. Getting input from several people on a hiring committee can make you look at all aspects of a candidate's qualifications and will enable you to make a better decision. Take advantage of technology, setting up a conference call, for example, to efficiently screen candidates before setting up formal interviews. We were able to do our first interview with candidates from out of town using Skype, which saved time and resources for us and for the potential farmers.



The most important factor in your CSA is the farmer—you need a competent farmer to oversee the growing process (PHOTO: NANCY SULLIVAN)

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Some of the interview questions developed by Enright CSA in the farmer search process are included on pp. 104–105 in Appendix A of this manual.

Training Staff

Of course it's best to hire a farmer with CSA experience, but even an experienced farmer needs to keep learning. There are new ideas and practices that can help make your farm more productive and more sustain-

able. The Ohio Ecological Food and Farm Association (OEFFA) is one source of information, and they sponsor an annual conference every February. They also have local chapters in Cincinnati and other parts of the state. If you are thinking of starting a CSA in Ohio, join OEFFA and attend local chapter meetings and the annual conference; you'll learn a lot from people with experience.

We also encourage your CSA and your farmer to develop a training program for assistant farmers or interns. Urban farming is a growing area and you will find there are people who want to learn how to grow food locally and sustainably in your area. Providing both didactic instruction and on-the-job training will make the experience more valuable to your interns and farm assistants, and providing a good training program will draw people to your CSA.

Sharing information with other CSAs about how to succeed, especially in urban farming, is another way to support the movement to local food, and your farmer may gain valuable information by making these connections.

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Join the Ohio Ecological Food and Farm Association at <http://www.oeffa.org>.



Encourage your farmer to initiate a training program for assistant farmers or interns to train more people who want to learn how to grow food locally and sustainably in urban neighborhoods (PHOTO: NANCY SULLIVAN)

Training and Encouraging Volunteers

You will probably find you have two kinds of volunteers at your CSA. There are those for whom coming to work at the farm is a one-time event; these may be students or others looking for community service hours

or people who just want to find out what you are doing. You may have other volunteers who don't want to become shareholders, but want to volunteer with your farm. Then there are your shareholder members, who sign up to provide a set number of work hours to the co-op farm operation.

We have high school students who come to work on Saturday mornings, with different students each session. For these groups, we provide an introduction about what we do and why we are doing it, and we help them see how the work they will be doing fits into the effort. Then we show them how to do the work and they set to the tasks.



Students from a nearby high school complete service hours and learn about urban farming on Saturday mornings

For ongoing volunteers and for your shareholder members who will be working at the CSA regularly, it is important to find out what they hope to gain from the experience. When people (volunteers) are matched with work that suits them and that they can competently fulfill, the whole group will benefit. Make sure that the extent of work required is clearly spelled out in the application for volunteers and the application to become a CSA member. On the other hand, you don't want to discourage anyone. We have members in our CSA of all ages; some people are young enough to be able to do sometimes backbreaking work preparing beds or harvesting vegetables; others are more suited to lighter jobs such as watering in the greenhouse or mixing soil. Still others can handle administrative or organizational tasks. There is a job for everyone.

You can't always meet the needs of a volunteer, however, and sometimes other commitments will keep a volunteer or co-op member from being able to complete their work hours. It's a good idea to have a contract with ongoing volunteers and members that spells out their responsibilities and commitment to the CSA and the CSA's commitment to them. In our culture, volunteerism is not always held in high esteem, and people sometimes think if it is inconvenient to work at a time they have agreed to, it won't matter if they don't show up. If they can't do it, then they need to let you know—or they may not be a good fit for your CSA.

Working with Work Shares

Some CSAs do not have work shares. They are operated by a farmer or a group who grows the food and distributes it to their members. This is a structure that works well, especially if the CSA is small. However, the co-operative model for urban farming, with members who sign up for shares that have both a monetary cost and a work commitment, is a great way to accomplish the work that needs to be done as well as a way to develop community and commitment.

Our CSA allows people to choose a work share or a nonwork share. The commitment involved in our work shares has ranged from 10 hours to 40 hours, with most of the work hours scheduled during our six-month growing season. This structure has provided us with a large pool of workers, and most of our work

share members take their commitment seriously. Every year some members work more hours than required. We have also had a few people who did not meet their work requirement, but in these instances, the member has almost always been willing to make up the difference financially.

The biggest struggle we have found with work shares is having people available to work when and where they are needed. We have experimented with a number of different structures and have found that the most effective system is to set up teams with a strong team leader who is willing to communicate with team members about when and where work needs to be done. Our teams include:

1. Core Committee (or core group), the administrative and planning group for the CSA
2. Membership, recruiting and retaining members
3. Communications, handling electronic and traditional ways of disseminating information
4. Land Development, researching places we can use to farm
5. Resources, overseeing finances and fundraising
6. Nursery Care, propagating seeds and seedlings
7. Irrigation, watering the crops
8. Harvest, bringing in the crops from the fields and gardens
9. Packout, handling distribution of produce
10. Social, setting up meetings, potlucks, and other get-togethers
11. Marketing, letting people know about what we are doing

In addition to these, last year we also tried setting up teams for each of the different garden areas or combination of plots. In past seasons, we had a Soil/Bed Preparation team, a Transplant team, a Crop Care and Culture team, and a Pest Management team, but having teams that handle all of these tasks for one garden has proved more efficient for us. This year it has been decided to have just one production team to do all of these tasks. Finding the right combination of teams to organize the work efficiently is an ongoing challenge.

Scheduling work is one of the most difficult tasks. Each team leader helps with scheduling and recruiting members and works to make sure people show up when and where they are needed. A strong team leader can make the difference in the team's success. We have used email notifications and even a Twitter feed to announce work opportunities, and we are now exploring a computerized system for organizing work schedules and sending out information to let members know when and where help is needed.

HANDLING THE CSA'S FINANCES

Funding Startup Costs

In the Enright Ridge CSA, we have a resource committee rather than a finance committee. This is because we don't deal strictly with money—many of the tangible things that we needed to start the urban farm project were provided to us by members and others interested in helping us. It's an economic model that we encourage. You don't have to buy everything new—sometimes you can find just what you need sitting in someone's basement or garage gathering dust.

We needed to pay for some materials such as office supplies and copies as we were starting our CSA. These incidental costs were covered by the people committed to setting up the CSA. Other items could be donated, such as the use of personal phones, a place to meet, even land to start farming and basic garden tools. During our first year, most of the tools we used—including a rototiller—were donated. We also used a greenhouse at a member's house to start plants the first year. We're not saying



Be creative when it comes finding tools for farming; for example, you can rent larger equipment when you need it, or ask members to donate tools they don't use

you can do this with no upfront money at all, but we do suggest that you think creatively about what you need and where you can get it. The Enright CSA has a bicycle-operated cart that we use for carrying tools from the greenhouse to our gardens; it was designed and built for us at no cost as part of an art project at a downtown museum. You never know where you might get a donation of something you can use!

When we used land that belonged to members of the fledgling CSA, we offered people a choice of either having a share of the produce with no work hours required or with no fee. A few people accepted this offer, but many simply donated their land, and in some cases they even provided the water to irrigate the gardens we began in their yards. When paying members began signing up, we had income that made it possible for us to begin to pay the farmer and purchase seeds and other materials.

Sponsorships and Grants

You might be able to find sponsors who are willing to provide startup funds for an urban farm project. Ask businesses and individuals in your community who are interested in seeing the CSA prosper in their neighborhood. Grants are also a real possibility if your CSA is set up as a nonprofit organization. If not, you may be able to work with a nonprofit in your neighborhood, such as a community development corporation or a civic group, who want the CSA to succeed and can apply for a grant to aid the startup. We were able to get grants that helped us purchase a greenhouse, tools, and other materials the first year we were in operation.

The Annual Budget

Set an annual budget with expenses equal to or less than expected income. The core group or a budget committee needs to determine expenses. How much will you need to pay the farmer and other staff, take care of any rent, pay water and electric bills if you have a greenhouse or other structure, purchase seeds and other materials, and buy or lease equipment? What other expenses may come up?

The budget also must determine projected income—the amount of money you will bring in from paid shares in the CSA. You may have other sources of income as well, such as grants, donations, or sales at a farmers’ market.

Of course, there are variations on the balanced budget. Some co-ops work out a plan that pays the farmer with what is left in income after expenses at the end of the year. Or you may find a magnanimous resident who wants to see the CSA get off the ground and will agree to cover any extra costs at the end of the season. One of these alternatives may work for you, but in the end, your outlay and income has to balance, so making a realistic budget and staying within it remains important.

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See Appendix A, p. 102, for an example of an annual budget for a CSA.

INSURANCE AND LIABILITY ISSUES

You will almost certainly need to consider getting some insurance coverage for your farm project. There are three kinds of insurance that you will hear about when trying to figure out what you need: property insurance, general liability insurance, and crop insurance.

You may also need to provide health insurance for your farmer (see the section earlier in the chapter titled “Finding Qualified Farmers” for more about employment benefits for farmers). If you are going to provide health insurance, look around for the best deal. Ohio Farmers’ Union has health insurance for farmers. Our present farmer has health insurance through her spouse, so we have been spared this expense.

Property insurance covers tools, equipment, and other things the CSA owns, including actual property or structures like a greenhouse or garden shed. It’s good to have property insurance, because if your greenhouse is damaged in a hailstorm or someone steals your tractor, you will receive compensation.

But liability insurance is probably more important, because it protects you if you are sued by someone (a member or even a trespasser) who is injured in your gardens. If you garden in other people’s backyards, it is likely (though not certain) that their homeowners’ liability insurance would cover a problem like this, but that doesn’t mean the gardens’ owners are going to like taking the risk of having to use their insurance to cover a farm-related incident, so you probably want to look into getting your own coverage. If you are associated with a nonprofit organization in your community, you may be able to get liability coverage for the CSA under that organization’s existing insurance plans.

If you farm on public property in a community garden or on city-owned lots, you might not need your own insurance plan. Check to see if the property is self-insured by the municipality or township that has jurisdiction over it. In some cases, however, public property used for a community garden requires separate liability insurance plan because it is not covered by the city. Find out what the situation is with your plots. Garden insurance is a relatively new thing, and some insurance agents may not know much about it. So you will have to do your homework and find out what you can about what you need and what kind of coverage is available.

The final kind of insurance involved with farming is crop insurance. Farmers purchase crop insurance as a risk management tool. If their crops are wiped out by a natural disaster, such as a tornado or a drought, they will still get something back on their investment. However, one of the reasons why farmers associate themselves with CSAs is to share the risks of farming; in that sense, the CSA itself is a form of crop insur-

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The American Community Garden Association (ACGA) offers information about garden insurance at <http://communitygarden.org/docs/learn/articles/insuranceforcommunitygardens.pdf>.



Crop insurance, which farmers purchase to protect themselves in case of a natural disaster such as a tornado or flood, is not usually necessary for a CSA, where the members share the risks of farming (PHOTO: NANCY SULLIVAN)

ance. Members agree to accept what the CSA grows, and if there is a drought or storm that destroys some crops, everyone just gets a little less. On the other hand, if it's a great year, everyone gets a little more—it works both ways, and both the risk and the benefits are shared by the group.

If your urban farm project gets big enough, you may need to look into traditional crop insurance. The U.S. Department of Agriculture has involved itself in farm insurance for decades, and they provide information about the types of insurance available and how to find an agent or company to purchase the insurance you need. The Ohio Farmers Union is also a good resource for this type information.

Types of crop insurance available are listed at www.rma.usda.gov/policies, and the information at <http://www.rma.usda.gov/tools/agent.html> can provide you with help finding an insurance agent.

CHANGING THE WAY WE DO BUSINESS: SOMETHING TO THINK ABOUT

You will encounter difficulties in balancing your budget the first year, and probably in the second, third, and fourth years too. In our economy, people are often not willing to pay what fresh, organically grown food is really worth. Farm subsidies for corporate farms make it possible for them to charge less for their produce. Large chain grocery stores use fresh vegetables as a loss leader to bring people into the store to buy less healthy but more profitable processed foods. It's likely you will never be able to set the price of a CSA share at a level that covers all the costs of growing the food.

It is also difficult to pay farmers a reasonable wage, although they are often willing to work for a modest income. Using an intern system to have your professional farmer train new recruits is a way to keep staff expenses low while providing people with a great setting for learning how to farm. (People pay increasingly large fees to learn their occupations at universities, and they also pay



How your CSA operates, how it creates jobs, pays the staff, and trains interns, among other functions, reflects the social values of your organization—it's a way to change the world, beginning in your own community

to attend conferences or symposia to learn new techniques in their field, so there's no reason to feel guilty about providing low-cost or no-cost training to someone who wants to learn how to farm.) Creating such a training program will also help encourage more urban farming and more CSAs growing their food locally, so if you can train new farmers, your community and other communities will reap the benefits along with the fledgling farmers.

And it's a good start at changing our world, too. What we really want to do is to develop and demonstrate a new paradigm—a new way of living our lives—by creating relevant and useful jobs and simply living well with less. If we can begin to work outside the current economy, we can think about what is best for the farmer and how to make people see the worth in work like local farming.

On one hand, we'd like to be able to offer our staff benefits that most employees are accustomed to getting, such as workers' comp, health insurance, and unemployment insurance. On the other hand, these benefits can be no more than a patchwork of fixes for problems created by the current system—they don't get at the root of the issue of people employing other people. If we have a system that is based on the Earth as our primary concern—rather than money—maybe we wouldn't need these types of stopgap measures at all. Instead, we would have systems that simply take care of the Earth and its people directly.

This may be getting too philosophical for a chapter on the business side of the CSA, but we hope it gives you something to think about. We've started an urban farm project in our neighborhood to try a new way of doing things, growing our own food locally as a co-operative venture. It's working, so why not turn our attention next to the economy at large? Local food can create value chains that have an impact on our community. If that impact is big enough, maybe we can begin to seek changes in how our entire economy works. It's worth considering. ■

