



Starting a Value-Added Food Business

**Your Small Farm
2019 Webinar Series**

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Today's Presenter



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Webinar Tips



Close all other programs running on your computer



Check your sound – problems with clarity, speed, etc. switch to the phone

Call-in number provided in the welcome email

Mute computer sound when using phone



Type in questions for speakers (or for help with viewing & sound) into question box



Handouts are available to download on your computer

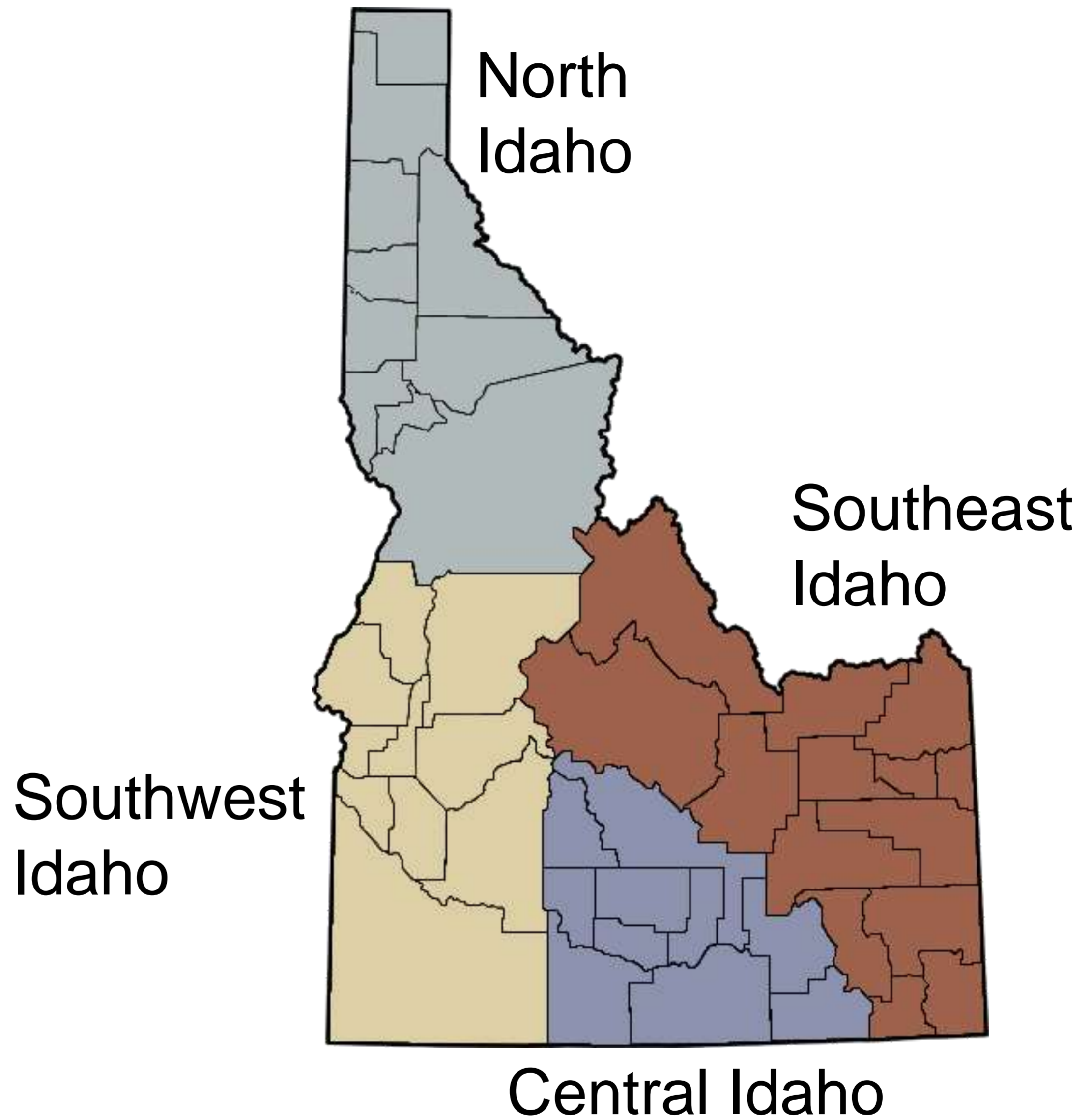
Poll #1

Who is in the audience today?



Poll #2

Where are you located?



Webinar Objectives

- Learn about processing requirements for raw fruits and vegetables into a finished value-added product.
- Understand differences in Cottage Food Products versus other regulated products.
- Provide you with resources to legally and successfully package, label, and sell your value-added agriculture food products.

Value-Added Products

- According to the USDA they are products that:
 - **changed physical state or form** (e.g., milling wheat into flour or strawberries made into jam).
 - **were produced in a manner that enhances its value** (e.g., organically produced products).
 - **are a physically segregated agricultural commodity or product that results in the enhancement of the value of that commodity or product** (e.g., an identity preserved marketing system).

Providing “value”

- Marketing a unique product
- Filling a niche
- Simplifying the supply chain
- Providing a service
- Lowering cost, etc.



Increasing value, increases the return!

Questions to answer

- Why do you want to start the business enterprise?
- What makes your idea special?
 - If so, why do you think it will be successful?
- What are your strengths?
- What do you need help with?
- What are the rules and regulations?
 - Is your product a “Cottage Food” or do you need to apply for a food business license and use a certified kitchen facility for processing?

Getting Started

- Develop your idea and a value-added strategy that is unique (whether real or perceived) from the mainstream equivalent.
- Learn or develop marketing skills
- Assess feasibility and test it out (prototype)
- Target niche market
- Consider direct marketing to capture more of the food marketing dollar.



Cottage Food Act

- Under Idaho Food Code, they are specific foods that can be made at a person's home or other designated location and sold directly to the consumer within the state of Idaho.
www.foodsafety.idaho.gov
- Food items that are low-risk and do not require time and/or temperature control for safety:
 - Baked goods that don't require refrigeration (bread, pastries, cookies, etc.)
 - Honey, fruit jams/jellies, candy
 - Dried fruit and herbs, seasonings and mixtures
 - Cereals, trail mixes, and granola
 - Vinegar and flavored vinegar
 - Popcorn
 - Tinctures that don't make medicinal claims



Develop a Business Plan

Create a roadmap to successful operation, set goals, etc.

- **Product Development:** the what?, why? (the need), who? (customer), when? (timeline and tasks), and where? (processing and business location)
- **Financing:** costs to produce product, price of product
- **Marketing:** what is special about your product, who are the customers and competitors
- **Sales:** where, distribution
- Get business help at:
<https://idahobizhelp.idaho.gov/>



Financing \$\$\$

Requirements:

- Basic info about yourself
- A business plan
- Savings and/or loans?
- Amount needed to cover your start-up costs (e.g., licenses, regulations, equipment, advertising)
- Will business operations be covered with money you make from sales?



Legal Issues

- **Business registration** with city and/or state and **sales tax requirements** (tax I.D. number: EIN)
- **Health licenses:**
 - Idaho Cottage Food Law, or
 - follow Idaho Food Code, which governs food sanitation standards (apply for a food license with your local health district)
- **Mandatory Supervisor Training:**
 - Required for food license.
 - At least one employee must be trained in food safety and sanitation during the food preparation.



Legal Issues (*continued*)

- Food and Drug Administration Regulations:
 - Required for interstate commerce.
 - Acidified foods like salsa or pickles require the manufacturer to complete the “Better Process Control School Class.”
 - As part of the Bioterrorism Act (2002), companies that manufacture, process, or pack food for human consumption must also register with the FDA. There is no fee. There are also additional requirements for manufacturing facilities with the Food Safety Modernization Act (FSMA).

More info: <https://www.fda.gov/food/guidance-regulation-food-and-dietary-supplements/registration-food-facilities>

U.S. Department of Agriculture Regulations:

- Required if the packaged product has 3% or more meat products.
- You must use a USDA facility and a label approved by the USDA (there are Generic and FSIS LAPD label standards).
- A HACCP (hazard analysis at critical control points) plan is necessary for quality control.
- Your health inspector can help you get started and provide info about USDA inspection requirements.

Insurance

- Product liability insurance
- General business liability
- Interruption and specific time element coverage
- Property/professional loss



Idaho Department of Insurance:

www.doi.idaho.gov and www.insureuonline.org.

Trademarks

- Is a legal claim to the exclusive right to use a logo, name, or other mark.
- The element must have a uniqueness.
- Recommended to register it under state law and/or federal law.
- www.uspto.gov
- Idaho's application for registration:
www.sos.idaho.gov/tmarks/tmindex.htm

Packaging and Labeling

- Universal Product Codes (UPC) symbols are voluntary but many retailers require suppliers to have it (www.unspsc.org).
- Packages are often as important as the product.
 - Consider: branding, consumer appeal, federal and state laws, retailer needs, costs of packaging
- Product containers must protect your product from contamination.
- Label maker: <https://www.onlinelabels.com/label-generator-tools/Nutrition-label-generator.aspx>

More about labels...

Nutrition Facts	
1 servings per container	
Serving size	
Amount Per Serving	
Calories	
	100
Total Fat 3g	% Daily Value*
Saturated Fat 0g	4%
Trans Fat 0g	0%
Sodium 140mg	6%
Total Carbohydrate 32g	12%
Dietary Fiber 2g	7%
Total Sugars 0g	0%
Includes 0g Added Sugars	20%
Protein 10g	

Not a significant source of cholesterol, vitamin D, calcium, iron, and potassium.
*The % Daily Value (DV) tells you how much a nutrient in a serving of food contributes to a daily diet. 2,000 calories a day is used for general nutrition advice.

- Consider design and printing, artwork, colors, and costs
- Requirements include: federal labeling with FDA, ingredient lists (including allergens), Principal Display Panel (PDP) of container (name of food and amount/quantity of product), Information Panel with ingredient list, etc.
- Special labels like organic or nutritional claims require additional regulations.

www.fda.gov/food and www.fda.gov/foodlabelingguide

Cottage Food Labels

- Requirements:
 - Business name and physical address, phone/email; statement of Product Identity
 - List of ingredients and allergens
 - Date produced
 - Statement of Net Quantity
 - A disclaimer “made in a cottage food operation that is not subject to routine government food safety inspections”
 - Organic, gluten-free, or other special claims may be subject to other requirements and regulations

Processing Locations

At home Cottage Foods:

- Practice safe produce and food handling (containers are clean, sealed and labeled properly, glass containers have metal lids).

At a certified commercial kitchen:

- Must be approved by the health department (e.g., restaurant, caterer, church, school, nonprofit kitchen incubators, etc.)
- Consider your space requirements, equipment, storage, parking, and delivery, hours of operation, room for expansion, etc.

Strategies for success

- Start small to go big
- Take good records
- Create a high quality product
- Follow demand
- Stay informed of marketing trends and rules and regulations
- Plan for the future
- Learn and adapt
- Stay motivated and persevere

Resources:

- **Idaho State Department of Agriculture Market Development Division:** (208) 332-8530 or www.agri.idaho.gov.
- **University of Idaho Food Technology Center and Agribusiness Incubator in Caldwell:** (208) 795-5331 or <https://www.uidaho.edu/cals/food-technology-center>.
- **ATTRA-National Sustainable Agriculture Information Service:** “Adding Value to Farm Products: An Overview:” <https://attra.ncat.org/value/>.
- **U.S. Small Business Administration:** <http://www.sba.gov>
- **SCORE-Counselors to America’s Small Business:** <http://www.score.org> (a network of retired business owners and executives who volunteer to provide free counseling to small business people)
- **Idaho Small Business Development Center:** <https://idahosbdc.org/>.
- **Starting a Specialty Food Business in Idaho:** (English and Spanish versions) https://agri.idaho.gov/main/wp-content/uploads/2018/06/2018_Specialty_Foods_Manual_WEB.pdf



Questions?

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The vision of the Cultivating Success™ program is to increase producer and consumer understanding, value, and support of sustainable local farming systems in Idaho through educational and experiential opportunities. Partners in this program strive to create strong communities with infrastructures that provide the resources and skills needed to produce local and sustainable food and agricultural products for the residents of the Inland Northwest.

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Your Small Farm 2019 Webinar

Please take our post-webinar survey!

<https://www.surveymonkey.com/r/SpecialtyFoodWebinar>

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