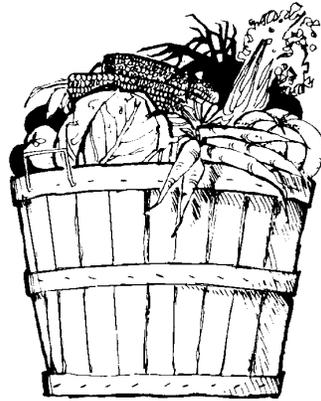


HeartEye Village CSA 2009 Annual Report



October 21, 2009

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Introduction

As part of the desire for transparency and education, and because we have documented everything we have done, thus 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 first 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 purchase 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 may not appreciate how much they are saving by not purchasing organic produce in the retail sphere.

Yet while savings can be appreciable they are not the only benefits of participating in a CSA. Locally produced organic food also tends to be fresher, taste better and have higher nutrient content than that from the supermarket. Another benefit is that money spent on locally produced food stays in

the community much longer than buying it from a retail supermarket, thus stimulating the local economy.

And more importantly, while savings are desirable they may not always be possible. This report reveals the true cost of producing food in a sustainable way. Industrial food economies of scale, best represented by the supermarket, are based on petroleum dependence and centralization (for production, harvest, distribution, packaging and preservation) that keeps the cost of food artificially low. There is a growing concern that the industrial food chain is becoming increasingly unsustainable and that sooner or later the true costs of food production will be reflected there as well.

So, we want to thank our members for their support and we invite you to peruse the results of what we consider an amazingly successful first year. A first year where we not only produced an incredible amount of food but learned some valuable lessons to apply towards making our future years sustainable ones.

Sincerely,

Tracy Sweely
Sincock
Manager

Jillian Weems
Susan Weems
Manager

Jim
Garden Manager

Owner

Part 1: Production

Harvest Totals

Totals per crop:

A total of 3713 lbs of produce was harvested from our ¼ acre micro-farm. The following chart indicates the total number of lbs harvested for each of the 45 crops grown during the 2009 season.

Arugula	16.53	Beans, Yellow	110.01
Beets w/ greens	163.38	Beans, Green	119.79
Bok Choi	47.95	Cauliflower	0
Broccoli	0.79	Cucumber	372.94
Brussel Sprouts	0	Eggplant, Japanese	3.21
Cabbage	0	Eggplant, Rose	2.73
Carrots	134.37	Eggplant, Black	11.29
Cauliflower	0	Melons	6.5
Chard	94.2	Okra	0
Cilantro	1.25	Peppers, Bell	76.57
Collards	25.91	Peppers, Anaheim	24.4
Corn	0	Peppers, Serrano	5.53
Garlic	0	Peppers, Habenero	0.49
Kale	24.18	Peppers, Jalepeno	7.52
Leeks	0	Peppers, Poblano	8.92
Lettuce, Leaf and Head	93.88	Peppers, Pepperocini	1.62
Mustard	0	Pepper, Asian	1.41
Onions, Red	118.94	Peppers, Passilla	3.07
Onions, Yellow	140.5	Potatoes, Red	23.5
Parsley	8.3	Summer Sq, Patty Pan	160.3
Parsnip	0	Summer Sq. Crookneck	79.19
Peas	0	Summer Sq Zucchini	89.74
Peas, Snow	38.69	Tomatillas	52.44
Radishes	48.87	Tomatoes, Cherry	21.41
Shallots	0	Tomatoes	1176.5
Spinach	16.87	Winter Sq. Blue Hubb	119
Turnips w/ greens	101.32	Winter Sq. Delicata	97.5
Basil, Ppl	4.1	Winter Sq. Sweet Dumpling	41.5
Basil, Italian	15.91		

Total per share:

The following chart indicates the minimum total number of lbs of each crop received by full-share CSA members during the 2009 season. At a minimum, half-share members received half these amounts.

Arugula	0.86	Peas	
Braise mix	0.23	Peas, Snow	3.8
Beets	12	Radishes	3.5
Beet Greens	3	Shallots	
Bok Choi	1	Spinach	0.09
Broccoli		Turnips	7.1
Brussel Sprouts		Turnip Greens	1.5
Cabbage		Basil	1.5
Carrots	7.5	Beans	15
Cauliflower		Cauliflower	
Chard	6.9	Cucumber	18
Cilantro		Eggplant	
Collards	1.9	Melons	
Corn		Okra	
Garlic		Peppers, Bell	4.25
Kale	1.66	Peppers, specialty	40 pc
Leeks		Potatoes	1.55
Lettuce, Leaf and Head	5.7	Summer Sq,	20
Mustard		Tomatillas	5
Onions,	18	Tomatoes, Cherry	3.12
Perrenial Herbs	0.375	Tomatoes, Heirloom	6
Parsley	1	Tomatoes	15
Parsnip		Winter Squash	20

Comparables:

Because we were able to have an 18-week harvest instead of a 16-week harvest the price of \$450 paid for a full-share breaks down to \$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. We wanted to see how our harvests per week compared to other farm's retail prices. 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

We also included retail prices from Growers Organic, which is an organic produce distributor that distributes to grocery stores in Colorado.

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 season was \$557.70 for a full-share and \$278.85 for a half-share. This breaks out to \$30.98 per box for a full-share and \$15.49 per box for a half-share. Thus over the course of the season full-share members received \$107.70 worth of additional produce above what they paid for and half-share members received \$53.85 worth of additional produce above what they paid for.

Part 2: Viability

Expenses

Total start-up expenses for 2009 were \$25,002.00. This breaks down as follows:

Start-up, hard costs	7302
Garden Manager wages & tx	16141
Annual operation costs	1559
Total expenses	25002

Income

Total income for 2009 was \$5536.00. This breaks down as follows:

Income from cost of shares	3300
Retail Sales (farm stand)	1596
Wholesale Sales (restaurants)	640
Total income	5536

Labor

Total Labor for the 2009 season was 1654 person-hours. This breaks down as follows:

790 hours performed by Jim,
 304 hours performed by working-share members,
 30 additional hours volunteered by working-share members,
 398 hours performed by Jillian and Tracy underwritten by Susan Weems,
 132 additional hours volunteered by Jillian and Tracy.

Analysis

Given the expense, income and labor totals for 2009, the CSA operations for the first year are unsustainable. If no

changes are made the CSA would, literally, never be able to pay for itself. This is because monetary labor costs and operation costs are both annual expenses and thus would add an additional \$17,700.00 each year to the original start-up expenses of \$25,002.00.

Another reason our first year operations are unsustainable is because the portion of labor underwritten by Susan Weems and volunteer labor cannot be relied upon on an annual basis.

Where income is concerned, we were aware from the start that retail and wholesale markets may not be a sizeable income stream during our first year. Typically, these types of markets must be cultivated and expanded over time. Given the small size of our operation we don't project our access to these markets will grow significantly enough, quickly enough, to make our operation sustainable in a satisfactory amount of time.

These shortfalls were ascertained earlier in the season and significant changes are planned for 2010 and beyond. These changes will make the CSA a sustainable entity and allow start-up costs to be recouped in a reasonable amount of time, which we anticipate to be 3.5 years.

Part 3: Modifications

In order to recoup start-up costs and allow the CSA to pay for itself annually, changes in labor allocation, working share commitment, and marketing will be made.

Labor Changes

While a total of 1654 person-hours were performed in the garden in 2009 it is projected that only 1514 will be needed in

2010. This is due to the fact that infrastructure set-up was completed in the first year and thus will require no additional hours put towards it, beyond annual maintenance.

Labor is the single largest factor underlying the true cost of food production. Subsequently, changes in labor can have the most significant effect on expenses. The garden manager position is a skilled position and thus it is of utmost importance to make sure that the position is filled by someone with the skills and dedication that will ensure the greatest level of productivity of crops given the risks beyond human control, such as adverse weather conditions.

Weighing these factors we have made the decision to divest the skilled, garden management position of the more time-consuming garden tasks, making it an almost exclusively “managerial” position. We instead will create a full-time garden intern position to carry out a majority of the regular and time-consuming tasks. The garden manager will oversee the intern and the working shareholders on a part-time as needed basis, greatly reducing monetary labor expenses. The intern will be compensated with a residence, a weekly stipend and a half-share in the CSA. Thus the bulk of the 2010 labor allocation will be as follows:

100 hours performed by Jim as garden co-manager
72 hours performed by working shareholder Tracy as garden co-manager
1036 hours performed by garden intern

Based on the limited amount we are able to pay for labor there is a slight shortfall in the number of person-hours needed for the season. To mitigate this shortfall we will need to make some minor adjustments to our working shareholder agreement.

Other CSA’s that we polled only offer their working shareholders a slightly discounted share in addition to a labor

commitment. That is, working shareholders generally pay a discounted rate for their share, typically \$100–200 off the regular full–share price, and also commit to an average of 35 hours of labor.

We would like to avoid having our working shareholders pay anything on top of their work commitment. But in order to mitigate labor costs, we will need to ask our full–share working shareholders to contribute an additional 8 hours for a total of 72 hours during the growing season and our half–share working shareholders to contribute an additional 4 hours for a total of 36 hours during the growing season.

Given these changes the total labor commitment from all working shares will be 378 hours. Adding this with the paid hours performed by the garden co–manager and the intern the total of 1514 hours needed for the 2010 season will be met.

New Markets

Because of the limited size of the arable land available to us, we are not currently in a position to increase our revenues by increasing production volume. Thus we must look to other avenues for income generation. We plan to expand the traditional retail sales component typical of farming operations but we also will add an educational component to our operations. We are also planning to participate in the increasingly popular “Farm Dinner” market and we are planning to do fundraising as well.

Retail Sales

We will be increasing retail sales by creating a small, honor system based, un–manned farm stand. Such farm stands are typically successful and, of the farmers we spoke with who use them, tend to not have problems of theft. The

benefit of course, is that the farm stand can have longer hours of operation without the expense of labor.

We will also be expanding our Virtual Farm Stand sales, by increasing the participant list. We found that the Virtual Farm Stand has significant potential because it provides another level of convenient access for consumers looking for locally produced food, while again saving the labor expense of a traditional manned farm stand.

Workshops

Along with the current market trend towards local food, there is also increasing interest by consumers to begin growing their own produce. While many consumers have the desire to do so, they often lack the skill and experience to make their efforts viable. In addition, there is significant interest by many to start farms of their own. To participate in these arenas of market demand, we plan to offer workshops in not only production, processing and preservation techniques, but also in commercial aspects of farming such as starting up a farming business as well as finding markets in which to sell products.

Farm Dinners

One new market within the local food movement that has been growing exponentially is the “Farm Dinner.” This is a dinner hosted by a farm for paying attendees, where currently available produce, grown on site, is prepared and served paired with wine, usually along with other locally produced foods such as meats and cheeses. The demand is so great for the experience that farm dinners generally tend to be sold out months in advance and have long waiting lists. We are planning to organize at least two such farm dinners, which will take place on the screened porch at Susan Weems’ residence and include a tour of our farm.

Fundraising

A Silent Auction is also planned to coincide with each of the farm dinners in order to raise additional funds. We are also planning to apply for agricultural grants to specifically defray some of our original start-up costs.

Conclusion

Despite shortfalls, the first year of operation for HeartEye Village CSA has been tremendously successful. Any new business expects start-up costs to be mitigated over future years. From our standpoint, we were not only able to provide an abundance of quantity and variety of produce to our members and other consumers, but we also clearly see where our operation must change to ensure its viability. Most farms have the asset of access to larger cultivatable areas. While we have limited potential for expansion, our administrative team is uniquely positioned in the local food movement and possesses a broad range of knowledge. This knowledge will enable us not only to get the most out of the space we have but also to creatively draw upon both traditional and unique market opportunities to ensure HeartEye Village CSA's future viability.

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 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.

The Nederland and Sugarloaf communities have benefited by being able to obtain our produce from the Virtual Farm Stand and at The Mountain Peoples Coop and The Savory Café.

The Community Food Share has benefited by receiving our excess produce that was still good, but “just about to go”.

The management team has benefited by learning an incredible amount of practical information about starting and maintaining a farm. And from the dissemination of that information, the larger community will 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 gardens and farms.

The management team has benefited by being able to create an amazing agricultural operation. We worked our butts off, but we loved every minute of it.

Thanks Sue!

We would also like to take this opportunity to thank our working shareholders, who went the extra mile to keep the weeds down and bring the harvest in! Thanks!