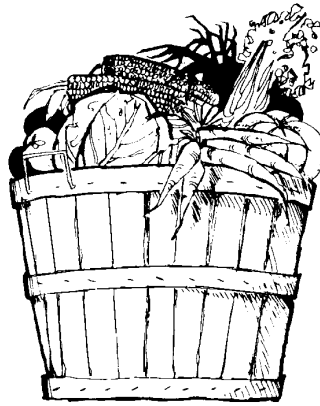


HeartEye Village CSA 2013 Annual Report



February 13, 2014

Contents

Introduction.....	3
Part 1: Production	
Harvest Totals, Main Season	4
Harvest Totals, Winter Season	5
Comparables.....	6
Part 2: Viability	
Income and Expenses.....	7
Labor	8
Analysis	8
Part 3: Strategies	
Summary.....	9
Conclusion.....	10
Acknowledgments	10

Introduction

As part of the desire for transparency and education, and because we have documented everything we have done making analysis of our efforts possible, HeartEye Village CSA would like to share our Annual Report with our members and with the wider community.

There are several reasons that we feel it is pertinent to share details about the results of our latest growing season. One important factor is that the CSA model is a relatively new marketing concept and most people know very little about it and the benefits such a model engenders. This lack of familiarity can result in participants, and would-be participants, making erroneous assumptions about the procedures and economics that make a CSA function in a sustainable manner.

Another reason is that we feel it is important for our members to understand the context behind the decisions that are made. Such decisions range from how and why crops and harvests are allocated the way they are, why changes in management strategies occur and why share prices may or may not change.

Another factor is that over the course of the season as members pick up and utilize the produce from their boxes, they may not realize how much produce they are actually receiving. As a result, participants in a CSA may not fully know how much they are saving by not purchasing organic produce in the retail sphere.

While our skills have continued to grow, we have experienced extremely unusual climatic conditions this season and as a result we fell just short of our main season CSA box value expectations, and far short of our yields of previous years. In addition, 2012 marked the 3rd season that we operated a winter CSA using the high tunnel. We were especially excited to assess our progress over the 3 years of winter production. While we again experienced some success and some failures, the most significant observation regarding continued operation of the winter CSA is the substantial contribution it makes to our overall financial stability. Nonetheless, erratic climate trends have posed a major challenge to our operations forcing us to make the radical decision to temporarily suspend the main season CSA program for 2014.

We want to thank our members for their support and we invite you to peruse the results of what we experienced over the course of a climatically challenging year. We are excited to have learned some valuable lessons that will inform our responses to the unexpected challenges we face as we move forward in creating a financially sustainable model of micro-farming.

Sincerely,

Tracy Sweely
Farm Manager

Part 1: Production

Harvest Totals

Totals per crop: Main Season

A total of 1717 lbs of produce were harvested from our ¼ acre micro-farm during the main season. We are reporting on slightly fewer crops than in previous years because we are doing less experimentation with crop varieties and we have been lumping some varieties together when monitoring their weights, such as green and yellow beans. Hot daytime temperatures have always undermined our yields for all leafy greens but this year cooler nights than usual seriously hampered hot weather crop growth and we also had no plums this year due to a hard frost at the budding stage early in the season. The following chart indicates the total number of lbs harvested for each of the 36 crops grown during the 2013 season.

Arugula	9.1	Turnips	80.3
Beets & Greens	69.35	Turnip Greens	23.61
Bok Choi	16.72	Basil	5.07
Carrots	123.97	Beans	88.34
Chard	38.74	Cucumber	119.94
Cilantro	0.72	Eggplant, Japanese	0.85
Collards	20.47	Eggplant, Black	9.06
Garlic	17.99	Melons	24.79
Kale	49.05	Tomatillos	13.05
Lettuce, Leaf and Head	144.21	Tomatoes	105.7
Mustard	5.24	Winter Squash	112.63
Onions	75.86	Perennial herbs	4.66
Parsnip	7.6	Rhubarb	1.96
Peas, Snow	16.78	Escarole	40.31
Radishes	29.44	Squash Blossoms	5.84
Shallots	1.98	Green Tomatoes	132.06
Spinach, green	6.09	Winter Squash	35.81
Spinach, purple	10.1	Horseradish	16.5

Total per half share: Main Season

The following chart indicates the minimum total number of lbs of each crop received by half-share CSA members during the 2013 main season. At a minimum, full-share members received twice these amounts.

Arugula	0.29	Turnips	2.81
Beets & Greens	2.38	Turnip Greens	0.70
Bok Choi	0.54	Basil	0.16
Carrots	4.13	Beans	3.04
Chard	1.32	Cucumber	4.03
Cilantro	0.02	Eggplant	0.34
Collards	0.71	Melons	0.99
Garlic	0.53	Summer Squash	8.19
Kale	1.60	Tomatillos	0.35
Lettuce	4.06	Tomatoes	3.74
Mustard	0.18	Winter Squash	5.05
Onions	2.29	Perennial herbs	0.16
Parsnip	0.28	Rhubarb	0.07
Peas, Snow	0.43	Escarole	1.04
Radishes	0.85	Squash Blossoms	0.18
Shallots	0.07	Green Tomatoes	2.00
Spinach, green	0.21	Horseradish	0.58
Spinach, purple	0.33		

Totals per crop: Winter

A total of 328 lbs of produce were harvested during the 2013 winter season. A total of 31 crops were successfully cultivated, we provided 3 fewer crops than in 2012. Some crops harvested were not actually grown in the high tunnel during the winter months, but were carried over from main season production either in storage or in the ground until it became too cold for them to survive. Yields were undermined by a severe cold snap that killed the arugula, snow peas and much of the mustard and kale.

Arugula	7.67	Onions, Yellow	20.7
Beets & Greens	2.62	Peas, Snow	0.09
Bok Choi	14.91	Radishes	7.52
Carrots	6.27	Spinach, green	0.68
Chard	5.94	Turnips	41.36
Cilantro	1.04	Beans	5.43
Collards	4.69	Cucumber	11.31
Garlic	2.97	Eggplant, Black	1.13
Kale	11.85	Melons	5.29
Lettuce, Leaf and Head	9.5	Peppers, Bell	0.26
Mustard	5.96	Peppers, Anaheim	0.37
Onions, Red	5.89	Summer Squash	5.76

Tomatillos	2.53	Green Tomatoes	10.68
Tomatoes	93.53	Beet Greens	1.52
Perennial herbs	0.45	Winter Squash	36.62
Escarole	3.63		

Total per half share: Winter

The following chart indicates the minimum total number of lbs of each crop received by half-share CSA members during the 2013 winter season.

Arugula	0.99	Spinach, green	0.08
Beets & Greens	0.15	Turnips	5.26
Bok Choi	1.36	Beans	0.50
Carrots	0.78	Cucumber	1.46
Chard	0.68	Melons	0.50
Cilantro	0.12	Peppers, Bell	0.03
Collards	0.61	Peppers, Anaheim	0.05
Garlic	0.36	Summer Squash	0.82
Kale	1.49	Tomatillos	0.31
Lettuce, Leaf and Head	1.19	Tomatoes	8.33
Mustard	0.77	Perennial herbs	0.05
Onions, Red	0.73	Escarole	0.52
Onions, Yellow	2.03	Green Tomatoes	1.01
Peas, Snow	0.01	Beet Greens	0.19
Radishes	0.67	Winter Squash	4.58

Comparables: Main Season and Winter

Because we were able to have an 18-week harvest (instead of 16-weeks) during the main season, the price of \$450 paid for a full-share breaks down to a cost of \$25 for each harvest box per week. The price of \$225 for a half-share breaks down to \$12.50 for each harvest box per week. For the winter CSA we had a 12-week harvest. We only had half-share boxes for the winter CSA and these were sold for \$200. This breaks down to a cost of \$16.67 per box.

As we did in previous years' annual reports, we wanted to see how our harvests per week compared to other farms' retail prices. In previous years several farms from the region were polled to ascertain prices charged for each crop at farm stands and at farmer's markets. The farms polled included:

- Pachamama Organic Farm
- Ollin Farms
- Isabella Farm
- Jay Hill Farm
- Honeyacre Farm

My Mama's Hat Farm The Berry Patch

This year we relied more heavily on real-time market price reports offered by the CSU Agriculture Extension to track retail crop prices at farmers markets around the state. This last source is especially relevant for the winter CSA because crop prices generally increase during the winter months. Prices charged by the above entities were pooled to obtain an average price per lb paid for each crop in the region.

Given these figures for each crop the minimum average value of the amount of produce received by CSA Members over the course of the main season was \$440.40 for a full-share and \$220.20 for a half-share. This breaks out to \$24.47 per box for a full-share and \$12.23 per box for a half-share. Unlike in the previous four years we did not have a surplus of produce to pass on to our members.

The box value for the winter CSA is more difficult to assess since winter season crop prices are harder to come by. The CSU Agriculture Extension crop price report cited above was used for some winter crops but the report is limited in scope and thus we were unable to establish winter prices for most crops. This is especially true for "gourmet" type crops such as baby greens and baby squash. As is expected winter prices tend to be higher than main season prices so the box value that we calculated here is probably somewhat undervalued. Given this crop price issue and yield limitations from the cold snap, the winter CSA box value was less than anticipated. The winter CSA half-share box value was \$154.75, which is \$45.25 less than what the winter CSA shareholders paid.

In the past we have had such an overabundance of produce in the main season that we felt that any shortfalls in winter were more than compensated for. Unfortunately, unusually extreme temperature swings during both the main season and the winter season severely undermined our yields for the first time since we began operating in 2009. We greatly appreciate our members patience in navigating the challenges we've faced.

Part 2: Viability

Income and Expenses

In 2014 farming operation expenses totaled \$9,010.97 and income totaled \$5,757.15. In our first 5 years of operation, while we experienced a trend of rising regular income and leveling off of expenses typical of a growth cycle for a new business, we have also experienced increasingly erratic weather conditions that have steadily eroded our production yields. During our 2013 season yields were reduced more than in any other year because of unusually erratic and extreme temperature swings. Lower yields have translated into decreasing value of our CSA boxes and have undermined income from our farm stand and virtual farm stand. We have simply experienced decreasing productivity. In addition, we have also experienced decreasing income from the decrease in fruit share add-on participation as well as increases in the cost of this service. Service cost increases and restrictions imposed by our fruit share add-on supplier have also been the result of climate challenges experienced by them.

Labor

Total Labor for the 2012 season was 1691 person-hours, breaking down as follows:

1260 hours performed by the farm intern

359 hours performed by working shareholders

72 hours performed by Farm Manager working shareholder

Analysis

Yields

We feel that unexpected erratic weather conditions such as late spring frost and cooler than usual nighttime temperatures all season explain why we grew 519 fewer lbs of produce in the main season than we did in 2012. Since our first year we have witnessed a steady decrease in yields over 5 years. During the first two years this decrease was intentional as we responded to higher demand for lighter-weight leafy greens at the expense of heavier, hot weather crops such as tomatoes and squash. But beyond crop allocation adjustments in the first two years, decreases in yields over the two subsequent years were clearly due to drought conditions. 2013 was the first year that we experienced average nighttime lows well below normal. While we were able to overcome poor germination issues from 2012 for cucumbers, winter squash and snow peas, the desert-like temperature swings between extremely hot days and cool nighttime lows effected both hot and cold weather crops drastically. Cold weather crops suffered slow growth due to daily high temperatures and hot weather crops suffered slow growth due to abnormally cool nightly temperatures.

In 2013 during the winter season we had 5 fewer lbs of produce available for the winter CSA than we did in 2012, which is a nominal difference. We feel that our winter yields would have been greater had we been spared the extreme cold-snap in December, which killed all of the arugula and our first successful stand of winter snow peas, most of the mustard plants and much of the kale. This cold snap, lasting a week, also slowed growth on all the other crops.

Labor

CSA operations for 2009 were found to be unsustainable and changes in labor and markets that were implemented in 2010 were continued in all subsequent years to address shortfalls. Hiring an intern to perform most tasks in exchange for room, board, a small stipend, a season end bonus and an intensive educational experience has continued to substantially mitigate labor costs in 2013.

More working shares were added in 2013 to cover labor shortfalls evident in previous years. Continuing to use the Farm Manager Working Share instead of hiring a Farm Manager also continues to help keep expenses low.

Markets

Market development in 2013 was not possible due to low crop yields, we simply did not have sufficient production to expand upon our farm stand sales and such sales continued to be low as a result. Occasionally, we used our virtual farm stand for sales but being contingent on excess produce such were infrequent and erratic.

In each year from 2010 to 2013 we have been able to add CSA shares due to excess vegetable production so that by 2013 we sold what translates into 28 one-person shares during the main season. Clearly, since the climate has become less moderate resulting in lower yields, we have no plans to try and sell extra shares in the future. The same holds true for the Winter CSA.

Other Income Sources

We had anticipated incorporating the fruit share add-on again in 2013, but we did not have sufficient interest from CSA members in 2013 to meet the Ela Family Farm minimum. Ela did work with us for those who wanted to participate though and they provided a limited fruit box delivery. A small mark-up is calculated into the cost of the add-on and passed on to participating shareholders. Add-ons are a viable income stream because of the low labor investment required and we will continue to incorporate them if we can generate sufficient member interest.

Fundraising efforts were unsuccessful in 2013. We attempted to hold a movie night with a silent auction twice during the main season but each time we canceled due to poor ticket sales.

Due to time constraints we did not attempt to sell HeartEye Horse Pucky Compost at our farm stand during the early part of the season when we were selling bedding plants. It is too early to tell if this is a viable income stream. We will try again in the future to assess whether we can sell a sufficient amount to exceed the low labor and materials investment required.

Part 3: Strategies

Summary

After five years of experience, research and examination we feel that the marketing strategies that we have in place are the most effective for eventually achieving sustainability given the amount of cultivatable space we have. As was realized in the 2011 Small Farm Financial Sustainability Study the amount of space we have to grow on (~4000 sq ft) is unsustainable in terms of meeting all start-up costs, annual expenses and paying a full-time farm manager. But with the intern and Farm Manager Working Share positions, among other things, achievement of sustainability appears to be within reach, although unexpected expenses have and could continue to undermine our progress. Unfortunately, erratic weather conditions have seriously undermined our fledgling operation. We have control over many things but we must find ways to better mitigate erratic temperature swings and drought that seem to indicate a regional trend in unstable climate.

After five years of increasingly erratic climate conditions, we feel that we cannot just hope for the best in the upcoming year, but we must take proactive measures to re-assess our production methods so that we will be able to better mediate unpredictable weather in the future. For this reason we have decided to make a radical decision about our 2014 growing season. Reluctantly, we have decided to not host a CSA for the main season but rather focus our efforts on small-scale research activities examining new and promising methods for mediating drought and temperature swings. Although the December cold-snap killed some crops, continued use of the tunnel for winter production has proven viable. Thus we plan to begin again hosting the CSA for the Winter 2014 growing season.

Conclusion

Each year of our first five years of operation we have made careful observations and continuously responded to the challenges we've experienced in becoming financially sustainable. While we continue to experience new challenges each season, the lessons we've learned and the changes we've made in labor, markets, methods and techniques have helped us achieve both a measure of buffer against climatic challenges and unexpected expenses and has brought us closer to our sustainability goals.

Yet increasingly erratic climatic conditions continue, and this trend indicates to us that we are at the limit of our abilities to mediate climate using our current methods. We feel that we must respond by being more radically proactive in meeting climate related challenges and, rather than asking our CSA members to do so, we plan to bear the risks of trying new methods by doing research instead of hosting the main season CSA in 2014. As always, we hope our members will find that participation in our project has not only been valuable to them over the long run, but is also an emerging model of sustainability that they can be proud to participate in.

Acknowledgments

We would like to take this opportunity to profusely thank Susan Weems for making the HeartEye Village CSA possible. Because of her vision and underwriting of the start-up costs the following entities have benefited in the following ways:

The CSA members, the Boulder Valley School residents, and the neighboring community have benefited by being able to obtain our produce on-site.

From the dissemination of information about our project, the larger community continues to benefit from those who see the value and have the desire to participate in the local food movement by following our example and creating their own farms.

Finally, we would like to take this opportunity to thank our intern Laura White and our working shareholders and volunteers. Thanks so much for your efforts we simply can't do this without you!