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Questions to Ask When Starting a Home-Based Food Business

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Food businesses come in many shapes and sizes.

They can be broadly grouped as Food Service businesses (catering, food trucks, restaurants) and Packaged Foods businesses (bakeries and foods that are sold in sealed bottles, boxes, or bags). The questions and issues you need to consider for these types of food businesses are very different. This guidebook will help you plan a Packaged Food business in your home kitchen.

As you begin to work through the following questions, you may not know all the answers yet. There will be places to write your next step, things you'll need to research or think through, or questions you still need to find answers for.

Remember, sometimes the ideas you first sketch out do not work. You may need to modify the idea. It is a lot more fun to lose money on paper than in real life. By examining and refining your ideas, you can come up with a plan that has a higher chance of making profit in real life.



What is your food business idea?

The first step to starting a food business is refining your idea. You need to be able to state your idea specifically, more than just “I’d like to have a booth at a Farmer’s Market full of items I bake.” The more specific you can be, the better you can understand the feasibility and profitability of your idea.

For example: I will make and sell jars of raspberry jam.

My business idea:

My next step:

What is your food product?

Will your recipe work?

Having a recipe for your food product is the next step. If you have a family recipe or one you've created, think through whether it is going to work on a larger scale. If it is very time-consuming or difficult to make, it might not be very easy to turn into a business. If the ingredients are expensive or difficult to find, it can create challenges to a profitable business. To keep your product consistent and make it easier to track expenses, it is best to convert dry ingredients from volume (e.g. cups) to weight (ounces or grams).

For example:

My recipe for Raspberry Jam (makes 5 16 oz. jars)

5 cups raspberries = 2 pounds raspberries

7 cups sugar = 2 pounds sugar

1 tbsp lemon juice = 0.5 fl oz lemon juice

1.75 oz pectin = 1.75 oz pectin

I converted the recipe to weight. I can easily find bulk frozen raspberries any time of year, as well as sugar, lemon juice and pectin. My recipe is easy to make on a large scale and the ingredients are easy to find consistently.

My recipe:

My next step:

Where will you make your product?

Most states have laws allowing small businesses to make specific kinds of foods in a home kitchen and sell them to the public. In Utah, there are two options: The Cottage Food Act (HB339) and the Home Consumption and Homemade Food Act (HB181). Each of these has limitations on the kinds of packaged foods you can make, and where they can be sold. One important limitation to note is that home-produced foods cannot be sold online, and they can only be sold within Utah. If you plan to have an e-commerce site or sell at craft fairs or farmer's markets in other states, you will need to use a commercial kitchen.

Even if you are legally able to make your product in your home kitchen, there are other questions you must consider. Are you able to functionally use your kitchen to produce enough of your product to sell? Are you willing to have your kitchen used that way? Do you have somewhere to store the products until you are able to sell them? Is there a limit on the quantity you can make?

For example: I can make 500 jars of jam in my own kitchen and store them in my pantry until I sell them.

I will make and store my product:

My next step:

How will you package your product?

There are a number of different ways to package your product to make it stand out. There are minimum standards that you have to follow to protect the food from contamination and provide an acceptable shelf-life. Beyond those requirements, you need to think through the look of the packaging, such as using a decorative lid instead of a plain ring lid. Do you want to use a specialty shape? Remember that specialty packaging often comes with much higher costs for supplies. You need to carefully weigh the costs of packaging you are considering against the benefit you might gain. You need to consider what type of label you will need for your packaging. For example, if you are using the label on a glass jar or a refrigerated product, you will need a label that will continue to stick. (Resources are available from USU Extension and the Utah Department of Agriculture and Food on what must be listed on the label.)

For example: I will use a plain ring lid and standard 16 oz glass jar to package my product but I will design nice labels to make them stand out. I'll need to use a label that will stick well to glass.

I will package my product using:

My next step:

What certifications, trainings, and licenses are needed?

Food businesses come with their own set of rules and regulations. Before you finalize your idea, you should determine if you have the correct certifications, inspections, and licensing. The requirements for packaged food businesses in Utah are listed below. For additional help, see the simple decision tree included at the end of the workbook.

Requirements for Homemade Food Act

- Business license

Requirements for Cottage Food Act

- Business license
- Food Handler's Permit
- Cottage Kitchen registration (Utah Department of Agriculture and Food)

How long will it take to meet these requirements?

Most training courses (food handler's, ServSafe, acidified foods) are available online and can be completed within a week. Business licenses and Food Establishment inspections depend on how busy those agencies are. But if your product needs to be tested or reviewed by a Process Authority, you should plan on 6-8 weeks to get approval. The earlier you can begin this step the better – if you want to sell at a farmer's market in the spring, it is best to have your initial recipe reviewed in the fall.

For example: I am going to start in my home kitchen and sell under the Cottage Food Act. I need to get my business license, which will take at least a few weeks. I already have my food handler's permit. I need to get my Cottage kitchen registration, which will also take a few weeks.

Licenses, registrations, certificates, trainings, and product testing I will need:

My next step:

Where will you sell your product?

Producers must have a way to physically get products to customers and have customers pay for products. For example, out-of-home sales might be convenient for a small number of customers, but you may be violating city ordinances if this creates a lot of traffic or parking issues in your neighborhood. Your house might be hard for people to get to. How much work will a customer go to in order to find your product and actually buy it? If you sell at a Farmer's Market or craft fair, you have to pay for it and either be there or pay someone to be there. Make sure to consider the costs of booth rental at the market, as well as transportation to and from the market. These costs can be very different, depending on the market you choose. If you're paying someone to be there to sell, how much will that cost you? Websites can be useful to take orders, but under the Cottage Food Act, the orders must be handed directly to the customer. For example, you can let people know you'll be at a certain pickup location at a certain time and they can pre-order and pay but must pick up the order in person.

For example: I plan on selling my product at farmer's markets and craft fairs. My local market is going to be \$40/week and I will do all 10 weeks. There is also a \$35 application fee. I'll also do two craft fairs for \$100 each. I'll need to have \$635 to be able to participate in farmer's markets and craft fairs. I'll be there in person myself so I don't need to pay someone. I will also sell out of my home to friends and family, but that won't create unwanted traffic. If I start to feel like I have enough of a customer base, I will consider making a website in the future, but I'm not ready for that now.

I will sell my product:

My next step:

How will you store, transport, and/or ship your product?

Where will you store your product while you are waiting to sell it? If it must be refrigerated, can you find a storage facility where it can be kept until you need it? Will you have access to the facility on a Saturday morning before the farmer's market? You also must consider how you will get refrigerated or temperature-sensitive product from the storage site to the sales venue. Can you fit enough coolers in your car or truck to hold the product at the correct temperature?

Shelf-stable products do not have the same temperature concerns, but you still must have a dedicated area to store the product. Even if you are making product and selling it from home, it must be kept separate from the other foods in your house. If you plan to have a fully functional e-commerce site, you must consider the cost of updating the site, the cost of taking electronic payments, and how well your product will ship. Non-refrigerated products packaged and sealed in flexible bags are very easy to ship but bottled foods, even though they're shelf-stable, are more difficult due to their weight and potential for breakage.

For example: I have a freezer in my garage that could be used to store the frozen raspberries so that they are separated from any of the active kitchen/living space or other food. I have shelves in my garage that are not being used that I can use to store the non-refrigerated supplies and finished jars to keep them separated. They'll be off the floor and stored back in the same boxes they came in to keep them safe from contamination by dust, dirt or animals. I should have enough room to hold 500 jars. After that quantity, I'd have to rent a storage shelf at an incubator kitchen.

In order to get my product to the Farmer's Markets and craft fairs, I'll need to find a way to safely transport my jars in the back of my pickup truck. They don't need to be refrigerated but they should be covered in boxes. I can just use the boxes they were stored in to transport them. People that are picking up jars from my house won't need separate packaging and I'm not planning to ship anything.

How will you store, transport, and/or ship your product?

Considerations for storing, transporting, and shipping my product:

My next step:

Do you know your competition?

Even though your product may have unique characteristics, there is always something customers could buy instead of yours. Understanding your competition is important and part of determining the profitability of a food business is how much you can sell your product for. You need to look at a number of factors. How much do similar products sell for at groceries stores or at farmer's markets and craft fairs? How do those products compare to your product? What are the characteristics of competing products and how does your product stand out? Are there many other options? These questions will help you determine how competitive your product will be and how much you can reasonably sell your food items for.

For example: Similar size jars of national brand raspberry jams sell at the local grocery stores for prices ranging from \$3.49-4.69. They just sit on the shelf with no special display. My product is more unique than the national brands because it is local and comes with a story and nice packaging.

A local business making raspberry jam has special labeling on the jam shelf with "Utah's Own" to make it stand out. They sell 11 oz jars of jam for around \$6. This is a similar product to mine. A very specialized brand of unique jams has it's own display shelf in the deli section and it sells for \$7-9 for 11-oz jars. These are much more specialized and have more unique flavors than mine.

Raspberry jam at Farmer's Markets in 16 oz jars usually sell for around \$5-6 per jar. There is a lot of competition and most places have a few different varieties of jam as well.

My competition is:

My next step:

Who are your customers and why will they buy from you?

Most products you sell will be similar to other sellers' items, especially at Farmer's Markets. Who is going to buy your product and why will they buy it from you and not someone else? How will you make yourself stand out from the crowd? How is your product special? People are not only buying your product. They are buying your story.

For example: Friends and family have asked for my jam specifically and will buy from me because they have tried it before and like it. I can print up cards to give out with each jar that tells how this is a jam recipe that has been used in my family for several generations. I might be able to find a picture to go with it. I can also make up a nice sign to set out on the table that tells the story as well, to draw people in. I'll make it attractive with the labeling. Additionally, I will give out samples at the Farmer's Market and craft fairs so customers will be able to try it out and see how good it is. I'll price my product reasonably but be able to charge more because of having a story to go with it .

Who are your customers and why will they buy from you:

My next step:

What will you need to buy to get started?

Sometimes when starting a small food business, you may already have everything you need. However, think through what else might be required if you're going to be selling the product. If you are making it in larger quantities, will you need a larger pot? Do you have what you would need to set up your sale area? You should price each item that you need to start up the business. If you have restrictions on quantities that you can (or are willing to) produce in your own kitchen, consider the cost and different list of supplies for each scenario. Make sure to consider what you'd need to buy for transportation of your product. For example, do you need coolers to keep your product at the correct temperature?

For example: I will use my own equipment to produce the jam in my own kitchen. I also need to purchase a table and tablecloth to set up at the Farmer's Market. I'll need to have a banner-style sign made for the top of my booth. It will cost me about \$100 for table and tablecloth and \$100 for a sign.

Start Up Costs

- Business License
- Ingredients
- Table and tablecloth
- Display racks
- Signage
- Square reader

To get started, I will need:

My next step:

What supplies will you need for production and where can you get them?

As you begin looking at what supplies you will need to actually produce your product, there are several things to consider. It is important that you have a source that you know consistently carries your ingredients. If your recipe requires ingredients that are hard to find or are inconsistently available, it will be more difficult for you to produce your final food product timely. Is your consistent supply source easy to access? How long will it take for you to get the supplies each time you need them? You should look at the cost of each ingredient and consider that not all of your supplies may be useable, such as a portion of raspberries that cannot be used to make jam and must just be discarded. You will need to consider spoilage as you determine the quantity of each supply.

For example: I will need buy raspberries, sugar, lemon juice and pectin. All of those items can be found at my local grocery store. I could also see if it is more cost-effective to buy them in bulk from a wholesale club. I have enough room to store bulk supplies in my dedicated garage space and freezer. If I run out of something, it will be very quick to run to the store and get it, as all those stores are only a few minutes from my house. I will also need to buy jars and lids. Grocery stores often carry canning supplies, but some only sell them at the end of summer. I can also buy them at an online retailer, but they might be cheaper if I can get them at a store when they are on sale. I need to look around and see which stores consistently carry them.

My needed supplies will come from:

My next step:

What other expenses might there be? How much money will you need to get this idea to the point where you can start selling?

Often there are other costs that need to be considered that you haven't thought of before. You may have considered the cost of a mobile credit card reader, but do you know if your device is compatible? Do you need a second device so you can use your cell phone while payments are being taken?

When you are selling your product at market, are you giving out samples? What will you need to buy to facilitate that, such as napkins, plastic knives, and bread to spread your jam on? If you plan to hand out samples, you will also need a permit from the local health department. Make sure to think through each step of the process and consider what other expenses you may encounter getting your product approved, made, and sold.

For example: I will need to buy supplies to give out samples at the markets. I will need bread or crackers, a way to spread it safely, and maybe a napkin to set it on. I might also want a little trash can in case people drop the napkin back on the table. It would be good to have some cleaning wipes to clean up any sticky spots from spilled or dropped jam. I will need a permit from the health department to hand out samples. They also require me to have a place to wash my hands.

Other expenses I might have are:

My next step:

Where will the initial money come from?

All business have risk. It is important to assess that risk and determine if it is at a level you feel comfortable with. Start by asking yourself if you have enough money to get started. Are you willing and able to use that money now, even if the profit doesn't come for a while?

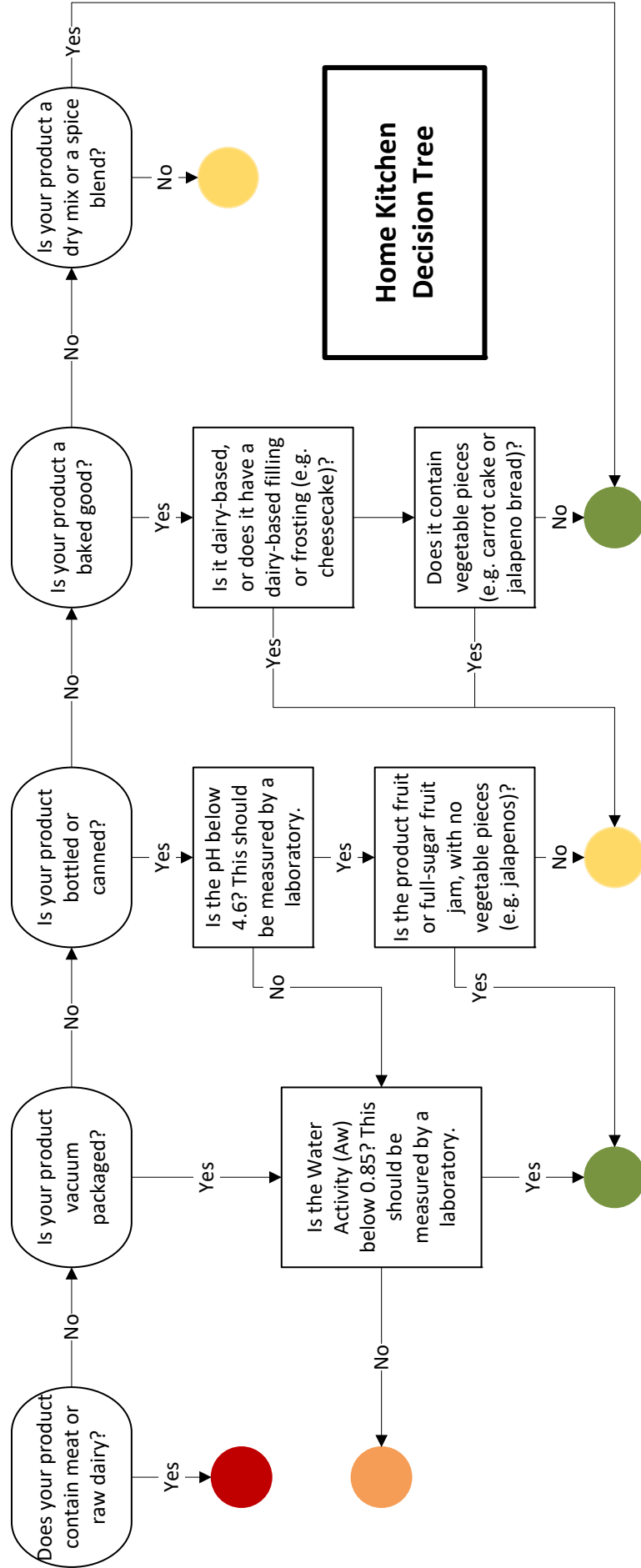
If you don't have the money to get started right now, think about financial options and resources that may be available to you (i.e. friends, family) to get started. Think about the goods and bads of each source. Would it be better to save up for the initial costs before starting instead of borrowing?

Now, consider the risk involved in using that money for this business. Is this an amount you are prepared to lose? What if you've borrowed the money and cannot repay it? Will the relationships survive the loss of that money?

For example: I have the money I need already and don't need to borrow from anyone. If I lose that money, I would be okay for the first year.

The initial money will come from:

My next step:



Green circle: Your product can be made in a home kitchen, under either the Cottage Food Act or the Home Consumption and Homemade Food Act (HB 181).

Yellow circle: Your product might be approved under the Cottage Food Act, but more information is needed. You can make your product under the Home Consumption and Homemade Food Act (HB 181).

Orange circle: Your product must be processed carefully to be safe from Clostridium botulinum, the bacteria responsible for botulism poisoning. Though it can be made under the Home Consumption and Homemade Food Act (HB 181), it is best to keep refrigerated or frozen and advise consumers to do the same.

Red circle: Your product cannot be made in a home kitchen. Commercial processors of meat and raw dairy must meet additional safety and inspection requirements.

Overview of Home-Based Food Business Options in Utah

| Category | Cottage Food | Homemade Food (Direct-to-Sale) |
|-----------------------------------|--|---|
| Utah Regulation | <ul style="list-style-type: none"> Utah Code, Chapter 4-5-501 HB 339 (2007), Regulation of Cottage Food Production Operations <ul style="list-style-type: none"> Amended by HB 58 (2017), Direct Food Sales Amendment | <ul style="list-style-type: none"> Utah Code, Chapter 4-5(a) HB 181 (2018), Home Consumption and Homemade Food Act <ul style="list-style-type: none"> Does not replace the Cottage Food Program |
| Overview | <ul style="list-style-type: none"> Products must be approved by UDAF No free-roaming indoor pets Cannot sell to restaurants or for consumption on-premises | <ul style="list-style-type: none"> Only direct to consumer sales from home, private property, or outdoor markets, no restaurants or stores Specific signage requirements for outdoor markets |
| Licensing and Registration | <ul style="list-style-type: none"> Business License (cost varies by location) Food Handler's Permit UDAF registration (renewed annually) | <ul style="list-style-type: none"> Business License (cost varies by location) |
| Allowed Products | <p>Only non-potentially hazardous foods</p> <ul style="list-style-type: none"> No refrigerated foods No meats or meat products No acidified bottled foods No low-acid bottled foods No baked goods with vegetables or cream/dairy fillings | <ul style="list-style-type: none"> No raw milk or raw dairy products No meats or meat products under USDA jurisdiction* <ul style="list-style-type: none"> Small-scale poultry production allowed (<1000 birds) All other foods allowed <p>*UDAF will review meat-containing products on a case by case basis to determine if they would be USDA or FDA regulated</p> |
| Labeling Requirements | <ul style="list-style-type: none"> Similar to FDA labeling requirements <ul style="list-style-type: none"> Product name Net Contents statement Producer name & address Ingredient & allergen statement Nutrition facts voluntary "Home Produced" by name Font size and placement requirements | <ul style="list-style-type: none"> Producer name & address Allergen listing <ul style="list-style-type: none"> Ingredient statement not required MUST say <ul style="list-style-type: none"> "Not for Resale" and "Processed and prepared without the benefit of state or local inspection" No font size or placement requirements |
| Allowed Sales Locations | <ul style="list-style-type: none"> Intent is to be direct-to-consumer <ul style="list-style-type: none"> Some boutiques, private grocery stores sell cottage food on consignment Cannot sell to be eaten on premises Cannot sell to restaurants | <ul style="list-style-type: none"> Must be direct-to-consumer (includes homes, private property) Direct-to-Sale Market <ul style="list-style-type: none"> ONLY foods made under this rule, cannot mix with Cottage Farmer's Markets Must separate homemade foods into single section of market, display sign Cannot sell to restaurants or commercial establishments |



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Additional Notes

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