

Legal structures

There is no one size fits all when it comes to organisational and legal structures for CSA projects. This section will give you some of the answers and will also help you to ask the right questions.

An important aspect of CSA is that members usually help to share the responsibilities of running the farm. How involved your members are will depend on the type of CSA. In producer-led CSAs members may just vote on matters arising at the annual general meeting but not be that involved the rest of the year. In community-led CSAs members may be involved in making decisions on a regular basis and may carry out most of the CSA's administration and other work.

In practice, responsibility is likely to be felt most keenly by a few active members (including the farmer). In a producer-led CSA it is important to have a clear, written, agreement between the farmer and other CSA stakeholders. Inevitably, no matter how clear the agreement, conflicts may arise within a CSA and will need to be resolved. It is absolutely essential that responsibilities are clearly defined. As long as the responsibilities within the CSA are clear and goodwill exists, periodic conflicts can strengthen the CSA and add to its success.

Setting up a core group

Many CSAs are managed by a voluntary "core group" normally comprised of the producer(s) plus several consumer members, elected by the rest of membership. When you first start planning your CSA you may want to establish a core group to help make decisions about how to run. Once you have decided on your legal structure, this group may form your steering committee or board of directors.

You may not feel the need to have a core group, particularly if yours is a producer-led CSA and is being set up by an individual (or couple) able to cope with all the responsibilities. It is perfectly possible that the farmer/s can manage to grow, pack and deliver produce and maintain close member links without needing member involvement.

Perhaps your community-led CSA is small enough to have most or all of its members involved in running it. In most cases, the core group can help share the responsibilities and workload to help you achieve more and limit farmer "burnout".

Generally the core group generally does NOT deal with farm-based decisions - these are left to the farmer. Instead the group's activities may include crop selection, determining share prices, accounts, member recruitment, organising distribution, volunteer activities, communications, events and so on.

Why do you need a legal structure?

Some smaller CSA projects, which don't intend to employ staff or have any assets, such as producer-consumer partnerships, can be based on an informal arrangement. A simple contract drawn up between CSA members and the producers may be all that is required. However, if you want to apply for grants you will need to have a constitution and be set up as an unincorporated association.

As a CSA increases in size and complexity, it is wise to have clearly defined rights and responsibilities which are recognised in law - in legal terms these are written as memoranda and articles of association for companies and as rules for co-operatives. This will ensure accountability and the smooth running of the scheme.





One of the significant benefits of incorporation is its limited liability, this means that if an incorporated organisation should wind-up with outstanding debts the members are only liable for the amount they agreed to pay on becoming a member.

Choosing a legal structure

There is nothing to stop a CSA being run as a “conventional” profit-making business, particularly in the case of a producer-led CSA. In this situation the farmer may choose a profit-making legal structure such as being a sole trader or limited company and can seek local advice on how best to set up a small business.

However, as CSA is about a partnership between producers and consumers it is far more common to have a legal structure that reflects this particular relationship.

As most CSAs have a community and/or environmental motivation beyond simply making a profit, it is worth exploring setting up as a not-for-profit organisation.

Advantages include being eligible to apply for considerable grant funding, possible tax breaks and the social credibility of a not-for-profit status. Most CSAs choose this option.

If you decide this is best for your group, local organisations that advise not-for-profit and community/voluntary groups will be able to give you detailed advice on how to choose between the different legal structures.

This guide is an excellent introduction to the subject. You will probably find the “Social Enterprises”

section most relevant resourcecentre.org.uk/wp-content/uploads/2015/07/not4prof.pdf

Most CSAs are set up as social enterprises which basically means that they are a business that helps people or communities. If you want to set up a business that has social, charitable or community-based objectives, you can set up as a:

- ▶ community interest company (CIC)
- ▶ limited company
- ▶ charity, or a charitable incorporated organisation
- ▶ co-operative
- ▶ sole trader or business partnership

NB social enterprises can be either profit making or not-for-profit enterprises. Any profits are shared among the business stakeholders or are used to benefit the community.

The two most popular legal structures that CSAs choose are generally either community interest companies (CICs) or co-operatives. Do seek advice, as it may be that some special aspect of your CSA set-up means that an alternative legal structure will work better.

A community interest company is a special type of limited company which exists to benefit the community rather than private shareholders. To set up a CIC you need to apply to Companies House and include a “community interest statement”, explaining what your business plans to do,

You also need to create an “asset lock”- a legal promise stating that the company’s assets will only be used for its social objectives and setting limits to the money it can pay to shareholders

It is good practice to have at least three unrelated directors on the board and most funders will insist on it. CSAs that are set up as CICs may choose to increase the number of directors on the board as they expand and develop, bringing in new expertise. This is a great way to bring fresh thinking to running the CSA.

A co-operative is a member-owned business. The members may be employees, customers, suppliers or shareholders, but this shared ownership is central to a co-operative's existence. If you want to limit ownership to just a few people, even as the business grows, then a co-operative may not be for you.

Co-ops are viable businesses, and it's up to their members to reinvest surplus into the business, distribute it among members or give it to the community. Co-operatives UK can advise on the most appropriate legal structure for your business uk.coop/developing-co-ops/start-co-operative

Issues to consider when choosing your legal structure

- ▶ Who are the stakeholders? Typically a CSA will involve a landowner, farmers or growers, volunteers and the consumer members. What do each of these groups want out of the arrangement? What level of commitment is required from each stakeholder? Does it need a written contract?
- ▶ Who ultimately has control of the business decisions? In other words, how will the enterprise be managed? Is it the farmer, or are the farmer(s) employed by the CSA? Or is it the consumer members? The landlord? Workers? An elected board? A combination?
- ▶ If consumers are to share the risks of farming they should also have the opportunity to understand and influence the way that their food is produced. But do you want members to be able to vote on day-to-day issues such as when and where to plant carrots, or only when money has to be spent on a new planting machine? Are everybody's interests protected?
- ▶ Will your structure protect the enterprise against disruptive individuals who wish to take control? Consider not only who has power in theory but also who actually has power in practice. For example, a landowner may have a single vote but the power to evict from their land.
- ▶ Does the community group own the land? If a landowner allows a community group to work their land will the community group gain rights to it? Should the community group rent the land or buy it?
- ▶ How will the CSA get start-up or working capital? Start-up capital will always be required but, in addition, money will be needed if you have to buy land or machinery, which could amount to a large sum. Who will own the assets? Are you planning to apply for grants or do a community share offer?
- ▶ Will your structure accommodate change in the future? What if your main founder/s should leave? What if you want to double the number of employees or buy more land? Or take on more charitable objectives, such as providing cheap produce to people on a low income?
- ▶ What happens to assets if you should wind up the scheme?

OTHER USEFUL LINKS AND RESOURCES

- ▶ [Cultivating Co-operatives publication ldn.coop/wp-content/uploads/2015/01/Cultivating_Cooperatives-1.pdf](http://ldn.coop/wp-content/uploads/2015/01/Cultivating_Cooperatives-1.pdf)
- ▶ [Making Local Food Work programme publications from Co-operatives UK](http://plunkett.co.uk/growing-projects)
- plunkett.co.uk/growing-projects
- uk.coop/resources/simply-legal
- uk.coop/resources/conflict-co-operation
- ▶ [Federation of City Farms and Community Gardens film on governance youtube.com/watch?time_continue=23&v=jy1CKSiSyTM](https://www.youtube.com/watch?time_continue=23&v=jy1CKSiSyTM)

