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Questions to Ask When Starting a Home-Based Food Business

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Prepared By

Karin Allen, PhD

Department of Nutrition, Dietetics and Food Sciences, Utah State University

Ruby Ward, PhD

Department of Applied Economics, Utah State University

Vicki Hebb, BS

Mineral County Extension, University of Nevada Reno

Trent Teegerstrom, MS

Senior Director of Tribal Extension, University of Arizona



Contact Author

Dr. Karin Allen

Karin.allen@usu.edu

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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 prickly pear jelly.

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). Liquids can be measured by volume or weight, whichever is more convenient.

For example:

My recipe for Prickly Pear Jelly (makes ten 8 oz. jars)

2 quarts prickly pear fruit = 40 fl oz juice

7 cups sugar = 3 pounds sugar

6 tbsp lemon juice = 3 fl oz lemon juice

2 packets pectin = 3.5 oz pectin

I converted the recipe to weight. I can easily find sugar, lemon juice and pectin, but prickly pears can only be harvested in late summer. Some years I might be able to freeze extra fruit or the juice to use later. My recipe is easy to make on a large scale.

My recipe:

My next step:

Where will you make your product?

Each tribe, as a sovereign nation, will have their own set of rules & regulations for start-up businesses. Check with your tribe for any fees and/or rules that you must follow to have a business on the reservation, and to sell your product on the reservation. Check with your tribal government to see if you are allowed to process foods at home or if you need to work in a commercial kitchen. If you plan to sell outside of the reservation, you will need to work with your state department of agriculture or state health department to find out which rules apply to your situation. If the rules are different, you may want to follow the stricter one to make sure your business is in compliance. The resource page at the end of this guidebook gives more information.

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. When you design your labels, make sure you follow the requirements of your tribe, state department of agriculture, or health department.

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:



A large empty rectangular box with a thin black border, intended for the user to describe their packaging materials. In the background, there is a decorative graphic consisting of a light green diamond shape nested inside a purple diamond shape.

My next step:



A large empty rectangular box with a thin black border, intended for the user to describe their next step. In the background, there is a decorative graphic consisting of a purple triangle pointing upwards, nested inside a light green triangle pointing upwards.

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. Check with your tribe, state department of agriculture, or health department to find out what is required in your situation.

Things that may be required by your tribe, state or local department or agency or a combination include:

- Business license
- Food Handler's Permit or Card
- Registration with a tribal, state, or local department or agency

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. If there are questions about the safety of your product, it might need to be tested or reviewed by a Process Authority. You should plan on 6-8 weeks to get this testing and approval completed. 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. 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 check with my tribe to see what other certifications or licenses I need.

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 yourself 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 for most home-produced foods, 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? If the temperature varies between seasons you might need to use a different storage area. 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 might need a dedicated area to store the product. Even if you are making product and selling it from home, it may be required to keep it 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 shelves in my garage that are not being used where I can store the non-refrigerated ingredients 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.

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 else 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 prickly pear jelly sell online for \$15 plus shipping and handling. My product is more convenient because it is sold locally. It also comes with my story and nice packaging.

Some businesses are selling their jelly on websites like Etsy and ebay. They say they're homemade, but none of the laws regulating home-based food businesses allow shipping product across state lines. Even if these are cheaper than mine, people might be nervous to buy them.

Prickly pear jelly at farmer's markets in 8 oz jars usually sell for around \$8-10 per jar. There is some competition, and most places sell other kinds of jam or jelly 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 (i.e. tribally owned)? How is your product special? People are not only buying your product. They are buying your story.

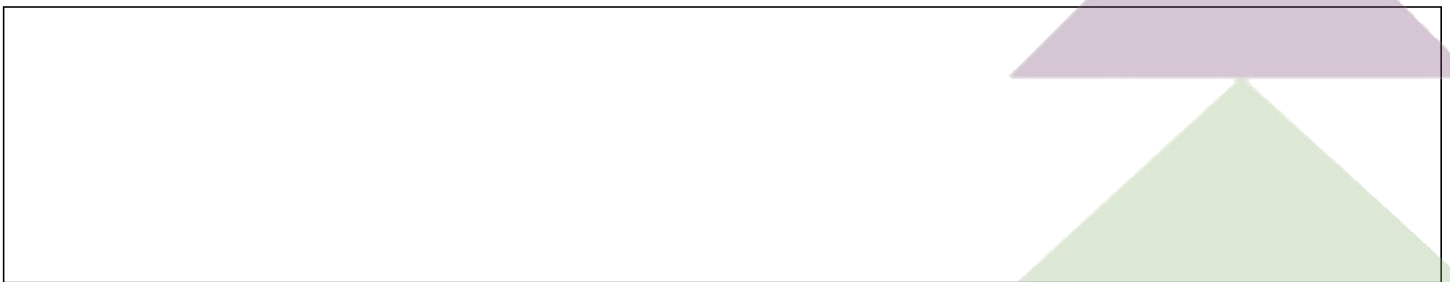
For example: Friends and family have asked for my jelly specifically and will buy from me because they have tried it before and like it. I can print up cards to give out with each jar that tells how this is a jam recipe that has been used in my family for several generations. I will also let customers know that this is a tribally owned business. 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 still 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:



A large empty rectangular box for writing, with a decorative diamond shape in the background.

My next step:



A large empty rectangular box for writing, with a decorative triangle in the background.

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 sales 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 jelly 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.

To get started, I will need:

My next step:

Start Up Costs

- Licenses and/or permits
- Ingredients
- Table and tablecloth
- Display racks
- Signage
- Square reader

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 on short notice. 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 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 do that, such as napkins, plastic knives, and bread to spread your jam on? If you plan to hand out samples, you may 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. My health department requires me to have a permit 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?



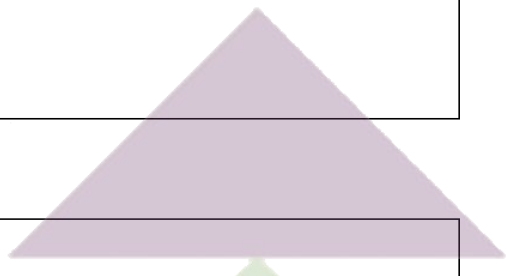
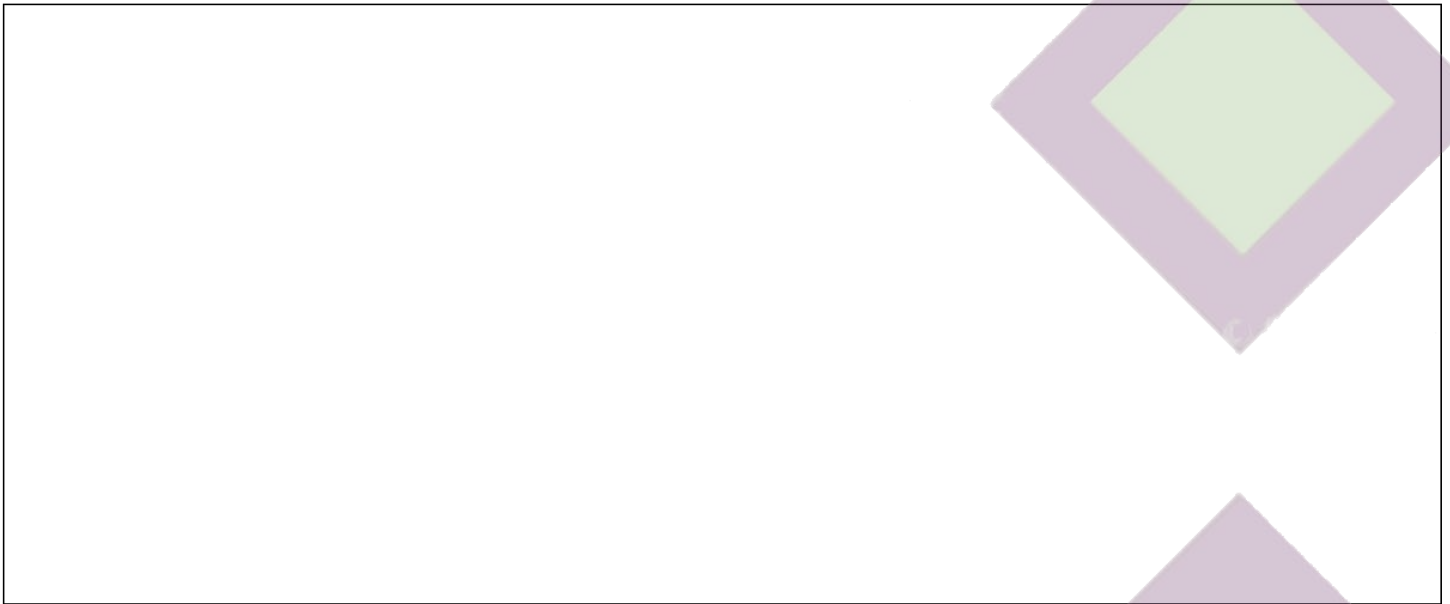
All businesses have risk. It is important to assess that risk and determine if it is at a level you feel comfortable with. Start by asking yourself if you have enough money to get started. Are you willing and able to use that money now, even if the profit doesn't come for a while?

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.

The initial money will come from:



My next step:



Resources

Most cottage and homemade food laws only let you process foods that are safe. These laws use wording like “non-potentially hazardous”, or “non-time or temperature control for safety” to describe foods that are unlikely to cause foodborne illness. Examples of these foods include baked goods (breads, tortillas, pastries), candies, dry spice blends, honey, jams & jellies, popcorn balls, and flavored vinegars.

The Indigenous Food and Agriculture Initiative at the University of Arkansas has created an example Cottage Food rule that can be adopted (with or without modification) by any Tribe: <https://www.tribalfoodcode.com/>. This is a useful resource even if the model code has not been adopted in your location.

Most states have a law that allows cottage food businesses to operate within state boundaries (foods can't be sold across state lines or shipped through the mail). Depending on where you plan to sell your products, you may need to work with both Tribal and state authorities to sell homemade foods.

If you have questions, you can contact your local Extension office, the National Intertribal Food Business Center, or your Regional Food Business Center for help. More information on the USDA Food Business Centers can be found on their website: <https://www.ams.usda.gov/services/local-regional/rfbc>.

Information on Cottage Food Programs in southwestern states:

Arizona requires cottage food businesses to register with the Arizona Department of Health Services. More information can be found on their cottage food website: <https://www.azdhs.gov/preparedness/epidemiology-disease-control/food-safety-environmental-services/cottage-food-program/index.php>

California does not require registration or permits, but limits the kinds of foods that can be made. The California Department of Public Health has a list of approved foods: <https://www.cdph.ca.gov/Programs/CEH/DFDCS/Pages/FDBPrograms/FoodSafetyProgram/CottageFoodOperations.aspx>

Resources (continued)

Information on Cottage Food Programs in southwestern states (continued):

Nevada requires cottage food businesses to register with their local health authority, depending on where your business is located.

Carson City Health and Human Services:

<https://www.gethealthycarsoncity.org/divisions/environmental-health/programs-inspections/food-establishment-inspections>

Central Nevada Health District: <https://www.centralnevadahd.org/environmental-health-services/>

Northern Nevada Public Health: <https://www.nnph.org/faq/cottage-food/index.php>

Southern Nevada Health District: <http://www.southernnevadahealthdistrict.org/permits-and-regulations/cottage-food-operations/>

All others: https://dpbh.nv.gov/Reg/Cottage/Cottage_Food_Registration_-_Home/

New Mexico does not require a permit, but you may need a business license. NM Environment Department does not have information on the homemade food act on their site. You can view the City of Albuquerque New Mexico Homemade Food Act FAQ if you have questions:

<https://www.cabq.gov/environmentalhealth/food-safety/new-mexico-homemade-food-act>

NM Environment Department allows baked goods to be sold anywhere in the state that were made on tribal lands, but you must register first. Select “Food Safety Program” then “Permitting and Registration” to download the form: <https://www.env.nm.gov/forms/>

Utah has two options for home-based businesses. The Home Consumption and Homemade Food Act allows more kinds of foods to be made in your home, but there are strict limits on where those foods can be sold. This program does not require a permit but you must have a business license.

The Cottage Food Program is managed by the Utah Department of Agriculture and Food. There are more places where you can sell your product, but all recipes must be approved first:

<https://ag.utah.gov/businesses/regulatory-services/cottage-food-production/>.

Additional Notes

