Starting a Food Business

Starting a food business is a formidable task. Expansive research must be done to derive a suitable recipe for commercial production. This is followed by tests that have to consider shelf-life as well as the cost of the product. Quality has to be balanced against profits and the final decision is likely to be based on the market for which a food item is to be produced. To be a success, it is imperative that the food product be of high quality and fill a marketing niche.

Characteristics of a Successful Entrepreneur

The small business entrepreneur will need certain characteristics to be successful in establishing a food business. The characteristics common to successful entrepreneurs include:

- A desire for responsibility
- A preference for moderate risk
- Confidence in your ability to succeed
- Desire for immediate feedback
- A high energy level
- A need to accomplish goals
- Strong organizational skills
- Strong communication skills
- A need for feelings of accomplishment and achievement
- A high degree of commitment
- A tolerance for uncertainty
- The ability to be flexible
- A desire to work hard
- Total dedication to the business
- A strong market demand for the product
- Luck

Type of Product

One of the first considerations to make is what type of product will be produced such as a canned food, a baked good or a refrigerated product. Special food processing equipment, government registration and technical training are required to start a commercial canning facility. Regulations for producing a canned food item will differ depending on whether the product is low acid, acidified or acid.

Low-acid Foods: These foods, such as meat products, beans and corn, have a pH value (indicates acidity) greater than 4.6 and a water activity (Aw) greater than 0.85 (measures free moisture in a food). At these levels the deadly Clostridium botulinum microorganism could grow in foods that are improperly canned. They must be processed at proper temperatures under specified pressure in compliance with all Food and Drug Administration (FDA) regulations.

Acidified Foods: These products, such as pickled foods, have a water activity greater than 0.85 and have been acidified to a pH of less than 4.6 to prevent the growth of Clostridium botulinum.

Acid Foods: These foods, such as fruits, jams and jellies, naturally have a pH below 4.6.

Regulations

Entrepreneurs must be familiar with state and federal food regulations before starting a food business and must comply with the recommendations in the SC Food and Cosmetics Act. The regulations are available from the South Carolina Department of Agriculture (SCDA), which is responsible for enforcing safe food manufacture and sale at the state level.
Food may not be manufactured in the home for distribution or sale. Food sold at the place of production is under the inspection of the Public Health Department. Food manufactured for wholesale distribution is under the supervision of the SCDA. Food under regulation of the SCDA must be produced in an approved facility, registered with the SCDA, have product labels reviewed by the SCDA for compliance with labeling laws and have routine food safety inspections. Each of these regulations must be met before the sale of a product can begin.

In addition to state requirements, most specialty foods are subject to federal regulations because products cross state boundaries during distribution. The federal agencies responsible for food safety are the FDA and the US Department of Agriculture (USDA). A food processing operation should be designed and operated in accordance with “Good Manufacturing Practices” (GMP) regulations, which are available on the FDA website (www.fda.gov). All food plants, except meat and poultry plants, are subject to inspection by FDA to ensure compliance with these regulations. Specialty foods containing meat or poultry ingredients fall under the jurisdiction of the USDA. Meat and poultry food processing plants should be constructed and operated according to the “Meat and Poultry Inspection Program” that can be obtained from the SC Meat and Poultry Inspection Department.

There are specific GMP regulations for canned low-acid and acidified foods. Commercial food manufacturers are required to register each new product with the FDA and file a full description (called a scheduled process) of the processes to be employed in the manufacture of the product. Copies of these regulations, the registration form and the scheduled process form can be obtained on the FDA website (www.fda.gov). In addition, the processor must report any instances of spoilage; must have an established product recall plan; must have all operators of thermal-processing systems trained by attending a “Better Process Control School” at an approved university; and must maintain complete records of processing operations.

**Basics of Product Development**

Entrepreneurs should follow these basic steps in developing new food products.

**Idea Stage:** The idea stage involves “cloud nine” dreaming and making every effort to determine what product the consumer will purchase and continue to purchase. The following questions need to be answered:

- Does the product satisfy a consumer need?
- Will it return a profit?
- Will it be acceptable to consumers, wholesalers and retailers alike?
- Is it unique?
- Does it provide a new service to customers?
- Do you have the production technology to develop the product?
- Do you have the marketing skills to sell the product?
- What products will it replace or compete against?

**Development Stage:** This stage involves creation of the new product. Simply being a good cook will not ensure good products for commercial marketing. Food scientists are needed to solve shelf-life and safety problems. They address questions such as: Will bacteria, mold, yeasts or pathogens be a concern? Is the “browning reaction” (a chemical reaction between ingredients) a problem and, if so, can it be solved? Is light a factor in product or quality deterioration? Can texture or mouth-feel be improved? Is rancidity a problem?

**Taste Panel Stage:** The taste panel stage should run concurrently with formula or recipe development. Using sensory evaluation test forms, an experienced panel should check quality parameters such as color, texture, appearance and flavor at various stages of product formulation to distinguish good from undesirable traits.

**Consumer Sampling Stage:** The consumer sampling stage is often neglected by small food processors but can give valuable information about the product’s potential success. Entrepreneurs should consider displaying their new products in shopping malls and grocery stores. Shoppers would be given a sample to taste and a questionnaire about the new product to fill out onsite. This sampling can sometimes be done with the product available for sale during the sampling period if the store allows. Actual sales after tasting reinforce the questionnaire. For instance, if 100 people say they
will purchase but only five purchases the product, there may be some question about the truthfulness of the answers. Commercial demand for the product should be evaluated to determine if sufficient volume will be produced and sold to make the venture economically feasible.

**Shelf-Life Stage:** The shelf-life stage is extremely important because a processor must know how long a new product will keep under a variety of temperatures or other environmental conditions. Shelf-life loss may be due to chemical or microbial (bacteria, mold and yeast) spoilage. Small firms normally have to contract with independent or consulting laboratories to have accelerated shelf-life studies performed on new products. The studies are done by raising the temperature of the packaged product above normal storage conditions (110 to 120°F). Although this is not as good as a prolonged shelf-life study at normal temperatures (75 to 80°F), it does give some indication of product shelf life. Lot codes for recall and product liability are based on these studies.

**Packaging Stage:** This stage is especially important because the package often sells a new product. Consumers want colorful, attractive, conveniently packaged forms. Packaging should not impart flavor to the product or react chemically with the food. It should be lightweight, economical and resistant to tearing.

**Production Stage:** The production stage includes making plans for a production line to manufacture the product. Do not arrange a full-scale production line until after successfully test marketing a new product. Many entrepreneurs will have their products co-packed by an existing plant for test marketing. The production line should be set up according to a blueprint of its layout. Keep in mind drainage, ventilation, waste disposal, lighting, equipment size and flow, energy conservation, safety, sanitation, ease of cleaning, storage area, and compliance with government regulations.

Processing controls must be established to ensure consistent quality during production as set forth by product standards (specifications). Likewise, quality control procedures must be developed to determine if the standards are being met during production and to know when to take corrective action to prevent economic losses due to deviations and to ensure product safety.

**Test Marketing Stage:** The test marketing stage for small processors involves introducing their new product into a limited area, such as a large metropolitan city. It is important to select a site with a population made up of many ethnic groups and income levels. If the product fails, another product can be tried. If the product succeeds, it is distributed in stages to progressively larger areas (statewide, regional, and national).

**Commercialization Stage:** Commercialization is the final step in determining the success or failure of a new product. Most small food companies sell mainly to the institutional trade and if they sell to retail outlets, it is usually to privately owned stores or small chains. Larger chains will not take on a new food product unless the product is heavily advertised by the company. The buyer for a large chain must be convinced that the product is good and that advertising exists.

**Ingredients**

The success of any new specialty product depends on the quality of its flavor, color and texture, its stability under various storage conditions, and its safety. Often, additives may be needed to maintain or enhance product quality throughout and after processing. Additives should not be used to disguise faulty or inferior manufacturing processes or to conceal damage or spoilage. Only the minimum amount of an additive necessary to achieve desired results should be used.

Government regulatory agencies such as the FDA and USDA closely monitor the use and levels of additives in food products. The safety of food additives is constantly being reviewed, so food processors must pay close attention to current regulatory statues governing particular additives.

**Food Processing**

Food preservation through processing is an extremely broad area in food science and methods include refrigeration, freezing, pasteurization, canning, fermentation, concentration, irradiation and dehydration.
Quality Control/Sanitation
Quality control is imperative to the successful development of any food product. Consumers perceive food safety as an integral component of food quality control. The food processor must establish a food safety program including in-process procedures that ensure consistent quality and meet product specifications. It is important to obtain product liability insurance for your protection.

Packaging
Food packaging protects the food from the surrounding environment, thus preventing contamination, damage and deterioration. Today, convenience is a major factor in packaging. The food package also plays a crucial role in communication. In the marketing of new products, packaging conveys the nature of the food and directions for its use and it attracts and persuades the buyer. Color coordination, artistic design, nutrition facts, ingredient labeling, portion size and safety all influence a consumer’s decision to buy.

Labels
Food labeling was originally designed by the government to protect consumers from fraud. Recent surveys indicate that consumers use labels to identify and avoid perceived health hazards rather than to seek and obtain benefits (does the product contain preservatives, fats, cholesterol?). A label consists of the “principal display panel,” used to attract consumers, and the “information panel,” placed immediately to the right of the principal display panel.

Information that is mandatory on food labels includes:
- Statement of identity/product name
- Net weight (in ounces and grams)
- Name/address of manufacturer
- Ingredient listing
- Manufacturing code
- Nutritional labeling (some exemptions apply)

Information that is voluntary but if included must be worded according to regulations includes:
- Grades
- Labeling for special dietary use

Optional information includes:
- Universal product code
- Open dating
- Registered trademarks/symbols

Coding Products
An integral part of quality control is a system for coding new food products. The product must be identifiable to the manufacturer by the year and day it was packed and by the batch number, if more than one batch is processed per day. If more than one processing facility is involved, that must also be identified. It is imperative that these codes are recorded on distribution invoices so the product can be recalled promptly if there is a problem. All cases and individual containers must be coded. The coded lots should be large enough to enable easy identification during sale and distribution.

Any method of coding that is recognizable by the processor is acceptable. Alphabetical letters are often used to identify the month a product was packed. Julian dates are used to indicate the manufacture date. An example of a code is “291J1325,” where “291” indicates the 291st day of the year; “J” is the month (October); “13” is the year packed (2013); “2” is the plant location; and “5” indicates the fifth hour of the shift. Accurate record keeping of these codes allows a manufacturer to trace the cause of consumer complaints, control distribution and inventory, ensure proper product rotation, and implement a recall if necessary.

Marketing
Marketing is traditionally thought of as the process of advertising, promoting and selling services and products. These are important in the development of new food products, but the first step is to define a specific market. If specialty food entrepreneurs wish to sell through retail food stores, they must have a Universal Product Code (UPC) correctly displayed on the label. Most brokers, wholesalers and retail buyers will not handle a product lacking UPC identification. It is the potential processor’s responsibility to obtain a code for each product manufactured. More information about purchasing UPCs can be found through The Global Language of Business (GSI) at www.gs1us.org.
The next step is to determine which system of distribution is best suited to you and your products. What will be your sales outlets? Options include retail food stores, specialty shops or boutiques (selling unique or gourmet food items), roadside stands, farmers markets, or the front door of your processing plant.

There are several product characteristics that must be decided on regardless of the method of distribution. These include price, size of container and number of containers per carton. If you plan to use retail stores, specialty shops or boutiques, you must decide on representation, sales promotions and advertising.

Brokers
For most new processors, the food product distribution system resembles a maze. For those who need help in presenting their product, it may be prudent to seek representation through a broker. Brokers will help you develop a retail price, arrange promotion plans to enhance the product’s acceptance and make sales presentations to the buyers of independent wholesalers and large retail food chains. Brokers’ fees are usually about 5 percent of all sales made in the broker’s territory.

If you seek broker representation, you may consider discussing your product with a “specialty” broker. These brokers specialize in representing products that fall into the specialty categories (relatively low-volume products). To locate the specialty broker nearest you, contact the National Association of Specialty Food and Confection Brokers (NASFCB) at www.specialtyfoodresource.com.

For more information on starting your own food business request HGIC 3863, Inspection of Food: Who’s Responsible, or contact one of these agencies:

- Clemson University Extension Service
  Food2Market – Food Entrepreneur Assistance Program
  Kimberly A. Baker, MS, RD, LD
  Food Safety Associate
  kabaker@clemson.edu
  864-226-1581 ext. 115
  www.clemson.edu/extension/food2market

- South Carolina Department of Agriculture
  Food Safety and Compliance Program
  Ms. Angie Culler
  Food Safety and Compliance Manager
  803-737-9690
  http://agriculture.sc.gov/foodsafetyandcompliance

- South Carolina Meat & Poultry Inspection Department
  www.clemson.edu/public/lph/scmpid
  803-788-8747

- South Carolina DHEC Food Safety Division
  803-896-0640
  http://www.scdhec.gov/environment/envhealth/food/

- South Carolina DHEC Food Protection Dairy Division
  803-896-0644
  http://www.scdhec.gov/environment/envhealth/food/htm/dairy.htm

- Food and Drug Administration
  www.fda.gov
  Atlanta Office – 404-253-1171
  Charleston Office – 843-746-2990
  Columbia Office – 803-765-5845
  Greenville Office – 864-234-9966

- The Global Language of Business
  www.gs1us.org
  Member Services: 937-435-3870
  Corporate Headquarters: 609-620-0200

Sources:
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