

# BEFORE YOU START

## **FACTS FOR STARTING YOUR FOOD BUSINESS**

**Starting any business is no easy task, and becoming a food entrepreneur is a special challenge. You'll have to prepare yourself for the hard work and dedication it takes. You will need to learn and understand financial, marketing, and management issues to succeed in the food business. And you will also need to learn about food regulations, processing and packaging technologies, and safe food-handling procedures.**

# ENTREPRENEURSHIP: ARE YOU THE TYPE?

An entrepreneur is a builder—one who sees an opportunity, sizes up its value, and finds the resources to make the most of it. Entrepreneurs are innovators who are introducing something new to the marketplace, putting a different spin on a product or a process. Ask yourself these questions to see if you fit the description of a successful food entrepreneur.

- Am I a self-starter? It will be entirely up to you to develop projects, organise your time, and follow through on details.
- How well do I get along with different personalities? Business owners need to develop working relationships with a variety of people, including customers, vendors, staff, bankers, and others such as lawyers, accountants, or consultants.
- Am I good at making decisions? Small-business owners are required to make decisions constantly, often quickly, independently, and under pressure.
- Do I have the physical and emotional stamina to run a business? Can you face six or seven twelve hour workdays every week as you are getting your business underway?

Now that you've decided that you are entrepreneur material, you probably already have an idea of the product you want to sell. Here are some more questions to think about as well as some advantages and challenges you should consider.

## WHERE WILL YOU MAKE YOUR PRODUCT?

- You may be able to make your product at home. Certain foods may be prepared in the home kitchen, while others cannot due to food safety concerns. You will need to discuss the options for your particular product and your particular household situation with your local council. If you are allowed to make your product in your home, then you will have to get your kitchen up to state standards before beginning production. You may have to purchase new equipment appropriate for commercial food production and learn about handling, preservation, and packaging methods that keep your products safe and obtain a food license.
- You can prepare your product in someone else's certified kitchen. This way, you separate your home from your workplace and someone else is responsible for meeting kitchen standards. But you will have to pay for the space, you will need to register with your local council to make your product at that location, and you may have to work around someone else's schedule.
- You can hire a co-packer. A copacker is an established food company that you hire to process and package your product according to your specifications. You are out of the kitchen and can take advantage of their expertise. You also have more time to promote and distribute your product. However, costs are higher and there are a limited number of co-packers in Pennsylvania. Visit the Penn State Extension Food Entrepreneurs website for a list of co-packers in Pennsylvania and other states.

# HOW WILL YOU PRESERVE YOUR PRODUCT?

If your product contains ingredients that spoil quickly at room temperature, how do you intend to maintain quality and prevent growth of disease-causing microorganisms and spoilage? The amount of time your product can be expected to stay wholesome under a given set of storage conditions is called the “shelf life.” Here are some of most common ways to extend the shelf life of commercial food products:

- **Bottling, or thermal processing**, is perhaps the most common method for preserving fruits and vegetables, pickles, salsas, and sauces. But, you can't rely on an old family recipe once you enter the commercial market. Regulations require your process to be evaluated by an expert in food technology, and you must use specialised equipment to produce high-quality, safe products.
- **Refrigeration and freezing** extends shelf life by slowing or stopping microbial and chemical changes in food. How would you keep your product cold or frozen until it gets to the consumer?
- **Chemical preservatives** are typically used in combination with other techniques to extend shelf life. Are you aware that the type and amount of preservatives are strictly controlled by government regulations?

Many other technologies are available for extending product shelf life, including pasteurising, controlling pH and moisture, smoking, and curing. You'll need to do some research on which methods are most appropriate for your product and your budget.

# WHO WILL DO THE WORK?

- **Start out small** and keep your "day job." You can feel your way while there is still money coming in, but you may be working long hours for six or seven days a week.
- Get your **family or friends** to help out for a while. This may be the right solution for those on a small budget, but the arrangement might put a strain on your family life and your relationship with friends.
- **Hire people** to do the work. You are free to manage the business, or to work at another job. But employees mean higher costs for wages, training, insurance, etc.



# HOW WILL YOU PAY FOR EXPENSES?

- **Personal resources.** Use savings, credit cards, or a credit line on your house. You maintain complete financial and operational control over your business, and there are no co-owners to pay off if the company hits it big. But if the business fails, you will still have the personal debt, and credit card debt carries high interest rates.
- **Friends and family.** You could raise money from people you know well, either in exchange for a share of your business or as a loan to be repaid. The money is available quickly, but it's usually a one-time source. A contract to protect your friends' or family members' investments is a good idea. Are you ready to deal with the interpersonal consequences if your business doesn't succeed?
- **Bank financing.** Borrowing money from a bank keeps home and business finances separate. The relationship you create with your bank will be useful as you expand and need additional capital. However, start-up businesses with no track record often find getting a loan difficult. You may have to provide personal collateral, such as your home, to secure the loan, which puts your home at risk of foreclosure if your business is taken to court or it closes with debts outstanding.
- **Grants.** There may be special programs designed to support determining the feasibility of an enterprise or demonstrating an innovative process. Not all grants require payback and you don't pay interest to the funding source, so grants are essentially "free money." Most grants have "deliverables" (things you promise to do in exchange for the funds) and report schedules you must follow. Also, grants are usually available during a specific window each year, rather than responding to your schedule. Keep in mind that competition for grants is stiff, so you may need help writing the application.

Eliminating all the unknowns associated with starting a small food business is simply impossible, but good planning, preparation, and insight greatly improve your chances of success. Don't do it alone—reach out to experts in business and technology who are there to help. Keep in mind, though, that if your business doesn't succeed, you may be putting ownership of your personal property at risk.

