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A great recipe is just the beginning

BY DEBBIE MOOSE - CORRESPONDENT

Your friends say that your hot sauce - or relish or cake - is so good that you ought to sell it. Now, the economy is shaky, your job is wobbly (or gone) and you think, "Everyone's gotta eat." Maybe it's time to introduce your food product to the world.

There are a growing number of resources in North Carolina to help people both start home-based food businesses and take them out of the house to the next level. But food entrepreneurs face a myriad of safety regulations, expenses, a need for good business planning and increasing competition. Also, what starts out as a fun time making chocolates at home can quickly become plain hard work.

The Food Entrepreneur Assistance Program at N.C. State University had to hire a full-time employee in January to meet demand for its services. The program, which has been around since the early 1990s, operates through the extension service in the department of food, bioprocessing and nutrition sciences.

"We have seen so much demand to get products tested," says Tristan Berry, the entrepreneur program assistant. "People seem to be looking for additional sources of income, or they've lost their job and think, 'Well, I do make this great barbecue sauce.' I think this economy has made a lot of people into budding entrepreneurs."

The department tests products for food safety, which is required before items can be sold, and can provide nutritional testing. Nutritional testing isn't required for small producers, but many supermarkets demand it before they will consider carrying the product, Berry says. The cost is \$100 per item for safety testing and \$100 for nutritional testing.

Berry says that her office has safety-tested around 300 products so far this year. Barbecue sauce is the most common item, followed by various kinds of pickles.

Many successful food products began with an idea in a home kitchen. Most of the 2,000 member companies in the Goodness Grows in North Carolina program, which promotes North Carolina products, started that way, says Jeff Thomas of Goodness Grows.

But producing food items in a home can be complicated.

Among other things, a home kitchen must be inspected and approved by the N.C. Department of Agriculture and Consumer Services. According to the department, the only items that can be made for sale in home kitchens are baked goods, candies, jams and jellies, spices and spice blends, and some sauces or liquids. Among the list of restrictions on a home kitchen: A pet can't be anywhere in the home at any time.

What if you don't get inspected? There are no regulatory consequences, but there could be liability if someone gets sick or complains.

Most farmers markets require proof that products have been prepared in inspected kitchens in order to be sold there. And if the product gains popularity and you want to develop a business of any size, you probably will get caught when someone starts looking into the product.

A bigger problem is not collecting sales tax on the products, says Annette Dunlap, who works with agribusiness development for the state Agriculture Department.

The NCDA also advises checking neighborhood zoning laws concerning operating a business and if you have a neighborhood homeowners' association, with them as well.

Food incubators

Food entrepreneurs can avoid the heat by getting out of the home kitchen and into a food business incubator. These are facilities that offer certified commercial kitchens, some with bottling and other production services, that are rented by the hour. Many offer additional services, such as food safety training and help with marketing.

The state's largest incubator, Blue Ridge Food Ventures in Candler, about 260 miles west of Raleigh, has assisted more than 160 small food businesses across the state since it opened in February 2005.

"I've seen real estate people and bankers come to us with ideas, looking for other opportunities," director Mary Lou Surgi says. "I meet with new clients every week."

Surgi also gets three to five phone calls a week from people in other parts of the country who want to start incubators. She is working with James Sprunt Community College in Kenansville to start a smaller facility in Eastern North Carolina.

"We offer comprehensive food business development services," Surgi says. "People working at home or renting small commercial kitchens do not usually have one-stop access to help in wading through the maze of regulations, product and packaging development, pricing dilemmas, and not only getting the product out in the market but helping move it off the shelves."

Incubators are a bridge between home production and using a "co-packer" - a company that modifies the recipe to produce it in large quantities.

Entrepreneurs themselves do the work at incubators. They bring in recipes, ingredients, jars and other items. Blue Ridge Food Ventures charges \$22 per hour for the kitchen.

Triangle residents soon will have access to a similar food business incubator. The Piedmont Food and Agricultural Processing Center in Hillsborough is scheduled to open in March, said Noah Ranells, agricultural economic development coordinator for Orange County and project leader for the center.

The 10,400-square-foot facility will have an area for washing and grading vegetables, two commercial kitchens for rent and a mixed-use area. Ranells says that the center will also offer marketing and other assistance, similar to Blue Ridge Food Ventures. Durham Technical Community College and the Orange County extension service may offer classes and workshops as well.

Ranells is accepting bookings for the center and expects high demand. He says that the "eat local" movement is helping food entrepreneurs by spurring the popularity of local products as well as local produce.

Surgi agrees. "We have stores calling us because they want local product," she says.

Think before you cook

There are a lot of things to consider before you decide to turn your father's salsa into a business. Surgi says that people tend to overestimate demand for the product and underestimate the cost of making it. They forget to include the cost of packaging and labeling, containers and their own time.

Carla Faw Squires grew up making bamboo pickles with her mother and grandmother in their garage. A few years ago, the Raleigh woman worked with Blue Ridge Food Ventures and took Bamboo Ladies Pickles ([www.bambooladies.com/ index.html](http://www.bambooladies.com/index.html)) to the public.

Start-up costs came from unexpected places: \$500 for training to make the pickles commercially, around \$700 for a UPC number and barcode plus \$150 for annual renewal. She struggled to find a four-color printer that would give her a good price for small numbers of labels, which were professionally designed.

Squires makes a trip to the incubator kitchen, bringing some paid help, once a year and makes 2,000 to 3,000 labor-intensive jars of pickles. Because she uses the tender shoots of the plant, they must be harvested, sliced and packed by hand.

"I've probably never included the cost of my time," Squires says. "People forget about that."

She found that because her product is unusual, she needs to offer tastings to familiarize shoppers with it. That means travel time for her, or hiring someone to do the demonstrations.

The pickles have received national attention and are in 25 stores. After about four years of sales, Squires estimates she may be breaking even.

Still, she says, she would do it all over again. "It's exciting to know I've taken this from the backyard in the garage, when I helped my mother and grandmother. My mother is very proud of what I've done."

The family connection to a product can be good and bad for a food entrepreneur. It can provide a good story for marketing and motivation, but it can also make it difficult to look at the product as a business.

"There can be a lot of emotion involved. I have to tell people, do not let emotion drive your decision-making, and it's harder to do that with food products," Dunlap says. "If you go to a co-packer, the recipe usually has to be tweaked, which means you tweak the flavor. People don't understand, and they don't want to mess with grandma's pound cake recipe."

Before you get started, take a cold, hard look at the market and your goals for the product. Do you want to make this a paying business, or do you just want to work with a family recipe and make a little cash?

Surgi says the most common items that people approach her about producing are barbecue sauces and hot sauces.

"I tell them, go to [the supermarket] and count the number of hot sauces on the shelf, and tell me why yours will jump off the shelf into the customers' hands," she says. "

Tale of Ginny O's

Ginny Johnson of Raleigh found out how difficult it is for a small food entrepreneur to get on supermarket shelves. Her Ginny O's Cheese Rings (www.cheeserings.com/) have a great story - the 150-year-old recipe came from her great-grandmother, who lived on Oak View Farm in Wake County. (The O is for Oak View.)

They've been a hit at gift and specialty stores, such as A Southern Season, Foster's Market in Durham and NOFO at The Pig in Raleigh. The product has been featured in Oprah Winfrey's O Magazine and on the Food Network, and Johnson has been in a Southern food trade show with Paula Deen.

But breaking into supermarkets has been tough.

"I thought it was simple. You like my product, you buy my product," Johnson says. "But there's a whole lot more to it than that. There are fees and brokers to deal with."

Johnson started selling the cheese rings - crunchy, round cheese straws - in 2000 but went full-throttle into the business in 2003. She started in her home kitchen but now produces them in a commercial bakery in Selma which used to make cheesecakes. Johnson continues to make and sell the cheesecakes.

Johnson has managed to get the cheese rings into the Harris Teeter stores at Glenwood Village and Cameron Village, but it was difficult.

"It has to start at the corporate level, and you have to know which person in which section of the store to talk to," she says.

Knowing what she does now, would she do it again?

"Yes, and I'd tell people it takes persistence," she says. "Make sure the quality is there. Find a good bookkeeper, business lawyer, maybe an investor. ... I would advise people to do their research and get a business plan. But persistence is what it really takes."

Food business incubators:

Blue Ridge Food Ventures, Candler: 828-348-0128; www.advantagewest.com/content.cfm/content_id/144/section/food

Piedmont Food and Agricultural Resources Center, Hillsborough (opening spring 2011): 919-245-2330; orangecountyfarms.org/PiedmontFoodAgriculturalProcessingCenter.asp

Other resources:

N.C. State University Extension Service Food Entrepreneur Assistance Program, Raleigh: 919-515-2956; www.ncsu.edu/foodscience/extension_program/entrepreneurs.html

Goodness Grows in North Carolina: www.ncagr.gov/markets/gginc/processedfoods.htm

N.C. Department of Agriculture: www.ncagr.gov/fooddrug/food/foodbiz.htm

ABOUT THE AUTHOR

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