



---

## **Farming on the Urban Edge**

### ***Ramiro Lobo and Etaferahu Takele***

**S**eabreeze Organic Farm and its Community Supported Agriculture (CSA) program began 14 years ago as a political and environmental statement for owner Stephenie Caughlin. Her effort was meant to create a farm enterprise that would be beneficial to the environment. The farm has evolved into a successful agricultural business that both provides desirable food products and serves as an educational model. Even though the farm is small by most U.S. standards, it is an operation with annual gross revenues exceeding \$250,000—a ceiling that defines small-scale operations as established by the USDA's National Commission on Small Farms.

The main enterprises at Seabreeze are a year-round organic vegetable farm and a food delivery system similar to the CSA programs found in the Northeast. The growing part of the business includes production of mixed vegetables, salad greens, herbs, cut flowers, fruits, and some value-added products. The food delivery component of the business includes a variety of products not grown on the farm but which complement the baskets of produce delivered to subscribing customers. These include citrus and a variety of other fruits and value-added products.

#### **Community Supported Agriculture (CSA)—What is It?**

CSA is a term used to describe a partnership between farmers and consumers. Under a CSA arrangement, consumers buy agricultural products directly from the farmer, paying for the products in advance at the beginning of the season. Under these circumstances, consumers not only support the farmers' growing operation, but also share in the risks associated with the production of the crops. The farmer, in turn, makes a commitment to produce a diverse and sufficient quantity of high-quality food to satisfy the demands and expectations of consumers.

CSA programs may take many forms and can be initiated either by consumers (the community) or by farmers. Shareholding or participatory CSA programs are usually initiated by a group of consumers who organize to find a suitable piece of land and hire a farmer who will grow the

desired mix and quality of produce to satisfy their needs. They then pre-pay all the production expenses and the farmer's salary in equal shares, either as a full payment at the beginning of the season or in installments throughout the growing season. All the crops produced are divided into equal shares among the supporting members.

Subscription-based CSA is a distinct CSA format that is initiated by the grower. This is quite common in California and is the model Seabreeze follows for their food delivery business. Under this arrangement, consumers pay for and receive a weekly delivery of agricultural products that is equivalent to the market value of the products received. Even though growers benefit from having a ready market for their products, they still assume most of the risks associated with the production of the crops. This form of CSA is more of a contractual agreement and the level of consumer participation and involvement in the operation of the farm is much less than that



in the shareholding arrangement described above. This offers more flexibility for consumers because they have the option to pay on a weekly, monthly, quarterly, or annual basis, and they may cancel their subscription at any time if they are not satisfied with the products they get. Customer service and diversity are critical to keeping consumers signed up and Seabreeze has certainly excelled in the quality of their service and the variety they offer.

**Risk Factors and Risk Management at Seabreeze Organic Farm**

Risk management is an important part of planning at Seabreeze, for whom it means reducing the odds of a financially catastrophic year while allowing for growth. Stephenie considers it an integral part of their overall management plan and a key to the success of the farm. “It’s definitely part of it. I wouldn’t have survived that long if I hadn’t done risk management.” Crop and enterprise diversification, market research, market diversification and segmentation, value-added products and activities, and excellent customer service are a few strategies Seabreeze uses. The CSA program or food delivery enterprise has been very useful as a risk management tool because it helps eliminate some of the risks associated with fluctuating market prices. In addition, the diversity of products grown and sold by the farm and the variety of value-added and customer service activities help reduce the risks related to the production and marketing of a specific crop or agricultural product.

**Threats to the Business**

Rising production costs, predominantly the price of water, is the number one threat to Seabreeze. San Diego County farmers pay an average of \$650 per acre foot for irrigation water, making San Diego the county with the highest price for agricultural water in California and perhaps the highest price in the world.

“Customers let her know about the ‘positives and negatives’ of the farm on an ongoing basis.”

The establishment of the new federal organic standards and the fees associated with mandatory certification and state registration constitute the second most important threat to Seabreeze. “My specific business is being organic. A major threat will be affordability of the independent certification per the 1990 Food Act,” says Caughlin, referring to the USDA National Organic Program and the California Organic Food Act of 1990. This act sets the guidelines for organic production and use of the label “organic” in the United States and in California. However, organic growers in California are required to register with the state Department of Agriculture in order to produce

and market organic products, in addition to the third party certification requirements of the National Organic Program.

The result is that California organic growers that exceed \$5,000 in gross sales must pay twice in order to market their product as organic. In response to this, Stephenie foresees major changes to the way Seabreeze does business. “I will probably change my name from organic to sustainable or something else,” she says, and she is not alone in this front. “I suspect that we are going to see a big drop in registered organic farms.” The implementation of the new organic law as specified in the National Organic Program could greatly affect organic agriculture in San Diego County with its more than 400 registered organic growers. These growers account for nearly 20 percent of all organic producers in California, but the majority of them fall within the \$5,000 to \$20,000 range in gross sales, making it difficult for them to justify paying for certification fees to meet organic standards.

A third challenge for Seabreeze is the lack of awareness and appreciation among consumers for locally produced food. Of particular importance is “keeping the public awareness up as to the dangers of genetically engineered and chemically produced foods,” says Stephenie. Promoting local organic agriculture and the consumption of local, organically produced food is critical for the survival of small farms like hers.

Caughlin thinks that government and bureaucratic agencies will continue to demand and take more money and resources away from farmers with more registration and certification programs and corporate filing fees. “I do feel that in the long run, organic will pull through, surviving the lean times,” she says, demonstrating her confidence in the resiliency of farmers.

### **Competitive Advantages**

One of Seabreeze’s advantages over similar type operations is that they are both local and organic, yet other important factors giving them an edge include the quality service they provide to their customers, their diverse product mix, and the value-added products and activities they offer. Keeping in touch with consumers is critical for the business to respond to changing needs or to seasonal trends, or to keep consumers/subscribers informed and involved with farm activities. All consumers receive an informative weekly newsletter that includes information about farm activities, recipes to complement the week’s delivery and a customized order form they can use to order specific items.



### **Market Research**

Market research is vital for Seabreeze's success, and the farm does some form of it almost on a daily basis. "We pull up the computer (Internet and database), publications, books, newspapers, etc.," Caughlin says about preferred methods for researching market opportunities. Seabreeze keeps an extensive database of consumers and interested individuals, relying heavily on communication and feedback from consumers to help shape their products or services. According to Stephenie, her customers let her know about the "positives and negatives" of the farm on an ongoing basis. Clearly, this is what drives Seabreeze's focus and emphasis on quality and customer service.

### **Pricing Strategy**

Seabreeze relies predominantly on current wholesale organic prices as a baseline for pricing the products they grow. Caughlin does not factor in costs of production in her pricing strategy because she has determined that those costs are very close to what organic wholesale prices are.

This pricing strategy has worked very well for the farm. "My cost would be what the organic wholesale prices are because we're smaller. We're not a large farm. So we're not as efficient," says Stephenie. Seabreeze then adds a premium or markup over the wholesale prices. This pricing

strategy is also used to determine the prices for products not grown by the farm. The wholesale price is used as a baseline and then a markup is added on to that baseline price.

### **Target Market**

The target market for the business is usually the local residents of the coastal communities of San Diego County. Stephenie describes these target consumers as being “more affluent, better educated, well-traveled, more environmentally and ecologically aware, more concerned about health and nutrition, and more willing to try new or unusual products.” As a result, the core market for the farm operation are the 300-plus consumers listed on the CSA or food delivery program database, with the majority of all subscribers to the program located within 10 miles from the farm. The number of subscribers that actually receive a weekly delivery of produce fluctuates from season to season, but there generally are around 200 weekly deliveries on a year-round basis.

“There is a direct link, an absolute direct link between this operation, the consumers, and the community.”

### **Marketing Methods and Market Outlets**

The marketing methods used by Seabreeze have changed over the 14-year history of the farm. In the beginning, Seabreeze relied heavily on certified farmers’ markets as a main outlet for their products, but gradually decreased the volume sold through them. Selling at farmers’ markets was not a profitable option according to Stephenie, citing rising costs of production, transportation costs, marketing expenses, and the proliferation of farmers’ markets as the main reasons for the decline of their relative profitability for her business. As a result, Seabreeze has focused more on the CSA program by expanding the number of products offered to include value-added products and by emphasizing quality and customer service.

Seabreeze has expanded their marketing methods to include Internet marketing and mail orders for their value-added products. Both mass email announcements and the farm’s website are used to promote the products, events, or activities the farm has to offer. Caughlin says these media have helped create more awareness about the farm but have only generated a limited number of sales. Most product orders from these methods have been from local people with only a few coming from out of state. Despite the slow start, Stephenie sees Internet and email marketing as a strategy worth pursuing mainly because of its cost effectiveness.

### **Advertising and Promotion**

“The marketing that we’ve done that’s been the most successful in the past has been paying a marketing company to actually physically do a doorknob hanger advertising that goes to selected designated neighborhoods in the city,” states Stephenie. She is also aware of the cost for this type of advertising: “It’s gotten to the point where the farm can no longer afford it because it isn’t generating the income.” However, she does recognize the importance of advertising and promoting the business. “It’s a Catch-22,” she says. “We’re not generating the income to do the advertising, and without the advertising, you don’t get the new people.”

But Caughlin recognizes that the relative success of advertising and promotion follows a cyclical pattern, so Seabreeze tries to concentrate advertising and promotion on the seasons that provide a high return for their advertising dollars, usually the spring. Seabreeze has responded to the rising cost of advertising by using other media: their weekly newsletter included with deliveries to subscribers, the Internet, email, and free printed media such as newspapers and magazines. In addition, Stephenie also welcomes any opportunity she gets to obtain free advertising in the form of news stories or reports. She says that she is almost always available for reporters and food editors and relishes her role as the “media farmer” in San Diego.

### **Measuring Success**

Measuring success is one of the most difficult tasks because it is a personal issue that differs from person to person and must be evaluated in terms of the goals and objectives of the operator. Stephenie thinks the best measure of success is that Seabreeze is still in business. After all these years the farm has not lost its focus on making a political statement while providing a source of good quality food, grown in an environmentally sensitive manner. Caughlin is very proud about what the farm has given to the community and the fact that the community recognizes what the farm provides. “I think that we’re known in the community at large,” she says. “I think they’re glad we’re here.”

Stephenie is very much aware of the need for the business to be sustainable on a financial level. She recognizes that community support through the purchase of Seabreeze’s products is critical for financial success. “There is a direct link, an absolute direct link between this operation, the consumers, and the community.” Financial success or financial sustainability has been more difficult to achieve, however, and there have been some bad years where she has personally had to finance shortcomings. But, Caughlin reiterates, “We’re still here.”

### **Future Plans for the Business/Pending Changes**

Clearly, Seabreeze Organic Farm has successfully adapted and responded to changing conditions and trends. However, there are many challenges to overcome and the business must reinvent itself to remain viable. As Stephenie Caughlin says, “It is an ongoing battle...it is always costs, costs, costs! We have to continually find ways to complement the income from the growing side of the business.” As a result, there are two strategies and changes that Stephenie feels will enhance the viability of her business:

- Increase Seabreeze’s presence on the web and make more efficient use of the Internet: Stephenie feels that expanding their capacity to use the Internet and email more efficiently will yield good returns on their marketing dollars and provide excellent potential for promoting the business and for expanding marketing opportunities.
- Exploit opportunities related to agricultural tourism: Seabreeze is already a popular destination for tours and educational activities, attracting large numbers of visitors from the local area and from outside. Seabreeze must learn to capitalize on this popularity and make money from it.

### Guiding Principles

An examination of Seabreeze Organic Farm shows a variety of factors and skills that may determine the relative success of a farm operation.

- Make plans—Have a plan and be prepared for what lies ahead. This provides the flexibility to adjust and to respond to needs, trends, and opportunities that may come down the road.
- Do market research—Maximize the impact of your marketing plan. Research can allow you to identify new opportunities for products or for expansion into new markets.
- Listen to customers—Listen to feedback received from customers. It can provide excellent information for your marketing plan and help keep a check on your business.
- Stay focused—Focus on the goal and objectives you have identified and on the strategies you have chosen to accomplish these goals.
- Have determination—Success is not an overnight occurrence; therefore, you must have the determination to stay on course and implement your strategy despite the many challenges you will encounter.
- Give customer service—Maintain a stable, satisfied customer base. Your current customers can effectively attract new customers from referrals and word-of-mouth advertising.
- Consider product diversification—Diversification can reduce the price and market risks associated with specific products and help introduce value-added products.
- Provide quality—Given the competitive nature of the business, it is critical to provide customers with a quality product and a quality shopping experience.
- Speak up for the industry—It is vital to educate consumers and raise awareness about issues affecting local agriculture. In addition, being available and willing to tell a story is a cost-effective way to promote your business and products.

### Contact Information

#### Stephenie Caughlin

Seabreeze Organic Farm  
3909 Arroyo Sorrento Road  
San Diego, CA 92130  
858.481.0209  
seabreezeorganic@sbcglobal.net  
www.seabreezed.com

#### Ramiro Lobo

Cooperative Extension San Diego County  
5555 Overland Ave., Building 4  
San Diego, CA 92123-1219  
858.694.3666  
relobo@ucdavis.edu

#### Etaferahu Takele

Cooperative Extension Riverside County  
21150 Box Springs Road  
Moreno Valley, CA 92557-8708  
909.683.6491, ext. 243  
takele@ucrac1.ucr.edu