

How to Start a Food Business: Introduction¹

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This factsheet is one in a Food Entrepreneurship in Florida series that assists beginning and established food entrepreneurs by providing them information on topics highly relevant to starting and running a food business—regulations, safety, labeling, processing, and marketing. This series serves as a useful guide to help make a business plan and determine the feasibility of starting a food business.

Advantages and disadvantages of having your own food business

While running your own food business can be a rewarding and exciting experience, it can be overwhelming and stressful. It is important to understand the pros and cons of running your own food business and decide if you are ready to pursue a food business venture.

Advantages of running your own food business include:

- Being your own boss
- Flexibility of creating your own work environment
- Doing something that you enjoy and/or you are good at
- Challenges and creativity
- Full use of knowledge
- More potential for growth and earning
- Satisfaction of running a successful business and empowerment



Disadvantages of running your own business include:

- Risk of failure
- Strong time commitment
- Financial strain
- Lifestyle change
- Emotional stress
- Taking business roles you might not enjoy

Basic steps to start a food business

Starting your own business can be a very rewarding experience. However, running a successful business requires more than a good idea—it requires detailed planning and hard work. It is estimated that 26,000 new food products

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are developed and introduced every year to the market, but only about 10% of them last more than one year (West III 1999; Stanton 2013). To survive and succeed in this competitive market, food entrepreneurs should have a good business plan and basic understanding about food processing, packaging, marketing, and regulatory requirements. Anyone who would like to start a food business (or any business) should ask the following questions to ensure they are ready to take this highly challenging and yet rewarding task:

1. Why do I want to start a business?
2. What product will my business provide?
3. What differentiates my products from others that are already in the market?
4. Where will my business be located?
5. How much money will I need to get started?
6. How will I manage my business?
7. How will I advertise my business?

If you have answers (or at least some ideas) for these questions, then it is time to move on to details. The following are the basic steps to start a food business under five major topics. It should be noted the topics are interconnected and therefore each topic can affect the others.

1. Product Development

- Develop a prototype .
- Test the prototype using a sensory test (family, friends, potential consumers as taste panel).
- Determine the batch size for commercial operation and develop formula and/or recipe for scale-up operation.
- Determine the cost of ingredients based on modified formula and/or recipe.
- Run necessary tests (shelf-life, nutritional analysis, further sensory testing).
- If your product is low acid or acidified foods that are sold without refrigeration, you need to consult a process authority to get your recipe approved.

2. Business Planning

- Write a comprehensive business plan that includes detailed descriptions for business organization, type of product(s) to be produced, and financing.
- Use available resources to get assistance (state Department of Agriculture, state Extension agents, and local economic development agencies).
- Consider getting liability insurance to protect personal assets.
- Determine the financing needed and consider the sources of the funding.
- Register your business with the state.

3. Food Regulation

- Determine regulatory requirements applicable to your product(s). Contact state regulatory officials if you plan to process and sell products only in Florida.
- If you plan to sell your product(s) out of the state, you must comply with federal regulations. Consider consulting FDA regional small business representative.
- Contact Florida Department of Agriculture and Consumer Services to find out requirements for a food preparation/processing facility.
- Determine what information should be provided on your product labeling under the state and federal (if you plan to sell out of the state) regulations.
- Make test labels.
- Decide whether or not to obtain a universal product code (UPC). You will be required to display one on the label if you plan to sell your product(s) through retail stores and/or through large distributors.
- Decide if you wish to make health claims or nutrient claims. If you do, get necessary analysis done and invest time and money for FDA compliant nutrition labeling.

4. Product Marketing

- Understand your product(s) and write a marketing plan, which should include a market analysis on competition, prices, target markets, and marketing methods.
- Decide where you will sell your product. Consider starting off small (e.g., farmers markets, roadside stands, etc.).
- Determine a selling price. Take the competition, price stability/variability of ingredients, and your financial needs into consideration when determining a price.

- Develop a distribution method considering the characteristics of your product(s). Will it be distributed through direct sales, mail, wholesalers, specialty shops, or distributors?

5. Production

- Identify reliable suppliers for equipment, ingredients, and supplies.
- Decide where you will produce your product (e.g., your own kitchen, commercial kitchen, pilot plant, or co-packer).
- Find storage place for ingredients, packaging, and the final products.
- Schedule time with experts at the production facility to learn how to operate equipment.
- Obtain all necessary permits and approvals (both state and federal) for production of your product(s).
- Schedule time at a processing facility to produce your product based on ordering supplies.

References:

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Resources:

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2. US Small Business Administration (SBA). "Is Entrepreneurship for you?" (<http://www.sba.gov/content/entrepreneurship-you>)
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