

# Starting a Food Processing Business?

## What You Should Know Before You Get Started

### Introduction

"That's the greatest sauce I have ever eaten! You should consider marketing it."

Have you ever had a friend or relative tell you that about a special steak sauce you make or a cookie recipe that was handed down from your great-grandmother? If so, this publication was written with you in mind. In it you will find the most current information about starting a food business.

You may be surprised to find that starting a food business is not as simple as it may sound. Like any small business, food enterprises require careful planning, dedication, and skilled management to be successful. But the food business is unique when compared to most other types of businesses. The food you produce can have a direct effect on your customers' health and safety.

In fact, a food product that has been improperly processed could cause serious illness or even death. Consequently, a business that makes or sells food products must comply with a number of complex and often confusing federal, state, and local regulations.

In addition, competition is intense in the food business. Having a product accepted by a major grocery chain or nationwide food establishment is extremely difficult. Owning your own business also requires a lot of commitment, hard work, time, and technical knowledge about food.

### Getting Help

Many resources are available to help you as you plan and start your food business. The Alabama Small Business Development Centers serve as focal points for the co-

### Should You Start Your Own Business?

The following steps can help you turn your great idea into a successful business:

1. Evaluate your personal characteristics.
2. Develop a business idea.
3. Write a business plan.
4. Translate the idea into distinct consumer benefits.
5. Evaluate the competition.
6. Redefine and improve your idea.
7. Examine market conditions.
8. Design the smallest possible viable business unit.
9. Act on your idea.

ordination of federal, state, local, university, and private resources to aid small businesses. These services are delivered through regional and affiliate centers located at state universities, community colleges, and technical institutes. Contact the nearest office for assistance in various business areas such as writing business plans or seeking answers for financial assistance. A list of these offices with their addresses and telephone numbers is available from the author. Check the appropriate blank, and return the form at the end of this publication: "More Help For The Asking."

Many technical resources are at your disposal as well. Extension personnel at the state and county level are eager to help you and are available at no charge. Specialists can be used as resources in a wide array of areas, from drafting a business plan to technical advice on how to formulate a specific food product.

Extension Specialists in nutrition and food science, agricultural economics and resource development, plant and soil science, and agricultural engineering can be valuable assets to a beginning food business. A list of Extension offices with their addresses and telephone numbers is also available from the author.

Other excellent resources are the Alabama Department of Agriculture at [www.agi.alabama.gov](http://www.agi.alabama.gov), Food and Drug Administration at [www.fda.gov](http://www.fda.gov), Alabama Department of Economic and Community Affairs at [www.adeca.state.al.us](http://www.adeca.state.al.us), and Alabama Department of Public Health at [www.adph.org](http://www.adph.org). A more complete list of resources that you will find useful and a list of food testing laboratories are also available from the author.

Your U.S. representative can provide information on financial assistance. Contact your representative's office to obtain Grants and Foundation Support, Selected Sources of Information, a Congressional Research Service (CRS) Report for Congress, 87-970C. This publication lists sources and databases that provide information on how and where to get money for projects.

In addition, the Tennessee Valley Authority has a cost-sharing competitive bid program for the development of agriculture that may help with funding. The address and telephone number are included in the information available from the author.

Most small businesses start with personal investments, loans from family or friends, and business loans from banks and other commercial sources. Contact banks or lending institutions in your area for further information.

## **Planning the Facilities— Where You'll Carry Out Your Business**

In the initial planning stages, you should check the legal zoning ordinances to determine if you can carry out your food business in the chosen geographic location. Local zoning regulations may restrict the kinds of businesses allowed or prohibit food businesses entirely. If zoning laws are confusing to you or if you have any questions about them, ask local officials to clarify the rules.

Do not make any plans until you are satisfied that your business will fall within the bounds of the current laws. If you plan a business with the idea that you will get local zoning ordinances and laws changed, you may be in for an unpleasant surprise. You may need to rent or build a suitable facility.

If you decide to build or remodel a facility, submit a prepared set of plans and specifications (blueprints) of the construction, remodeling, or conversion to the county health department for review and approval. When these plans are approved by the county health department, you may begin construction. If you change the originally approved plans, they must be approved by the same office.

After the construction, remodeling, or conversion is completed, the county health department must inspect your facility and determine that you have complied with the approved plans and specifications. Only at this time will the county health department issue a permit for your business.

To be approved by the Alabama Department of Public Health (ADPH) or the county health department, your processing facility must meet state regulations. Alabama regulations specifically state that all food processing facilities must meet the same requirements as any large commercial food manufacturing plant. Alabama regulations also state that no operation of a food processing establishment (or retail store) shall be conducted in any room used as living or sleep-

ing quarters. This means that a kitchen used for family cooking cannot be used to prepare food for sale. A separate kitchen that is closed off from the rest of the home by a solid door must be provided. The equipment that can be used is also regulated. For example, you can't take your home kitchen equipment into the new kitchen to use some of the time and take it back into the household kitchen whenever you like.

Because most food processing facilities generate waste, you need to consider its disposal when you are planning and constructing your facility. State and local laws prohibit the discharge of any biological waste into public waterways or local sanitary sewers without proper permits. If the waste is liquid and is being discharged into a local sanitary sewer system, these permits are usually based on the biological oxygen demand (BOD) and suspended solids content of the liquid waste. If the food processing waste is solid waste, you may need to pay a solid waste disposal company for its removal. The waste from some processes is valuable, and it may be sold to another processor or producer. For guidelines on the proper handling of specific process wastes, contact your county health department or the Alabama Department of Environmental Management (ADEM).

## **Getting a Permit**

County health departments issue three types of permits for food businesses in Alabama:

- Retail Food Store Permit, which covers all grocery stores
- Food Service Establishment Permit, which covers all restaurants and any other food service businesses, including catering businesses
- Food Processing Permit, which covers all food processing businesses. These businesses are regulated by the ADPH and are issued a copy of the ADPH Food Processing Establishment Inspection Report (available from the author). The county health department must inspect your premises and issue you a copy of the approved inspection report and permit before you are authorized to manufacture or process food.

Meat or poultry processing facilities must be approved by the Alabama Department of Agriculture and Industries or the United States Department of Agriculture (USDA). Commercial facilities that process heat-processed, low-acid canned foods and acidified foods are required to be registered with the Food and Drug Administration, which regulates low-acid (pH 4.6 and above) and acidified canned foods. Full text of the low-acid canned food and acidified food regulations is in the Code of Federal Regulations, Title 21, Parts 108, 113, and 114. To obtain these regulations, contact the Food and Drug Administration, Industry Guidance Branch, (HFF-326), 200 C Street, SW, Washington, DC 20204.

## **Operating Your Food Business Safely**

All foods prepared at any location and offered for sale to consumers for distribution to retailers fall under the responsibility of either the ADPH or the county health department. ADPH is responsible for regulating and enforcing food safety as it pertains to food processing, handling, storage, and sale in Alabama. If your product is sold across state lines, it will be subject to regulations of the Federal Food, Drug and Cosmetic Act and Fair Packaging and Labeling Act. These include labeling, ingredients, preparation, and handling requirements.

## **Good Manufacturing Practices**

To produce and sell food for human consumption, your food business must conform with Good Manufacturing Practices (GMPs). GMPs were designed and instituted by the federal government to ensure that foods are manufactured, processed, and handled in a safe and sanitary manner. To operate and maintain your business, you must meet the conditions as set forth in the GMPs. If a complaint is filed against you or your product, a GMP inspection by the FDA or state is likely to occur. The GMPs include the following areas:

- Plants and grounds
- Equipment and procedures
- Sanitary facilities and controls
- Sanitary operations
- Processes and controls
- Personnel

Part of the GMPs for all food plants is available from the author. For additional information, see the Code of Federal Regulations, CFR21, parts 100–169.

### **Hazard Analysis Critical Control Points**

Hazard Analysis Critical Control Points (HACCP) is a systematic approach to food safety. HACCP involves assessing hazards associated with potentially hazardous foods (foods and/or food ingredients high in protein and low in acid, such as meat, poultry, fish, eggs, and dairy products).

Hazards may be microbial, chemical, or physical. A microbial hazard exists when potentially hazardous foods are inadequately processed or prepared. For example, chicken cooked at an internal temperature below 165 degrees F may allow for survival and growth of harmful *Salmonellae*. A chemical hazard would include storage of cleaning agents or pesticides in a food processing or preparation area, increasing the risk of accidental contamination of food. Physical hazards may include extraneous material such as grease from pumps contaminating food in a processing plant to metal shavings contaminating menu items in a food service establishment.

In order to identify hazards associated with potentially hazardous foods, a flow diagram of food preparation from receiving and storage to the finished product must be constructed. Each hazard identified must be assessed to determine the potential for causing illness. Points in the process that control or eliminate hazards are called critical points (CP) or critical control points (CCP). A critical point is a policy or procedure, such as regularly cleaning the storeroom or warehouse; a critical control point is the step in the preparation or processing of food that would eliminate harmful bacteria or

### **Food Safety**

The words *food-borne illness* should send a shiver down the spine of anyone who operates a food business. Whether caused by salmonellae, staphylococci, clostridia, or any number of other disease-producing microorganisms, food-borne illness can destroy a successful business in a matter of hours. Potentially hazardous foods include those that contain meat, fish, poultry, eggs, and milk products.

“Keep hot foods hot and cold foods cold” is a good rule of thumb for food safety. Make sure that foods are kept at their recommended cold or hot temperature ranges until serving time. Most bacteria that cause illness thrive in the range between 40 and 140 degrees F. Once hot foods have cooled to a temperature that’s within this range, they need to be reheated to above 165 degrees F. Refrigeration will slow the growth of bacteria, but it will not kill them.

For more information on food safety, contact your county Extension office.

prevent growth of surviving bacteria. Examples would include adequate cooking and cooling. Normally, CCPs include the cooking/heating step followed by adequate cooling and storage of food to prevent growth of microorganisms. In addition, steps to prevent cross-contamination of cooked foods would be considered critical control points.

Once the hazards and critical control points have been identified, critical control limits are established. An example would be the correct temperature range for the heat-processing of food. Operating temperatures for processing foods vary depending on the food product. For instance, current FDA temperature recommendations for cooking ground beef are at a minimum internal temperature of 155

degrees F; poultry must be cooked to a minimum internal temperature of 165 degrees F for at least 15 seconds. It is your responsibility to know the temperature requirements for storing, preparing, and processing food products!

Each critical control point must be monitored and corrective action established when a deviation is identified. An undercooked meat product would need to be reprocessed to meet minimum temperature requirements.

Recordkeeping is essential in food production. Records must be kept for each critical control point. Periodic temperature checks and continuous monitoring, such as recording charts on cooking equipment, are highly recommended.

As with any system, verification is needed to ensure that the HACCP system is working. If the system is not working, a review of HACCP plans must be conducted to identify and solve problems.

Currently, HACCP is mandated in the seafood and meat processing industries. However, all food processors and food service establishments will likely be required by federal and state regulatory agencies to implement HACCP programs. A lot of information about HACCP is available. Check your local library and the Internet for information. In addition, the ADPH and the Alabama Cooperative Extension System can provide additional information.

### **Figuring Expenses/Developing a Budget**

A business will have both fixed and variable expenses. Fixed expenses are those that do not change, such as rent. Also in this category are the “one-time” or annual expenses, such as equipment, remodeling, license fees, etc. Variable expenses change from month to month. Examples are utility bills, ingredient costs, transportation, supplies, promotion, advertising, and salaries.

## **Food Costs**

Estimate the cost of ingredients on a per unit basis (or per dozen, if small items such as cookies are involved). List the ingredients needed; then compare prices in both retail groceries and wholesale outlets. Try to find the most inexpensive ingredients, but do not sacrifice quality in order to cut costs.

In general, larger quantities of ingredients have lower unit cost. But wholesale buying of large quantities may not save money for a beginning business, particularly if food is perishable. The major advantage of wholesale buying is to maintain consistent product quality. It also may enable you to purchase ingredients that are difficult to obtain in small quantities.

Pre-prepared foods, such as dehydrated soup bases or chopped nuts, may reduce food costs by cutting preparation time.

## **Labor**

Although you may be willing to work for nothing, assistants, delivery people, and others expect to be paid. Always include a labor cost, even if you do not intend to pay yourself a salary. This is a good business practice that will help establish a fair price.

One way to estimate labor cost is to divide the profit by hours spent. For example, if it takes 50 hours of labor to produce a \$100 profit, the labor cost is \$2 per hour. Another way to establish labor cost is to decide what your time is worth. You may think your time is worth \$2 per hour or maybe \$20. It's up to you.

Labor cost is more than preparation time. A certain amount of time will be required for developing the business, transportation, purchasing, and recordkeeping. If others will be working as well (family members for delivery, for example), include their labor costs also. Will they work as quickly or efficiently as you do?

## **Transportation**

Consider the following questions. Will you deliver your products? If so, include gasoline and

other automobile costs as an expense. Is a special vehicle necessary? Will you need equipment to keep foods at recommended temperatures while in transit? Some foods need to be kept cold during delivery. Let's use the example of ice cream. Ice cream must be kept frozen at all times or the quality of the product is lost. Therefore, if you plan to sell ice cream, you must purchase, rent, or lease a refrigerated truck to transport it. To determine which is appropriate for your business you must ask another question: Can you recover a prorated cost of the delivery vehicle, including fuel and maintenance?

## **Insurance**

Insurance helps safeguard your business against losses from fire, illness, and injury. You cannot afford to operate without it. Talk with your insurance agent about your business needs.

You will need a commercial policy for full protection when you have a business. Discuss these other possible needs with your agent:

- **Product Liability Coverage** to protect you if your product causes injury to the user
- **Auto Liability Insurance** and "non-owned" auto liability insurance if a car is ever used to support the business in any way
- **Medical Payments Insurance** payable if someone is injured in your business, whether or not it was your fault
- **Worker's Compensation** if you have employees
- **Business Income Insurance or Earnings Insurance** if your business is damaged by fire or some other cause and you must totally or partially suspend operations
- **Disability Income Protection**, a form of health insurance in case you become disabled
- **Business Life Insurance** to provide funds for transition upon your death. Be sure to keep all your insurance records and policies in a safe place—either with your accountant or in a safe deposit box. If you keep them at home for convenience, give your policy numbers

and insurance company names to your accountant or lawyer or put a list in your safe deposit box. Final advice for the wise business person is to read and understand the fine print in all policies and to reevaluate business insurance needs frequently.

## **Other Expenses**

Although not all the following expenses are applicable to your business in the beginning, they may become significant as the business grows:

- Overhead for kitchen, equipment, and delivery vehicle
- Utilities (fuel) used in food preparation
- Licenses required by local, state, and federal governments
- Recordkeeping and required sales reports
- Customers who do not pay
- Accounting or legal fees
- Excess production (leftovers), pilferage, returns, and "mistakes"
- Food wrap, napkins, and condiments
- Advertising and promotion; postage and telephone
- Kitchen modifications
- Interest
- Rent

If you have major initial expenses, such as building a kitchen or buying appliances, ask an accountant to establish a monthly figure to include in expenses. You might consider using a kitchen at a local restaurant.

## **Setting Prices for Products and Services**

The price of a product can make the difference between success and failure. Good prices make customers think they are getting their money's worth and make you think you are getting a fair return on your investment of time and money.

How much can you charge? Consider comparable commercial products, prices charged by others in your community for similar products, and "what the traffic will

bear.” Consult business people in the community.

Prices should reflect all fixed and variable expenses in the business and provide what you consider a reasonable profit. Keep prices competitive and in a range that customers are willing to pay.

The following pricing methods are guides that you can adjust to your situation. Through experience, you will learn to set up your own pricing formula. Don't worry if the prices you set are a little higher than your competitors if you are sure your product is better in some way.

### **Cost-Based Pricing**

This method uses unit costs of ingredients, expenses, and labor to determine the price. Here's an example.

As a maker of homemade bread, you have fixed expenses of \$50 per month; you plan to work 1 day each week, or 32 hours per month; your ingredient cost is \$0.50 per loaf; and you can make 5 loaves in an hour. How much should you charge for each loaf?

**Step 1:** Figure the productive working hours (total hours spent in actually making the product). Seven hours of the 32 are spent in book-keeping, shopping, and delivery, so they are not productive hours. Therefore, your total productive hours per month are 25 ( $32 - 7 = 25$ ).

**Step 2:** Figure expenses per hour. Divide the monthly fixed expenses by the productive working hours in 1 month ( $\$50 \div 25 \text{ hours} = \$2$  fixed expenses per hour).

**Step 3:** Figure ingredient cost per hour. Multiply the ingredient cost of one loaf (\$0.50) by the number of loaves you can make in an hour ( $\$0.50 \times 5 = \$2.50$ ).

**Step 4:** Set labor cost. In this example, you decide you are willing to work for \$2 per hour.

**Step 5:** Add your totals:

Fixed expenses	\$2.00
Ingredients	\$2.50
Labor	\$2.00
<hr/> Total per hour cost	<hr/> \$6.50

**Step 6:** Divide the total per-hour cost by the number of loaves you can make per hour ( $\$6.50 \div 5 = \$1.30$ ). This is the minimum price that will cover your costs.

Will customers pay \$1.30 for a loaf of your bread? Compare this price with that of similar products. If it seems low, consider increasing it a little. After all, \$2 per hour is a pretty low labor cost. However, if the price is considerably higher than the competition, consider these options:

- Reduce ingredient cost
- Reduce labor cost
- Increase per hour production
- Decrease expenses
- Improve work methods, which may accomplish all four of the above
- Reconsider the business venture

### **Percent Food Cost Pricing**

This quick method is used by many restaurants. It is based on the theory that food cost makes up about 40 percent of the price. To set a price, multiply the food cost by  $2\frac{1}{2}$  ( $40 \times 2\frac{1}{2} = 100$  percent).

In the example of the bread maker, the food ingredient cost of \$0.50 is 38 percent (rounded to 40 percent) of the total selling price of \$1.30.

The 40 percent figure is just a guideline; it may not be a suitable standard if the cost of ingredients is low, the product requires a great deal of labor, or if the ingredients are so expensive that no one would pay  $2\frac{1}{2}$  times the cost.

Some experts say that a reasonable price for catering is three times the cost of ingredients. To get a price per person, divide that total by the number of people the food will serve.

### **Price Sheet and Policies**

Have a price sheet that is available to customers. On this sheet, list your basic policies. Post both prices and policies in your office as well. Some basic policies could include:

- Minimum order size
- Time needed to fill order
- Delivery schedule

- Advance payment and billing procedures
- Returns
- Cancellations
- Price changes
- Other rules you will follow

### **Estimating Profits**

To estimate profits, make a conservative estimate of the number of products you expect to sell during a certain time period (for example, 6 months). Multiply that figure by the selling price per product. Estimate expected total expenses for the same time period. Subtract this total from the total sales. The answer is the anticipated profit.

How does the anticipated profit figure compare with what you could make through other job opportunities? What about the money you must invest in the business? Could that money earn a better rate of return elsewhere? If the anticipated profit figure is satisfactory to you, proceed with your business plan.

### **Preparing Your Product/Standardizing Recipes**

Standardized quantity recipes are necessary to ensure uniform product results and keep preparation costs steady. If you plan to adapt a favorite recipe, remember that simply multiplying all quantities may cause reactions that will affect the final product. But this is the first step in taking a small-serving recipe and making it serve many more. If the original recipe serves 12 and you want to serve 60, multiply all the ingredients by 5. If the food no longer tastes right, continue to experiment. Brands of ingredients can make a difference too, so don't change brands without testing the result.

Experiment with cost-cutting measures that don't affect the final product. For example, discover the minimum amount of each ingredient that can be used without affecting quality. Arrange equipment for most efficient production, and streamline work methods as well.

To complete the standardization, practice making the recipe again and again until the result is the

same every time. The recipe should include the following:

- Appropriate descriptive title
- Size of servings in volume, weight, or size of pieces
- Yield number of servings and/or volume or weight
- Pan size needed, especially for baked or congealed items, or if important to the quality of the finished product or portion sizes
- Number of pans needed and whether glass or metal
- Ingredients in order used and brand name
- Type or form of ingredient, such as all-purpose flour, melted fat, finely chopped onions, etc.
- Quantity of ingredients in both weight and volume
- Clear, precise instructions for preparing and combining ingredients; cooking method, time, and temperature; size or portion and method of service; possible substitutions, if desirable

Stress to helpers the importance of following the recipe exactly. Make sure they know what is meant by terms such as mix, beat, and fold. Be specific about how many strokes to beat or how long to mix. These things can make a difference.

## **Packaging and Labeling Your Product**

Attractive products sell better. Attractiveness refers to both the appearance of the food and how it is packaged or displayed. Strive for innovative and appropriate food arrangements. Prepare the product the way you want it to look, and take color photographs. Post these in the processing unit so that both you and your helpers can achieve a consistent appearance in the product.

Packaging also contributes to the attractiveness of a product, so choose a packaging method that enhances what you sell. Today's customers are concerned about sanitation and safety. Securely wrapped and sealed packages are vital if food is sold through retail outlets.

While package appearance can affect how a product sells, packag-

ing and labeling are also regulated by law.

### **Product Labeling**

All food and nonfood items packaged by your business must be properly labeled before it is sold. The law requires the following to be on all food items:

- The name, street address, city, state, and zip code of either the manufacturer, packer, or distributor
- An accurate statement of the net amount of food in the package in metric as well as English units
- The common or usual name of the food
- The ingredients in the food in descending order
  - Any allergens in the product (effective January 1, 2006, and including the 8 major allergens: milk and all milk products, eggs, fish, crustacean shellfish, tree nuts, wheat, peanuts, and soybeans and all soy products)

For further details, please request the Required Label Statements from the author, or obtain a copy of FDA Regulations 21CFR101.

After you have designed and written your label, submit it for review and comments to ADPH, Division of Food, Milk and Lodging. Although this review is not required by law, it can save you time and money.

All food products must comply with Nutritional Labeling ("Nutrition Facts"). See Code of Federal Regulations (21CFR101.9). Consult the ADPH, your county health department, or your county Extension office for details.

### **Universal Product Code (UPC)**

If you wish to sell your product in retail grocery chain stores, you should obtain a UPC code for your product. This code is a series of bar codes that allows your product to be checked out at the grocery stores' automated cash registers. There is a minimum fee to obtain the code.

To obtain a UPC code for your product, contact the following office for the appropriate application

blank: GS1 US, 7887 Washington Village Drive, Suite 300, Dayton, OH 45459; (937) 435-3870; or [www.gs1us.org](http://www.gs1us.org).

### **Trademarks**

Trademarks are distinctive names or symbols used by a company to distinguish its products from those produced by any other company. The creation and use of a trademark is the first step to making it exclusively yours.

If the trademark is used in interstate commerce, you can register it with the U. S. Patent and Trademark Office. There is a charge for the registration and it gives you the legal rights to the trademark for 20 years; you may renew it every 20 years thereafter.

The book *General Information Concerning Trademarks* may be useful if you are considering registering your trademark. You can obtain the book and other information from the Patent & Trademark Office, U. S. Department of Commerce, Washington, DC 20231. Phone: (800) 786-9199.

### **Weights and Measures**

State law regulates net weights and the computation of tares. State law defines net weight as the exact weight of a commodity in a package at the time it is offered for sale. Tare is the weight of a container or wrapper that is deducted from the gross weight to obtain net weight.

Net weight must allow for product shrinkage. In other words, the law requires that the commodity itself weigh at least as much as the label declaration at the time it is offered for sale. Colder temperatures during processing, packaging, and display will reduce product shrinkage, extend shelf life, and achieve maximum profits.

You can obtain a copy of weight and measure laws from the Alabama Department of Agriculture and Industries, Weights and Measures Division, P.O. Box 3336, Montgomery, AL 36190.

## Keeping Written Records

Obtaining written orders or contracts will make your food business seem more professional. If possible, get written orders or contracts from buyers, especially if you are producing for resale through retail outlets. Written orders help prevent errors and misunderstandings.

The order form should have space to write the price, order type and amount, time of delivery, last date order may be changed or canceled, and payment schedule. If food is for resale, be sure the order form specifies the policy on return of unsold merchandise, especially if it is perishable.

Recordkeeping is also very important. Records tell you where you have been, where you are, and where you are going. Business experts say there is a close relationship between inadequate recordkeeping and business failures. State and federal governments require certain records, and detailed records help pinpoint deductions at tax time.

Set up a simple bookkeeping system to keep track of expenditures.

## Marketing, Promotion, and Advertising

The words *marketing*, *promotion*, and *advertising* have different meanings.

Marketing includes all the decisions involved in the business effort, including the product itself, production, pricing, promotion, selling, service, and customer satisfaction.

Promotion is the communications aspect of marketing that includes whatever is done to tell the public or potential customers about the product. This might include written publicity, news releases, demonstrations or talks to local groups, posters, free samples, displays, brochures or catalogs, and advertising.

Take advantage of promotion opportunities. For example, if you are asked to donate products for community charity events, ask for recognition on the program or

identification of your products in some way. As the business grows, however, you may be asked to donate products frequently. Don't feel you must always donate; politely decline those you do not wish to support or do not feel will advance your business interests.

Advertising is paid promotion. A newspaper or radio station may be interested in a feature story on your new business or your unusual product, but after that, you will most likely have to pay for publicity in the news media. When you pay for newspaper space or radio time, you can say exactly what you want about your product, provided what you say is allowed by law. However, advertising is not the first thing you should think about. The overall marketing plan should come first.

### *The Marketing Plan*

A marketing plan begins with some realistic goals, with enough time for the goals to be reached. Think about what you expect to accomplish in 6 months, in a year, and in 5 years.

Next, think about how to reach the goals. Consider the product in relation to the potential customers. Think about who the customers are, where they go, what they do, what they like and dislike, their income, and education. What do these people need? Your business should meet either a real or a perceived need.

How will you reach people to tell them about your product? That is where promotion and advertising come in. What are your customers' social, leisure, and reading habits? Where do they go? What kinds of promotion and advertising are most likely to reach them? For example, it probably is a waste of money to advertise expensive catered dinners in a shopper newspaper that features garage sale ads.

Develop a portfolio or album with photographs of your products to use when talking to potential customers, especially retail outlets. If possible, have a professional photographer take the picture in order to present the food in the

most appealing way. There are techniques to food photography that only a professional will know.

### *Creating a Professional Image*

One important part of business success is image. If you are professional in your work and in your dealing with customers, they will have confidence in you and feel good about using your product or service. It costs very little to create a professional image. Here are a few tips:

- Be available during your advertised business hours; if you must go away, leave messages where you can be reached.
- Return phone calls promptly.
- Respond to inquiries and requests for price quotes immediately.
- Be sure food looks professionally prepared and is attractively displayed.
- Make sure you, your workplace, and your equipment are neat and clean.
- Meet agreed-upon deadlines.
- If you use the family telephone for your business, insist that family members answer correctly and know how to take orders and messages.

## Summary

People starting their own food businesses come from all walks of life. The qualities they share include independence, initiative, and good ideas. These combined with some business sense and the willingness to seek outside help in areas where you are not knowledgeable will give you a better chance of success.

Anyone considering a new business should be aware that definite risks are involved. Some people find out too late that they do not have the discipline it takes to run a successful business; others may put up a lot of money or quit a good-paying job only to find out too late that there is much more to running a business than what first meets the eye. Before making any permanent commitments, you should examine your personal qualities and have a detailed business plan.

Now you are ready to start on this exciting venture. Feel free to call on the Alabama Cooperative Extension System for future assistance. We wish you the greatest success.

Adapted from: *Starting A Food Manufacturing Business In Tennessee*, Tennessee Cooperative Extension Service, University of Tennessee Cooperative Extension Service

*Selling Food Products: A Business From Your Home*, North Central Regional Extension Consortium (Cooperative Extension Services from University of Illinois, Purdue University, Iowa State University, Kansas State University, Michigan State University, University of Missouri, Ohio State University, and South Dakota State University)

## More Help for the Asking

We will be glad to send you a free copy of the following materials referenced in this publication. For your convenience, you may cut this out or copy this page, check the items you need from the list, and mail or fax it to us. Or, if you wish, phone or e-mail your request.

Please send me the following:

- List of Small Business Development Centers in Alabama
- List of Alabama Cooperative Extension System state, district, and county offices
- List of other resources nationwide
- Food testing laboratories nationwide
- Copies of forms from The Alabama Department of Public Health (application for permit, sample permit, inspection forms)
- Current Good Manufacturing Practices (section from State Code)
- Required Label Statements (section from State Code)

Send your request to either of the following:

**Patti West**

Regional Extension Agent  
200 Corley Building  
Auburn University, AL 36849  
Phone: (334) 844-8090  
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2M, Revised May 2007, HE-753