



Starting a Value Added Food Business

In this guide, you will learn about:

- * Processing raw fruits and vegetables in to a finished product that you can sell
- * Packaging your value added products



Northeast Network of Immigrant Farming Projects

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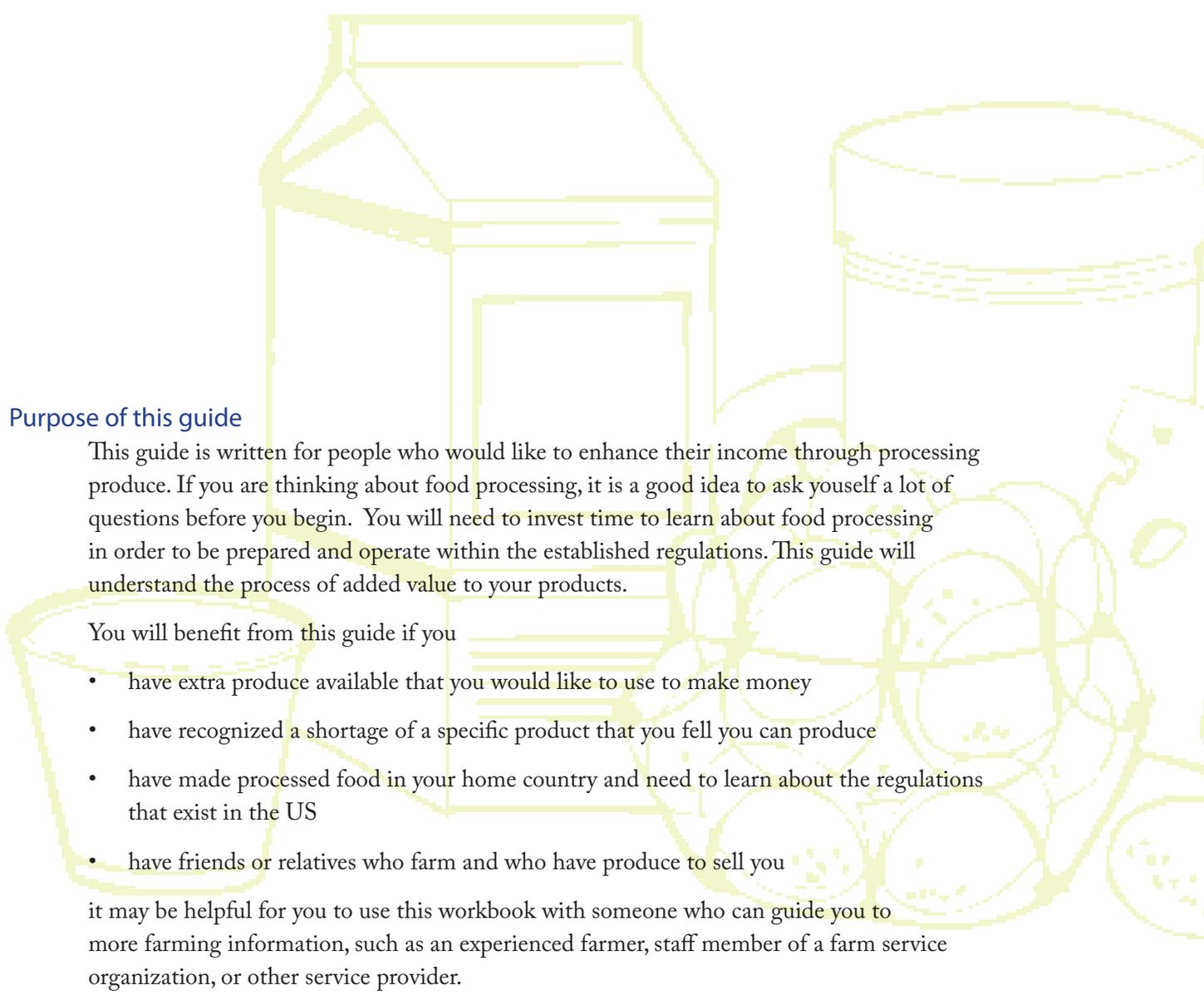
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Purpose of this guide

This guide is written for people who would like to enhance their income through processing produce. If you are thinking about food processing, it is a good idea to ask yourself a lot of questions before you begin. You will need to invest time to learn about food processing in order to be prepared and operate within the established regulations. This guide will understand the process of added value to your products.

You will benefit from this guide if you

- have extra produce available that you would like to use to make money
- have recognized a shortage of a specific product that you feel you can produce
- have made processed food in your home country and need to learn about the regulations that exist in the US
- have friends or relatives who farm and who have produce to sell you

it may be helpful for you to use this workbook with someone who can guide you to more farming information, such as an experienced farmer, staff member of a farm service organization, or other service provider.

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1 What is Value-Added Food Processing?

Value-added food processing is something that you do to help earn more money from your farm products. For example, as a farmer, you process raw fruits or vegetables into a finished product that you can sell. Some people package value-added foods and some people sell fresh value-added foods.

Examples of how to make value-added food products include:

You make salsa out of your tomatoes.

You make pesto out of your basil.

You make jam or jelly out of your berries.

You cut up and package some of your vegetables for easy cooking.

You make special sandwiches that have the lettuce and tomatoes you grow.

Sometimes non-farmers make “value-added foods” as well. These can include breads, cakes, sauces, or other processed foods. Often people make value-added foods from one ethnic tradition, such as special Chinese vegetable buns, Mexican salsa or other foods from your cooking tradition.

Can you think of other things that you can make with your farm products?



2 Do You Want to Start a Value-added Food Business?

- Do you have an idea for a food that you can make with the vegetables, fruits or herbs that you grow?
- Do you have a special family recipe that everyone loves?
- Do you make a special ethnic product that is hard to find in local stores?
- Do you want to make more money from the foods you grow?
- Do you love your farm business and want to expand it?

If you answered 'yes' to any of these questions, you may want to start a value-added food business!

Starting a food business or adding a food business to your farm business is a lot of work. There are many steps to starting the business and many rules and regulations to follow. There are many questions you can ask yourself to help decide if you really want to start the business.

- Why are you interested in starting the business?
- Why do you think your business idea will be successful?
- What strengths will you bring to the business?
- What parts of the business will you need the most help with?



3 Steps to Starting Your Food Business

There are many steps to starting your food business. This guide lists the most basic, required steps for starting your business legally.

Some of these steps are easier than others. This guide gives you more information about each step. We can help you with any questions you have about these steps.

- 1 Decide what product you will sell and how you will make it.
- 2 Develop a plan for your business.
- 3 Register the name of your business with your city
- 4 Take a food safety certification course
- 5 Apply for a food business license
- 6 Complete state and federal tax forms
- 7 Determine your business risks and obtain insurance
- 8 Start selling your product



4 Writing a Plan for Your Business

It is important that you have a well-developed plan for your business before starting the business.

There are many ways you can get help writing your business plan. There are business plan guidebooks, workshops, classes and advisors. The business plan has many parts including “product development,” “finances,” “marketing” and “sales.”

The plan for your business should answer the following questions:

Product Development

- How will you prepare and package your product?
- Where will you make your product?

Finances

- How much does it cost to make your product?
- How much will you sell your product for (what is the price)?

Marketing

- What is special and different about your product?
- Who are your customers?
- Who are your competitors?
- How will people learn about your product?

Sales

- Where will you sell your product?
- How will you distribute your product?



5 Getting Money to Start Your Business

All businesses require some form of money, often called financing, to start up and grow. The amount of financing you need depends on the size and type of business you are starting.

There are many questions you can ask to decide if you need to look for financing.

To look for financing for your business at a bank or other organization, you will need to give them:

- Basic information about yourself
- A basic business plan.
- Many local organizations offer loans for small businesses. They often lend money to people who do not have perfect credit or have complicated money situations. Some loans are specifically available for immigrants or refugees. Please ask us for more information if you think you want to apply for a loan.
- Do you have savings to spend on the business?
- Do you want to spend your savings on the business?
- How much money will you need to cover your beginning costs? (licenses, regulations, equipment and advertising, etc.)
- Can you cover the costs to operate your business with the money you make from sales?



6 Register Your Business with the City

When you start a business, you must register the business name with the city or town where you operate the business. You register by completing a form at the city clerk's office.

When you register the business you:

- Make sure no one else already has a business with the same name
- Obtain a business name certificate from the city. This certificate proves that you are a business owner. It is often called a "DBA" which means "Doing Business As".

Why do you register the business name with the city?

- The state requires self-owned and operated businesses to register. These businesses are called "sole-proprietorships."
- Proof of owning a business can give you access to special services only available to business owners. For example, Restaurant Depot, a large discount food store requires you show your business registration to shop in their store.
- Many banks require a business certificate to open a bank account (checking or savings account) for your business. It is a good idea to open a business account separate from your personal bank account.

Do You Need a Business Registration?

- You only need a business registration if you are a "sole-proprietor." Other kinds of businesses do not need to file for a business certificate, but many business advisors still recommend it.



7 Food Safety Certification

- Every food business must have at least one person who is a “Certified Food Manager.” A “certified food manager” is a full-time employee who has taken a food safety course. The course covers basic information about how you can safely handle food when making your product. Ask us for more information about where you can take this course.

Why is it important to get food safety certification?

- The health department requires that all food businesses have food safety certification. You must get food safety certification to legally start your business.
- Food businesses are risky. It is important to know basic food safety so that no one ever gets sick from your food.



8 The Food Business License

Applying for a food business license is an important part of starting your business.

How do you know what kind of license you need?

- There are two kinds of licenses, retail food licenses and wholesale food licenses. Retail means that you are selling directly to customers. Wholesale means that you are selling your product to a store or restaurant that will re-sell your product to customers.
- You can decide the kind of license you need based on where you will sell your food.

Finding the Right Food License for Your Business

IF YOU PLAN TO SELL YOUR PRODUCT:	THEN YOU WILL NEED A:
to restaurants	wholesale license
to grocery stores and markets	wholesale license
at farmers' markets	retail license
directly to customers	retail license

Where do you get the license?

- The wholesale license comes from the State Department of Food and Drug.
- The retail license comes from your local health department.

How do you get a license?

- The process is very similar for the retail and wholesale license.
- For retail and wholesale licenses you complete an application form. You then have an inspection of your business. When you pass the inspection you pay a license fee. Then you get the license and can start selling your food.

We can help you complete the application process for your food business license.

9 What Is A Business Legal Structure?

You must determine the legal type of business you want to organize. There are several kinds of legal structures. These include, “sole proprietor,” “general or limited partnership,” “business trust” or “corporation.”

What makes the structures different?

- There are advantages and disadvantages to each of these types of businesses and each type may have different local, state and federal tax filing requirements.

How do you decide which structure is best for you?

- It is best to talk with a lawyer or business advisor to decide what kind of organization is best for your business. You will base this decision on your personal situation.
- Questions to ask yourself:
 - How “risky” is the business?
 - Do you run the business by yourself or with a partner?
 - How much do you need to protect your home finances from the business risks?



10 Getting Business Insurance

Food businesses are risky businesses. You need business insurance to help protect yourself against these risks. It is important that you, your employees and your business are protected.

Why is the business risky?

- It is easy to accidentally make food unsafe to eat. Food can have bacteria or other dangerous objects in it that can hurt your customer.
- If someone gets sick from your food, they can hold the business responsible for their sickness

Why do you need insurance?

- You need insurance because it is required by law. You must have workers' compensation if you have employees. You must have automobile insurance if you have a car.
- Some of the places where you sell your food may require that you have insurance.
- For example, some farmers' markets require that all vendors have insurance.

What kind of insurance should I get?

- In addition to workers' compensation and automobile insurance, we recommend that you have "product liability" insurance. This insurance will protect you if someone gets sick from your food. If you are renting a kitchen from another person or organization, they are likely to require that you have this insurance. It is best to discuss your insurance needs with a licensed insurance agent. They can help you decide how risky your business is and help you get an insurance policy that is affordable and meets your needs.



11 Finding a Kitchen for your Business

All food businesses must work in kitchens approved by the health department. Finding a kitchen is an important early step in starting your food business. Some towns will allow you to use your home-kitchen to make certain products. To determine if you can make your product at home, please read “Making Food at Home.”

Where are there commercial kitchens?

- Restaurants
- Caterers
- Bakeries/Food Processors
- Churches/Synagogues/Mosques and other religious centers
- Schools and Community Centers
- Membership Organizations such as Grange, Elks, or VFW
- Non-profit kitchen incubators

Before visiting kitchens, determine your kitchen needs

- How much space will you need?
- What kind of equipment do you need?
- What kind of storage space do you need (refrigeration, freezer etc.)?
- What days and hours do you want to work?
- Does the kitchen have a parking and delivery area?

When you visit a kitchen, ask questions:

- Does this kitchen meet your production needs?
- When can you use the kitchen?
- Are there rules about what food you can make in the kitchen?
- How much does it cost to use the kitchen?
- What kind of rental agreement is there? Hourly rental? Daily rental? Monthly Rental?
- If your business grows, is there room to expand the business in this kitchen?

12 Making Food at Home

You are allowed to use your home kitchen to make some foods you will sell. There are rules about which foods you can make and rules to follow when you are making the food.

What foods can you make at home?

In many states, you can make any food at home that the health department says is reasonably safe.

The state or local health department can advise you on the legality of home food processing.

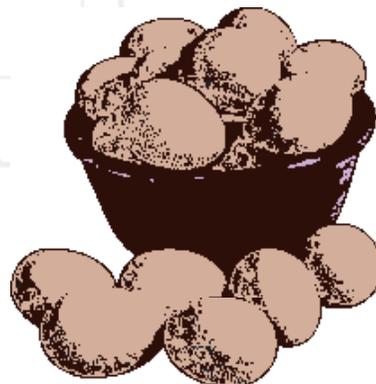
You cannot make “potentially hazardous” foods in your house. Many potentially hazardous foods usually need to be kept cold and often include fresh meat or dairy products. Pickled products are also considered potentially hazardous and are discussed later.

How do you make sure the food is safe?

- All containers must be clean.
- You must seal all containers properly.
- You must label all containers properly.
- All glass containers must have metal lids.

Steps to follow when starting a home-based food business

- 1 Determine if your food is safe or “potentially hazardous.”
If your food is safe to make at home....
- 2 Contact the city zoning department to get permission to have a business in your house.
- 3 Follow the “steps to starting a food business” in this guide.



13 Making Pickled Foods

Pickled foods have a lot of acid. There are special rules you must follow when making and selling high-acid foods that do not need refrigeration.

Do you think that you want to make a high-acid (pickled) food?

Examples of pickled foods include:

- Pickled cucumbers
- Pickled vegetables
- Pickled Peppers
- Salsa

How do you know if your food is a high-acid food?

- You can determine if your product is high acid by measuring the amount of acid it has on a pH scale.
- If the pH is below 4.6, the food is an acid food.
- Most high-acid foods contain vinegar, lemon juice, or a similar product that raises the acid level of the food.

Does your high-acid food need refrigeration?

- If you answered 'yes', you do not need to follow the special rules.
- If you answered 'no' to this question, there are special steps to follow when making your product.

What are the special rules for un-refrigerated high acid foods?

- Go to a "Better Process Control School" to learn how to safely make your product.
 - Develop a "schedule process" to describe how you will safely make your product.
 - Have a food scientist at the University of Maine or Cornell University review your process for safety.
 - Register your "schedule process" with the Food and Drug Administration
- If you decide that you want to make an un-refrigerated pickled food, we can refer you to organizations that can work with you safely make your product and help you meet the special regulations.

14 Selling Value-Added Foods at a Farmers' Market

There are many important questions to ask the market manager of the farmers' market where you want to sell your food. Asking these questions can help you meet all of the market rules. Before you start selling prepared foods at the market, make sure that the market manager knows you will be selling prepared food.

Prepare answers to the following questions:

Think about the markets where you sell your vegetables. You may not want to sell your value-added product at all the markets where you sell your vegetables. Think about the customers at each market when deciding whether to sell value-added foods.

- What kind of food will you be selling? (bottled/fresh/refrigerated)
- Does your product need refrigeration?
- Do you want to give taste samples of your product?
- Does the market require you to have any special licenses to sell prepared or packaged foods?
- What rules does the town have about selling fresh, prepared food?
- Are there sinks or places to wash your hands at the market?
- Will there be other vendors selling prepared food?



15 One Grower's Story

Emilia has a special salsa recipe that she learned from her mother in El Salvador. She makes it from the tomatoes and herbs she grows on her farm. She brings the salsa to all kinds of events and it is a huge success.



Many people have told her to sell the salsa. Emilia likes this idea, but she doesn't know where to begin. She has a lot of questions: How does she make the recipe in large amounts? Is there room to make the salsa in her home kitchen? What can she package the salsa in?

How does she make labels for her salsa? What should she name the business? Where can she sell her salsa? Can she make money from

the business? Emilia decides she needs help answering these questions before she starts making more salsa. Emilia calls her town business development center and they offer to help.

Emilia begins by thinking about her business goals. She wants to sell her salsa at the farmers' market alongside her vegetables. If the business is successful, Emilia wants to sell her salsa in stores. No one else at the farmers' market sells salsa, but Emilia decides it is important to learn about her competitors. She goes to the grocery store and sees many other brands of salsa. How will hers stand out? What is special about her salsa?

Emilia goes to three different stores to buy salsa, takes home the salsa and compares the labels. None of the salsa producers are also farmers. Emilia decides that this is what makes her salsa so special. Her salsa has a very strong flavor because all the ingredients are so fresh. She grows the tomatoes and makes the salsa herself! Emilia decides this is how she will "market" her salsa.

Emilia learned a lot about packaging and labeling by looking at other brands of salsa. With help from her business counselor, Emilia finds a supplier of plastic containers for her salsa. Emilia and her business counselor read about labeling rules. Then they design a label for the salsa. They spend many hours calculating Emilia's costs. Together they write a business plan. They register Emilia's business name with the city. Emilia gets insurance for her business. This process is difficult,

but Emilia feels much less scared about starting the business now that she has a *One Grower's Story* (continued from previous page)

plan. She likes knowing that she is doing everything the right way.

Next Emilia wants to learn about the other rules she has to follow to start her business. She decides to call the manager of the farmers' market where she sells her vegetables. She asks if she needs special permission to sell salsa at the farmers' market. The market manager tells her she needs a retail food business license. She can apply for this license at the town health department. Emilia calls the health department and tells them about her business idea. The health inspector tells Emilia she is not allowed to make her salsa at home; she must make it in a "licensed commercial kitchen." Emilia asks him where there is a commercial kitchen that she can use. The health inspector suggests Emilia ask her church. But first he tells Emilia she needs to take a food safety class. The health department has a class the next week and Emilia signs up. When she finishes the class, Emilia calls her church. They agree to let her use their kitchen. Emilia visits the church and decides the kitchen will work. It is big enough and has the right equipment. Now that she has a kitchen, Emilia can apply for a food business license. Emilia goes to the health department and submits an application for the license. She schedules a health inspection at her kitchen.

Emilia makes sure the kitchen is very clean. The health inspector likes how well she follows food safety rules during the inspection. Emilia passes her health inspection. She pays the fee for the license. The health inspector says he will send Emilia the license in the mail. Emilia makes her first large batch of salsa at the church the next week. She packages it in her new containers. She puts labels on the containers. She makes signs to advertise her salsa. On the day of the farmers' market, she arrives early. She sets up a special table with her salsa. She brings tortilla chips and small spoons to offer tastes of her salsa. Emilia is ready to start selling! It was a long process, but Emilia feels very prepared for her new business.



16 Additional Resources

Food Business Assistance

Online Support for New England Food Entrepreneurs

<http://www.umass.edu/nefe/>

This website has information on the process of starting a food business in New England, with state-by-state guidelines and local resources. Topics include “Business and Marketing,” “Food Regulations,” “Product Development,” and “Training and Education.”

Northeast Center for Food Entrepreneurship

<http://www.nysaes.cornell.edu/necfe/>

The Northeast Center for Food Entrepreneurship helps new and experienced specialty food businesses. Services include product development and business and marketing assistance. Website has information about local resources with contact information. It also lists local shared-use commercial kitchens.

Small Food Processors and Potential Entrepreneurs

Pennsylvania State University

<http://foodsafety.cas.psu.edu/processor/resources.htm>

This site has information about starting up a food business, particularly in PA. It is a good starting point into many web-based resources for entrepreneurs.

General Business Assistance

Small Business Administration

<http://www.sba.gov>

The US Small Business Administration provides financial and business management training to new and existing small businesses through free one-on-one counseling and low cost seminars and workshops.

SCORE-Counselors to America’s Small Businesses

<http://www.score.org>

SCORE is a network of retired business owners and executives who volunteer to provide free counseling to small business people.

Additional Resources (continued from previous page)

Financing

Acción USA

<http://www.accionusa.org>

Provides small business loans to people who may not have access to traditional credit.