



# Community Supported Agriculture: Pricing

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A Community Supported Agriculture (CSA) operation requires financial knowledge and planning. This information can help you through the financial process by explaining how to develop a budget, how to price your CSA share with different pricing strategies, and payment policy.

## Developing a Budget

A budget is developed by first gathering information, including costs, income, and desired profit. First, you must determine your expenses and add them to calculate the gross (total) cost (NC State and A&T State University Cooperative Extension, n.d.). Then, you can list the desired income and share prices needed to cover the gross cost.

There are several costs to consider when determining the gross (total) cost. Fixed costs, which do not change if the output changes, include capital expenses such as payment for land, equipment, and tools (Allen, Curtis, & Slocum, 2015; NC State and A&T State University Cooperative Extension, n.d.). There are also variable costs, which do change with the amount of output. These include labor expenses (grower and worker salaries) and operating expenses (seeds, fertilizer, fuel) (NC State and A&T State University Cooperative Extension, n.d.). Marketing costs should also be considered, such as money for advertising and events. These can be calculated by compiling data from previous years or by researching other local CSAs.

“A farmer or grower, often with the assistance of a core group, draws up a budget reflecting the production costs for the year. This includes all salaries, distribution costs, investments for seeds and tools, land payments, taxes, machinery maintenance, etc. The budget is then divided by the number of people the farm will provide for and this determines the cost of each share of the harvest” (CSA Utah, 2016, para. 1).

	TOTAL UNITS	UNITS	PRICE/COST PER UNIT	TOTAL COST/VALUE	TOTAL COST/VALUE PER ACRE
<b>GROSS INCOME</b>					
Sweet Corn	30,000	Ears	\$0.38	\$10,830.00	\$2,166.00
Tomatoes	8,000	Pounds	\$2.20	\$16,720.00	\$3,344.00
Peppers	4,000	Pounds	\$1.40	\$5,320.00	\$1,064.00
Winter Squash	1,200	Each	\$0.65	\$741.00	\$148.20
Summer Squash	1,400	Each	\$0.55	\$731.50	\$146.30
Hardneck Garlic	43,000	Each	\$0.80	\$32,680.00	\$6,536.00
Onions	6,000	Pounds	\$0.85	\$4,845.00	\$969.00
Okra	5,400	Pounds	\$3.56	\$18,262.80	\$3,652.56
Beets	3,700	Pounds	\$2.40	\$8,436.00	\$1,687.20
Potatoes	1,200	Pounds	\$1.25	\$1,425.00	\$285.00
Leeks	2,300	Pounds	\$1.85	\$4,042.25	\$808.45
Carrots	500	Pounds	\$2.50	\$1,187.50	\$237.50
Leafy Greens	750	pounds	\$11.00	\$7,837.50	\$1,567.50
Pumpkins	1,000	Pounds	\$0.67	\$636.50	\$127.30
Melons	270	Each	\$4.05	\$1,038.83	\$207.77
<b>TOTAL INCOME</b>				<b>\$114,733.88</b>	<b>\$22,946.78</b>
<b>OPERATING COST</b>					
Land Rental	5	Acres	\$1,000.00	\$5,000.00	\$1,000.00
Irrigation Water	1	Annual	\$2,000.00	\$2,000.00	\$400.00
Utilities	1	Annual	\$4,700.00	\$4,700.00	\$940.00
Farm Labor	3800	Hours	\$10.00	\$38,000.00	\$7,600.00
Packaging	1	Annual	\$600.00	\$600.00	\$120.00
Food Safety/Testing	1	Annual	\$1,042.00	\$1,042.00	\$208.40
Marketing	1	Annual	\$3,100.00	\$3,100.00	\$620.00
Herbicide	5	Acres	\$125.00	\$625.00	\$125.00
Fertilizer	5	Acres	\$500.00	\$2,500.00	\$500.00
Seeds	1	Annual	\$1,800.00	\$1,800.00	\$360.00
Plants	1	Annual	\$400.00	\$400.00	\$80.00
Insecticide	5	Acres	\$100.00	\$500.00	\$100.00
Drip Tape	5	Acres	\$1,000.00	\$5,000.00	\$1,000.00
Fuel and Lube	1	Annual	\$2,024.00	\$2,024.00	\$404.80
Maintenance	1	Annual	\$1,975.00	\$1,975.00	\$395.00
Miscellaneous	5	Acres	\$50.00	\$250.00	\$50.00
<b>TOTAL OPERATING COSTS</b>				<b>\$69,516.00</b>	<b>\$13,903.20</b>
<b>INCOME ABOVE OPERATING COSTS</b>				<b>\$45,217.88</b>	<b>\$9,042.58</b>
<b>OWNERSHIP COSTS</b>					
<b>CASH OVERHEAD COSTS</b>					
Liability/Crop Insurance				\$800.00	\$160.00
Accounting and Legal				\$500.00	\$100.00
Office and Travel				\$800.00	\$160.00
Annual Investment Insurance				\$236.43	\$47.29
<b>NONCASH OVERHEAD COSTS (Capital Recovery)</b>					
Buildings, Improvements, and Equipment				\$1,689.29	\$337.86
Machinery and Vehicles				\$4,680.00	\$936.00
<b>TOTAL OWNERSHIP COSTS</b>				<b>\$8,705.72</b>	<b>\$1,741.14</b>
<b>TOTAL COSTS</b>				<b>\$78,221.72</b>	<b>\$15,644.34</b>
<b>NET PROJECTED RETURNS</b>				<b>\$36,512.16</b>	<b>\$7,302.43</b>

Farm budget example, from *Utah Urban Small-Scale Mixed Vegetable Production Costs and Returns - 5 Acres, 2015*. Available at: [http://digitalcommons.usu.edu/extension\\_curall/763/](http://digitalcommons.usu.edu/extension_curall/763/)

## Pricing Shares

**Cost-Plus Pricing:** The price of shares should cover costs of production while allowing for a profit in return (Bruch & Ernst, 2010). This amount can be found through analyzing your farm's budget and dividing the total cost (desired income) by the number of shares offered (CSA Utah, 2016). This strategy of pricing is known as cost-plus pricing (Bruch & Ernst, 2010). It is important to remember to include a reasonable salary, which compensates for your value as the grower. Many growers underestimate their own worth when determining a budget (Bruch & Ernst, 2010).

**Competition-Based Pricing:** Competition-based pricing is a pricing strategy that looks at what the price of shares are for other CSAs (Bruch & Ernst, 2010). By learning how much other farms are charging their shareholders, you will be able to estimate how much people will be willing to pay and the estimated worth of a share. You may set your CSA share price at a cheaper alternative, approximately equal, or greater price depending on your community, the demographic you wish to appeal to, and your produce and services offered.

“We look at what other people are filling theirs for and try and stay competitive and hope that we still make money off it. I also look at it as ‘what would I be willing to pay for it.’” - Utah CSA Owner in Northern Utah

**Customer-Based Pricing:** You should determine what customers are willing to pay for a share. This demand can be found by comparing prices offered by other local CSAs and by estimating the worth of your own offered produce (Bruch & Ernst, 2010). This pricing strategy can be referred to as “customer-based pricing”, when the customer willingness-to-pay determines the cost (Bruch & Ernst, 2010). According to CSA Utah (2016), the average prices of shares in Utah ranged from \$300 to \$600.

“We just pretty well base it on how much we can get out of it at the farmers’ market. If we can sell that item at the farmers’ market that’s kind of what we base our CSA off of. We give a little bit of discount because they are generally paying up front and or at a larger volume.” - Utah CSA Owner in Northern Utah

“We figure about \$30 a week is what the market will bear so that is where our price is at. Our full share is every week and our half share is alternating weeks.” - Utah CSA Owner in Central Utah

## Payment Policy

Establishing a payment policy helps to simplify any confusion or issues dealing with fees. This policy establishes the amount, method, and deadlines of payments (Bruch & Ernst, 2010). Many CSAs require payments to be made by the beginning of the season in order to cover planting costs (Bruch & Ernst, 2010). CSAs may offer a discount as incentive if this is the preferred option (Bruch & Ernst, 2010). For some CSAs, this discount may only be given if shares are paid for by a specific date, while the price increases after this deadline. It is also possible to set up a required initial deposit, followed by other installments throughout the season (Bruch & Ernst, 2010). The policy will also state whether cash, credit, or checks will be accepted by the CSA grower (Bruch & Ernst, 2010).

This policy may be included in a membership agreement form. If you offer several payment options, shareholders can select the option best for them. If you offer only one payment option, such as paying the entire share before a specific deadline, this can be clearly posted on the website or marketing materials.



## USU Student Organic Farm Share Sign Up

We are happy to announce the 2016 CSA shares setup, which will be similar to previous years. We invite you to support the USU Student Organic Farm by purchasing a share (prices listed below).

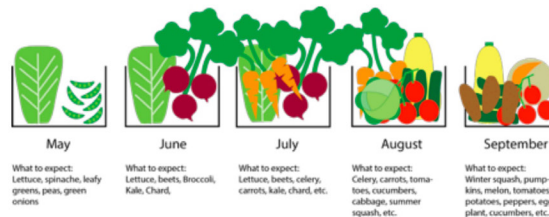
Shareholders benefit from their support by picking up a “share” or crate of food every week this summer from the week of May 16th to the week of September 26 (that is a total of 20 weeks). Our shares will go fast, so sign up today!

### Prices

Half share: \$390 (equal to \$19.50/week)  
Full Share: \$600 (equal to \$30.00/week)

### A Little About our Shares

Purchasing a share gives you the experience of having a garden without having to put in the time and effort into your produce. The content in our shares will change substantially throughout the Summer, just like it would in your own personal garden. Starting in May, shares will be full of leafy greens and early season crops. As the Summer progresses, you will see vegetable like carrots, broccoli, squash as well as many other types of produce.



### Events

Purchasing a share also serves as a ticket for you to join us during several events that will occur on the farm this summer, like strawberry and raspberry you-picks, a barbecue, and the annual pumpkin day celebration! Upcoming events will be announced via our email list and at harvest pickup.

If you have any questions or need help signing up you can email the farm manager at [organicfarm@aggiemail.usu.edu](mailto:organicfarm@aggiemail.usu.edu)

Utah State University Student Organic Farm sign up including pricing and what to expect for shareholders.

## Summary

A CSA operation requires financial knowledge and planning. You must gather information and develop a budget for the CSA operation. Different methods of share pricing include cost-plus pricing, competition-based pricing, and customer-based pricing. A payment policy establishes the amount, method, and deadlines of payments and helps to simplify any confusion or issues dealing with fees. With proper planning, you can ensure a successful return on investment in your CSA program.

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