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Community Supported Agriculture: A Strategic Analysis of the Market and a Competency-based Strategic Plan

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“Food decision making in the twenty-first century is a complicated process that involves more understanding and insight and tradeoffs than ever before. A healthy diet is no longer as easy as eating an apple a day. In fact, the list of questions to ask about that apple – where did it come from? What were the working conditions for farmers and pickers? How did it arrive at your neighbourhood grocery store? Was it organically grown or is it pesticide free? – may make eating the apple less appealing. In many ways, it may no longer be possible to simply eat an apple, because a whole host of formerly invisible elements are now ingested at the same time. This new appetite for understanding has given rise to the alternative foods movement, as well as a mix of anxiety, hope and frustration.” (Gregory & Gregory, 2010)

Executive Summary

The Community Supported Agriculture (CSA) farming model made its first appearance in the US in the 1980s, arriving from Europe and with clear social, economic and environmental goals. From less than a dozen CSA farms in the early 1990s, the movement has now expanded to over 3,000 farms. The proliferation of this agricultural-economic model suggests a measure of success in its objectives, yet shifting market influences reveal that CSA farms are faced with a variety of challenges and strategic issues that affect their ability to perform well for their members, farmer-owners and communities. This paper undertakes a strategic analysis of the CSA market and makes core strategy recommendations to inform farm managers' strategic planning decisions.

As more CSA farms are to be found nationwide, it follows that more individuals are taking on launching farming operations that adhere to the model, and this paper intends to cater to those entrepreneurs. As beginning farmer and rancher training programs are establishing themselves through farming coalitions, at community colleges and with the support of government funding, the new CSA farmer may find this strategic analysis pertinent and helpful. While it is the case that most beginning farmer workshops and training programs emphasize the development of small-scale production techniques, a few have tread into the realm of business planning; yet, it remains uncommon to see strategic analysis and planning included in curricula. Attention to these broad-perspective approaches to farm management is important to keep farm managers in touch with the needs and preferences of their members—as an ever-increasing selection of local, sustainably produced farm products are competing for CSA customers.

This paper begins with a review of pertinent scholarly work that provides the framework for an analysis of the CSA market. Business strategy literature offers an assortment of applicable analytic tools for entrepreneurs and managers, but three, the idea of core competencies, Michael Porter's Five Forces analysis, and his strategic planning method, are examined in relative depth and then applied to the CSA market. Building from these tools, subsequent sections examine strengths and weaknesses common among CSA enterprises, the opportunities and threats relevant to them in the market, and discuss the most pertinent strategic issues following a Five Forces market analysis. The CSA model's four core competencies are formulated then presented: a relatedness with consumers, a perceived superiority of products, the sharing of a complete experience of a farm, and the employment of sustainable agricultural practices. While each farm will need to decide on its own strategic plan and objectives, a general core strategy is presented herein that addresses the market forces and current challenges faced by CSA farmers. I then make a general strategic recommendation for CSA farm managers and tie this plan to specific business activities that, carried out, may serve to enforce the core competencies commonly found in the CSA model and strengthen the competitive advantages of these farms. Key in this strategy is a focus on customer attraction, customer expectations and retention, and a broadening of the strategic scope of

farm enterprises. Important for the longevity of CSA farms will be a repositioning of current strategy to build on the competitive advantages found in the CSA model.

A Conceptual Framework for Devising Business Strategy

What is Strategy?

Perhaps overlooked at the initial stages of strategic planning, when firms may experience enthusiasm over new ideas and directions for the company or worry over an arduous current predicament, is an understanding of what strategy, in essence, is and what it is for. Such preliminary questions have been written about prolifically, and definitions are continually tweaked, rehashed and examined from opposing perspectives. An important distinction to make at the outset is between operational efficiency, which in essence is performing the physical tasks of business to the highest degree possible, and strategy itself, which can be explained as the overarching questions of which industry to be in and the form and orientation the business takes in its industry. (Porter, 1987) A succinct conception of strategy argues that it “is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value.” (Porter, 1996)

The method by which one chooses or derives those activities “different” from competitors is also a topic of popular attention. Porter argues that, while business managers have, in the past, shunned trade-offs because they by definition require foregoing one option for another, trade-offs are imperative to sound strategy. His stance is that it is precisely the execution of these choices, concentrating on what a business excels at, that leads to sustainable competitive advantage; “the essence of strategy is choosing what *not* to do.” (Porter, 1996) Other authors recognize the assumption managers make in adopting competitors’ successful business activities without further examination of why such activities are profitable for those businesses. These authors encourage managers to look deeper, understanding the root conditions that lead to lasting competitive advantage in specific firms. (Christensen, 2001)

Identifying the Core Competencies of your Business

One component of base conditions that work to establish long-term competitiveness for businesses are what are referred to as core competencies. Viewed as process-based advantages or unique capabilities rooted in business models, core competencies can give an industry or firm an edge over competitors. (Christensen, 2001) The authors of one of the earliest and most frequently cited articles on core competencies explain them as attributes or capabilities that a firm possesses or chooses to foster that, in the long run, are the source of competitive advantage and innovative, profitable products:

In the short run, a company’s competitiveness derives from the price/performance attributes of current products.... In the long run, competitiveness derives from an ability to build, at lower cost and more speedily than competitors, the core competencies that spawn unanticipated products. (Prahalad & Hamel, 1990)

The authors of this paper continue their definition by developing an analogy of the strategic business plan to the form and structure of a tree, with core competencies comparable to the strength and sustaining properties of the roots—and insist that industry analysis is incomplete if it only looks at its end products (the leaves, in this comparison) or wholesale/intermediary products (the trunk of the tree). (Prahalad & Hamel, 1990)

Unique about core competencies is that they not do not diminish with use, rather their power comes from their repeated application and enhancement in a firm or industry, thus building competitive advantage and “ensuring continuing success under changing conditions.” (Kanter, 1990) While Prahalad & Hamel offer three tests of determining whether a capability is a veritable core competence, that of adding value, being difficult to imitate and providing access to a wide variety of markets (1990), others have developed this theme (J. Barney, 1991) (J. B. Barney, 2007) into the VRIO framework, which summarizes core competencies as those which add value, are rare, are not easily imitated and are the foundation upon which the whole business is organized. Reed and DeFillippi, while arguing that tacit, complex and specific core competencies can be sufficient to cloud competitors’ analyses as to the causes of a firm’s success, suggest it is reinvestment in “causally ambiguous competencies” that is paramount to shield core competencies from imitation and prevent their erosion. (Reed & DeFillippi, 1990)

While subsequent sections of this document formulate and present core competencies for the CSA model, farm managers can further individualize the core competencies that are identified for the CSA farm, thus making them more difficult to imitate by competitors. Including additional competencies to a farm’s strategic plan, and the further laying and interweaving of them, can ultimately result in a cohesiveness of the business operation, thereby strengthening chances of the firm’s success. While these core competencies are crucial to the understanding of strategic planning, additional considerations need to be made, given the context or environment in which the business finds itself.

Analysis of Five Market Forces

Porter’s Five Forces analysis, introduced in the late 1970s and early 80s, has been a mainstay in the industry-analysis literature. His premise is that, in order to understand profitability and competition, one must first consider the underlying forces in the industry—because these forces are the very ones that set profit and competition levels in the mid and long run. (Porter, 2008) Pertinent characteristics of the five forces (threat of new entry, bargaining power of suppliers, bargaining power of buyers, threat of substitute products or services, and rivalry among existing competitors) will be summarized here.

Attracted by positive economic profits or a desire to gain market share, new firms have reasons to enter an industry. However, via a collective incentive to dissuade new firms from entering a market, thus increasing the competition found within it, the threat of new entry “puts a cap on the profit potential of an industry.” When it is

relatively easy for a firm to set up a new business in an industry, this force in and of itself can suppress the profitability of the industry. Moderate or low levels of profitability, conversely, deter would-be competitors from staking a claim in the market. (Porter, 2008) The distinction between the *threat* of new entry and *actual* new entrants is important, because it is the mere possibility of entry that determines the strength of this force.

A powerful supplier is one that is able to retain some value for itself in conducting business, thereby “squeezing profitability out of an industry that is unable to pass on cost increases in its own prices.” (Porter, 2008) Porter continues by distinguishing a powerful supplier as one that is not heavily dependent on the industry it supplies for revenue, is more concentrated than the industry, has differentiated products or products that lack substitutes, and/or can threaten vertical integration.

The counter-threat is that of powerful buyers, and the consequence for the industry as a result of their strength is an expectation of lower prices, superior quality and service, and increased rivalry among industry players. (Porter, 2008) The five forces analysis categorizes powerful buyers as those with few switching costs, those that purchase in high volume, can threaten backward integration, are cash-poor, and/or perceive little difference between the industry’s products. Buyer power can increase a firm’s cost and research and development investments when buyers demand a high degree of customer service. (Porter, 1980)

The threat of substitutes is high in an industry when attractively priced or performing alternatives exist for the good or service—or when switching costs among substitutes are low. While the threat of substitutes is always present, swift industry changes may redefine this force abruptly, making new comparable products and services easy to overlook—especially when, at first glance, they appear dissimilar to those in the industry under study. (Porter, 2008)

Rivalry among competitors, while not necessarily bad, is a force to be thoroughly understood. Furthermore, rivalry is characterized by not only the basis on which it takes place, but also on the intensity in which it exists. This distinction is important, for cost-based rivalries quickly erode economic profit among rivals, while rivalry based on quality or attribute characteristics of a product or service can actually strengthen some of the competing firms. (Porter, 2008) Rivalry can be intense in markets experiencing slow growth, filled with many competitors, or characterized by similar or perishable products. Additionally, industries in which business leaders are highly devoted and have aspirations beyond economic profits experience intense rivalry.

Once an examination of these five market forces is complete, a picture has been constructed of the most significant components of the competitive environment. Understanding the current industry framework will reveal to managers possibilities for future strategic planning, such as ideas for repositioning the firm to compete

more successfully among rivals, anticipating and taking advantage of opportunities that result from fluctuations in these forces, and even shaping their balance in order to construct an industry climate more favorable to the firm. (Porter, 2008)

Specifically applicable to smaller firms in terms of a strategy that repositions the company to fare better amidst market forces would be to locate weak spots and plan ways to position the firm where it can simultaneously avoid the strongest forces, like powerful buyers or rivals, and compete—i.e. develop competitive advantages—oriented toward the less strong forces. In terms of exploiting industry change, small firms may find opportunities where the market forces are in flux, capitalizing on opportunities swiftly as new openings are spotted, which is often not a strategy available to larger, slower-to-move rivals. Lastly, small firms have options available to them even by shaping industry structure; an expansion of the total profit pool will benefit smaller businesses through their efforts toward expansion of demand, improvements in service or product quality, or reductions in cost and waste. (Porter, 2008)

Devising a strategic plan

Once a business manager has an understanding of the industry and the core competencies of the firm, what is to be done with this information? How can it contribute to a better future for the firm? The literature offers a variety of resources to guide the strategic planning process, many of which build upon the solid foundation of the tools presented here, yet in this paper I will adhere to the process of developing strategy that Porter has developed over the past few decades. His conception of the strategic plan groups the business manager's decisions into four categories: choosing a core strategy, selecting a strategic posture, deciding on the scope of the business, and locating the business' stance on the vertical integration continuum. This structure is presented to clarify for the business manager the wide assortment of choices that are to be made in determining the firm's strategic plan, and these choices are rooted in the knowledge acquired through the process of discerning the business' core competencies and the five forces at work in the industry.

Porter's classic book, *Competitive Strategy* (1980), presents the three generic postures in which firms can base subsequent strategic planning decisions. By choosing only one of the strategies, such as competing on cost, competing on differentiated or quality aspects of a good/service, or competing within a focus/niche market, firms avoid a mediocre or dismal financial future by placing themselves squarely in one of these strategies; yet, choosing a generic strategy alone is not enough. The strategy must rest firmly upon core competencies or a competitive advantage that is actively supported and fostered throughout the industry or firm:

Given the pivotal role of competitive advantage in superior performance, the centerpiece of a firm's strategic plan should be its generic strategy. The generic strategy specifies the fundamental approach to competitive advantage a firm is pursuing, and provides the context for the actions to be taken in each functional area. (Porter, 1985)

Once generic strategy is chosen, there are a myriad of other strategic decisions to be made that further distinguish the business from its competitors and allows it to reinforce competitive advantage.

How a firm behaves in its industry in the face of competition, its strategic posture, is also a subject thoroughly discussed by Porter. While two main choices exist for the firm, offensive or defensive strategy, there is room for much nuance in both directions. Growth itself is a valid strategy, yet one that should not be undertaken casually or haphazardly. More interesting to the author, however, are rigorous strategic plans such as repositioning, which generally speaking aims to “make a firm’s competitive advantage more sustainable.” (Porter, 1985) Aggressive growth or outright “attack” on an industry leader is valid strategy as well, especially if a new entrant or innovative firm recognizes vulnerability or complacency in the foremost competitor.

Strategic scope of the business also offers a wealth of opportunities to the manager, and scope refers to the arenas of geographic distribution, resource acquisition, as well as the amount of diversification in product offerings and market presence the firm adopts. It is at this point that a firm decides whether to concentrate on a single business venture or branch out into a variety of enterprises, concentrically diversifying in a more outward focus in multiple markets. (Porter, 1985) The trade-off here is between building and focusing on developing competitive advantages within the firm or using partners and forms of expansion and diversification to gain advantages through opportunities external to the firm. Firms at this point choose whether to make and provide their products and services themselves or to rely on relationships with other firms (which include options like acquisitions or mergers) to generate core competencies that are sourced and based in these new, outward-focused relationships. (Porter, 1985)

Finally, a suite of decisions is available to business managers as they weigh the potential costs and benefits of integrating vertically. Authors Peterson et al. explain the vertical integration issue as a continuum, with a variety of legal and relationship-based options available. (Peterson, Wysocki, & Harsh, 2001) On one end of the continuum is the spot or cash market, characterized by an absence of any vertical coordination. Next, specification contracts offer specific, detailed and legally binding arrangements for business activities. A greater degree of vertical integration is then found in relation-based alliance, which does not involve legal agreements yet has potentially longer-term and mutually shared objectives among partners. Near the opposite end of the vertical coordination continuum is equity-based alliance; joint ventures and the creation of other new legal and economic entities—that remain distinct from all parent companies—fall into this category. Last, the continuum ends with the complete vertical integration of one company into another.

The past thirty years have seen a wealth of strategic analysis and planning tools presented by the foremost researchers in the industry. The toolkit that presents

itself to business managers is indeed hefty and varied. In order to systematically analyze and review the underlying factors, players and issues pertinent to the Community Supported Agriculture (CSA) market, I will apply the methods presented in this literature review. The goal, after applying these tools, is to discern the present state of the CSA market and its core competencies. Guided by the aforementioned sketch of the choices to be made by business managers in creating a strategic plan, I then make a general strategic recommendation for CSA farm managers and tie this plan to specific business activities that, carried out, may serve to enforce the core competencies commonly found in the CSA model and strengthen the competitive advantages of these farms.

The Community Supported Agriculture Model

Over the past twenty years, the number of CSA farms in the United States has risen from around a dozen to over three thousand in 2012. The CSA model emerged with very concrete social and environmental goals, and the explosion of CSA farms across the country suggests a level of success, or at the very least attraction, toward these principles. This section will evaluate the performance of this farming model and present relevant research on external forces and change forces at work in this market in order to comment on its current standing. Based on this assessment, a proposed core strategy will be presented that aims to inform the CSA model of ways to weather opportunities and threats in the market and surmount the strategic weaknesses confronting the CSA concept.

Background of CSAs

In its most matter-of-fact representation, CSA consists of a farm that direct-sells its produce to consumers. These consumers, often referred to as “members” or “shareholders,” sign-up and pay in advance of the start of the growing season, thereby giving the farmers capital up-front that can be used to run the farm. Members in turn receive a designated weekly quantity of fresh, local, seasonal produce for a specified portion of the growing season. Yet, this unembellished explanation of the CSA concept gives little inkling of the social and environmental ideals that lie at its heart:

The goals of CSA, however, go beyond being a simple economic exchange. CSA is, its defenders argue, a fundamental rethinking of the relationship among food, economics, and community, a move toward a greater degree of ecological sustainability and an attempt to partly disengage from the global supermarket and reestablish vital local agricultural economies. (Schnell, 2007)

Many CSA farmers, and some CSA members, are aware of these intentions and are making a conscious choice to participate in this economic and agricultural model. They sense or are aware of a larger, vital opportunity:

What is striking, then, about [CSA] is how the transformative agronomic methods, the reworking of nature that occurs on such farms, are clearly driven by the decommodification of food and land, which opens up an economic space where social divisions can be eroded rather than accentuated. This is an alternative

agriculture of substance, because it provides an alternative not only to production inputs and methods but to the entire system of industrial farming. (Guthman, 2004a)

While these are lofty and fascinating goals, the focus of this paper will remain on the performance evaluation of the CSA model; the strengths, weaknesses, opportunities and threats found in the industry; and a strategic plan that addresses the many external and internal challenges with which the CSA model is currently struggling.

As part of a summary of the ideals and background of CSA, it is necessary to consider a profile of CSA customers in order to understand the steady increase in membership numbers over recent years. Comparing the demographics of counties containing one or more CSA farm to those counties without, a statistical profile of areas with greater concentration of CSA farms reveals higher per capita annual income, a higher percentage of white-collar workers, and a higher percentage of urban population (Schnell, 2007). Offering a more focused picture of CSA members themselves, other researchers have summarized their characteristics, noting that these farms “served members who had the education to spark their interest, the income to support their membership, and to a large extent, an adult householder who could devote the necessary time, energy, and flexibility to sustain the ideological commitment.” (Myhre, 2000) Indeed, a critique of the model’s intention to decommodify food and offer a degree of social renewal must include these observations of member demographics skewed toward more affluent, urban-based—and often highly educated—customers.

What are people looking for when joining a CSA farm? In this regard the literature in general is quite consistent: members want, first and foremost, what they consider to be fresh and healthy food, often want to support local farms, and sometimes have environmentally conscious motives (O’Hara and Stagl, 2001). Yet information gleaned from year-end surveys on other farms reveals that the gap between those motivated by food quality and environmental concerns and the few members committed to supporting the broader goals of CSA like community-building, farm participation and (surprisingly) price were “substantially less relevant.” On the other hand, the same study found several key deterrents to membership: a lack of choice in produce and radical, often inconvenient, lifestyle changes needed in order to receive, prepare and cook the produce. (Myhre, 2000)

It is no insignificant observation to understand the extent to which members can be dissuaded from joining a farm or fail to return in a future season due to the unfamiliar complications that accompany CSA membership. “CSAs require their members to deal with food, food processing, and meal preparation in a way which may be unfamiliar to them [and]... is responsible for much of the high turnover rate experienced by CSAs.” (Goland, 2002) Important to note, though, is the fact that the same study concluded that CSA members with environmental and social concerns that have conceptually connected these beliefs to local farms and farmers are “most likely to endure as CSA shareholders.”

A Performance Assessment of the CSA Market

Customer Satisfaction

Considering the burgeoning popularity of the CSA model in the US over the past 20 years, it is worthwhile to examine how successful these firms, in the aggregate, have been in performing in this market (refer to Table 1). A conservative estimate of the number of CSAs in the US can perhaps be found through Local Harvest, a well-known online database of small-scale family farms. In 2009, 2,872 farms had registered with Local Harvest as running CSA operations. (Galt, Beckett, Hiner, & O'Sullivan, 2011) With a median membership of about 60, an estimate of national CSA membership could be a quarter to a half a million households. This estimate reveals the expanding interest in and demand for the CSA model; certainly the ability of the market to attract customers is high. Yet, the lifestyle adjustments that members are faced with upon signing up for a season of produce have been formidable obstacles—with 30 to 40 percent attrition rates the norm each season. (Tegtmeier & Duffy, 2005) A summary of the member perspective over the course of the season reveals the issue:

For most (64 percent) shareholders surveyed in six southeastern U.S. CSAs in 1996, the value they perceived of their CSA experience decreased after their initial season as a CSA member (Kane 1997). Ironically, the very thing that most excited them in the Spring was the same thing that drove their discontent in the Fall. In the Spring, new shareholders expressed excited anticipation at the chance to try new kinds of vegetables and increase their overall vegetable consumption. Yet by Fall this excitement had turned to frustration at trying to incorporate those same foods into their diets. Such high rates of turnover and apparent dissatisfaction signal that, while CSAs may hold great promise, they also must confront some serious challenges to their viability. One apparent reason for turnover seems to revolve around eating patterns. (Goland, 2002)

While CSAs have been able to take advantage of a certain affinity would-be members have for the model's ideals or structure, the day-to-day produce complications facing farm customers cause them to question the renewal of their memberships and are where the model is noticeably weak.

Competition

CSAs can arguably be experiencing increased membership as a result of the recent consumer shift in preference among some customers toward local foods and sustainability. In such a climate, these farms are positioned to compete with and win over customers from national supermarket chains and traditional models for produce procurement that rely heavily on shipping fruits and vegetables from distant sources such as the West Coast, the Southern US and foreign countries. The draw that CSA farms (and other direct-marketed models offered by local, small-scale farmers) offer has been recognized by retail marketers at the management level, and many of these firms are actively devising new strategies to respond to this shift in consumer preferences and mitigate any loss in profits. Private discount retailer Meijer has strategic plans to open new, smaller (90,000 ft²) superstores in Chicago

that will prominently feature large produce departments, sourcing from over 85 local growers in a five-state region (i.e. an expression of their definition of “local”) in addition to conventional Californian and foreign sources. (Calandra, 2011) With large firms actively working to lure consumers back (or assure them that they needn’t stray) that prefer to spend their dollars on locally grown produce, CSA farms’ competitiveness is only moderately strong—and only for the portion of consumers aware and interested in supporting local farms.

Additionally, a more prominent and immediate source of competition for CSA farms is the explosion of farmer’s markets in towns and cities across the country. The USDA has published a directory of farmers markets annually starting in 1994, and since that time, the number of markets has increased by over 400%. (USDA, 2011b) As farmers markets are set up in a greater number of cities and neighborhoods in urban settings and offer a more sophisticated, cohesive and culturally appealing atmosphere to customers, many may be drawn to them due to the flexibility and convenience that they offer. Indeed, the proliferation of farmers markets has been cited by farmers as a significant challenge faced when recruiting new members. (Woods, Ernst, Ernst, & Wright, 2009) While the growth of CSA farm membership appears to parallel that of the expansion of farmers markets, competition between the two models will be a strategic concern in the near future.

Conversely, many CSA farms rely on its membership-based agricultural model as only one component of their farm’s business structure. It is common for these small-scale farms to sell at farmers markets and also market their produce through a CSA model. For many of these firms, the strategic coherence found in operating both models simultaneously reduces risk and offers an outlet for surplus produce; however, costs associated with the increasing scope and complexity of managing two distinct produce outlets that may require conflicting distribution tactics and additional strain on the farm’s human resources may outweigh the benefits for some farmers.

Productivity

One examination of CSA farm productivity could compare the average net returns per acre for CSA farms versus monoculture corn and soy farms. A study focused on these calculations reported that CSA farmers’ average net return per acre were \$2,467, which was substantially higher than both corn (\$172) and soy (\$134). (Tegtmeier & Duffy, 2005) A California study calculated the median gross sales per acre of cropland for CSA farms to be \$4,341 (again, the median is used here due to the skew in the average figure), while the average gross sales per acre for organic vegetable production in California is \$2,087. (Galt et al., 2011) While some researchers are forwarding the idea that CSA farms demonstrate themselves to be efficient economic models for land use, others argue that there is little support of such a claim made for CSA, much less any local, small-scale farm. Arguing that no such linkage between locally produced food and efficient use of environmental resources exists, authors caution of “the danger of conflating scale with ecological goals,” and admonish managers to be wary of being “trapped” by the mindset found

in buy-local campaigns and run the risk of “misallocating their own limited resources.” (Born & Purcell, 2006) Nevertheless, it is unclear how applicable the model is for larger expanses of land, as CSA operations typically remain small, usually with under 30 acres in production, and this most likely occurs as a result of the increasing complexity of management required in expanding the size of these farms.

Profitability

The proliferation in the number of CSAs over the past two decades would suggest there is positive economic profit to be made in the industry. Via surveys inquiring into the profitability of CSA farms, in many instances it is shown that positive net income figures can be calculated from farmer responses, demonstrating that CSA farms can cover input costs; however, it is crucial to observe that farmers typically don't pay themselves a wage—or pay themselves a very low wage. Rather they frequently consider themselves to be residual claimants, gleaning any net returns to cover their salaries in whole or in part. (Lizio & Lass, 2005) If a living wage is attributed to the farmers' time and efforts, recalculated estimates of profitability reveal negative economic profits. For the four years examined in one study, the share price of a season's worth of produce was underpriced on average by as little as \$43 in the most financially successful year to as much as \$161 in the least financially successful year in order to reach zero economic profit levels for the CSA farms in the survey. (Lizio & Lass, 2005)

Related to such suggesting that prices for CSA membership may be artificially low, a comparison of CSA share prices in Massachusetts in 1995 against the retail values of produce procured at local, regional and national grocery chains was made. Store-bought organic produce was 1.6 to 2.5 times more costly than CSA membership and conventional produce ranged from comparable in price up to 1.86 times more expensive than the CSA equivalent. (Cooley & Lass, 1998) While the theory behind the CSA model is that consumer-members come together with a willingness to share in the farmers' risk and pay them a fair wage for their work (beyond just covering operational expenses); yet, many studies have revealed that this fails to be the case. Researchers deduced that a Canadian CSA farm with a \$180 share price would have to ask \$414.85 for each membership share in order for the farmers to break even. (Brown & Miller, 2008) Nearly half (48%) of farmers in another study reported themselves to be unsatisfied with their own financial compensation from the farm (Lass, Brevis, Stevenson, Hendrickson, & Ruhf, 2003) A disconcerting trend is that adequate salaries for the farmers “seemed missing from their analysis of operating expenses” (Oberholtzer, 2004)

The issue of profitability, while already complicated, becomes even murkier when non-priced farmer values and volunteerism are taken into consideration. With labor and capital as primary farm constraints, it is understandable that farmers often accept the help (i.e. production, distribution, technical expertise and/or marketing tasks) offered by enthusiastic members; in one study all CSA farms were found to depend on contributions from some members “beyond paying the share price and

picking up the produce at distribution sites.” (Myhre, 2000) Additionally, farmers often cite personal values, such as a high quality of life, as a form of compensation for their work:

The overall picture portrayed by this survey is one of viability and commitment. Although more than half of [CSA farmer] respondents do not feel their share price provides them with a fair wage, almost all claim to be satisfied at least most of the time with their operations. Nearly all of these farmers anticipate continuing their CSA operations and over half expect the operations to expand. It may be that the intangibles of environmental stewardship and community involvement continue to sustain the outlook of these farmers. (Tegtmeier & Duffy, 2005)

While such intangibles may account for some entry into the market, perhaps especially among CSA farmers who have a proportionally larger percentage of higher education and frequently lack an agricultural background (Schnell, 2007), the lack of long term economic viability will be a force that dampens the further prevalence of CSA farms in the US, should valid concerns over a lack of positive economic profits not be addressed. The fact that most CSA farms are not able to set share price to cover production costs, including labor expenses, and can only set price to what the market can bear, has resulted in many CSA farmers exiting the industry after the first year or two of operation, naming financial and quality of life reasons. (Ostrom, 2007)

Based on this performance assessment, it is clear that CSA farms are faced with a variety of steep, shifting challenges and strategic issues that affect the ability of these farms to perform well for their members, as well as to the satisfaction of farmer-owners and the success of their local communities. The subsequent sections will examine the strengths, weaknesses, opportunities and threats relevant in the market for local produce, as well as uncover the most pertinent strategic issues facing farms in terms of Porter’s five market forces. Furthermore, a strategic issues synthesis and plan will be presented that focuses on customer attraction and customer expectations and retention topics, so that the analysis may contribute to improved performance among CSA farms.

Strengths and Weaknesses in the CSA Model

As discussed under the Performance Assessment, the ability of CSA farms to attract new members is high—and has steadily increased over recent decades. While a strength of the model is customer attraction, members join for a variety of frequently cited reasons: access to “high quality, fresh, and healthy produce,” to support local farms and farmers, to experience a sense of community, and out of motivations for improved environmental sustainability. (Lang, 2005) CSA farming is a match for these customer preferences, yet not all of its characteristics are competitive advantages. Members that stay with the CSA model beyond the first year or two typically are supportive of alternative/sustainable agricultural practices and generally visit the farms they purchase produce from. (Lang, 2005) For these reasons, the community building and sense of relatedness that result from members’ value-based economic choices (rather than impersonal commodity

transactions typical of global agribusiness) is a core competency of the model. However, the idea of “community” is a subjective one, and farmers will need to contend with various interpretations and expectations for it among their membership base, as longevity of the model depends in large part to this understanding:

From our conversations with shareholders we concluded that in reality “community” for a great many referred more to community of interest than to community built on mutual relationships of rights and obligations, on reciprocity. Although CSA offers a potential avenue for resistance to food as commodity, it has yet to demonstrate effectiveness in building the sets of stable, committed relationships the movement requires in the long term. In our research, “community” for some, if not most, seemed to be an expression of longing, a nostalgia for the imagined social bonds of our rural past—a kind of community that is difficult for CSA members to realize, given the demands and constraints of their lives. (Myhre, 2000)

While the proximity (i.e. “local-ness;” see External Forces section) of the farm to the end customer is a strength in the minds of members, it is the CSA model’s ability in “identifying and communicating the interests common to both the movement and the individual” that gives CSA a competitive advantage. (Goland, 2002) Framing the economic exchange in shared social and environmental priorities is the crux of CSA success—and a potential core competency of this agricultural model. The commitment to sustainable agricultural practices and environmental stewardship that is so apparent in the eyes of CSA members is a competitive advantage the farm managers can capitalize on in business planning—perhaps through marketing and education efforts.

The resonance that CSA members feel with the environmental and social aims of the model, as well as perceived quality attributes in the produce and a richer sense of relatedness in the transactions, is not without an assortment of complicated weaknesses in the current expression of the CSA farm. For those members who do join a farm, a significant percentage of members don’t return after the first season; attracted by the idea of incorporating more “fresh organic vegetables” into their diets, attrition is a common phenomenon due to the “time and skills demanded by the sustainable food system,” which requires entirely new habits in planning and preparing food. (Goland, 2002) This remaking of a household’s schedule, tasks and skills in preparing food produced locally through the CSA model is a formidable reality for many members—and one too challenging, undesired or unanticipated for many; yet, one researcher is correct to observe that this potential the CSA model possesses for creating a “routine-building function” is worth considering in depth and analyzing more thoroughly, (Stagl, 2002) as many members have adopted new produce preparation and handling habits and have maintained their CSA memberships for a decade or longer.

Aside from the challenge of restructuring daily food habits, CSA members are also often faced with limited choice in their weekly allotment of produce, cumbersome

distribution options and the seasonality of the model. Marketing researchers comment that while the direct-to-consumer distribution model brings with it a sense of “nostalgia” for rural lifestyles, in practice the “farm-to-table [model] requires a substantial revision of shopping habits for most of its patrons and, in the view of its most ardent zealots, an equally radical revision of diet.” (Tippins, Rassuli, & Hollander, 2002) For this reason, they see such direct-marketed concepts as CSA to have only a “very minor” role in the future of US produce consumption. Additionally, it is true that academia has noted the constraint of CSA in terms of its seasonally accessible produce (Stagl, 2002), branding it as “only complementary to grocery shopping;” yet, surveys of customer satisfaction have not included seasonality as a complaint among members.

Other serious weaknesses of the model are member attrition and negative economic profit. Indeed, with average annual turnover rates in excess of 40% (Oberholtzer, 2004), the annual membership loss is a severe problem for CSA farmers and a comparative disadvantage to the model at this point in time. The perennial amount of time invested by the farm in member recruitment and education is one side of the issue, and the other is the need to find new members each year in order to maintain revenue streams. Farm profitability is related to member retention, yet it also is a severe enough comparative disadvantage to merit its own discussion:

Several studies...investigated the short term economic success of CSA groups and found that CSA farmers often work long hours and may not earn a living wage and all too frequently the ‘community’ never materialises. While there are cases of economically very successful farms (e.g., Roxbury Farm CSA), these very gifted pioneers are not representative for average CSA groups.” (Stagl, 2002)

As the author mentions the profitability of some CSAs, a next step would be an investigation of these farms to determine whether these CSAs share common attributes. It may be the case that larger CSA farms are more profitable, yet this research has yet to be carried out.

While negative economic profit is a formidable weakness that many CSAs contend with, the CSA model has been, at the same time, criticized that its prices preclude low-income households from accessing what can be perceived as healthier, fresher sources of food. Finding ways to incorporate participation of a wider demographic in the CSA model will be an important task in the growth and success of CSA.

External Change Forces Pertinent to the CSA Market

In this section, the market forces external to the CSA farm that have an impact on the performance of the farm itself are considered. Specific trends in the external environment in which CSA farm operates will present it with both challenges and opportunities in its growth, profitability and longevity in the market. An awareness of these current market forces can benefit a farm manager by informing strategic farm planning; developing a background in pertinent external change forces may

save crucial farm resources by helping managers commit to tradeoffs in constructing a farm's strategic plan.

Vegetables: New highs in their popularity?

While the trend in vegetable consumption in the US over the past several decades has been more or less flat, there are recent signs that vegetable consumption has suddenly, unprecedentedly, come into vogue. In 2009, the percentage of adults who consumed vegetables three or more times per day was only 26.3%, and the overall consumption of vegetables from 2000 to 2009 did not change with any significance. However, slight upward changes in vegetable consumption were noted in 11 states and the District of Columbia. (Grimm et al., 2010)

Despite generally stagnant vegetable consumption rates, new trends emerging in the past two years indicate that consumer perceptions toward vegetables are shifting toward more favorable stances. News articles have noticed the development, going so far as to dub 2011 "The Year of the Vegetable." (Ball, 2011) Farmers are given credit for the emergence of this trend; the increasing prevalence of locally grown food in supermarkets and the "vast difference" between produce varieties cultivated for ease of shipment and those grown for flavor and picked at peak maturity are attributes recognized by consumers. (Raisfeld & Patronite, 2010) Vegetables have made their way into the spotlight:

It would be impossible, in fact, to overstate the role that farmers' markets have played in the evolution of vegetables in New York, and around the country for that matter...unrestrained vegetable eating has never been more eagerly pursued. ... Vegetables, you see, are newly and increasingly fashionable... Simply put, the once-meat-obsessed populace is realizing that vegetables actually taste good. Especially when fresh, in season, and carefully prepared... (Raisfeld & Patronite, 2010)

The trend has picked up momentum through national public health initiatives such as Meatless Mondays, which receives notable support from chefs like Mario Batali who is serving a greater number of vegetarian entrees in his restaurants. ("Even Mario Batali's Doing It! 14 Top US Restaurants Go Meatless Monday," n.d.)

Industry analyst sites such as Mintel have even documented the development, publishing their first-ever Oxygen report on vegetables in March of 2011. Foremost in their research is the resilience of the fresh vegetable segment in spite of uncertain, fluctuating economic conditions. (Mintel Oxygen Reports, 2011) In a Mintel survey of over 2,000 US consumers, 28% of respondents express the desire to "figure out how to include more vegetables" in their diets and 55% feel they should eat more vegetables that they currently consume. This interest among consumers for including more vegetables in their diets, in combination with popular trends that feature a new allure for vegetable-based dishes, is gradually shifting the way Americans make their food choices—and an important trend for CSA farmers to recognize.

The flare for localism

Aside from the buzz around fresh vegetables, it is important to mention the recent surge in popularity of local foods. Indeed, “locavore” was added to the Webster Dictionary in 2009. (Contreras, 2009) This interest in understanding where purchases come from and how consumers are related to the products’ origins has been perceived as becoming increasingly relevant as a selling point. (Passport GMID, 2010) Farmers have noticed this need among members for a relationship to their local communities and food sources. (Galt et al., 2011) American tastes are becoming more discriminating, and a shift toward locally grown produce is symptomatic of these new preferences. Author and food lecturer Deborah Madison expresses her motivation for buying local, “Food this fresh is a rarity. It has that vibrant, vital snap that food from afar never manages to keep.” (Madison, 2008) While the localism movement expands and matures, farmers remain aware that it is no marketing panacea; CSA success is tied to the quality of both product and service. (Woods et al., 2009) Furthermore, localism is being aggressively attacked by a wide range of skeptics. While small-scale producers have at times cited local production as inherently more economically and/or environmentally sustainable, critics respond that there is no proof of that conclusion. (Born & Purcell, 2006) The “local” designation, while new and popular, remains embattled in sentiments on either side of the issue:

Localization can proceed from a defensive, exclusionary impulse on the part of beleaguered agricultural producers and wary consumers. However, it can also prompt something seemingly very different: a greater receptivity towards and incorporation of diversity, on the part of both producers and consumers...Localizing and re-localizing food systems do not readily create enormous progressive societal changes. However, they do represent modest socio-economic, cultural and environmental shifts in encouraging directions. Ultimately, these shifts depend on the meeting and melding of producer and consumer interests, which takes place at a variety of scales and with differing outcomes even in “local” food systems. (Hinrichs, 2003)

CSA farmers can be cognizant of the growing affinity consumers have for locally grown and produced goods; yet, as has been previously developed, local produce is not a competitive advantage for CSA farms. There are other essential—and more enduring—components of a member’s decision to join a CSA: “In the view of the producers surveyed, the success of a CSA appears to be tied more to the quality of both product and service, rather than just riding on the coattails of the locally grown food trend.” (Woods et al., 2009) Managers can consider how to benefit from the trend for locally grown produce, and at the same time develop business strategy that has its foundation in the core competencies of the CSA farm.

Economic Uncertainty

A force of change relevant for farmers, as well as for business people in a wide assortment of industries, is the current economic climate. On the whole, farmers surveyed did not appear to believe that their membership base would be significantly affected by economic recession. (Woods et al., 2009) In a California study, only about 22% of CSA farms saw a decline in membership between the 2008

and 2009 seasons, nevertheless, across all farms the total number of CSA members increased markedly. (Galt et al., 2011) Undoubtedly, economic uncertainty is a formidable threat to CSA farmers that need not be glossed over; however, consumer choices and preferences during difficult economic times hint at the opportunity that also exists for local CSAs, as more families dine in and prepare meals at home. (Mintel Oxygen Reports, 2011) Furthermore, Mintel also noticed that, while Americans are readjusting their purchasing habits as a result of the recession, “the local procurement category is not suffering as a consequence. In fact, it is benefiting from current economic conditions.” (Mintel Oxygen Reports, 2009) Economic uncertainty can be considered both a threat and an opportunity for CSA farms. While priorities for some consumers are shifting in a way that may make them more inclined to join a CSA, other members may have to forego the CSA option due to reduced household income levels or the large cash-up-front investment. Strategic planning in terms of alternate payment structures for members may be able to address the threat in a measurable way.

Government Intervention

In recent years large government initiatives are increasing incentives for citizens to consume healthier foods, while others focus on improving food safety on farm and in the supply chain. The government’s new food icon, *MyPlate*, replaced the Food Pyramid as of June 2011, and it recommends that consumers prepare meals in which half their plates consist of fruits and vegetables. (USDA, 2011a) The First Lady’s “Let’s Move” program is designed to encourage our upcoming generation of young people to adopt healthy lifestyles, of which eating plenty of fruits and vegetables is an integral component. (Let’s Move, 2011) Opportunities in the face of this external market force are rich; young families may be optimal candidates for CSA membership. Additionally, government-mandated local food initiatives can bring a wealth of economic opportunity for local farms. In Illinois the Local Food, Farms and Jobs legislation has laid out a goal that 20% of food served in schools, prison and government campuses be produced within the state by 2020. Such initiatives can be welcome targets and marketing opportunities for CSA farmers that construct a strategic plan that allows for institutional clients. On the other hand, new federal-level policy changes pose a substantial and looming threat to some CSA farms. In 2010 the FDA announced that it was creating new legislation to regulate the safe production, harvesting and packing of fresh produce. This law had been recently passed as the Food Safety Modernization Act; (“FDA Produce Safety Activities,” n.d.) Detailed regulations will be forthcoming in 2012, and their effect (if any) on small-scale farms remains to be seen.

Five Forces Affecting the CSA Farm

As was discussed during the literature review section, aside from the current strengths, weaknesses and external change forces affecting CSA farms, it is important to understand the relevant market forces that will come to bear on firm performance. A deep look at the factors included in each of Porter’s Five Forces will most likely shed light on assumptions business managers may carry with respect to the industry—and that they may be unaware of. A thorough and objective analysis

of pertinent market forces may offer insight into strategic decisions, farm core competencies or business models.

Market Rivals

CSA farms face competition, or rivalry, in three main forms: from farmers markets, retail produce outlets and from other direct-marketed farms. As the number of farmers markets rises every season, they are increasingly recognized as “an essential service to the community” where people come to spend the day, making these markets just as much a cultural event as a shopping excursion. (“With farmers in town, it’s more than a market,” 2011) Supermarkets like Whole Foods Market are hosting farmers markets on site at some of their stores to capture current motivation to buy local, hoping consumers will shop their retail stores during the same visit. (Dolnick, 2005) These efforts put pressure on CSA farms, specifically those that choose CSA as their only outlet, bypassing the farmers markets as a direct-selling method. Still, with new CSA farms entering the market each season, rivalry among CSA farms is becoming more likely.

Price pressure from rivalry among these different market outlets is a factor that CSA farms are quickly being faced with, as such competition is “eroding the margins” that farmers committed to sustainable agricultural methods have depended on. (Guthman, 2004b) As demand for organic and locally grown produce continues at steady rates, rivalry may become more intense. With CSA farms for the most part adhering to organic production practices, which Guthman argues exemplifies a process by which the farm is internalizing what are higher costs of production, this pattern “can only be sustained in a competitive environment through the market (premium prices) or through agricultural policy support.” (2004b) The demand for organic and local produce combined with rivalry among different market channels at the point-of-sale may mean lower prices for CSA products. This market force wields significant power over CSA farmers, and strategic planning is needed to address this uncertainty.

New Entrants

The ease with which new CSA farms can be established is at the same time a welcome change in an often capital-intensive industry like agriculture and a threat to the longevity and reputation of the CSA model in general. Resources abound online for would-be farmers looking to start their own CSA with modest financial resources. A constant stream of PDFs and references can be found on sites like ATTRA.org, the Rodale Institute, and, increasingly, through extension offices and community colleges across the country. Yet other authors point to the risk inherent in the fact that any grower can start a CSA the very first time they plant a seed in the ground, potentially alienating customers and tarnishing the model when mistakes happen. (Nagengast, 2002) The appeal (and the need, as even many farmers would argue) for new models for agriculture is to a large part what may be carrying the momentum of CSA agriculture forward; yet, as more CSA farms are entering the market, customers sometimes have the option to choose among a variety of CSA farms in an area, which was typically not the case five or ten years ago. The market

trend does not show signs of abating either, as increasingly more sophisticated, organized and comprehensive beginning farmer training programs are established nationwide. CSA farm managers will be benefited by a clear understanding of their farm mission and competitive advantages in order to navigate the growth of their farm business as more CSA operations are opened in their vicinity.

CSA Members (i.e. Buyers)

Some consumers come across the CSA concept and find resonance with its ideals and become devoted farm members for many years. To some extent it may be argued that these consumers forego to a limited extent their buyer power as they choose to participate in an agricultural and economic model that has significance to them that goes deeper than getting produce at a certain price. Yet other buyers are often interested in CSA farms precisely because they seek fresh, locally sourced produce and are neither motivated to visit the farm nor deeply committed to the economic concept at the heart of CSA. (Adam, 2006) This makes the topic of buyer power anything but consistent when considering the CSA model. While the original essence of the CSA model is to provide farmers with a fair wage and financial stability, some have argued that many current expressions of the CSA are far from that realization:

In attempting to construct an alternative *to the market*, as reflected in an explicit emphasis on community and in the distinctive “share” relationship, community supported agriculture moves closer towards the decommodification of food. Nonetheless...power and privilege may sometimes rest more with educated, middle-class consumers than with farmers or less-advantaged consumers. (Hinrichs, 2000)

Furthermore, inaccurate expectations of the experience can contribute to member attrition as common concerns with too much produce, too much preparation time, a lack of proper storage and handling information and a lack of produce selection send members looking elsewhere for fresh vegetables. (Tegtmeier & Duffy, 2005) As has been mentioned, some members do join CSA farms to connect with the place and people at the source of their food, yet real obstacles remain in retaining customers. Depending on the marketing methods utilized by farm managers, the buyer power that the CSA operation experiences will be highly variable from one farm to another.

Farm Inputs (i.e. Suppliers)

Beyond concerns with membership attraction and retention, there are on-farm hurdles as well. While CSA farms can be started with relatively little acreage and initial financial investment due to a lack of need for highly mechanized, specialized, and expensive farm machinery, the trade-off is that a great deal of manual labor is required. Labor costs consist of about 40% of total variable expenses on vegetable farms (USDA Economic Research Service, n.d.). In terms of on-farm production, some researchers feel that the CSA model is called to exemplify “a greater sense of efficiency in relation to farm scale...so that farms can meet the needs of the community in a healthy economical manner.” (Lamb, 1994) Beyond efficiency for

the sake of profit, Lamb maintains that the increased customer involvement brings with it a sense of responsibility of the farmer to his or her member-community. The pressure toward efficiency seems palpable to CSA farmers, given their need to manage a wide assortment of crops, market their products to new customers every season and trouble-shoot the distribution and logistic challenges of direct marketing. As a result, a trend toward volunteerism is witnessed on many CSA farms, as these members are relied upon to carry out much of the routine farm work, either in the fields or in the farm office. Lamb suggests that this “inhibits the possibility of creating appropriate flexibility and growth” for the farm business and, thus, can prevent the farm manager from the realization that the direct-sales model may be limiting the growth trajectory of the farm. (1994) A traditional solution to the on-farm labor issue has been to seek out reliable workers in immigrant communities, as fewer interested and qualified US citizens seek work in the agricultural sector. Yet government policy is becoming more restrictive and punitive for farmers dependent on migrant labor in several states (Sisk, 2011); therefore, their labor costs are poised to rise. Diverse factors related to farm labor inputs are affecting the CSA market, and these forces will affect farms differently—in ways proportional to the farm strategy and business planning that managers have chosen to adopt.

Substitutes

While it has been mentioned that a relevant change force for CSA farms is the rise in popularity of vegetables in the past couple of years, many Americans continue to experience obstacles to increased fruit and vegetable consumption. Chief among these perceived barriers were high perishability, not feeling sated after eating, low accessibility, cost, and long preparation times. (Richards et al., 2010) In 2010, weekly expenditure on fresh vegetables purchased for at-home consumption was \$4.04, while meat was \$11.94, dairy \$7.30, fresh fruit \$4.46, alcohol \$7.92 and tobacco products \$6.98. (Bureau of Labor Statistics, 2010) CSA farmers can understand that advertising dollars spent on convenience foods, pre-packaged foods and aggressively marketed commodities such as milk, beef and other household staples are a constant force in the market for fresh vegetables. Indeed, it is unlikely that such advertising resources are to be found anytime soon in the local fresh produce segment.

Proposed Core Strategy

The market forces and external environment in which CSA farms operate present a strong set of collective influences on firm viability and success. In order to weather these challenges and opportunities well, farm managers can weigh these factors purposely in order to conceive of a strategic plan that incorporates all the strengths, core competencies and opportunities the farm has at its disposal. While this document has addressed the CSA market as a whole, farm managers will also need to include in the structuring of the strategic plan the longstanding or newly relevant competitive advantages that the farm can offer to its members. Furthermore, building core strategy is as much a creative endeavor as it is an analytical one, thus managers will benefit from non-traditional thinking and problem solving. Indeed,

the variety of strategic plans that may evolve from this basic set of information on the CSA market is profuse; therefore, the brief suggestions that are included below are only one possible sketch among many options and business activities available to CSA farm managers. A summary of these recommendations, categorized by core competency, is presented in Table 2.

Core Strategy and Strategic Initiative

The history of the CSA model is characterized by a niche focus within the fresh produce industry due to efforts to create unique customer value and competitive advantage for the firm while adhering to the ideals of the model. However, CSA farms have undoubtedly noticed the increasing savvy and awareness of rivals as they add core competencies traditionally held by CSA farms and small-scale, local family farms into their suite of strategic attributes and advantages. While the CSA model has its roots in local economies and personal relationships with members, I propose that the CSA farm's core strategy should additionally focus on providing many of the benefit attributes to CSA membership that larger rivals are already trying to adopt. It's not enough for farms to simply be a niche market. As customers have more choices through rivals' differentiated products, farmers will be benefited by a strategic plan that underscores improved marketing and service aspects of their farms, thus making CSA membership not only unique but also competitive—not undercutting rivals' pricing but offering greater differentiation and benefits to its segment of customers. The underlying model inherent to CSA farms is not sufficient to warrant its classification into a niche market. Certainly the CSA model is unique; yet, there is ample diversity within the set of CSA farms, with wide representation of production enterprises, scope, marketing channels and agronomic characteristics among farms. In order to find their individual competitive advantages through the expression of the core competencies presented herein, farm managers will need to develop a differentiated set of products and services that exemplify their values and goals through comprehensive strategic and business planning.

Member Expectations

First and foremost along this vein would be the need to successfully manage CSA member expectations. Clear communication in marketing materials, blogs or farm marketing videos that explain what to expect, and testimonials from current members will be significant first steps. An activity CSA farms may want to consider adopting is developing one season's worth of educational materials targeted to the first-year shareholder; this could be a series of YouTube videos offering virtual farm tours, newsletters that background the members with more detail of the farm's history and goals, and/or a presentation of basic resources, like recipes, produce storage guides or preservation tips, that aim to help new CSA members gradually and more successfully feel prepared for this change in their food routines. Aside from directly serving the CSA farms' core competency of a developing rich, personal relationship with members, a season's worth of targeted and well-planned materials could go a long way to educate members on the unique sustainable agricultural practices these farmers have chosen to implement—thereby thoroughly supporting

and communicating a second competitive advantage found on most CSA farms. Thirdly, farmers will be able to reinforce in this communication what is unique about their specific farms; whether passionate about heirloom or specialty varieties, rotational grazing or organic farming practices, the farmer will have an entire growing season to enrich the members' experience via a set of deliberate and considered communications—thus reinforcing what members perceive to be the superior or sought-after attributes in a farm's products.

While this represents additional management resources, it's a proactive strategy that aims to diminish the need to replenish the entire membership base every two to three years (which is what is currently happening for CSA farms with 60% retention rates, a typical industry-wide figure). More flexible payment plans will also help reach a wider customer demographic, and may work to improve or soften the farm-shareholder relationship as farm managers develop ways to collect membership fees in light of their cash flow situations. Indeed, 20% of CSA farmers have already moved in this direction with their accounts receivable. (Galt et al., 2011) A few CSAs have also made strides to offer members greater choice in their weekly allotment of produce, setting up delivery sites as farmers markets in miniature, with instructions specifying the maximum quantities of each crop members can select, thereby allowing customers to have more of what they want in the moment and less or none of what doesn't interest them, which improves satisfaction rates and contributes to a strengthening of the farm's competitive advantage in relationship-based transactions:

Most of the farmers interviewed said that offering quality, quantity, and a variety of products was the most effective way to retain their members. Farmers also said that offering an element of choice of vegetables each week was an important way to satisfy and retain their members.... Communication issues were also noted as important in retaining members. Most see their weekly newsletter as a key element in communicating about farm happenings and how members can use their share, and to enhance shareholders' interest in the farm. Personal contact was also perceived by the farmers to be very important for satisfying their shareholders. (Oberholtzer, 2004)

CSA members that join simply because they are only looking for a source of fresh, organic produce don't remain members for long, thus the successful attraction and retention of a membership base may hinge on "identifying and communicating the interests common both to the movement (in this case, CSAs) and the individual...[to] target those groups and individuals who show concern about, and commitment to, social and environmental issues." (Goland, 2002) This communication of the farm's commitment to sustainable agricultural practices and environmental stewardship—beyond the first season's worth of newsletters and educational materials—is a core competency ingrained in the CSA model and needs to be capitalized upon continuously through explicit explanations of farms' agronomic decisions.

Furthermore, CSA farms can incorporate members into the creation of meaningful farm and rural experiences, thus building upon the rich potential for relatedness

that results from economic decisions that are framed in value-rich decisions that reach beyond mere commodity exchanges. This sharing of a farm culture or farm organism with members is a possible way to make lasting connections with members. To “model the rural life with which the shareholders identify” may move farmers toward ways to sustain community ties with their members. Activities that can be carried out to build from this competitive advantage are the hosting of farm festivals, farm Open Houses—even periodic invitations to the farm to work. Some members will want the opportunity to experience the farm from the farmer’s perspective for a day, getting their hands in the soil and toiling in the sun. In this vein, farms have hosted weed-pulling parties or created cultural rural experiences centered on barn-raising or producing value-added farm products like butter, soap or goat cheeses. The rural experience that some members seek from their CSA farms can also be enriched and solidified by farm managers allowing and supporting member-driven initiatives to make contributions to the farm. In one instance, a new CSA shareholder was so moved by her experience of a deeper connection with her food and its source that she designed, wrote and published a cookbook that narrated her journey. (“24 boxes,” 2011) Encouraging such participation—and communicating it to other members—is an action that can spur momentum within the shareholder base to invest the time necessary of CSA membership; for its rewards then become more evident.

Economic Viability

While a generation of CSA farms have worked hard to build such relationships, the future success of the CSA model “may depend on the willingness of shareholders to participate more actively in their farms or to pay a higher price for their shares.” (Myhre, 2000). This conversation about price is also a crucial issue to be addressed by future CSA farmers and their members:

While the CSA share, on one level, represents a significant step towards decommodifying food, on another level, it still must ‘get the prices right’, if CSA is to persist and thrive. CSA attempts to support farmers and farming more completely than conventional market arrangements often allow. Costs must be covered, farmers deserve a living wage (as well as benefits), and the physical and natural infrastructures need to be stewarded. And CSA must also ‘get the prices right’ in another respect, if the promising alternative it represents is to be accessible and affordable to people of limited means.” (Hinrichs, 2000)

The challenge to the economic viability of the CSA model is compelling. While the ideal of the model is fair economic compensation for farmers engaged in sustainable agricultural practices and a decommodification of food, not having attained these goals yet is no proof of the failure of the model. In the interim, this strategic plan suggests a concentrated effort on attracting and maintaining a membership base that can fall into alignment with the farmer in their stated goals for CSA. In turn, the farmer will need to focus on improving customer satisfaction and innovating ways to deliver an increased amount of value and relatedness to members in order to do better than rivals.

While CSA farms need to capture current or higher prices for their shares to move toward economic viability, lower-income households may be able to access the farms' goods via government programs. Given that it is common for CSA farms to also market their produce through farmers markets, and that there are an increasing number of markets that accept SNAP benefits, low-income households can access farm goods through such programs. Also, CSA farms that do not market their goods through a farmers market may apply directly with USDA for a SNAP license. An approach that sidesteps government programs could be to accept donations from shareholders that are motivated to subsidize a farm subscription, in whole or in part, for a low-income household that would like to join the CSA farm. Dislocated workers may also access CSA farm produce through a "worker-share"—thereby exchanging labor over the course of the season for a reduced or "free" share of produce. This worker-share idea could also be developed to make the farms' products accessible to households located in food deserts; low-income members could exchange their time and organizational and management efforts necessary to host a community-based delivery site in a low-income neighborhood.

Strategic Scope

There are interesting options available to CSA farms that are willing to broaden the strategic scope of their businesses, as this paper recommends. Moving toward concentric diversification could be a good fit for the CSA farm. One idea is to move away from the model in which a farm has one CSA that carries the farm name. Instead, one farm operates multiple CSAs, each with a different name that represents the relationship that links those members in community with one another, such as the name of a town, church, not-for-profit or workplace. (Marks, 2011) The intention behind such a strategic decision is to augment the CSA farms' competitive advantages in relatedness among members and the farmer, as well as further enrich the farm/rural experience for members. By grouping members by a social activity they hold in common, e.g. church membership or place of employment, the farm manager is fostering a tighter connection among farm members—and such commonality may make it more inviting for shareholders to reach out to each other for ideas as to how to most fully gain from and enjoy their memberships or in offering suggestions or activities to the farmer that may build community. In essence, feedback may be more forthcoming, and the farmer and shareholders can shape the CSA experience together.

Additionally, members may appreciate and benefit from linkages with other area farms in the form of meat, dairy or grain "add-ons" to the weekly produce offerings. This activity would serve to improve the members' experience of rural life through the assortment of diverse and locally produced farm goods that could become available to them through direct-marketed means. Furthermore, incorporating into a farm's strategic plan a variety of goods from neighboring farms could be a step toward developing the farm's stated core competency in a specific set of farm products. For example, if a farm adheres to Biodynamic practices, perhaps introducing its members to the products of other Biodynamic farms in the area—via a variety of vertical integration decisions—will strengthen a sense of certainty

among members that they are indeed receiving the superiority or specialization in the goods that they sought out when joining the farm. However, caution needs to be exercised here, as the CSA model is very distinct from that of a co-op, and trending too far in this direction can deteriorate the farmer-member relationship, thus reverting to mere commodity transactions.

An increase in the scope of the markets that CSA farms serve is also a viable option. As the strategy presented thus far has recommended a certain tightening or greater level of relatedness among CSA members and the farmer, farm managers may want to consider expanding the business into market channels beyond an exclusive CSA model. This could allow the farm to reach a larger pool of customers (via farmers markets, wholesale selling to institutions or chefs/restaurants or branding farm products to other farms), thereby increasing the revenue streams for the farm and potentially introducing a greater number of clients to the CSA concept—which may over time increase the number of CSA shares and the amount of annual revenue that the farm can secure at the beginning of the growing season when cash flow is limited. A strategy of this type has the ability to introduce prospective CSA members (perhaps via farm communication or word-of-mouth when they become customers in non-CSA market channels) to the idea of the farm as a nexus of community that offers, what could become, a cherished rural and agricultural relationship. By branching out to other market channels, customers may recognize and find affinity for CSA farms' core competency in offering just this type of experience.

A specific and newly popular opportunity that qualifies as an expansion of scope would be an exploration of farm-to-school market channels. The improvement of the nutritional content of school lunches is an issue that is gaining momentum quickly; so, developing a relationship with an area school could introduce student, parents and staff to a local CSA farm. Aside from being paid for deliveries of the farm's goods, whole curricula can be developed around agricultural methods, cooking, nutrition—and the farmer can even host field trips to the farm or make visits to the students at school, possibly leading farming or food preservation demonstrations.

Vertical Coordination

In terms of the vertical coordination continuum, this strategic plan presents the establishment of a specification contract (i.e. a formal, written agreement between the farmer and the shareholder delineating the shared risk and reward over the course of a growing season) as very important to the future of this model. Without such a written agreement, the farm is especially susceptible to what Julie Guthman recognizes as the pressures of “agrarian capitalism” to mimic conventional economic spot market transactions. (Guthman, 2004a) While most CSA farms no longer (or never) require any type of specification contract between farmer and member, I recommend that this is an important component of core strategy—especially since this relationship is a fundamental characteristic of the CSA model that guarantees the farm a steady income for the season and underscores that the exchange taking place carries with it several non-price attributes. The contract also

can serve the dual purpose of underscoring the relational qualities of the farmer-shareholder partnership and providing a space in which the farm manager has yet another opportunity to present to the member documentation of their sustainable agricultural practices. Thus, the contract becomes a key vehicle for strengthening two core competencies. The written agreement, furthermore, can play a role in solidifying the psychological and legal agreement that both parties are committing themselves to. Such an action has the potential to embed into what were formerly food commodities the “social and ecological relations of production and consumption [and] can fully support the transformative goals of environmental sustainability, economic viability, and social justice.” (Allen, FitzSimmons, Goodman, & Warner, 2003)

Conclusion

As this paper considers the current forces at work in the CSA market, preparatory research was conducted in order to background and give context to the discussion. In order to make a comprehensive, informed strategic plan for the future managerial actions of CSA farmers, a review of pertinent primary sources opens this paper. First, the concept of strategy itself was presented, which, at its heart, is an understanding of what sets one business apart from its competition and a discernment of what activities are best for the business to forego. Accurate industry definition is key, as it is the strong interrelationships within an industry that can determine the factors that take shape in the form competitive advantages. Porter’s Five Forces Analysis was summarized as a vital step in recognizing the underlying currents in an industry, because these forces are the very ones that determine the industry’s profit and competition levels in the mid and long run. The advantage of building core competencies quicker and at less cost than competitors in order to innovate profitable, unanticipated products was discussed. Choosing a strategic plan, informed by industry research, specifies the fundamental approach the business will take to develop the competitive advantage the firm chooses to pursue.

Using these tools in consideration of current forces in the CSA market, many trends, strengths and weaknesses were identified in the CSA model. To begin, a performance assessment of CSA farms unearthed average performance in customer service and competitiveness, moderate productivity levels, and a very low measure of economic profitability on average. The CSA model is characterized by core competencies in fostering relatedness with the farmer and the farm’s goals, the perceived superiority of its farm products, and a positive impression among members of the sustainable agricultural practices employed on CSA farms; yet the same time, farms face weaknesses in distribution, profitability, and the management of member expectations and preferences. The external environment for CSA farms offers opportunities: fresh vegetables are gaining in public favor, economic recession may drive food preparation within the home, locally produced items are in high demand, and the government supports initiatives that expand the consumption of vegetables and locally produced farm products. Threats also exist to the CSA market: job loss and reduced income among members and government regulation.

A Five Forces Analysis of the CSA market revealed that rivalry exists in three main forms: from farmers markets, retail produce outlets and from other direct-marketed farms. The threat of new entry and buyer power is high; yet some members have yielded their power in attempts to support the non-price attributes they associate with CSA membership. Supplier or input power is moderate, as CSA farms require fewer capital-intensive resources, yet government policy on labor laws could become more restrictive. Finally, the pressure of substitute products is low, as vegetable consumption as a percentage of household expenditure is relatively stable over the long term. Based on the intensity of these industry forces and the competitive advantages and disadvantages of the CSA model, a possible strategic plan for the CSA market would include a change in strategic initiative from maintaining the status quo to a repositioning of strategy in the areas of customer selection, attraction and retention methods. Keying in on customers who share the CSA farmer's mission may reduce member turnover and foster longer lasting competitive advantages for the farm. This could also better position the farm to increase the price of its shares by incorporating the broadly recognized farm core competencies into the seasonal price of membership. In terms of the scope of products offered, CSA farms could consider "add-ons" from other local farms, and to foster an increased sense of community, managers may want to narrow membership in each CSA, thus encouraging the branding of multiple CSAs from the same farm. Furthermore, the market scope of CSA farms may be benefited by diversification: including new market channels may increase revenues while simultaneously priming customers for eventual transition toward the CSA enterprise within the farm. Lastly, both specification contracts with members and relation-based alliances with other farms are valid options to build on the competitive advantages found in the CSA model.

While some authors suggest bleak financial forecasts for the CSA model or focus on the challenges of members to assimilate CSA into a revamped set of consumer habits and lifestyles (Brown & Miller, 2008), others recognize the potential that still remains with the model, particularly for future CSA members: "that potential is premised on consumers making the connection between the food they eat and the system that supplies their food." (Goland, 2002) While CSA farms offer a way for individuals to find linkages to the food they eat, its source and the larger community that connects them, the CSA model puts producer and consumer in very close proximity of one another, thus it can "provide an opportunity to trace consequences of action more easily and thus move information more effectively both from awareness to action." (Stagl, 2002) Perhaps such possibilities will keep the CSA concept perennially appealing and increasingly popular—and will lead farmers into more successful and profitable futures.

Table 1: Performance Analysis of the CSA Market

These categories are rated on a scale of 1 to 5, with 1 being the poorest performance and 5 being outstanding performance.

Customer Service: 3

- Steady, growing demand for CSA services, as seen in rising national membership levels and the growing number of CSA farms
- Complicated lifestyle changes are cumbersome for some members. “Good” annual retention rates hover around 60%

Competitiveness: 3

- Small-scale family farms are seen in a positive light by the populace and by customers interested in participating in the local food trend
- National produce and supermarket retailers are keen to offer locally sourced produce, potentially diverting customers away from CSA membership
- Farmers markets are booming: representing both an opportunity for some CSA farms as well as a threat, because customer convenience is high in this marketing outlet

Productivity: 3

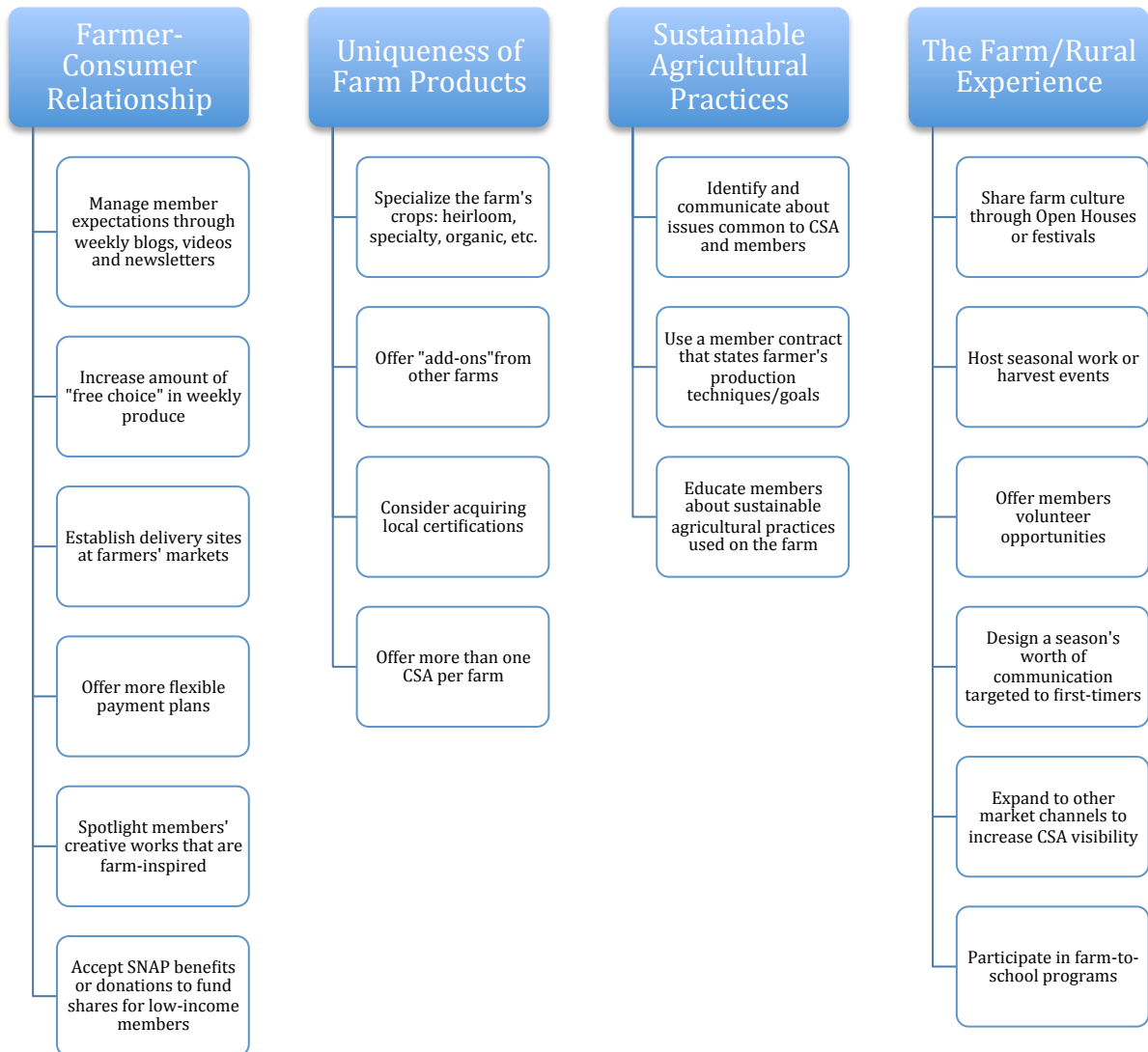
- Higher per acre net return on average for CSA farms compared to monoculture farms
- Small total acreage of CSA farms compared to average US farm area, up-scaling the size of CSA farms may not be possible nor desirable, certainly because management complexity will also increase

Profitability: 2

- Dubious proof of CSA farms’ economic profits; long-term profitability may be negative
- Fewer CSA farmers work off-farm to supplement their income, compared with national averages across a variety of farm types and markets
- CSA prices may be superficially low
- CSA farmers attest to intangibles being a significant lifestyle benefit, beyond bottom-line economic profit

Table 2: Core Strategy, Core Competencies and Business Activities to Build Competitive Advantage

Highly Differentiated Products and Services



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