

eXtension
Entrepreneurs & Their Communities

Specialty Foods: Getting Started

presented by

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www.extension.org/entrepreneurship



Housekeeping Details

- Sharing your email address
- Webinar evaluation at <http://tinyurl.com/37gyw4n>
- Site orientation
- Recordings of webinars located at http://www.extension.org/pages/ETC_Webinar_Archive



Product and Niche Selection

Small vs. Big

- Small producers have product and seek markets to match
- Large companies have markets and seek products to match
- Know where your product(s) are among current trends



Major food industry trends

- Fresh
- Local vs. Organic
 - What is local? Regional?
- Safe
- New and Different
- “Authentic”
- Raw- (fading fad?)



Caution -

- The economy determines willingness to embrace a “fad” or “trend”
- Make your business real, not a fad




Understand the Natural Product Worshipper

- The Missionaries ~10%
- Almost Every Sunday ~20%
- The C+E's (Christmas and Easter's) ~20%
- The Atheists ~50%

How “Big Guys” select their products and markets

- The intelligent shot gun
- Beholden to stockholder meeting projections
- Leverage existing technology
- Line extension
 - But does it make sense to the consumer?



Where “little guys” have advantage

- Story, personality and connection
- Quality
- Fast
- **Passion**



Product Development



Types of new products

- Line extension
- Product improvement
- Reformulation
- Knock off
- New segment



Product and Process Development

- Structured, orderly and documented
- Finish one project and move on
- Multi-facings
- Know when you are in over your head

Product Stability

- Shelf-stable- 1 year+ for safety
 - Maybe less for organoleptic
- Fresh
 - Baked goods maybe one day
 - 7 to 10 most refrigerated
 - Thaw to sell option
- Frozen- 6 months for most



Shelf Stable Products (Canned)

- Formulated Acid
- Acidified
 - Scheduled Process
 - FDA FCE registration
- Low Acid
 - Retort
 - aW controlled



Shelf-life Analysis

- Misunderstood
- Microbiological vs. organoleptic
- Lab analysis is snapshot may or may not be representative
- DIY shelf life

Ingrediatiun

- Pre-chopped veggies
 - Fresh, canned and frozen processing issues
- IQF herbs
- Flavors and preservatives
- Starches and gums
- Use supplier resources- National Starch, Givaudan Access, Pacific Pectin

Development Process

- Refine general concept
 - Careful documentation of ingredients incl. weight, form, strength and brand
 - Subject to sensory eval/taste panel
 - Revise based upon sensory/taste panel
 - ***Avoid multivariate experimentation!***
 - Resubmit for approval

Development process

- Scaling-up/batching up
 - Intrinsic knowledge of ingreds that do not behave in linear fashion
 - Flaws in measurement methodology multiplied
 - .9G inaccuracy in 1# batch= 900g per 1000#
 - Test batch size increases incrementally
- Scheduled process approval

Scheduled Process

- When- Acid or acidified, low-acid or aW controlled
- Cornell
 - Dr. Olga Padilla-Zakour
 - Contact Elizabeth Keller esk15@cornell.edu
- Recipe
- Sample



Processing Options

- Shared-use or community kitchens
- Underutilized restaurants/bakeries
- Church kitchens, fire halls, schools
- Co-packers
- Home kitchen
- Own processing facility



Labeling

Elements of a Label- Required

- Brand or company name
- Product name
 - Fanciful- Vermonster, Chunky Monkey
 - Standard identity- “Crème Filled Chocolate Wafer Cookies”
- Weight (volume) Statement
- Ingredient Statement
- Statement of Responsibility

Elements of a Label- Optional

- Bar Code (UPC)

- www.uc-council.org

- “barcodes-R-us”

- Nutrition Facts

- Small producer exemption at fda.gov

- Less than 10 FTE or 100,000 units



Labeling

- Appropriate investment for target market
- OK to step and scale
- Time and expense heavy
- Flex vs. digital
- Educational
- Regulatory
- Marketing functions



Designers Design, Printers Print

- Bad things happen to good people who ignore this rule!
- Know who owns the artwork
- DIY'ers beware!



Pricing and Cost Analysis

Start-up Costs



- Label design and printing
- UCC/bar code (\$750)
- Research and development
- Insurance
- Business formation
- Facility and equipment (if not using outside facility)
- Deposits

On-going or Operational Costs



- Rent or mortgage
- Raw materials
- Packaging
- Label re-printing
- Insurance
- Taxes
- Legal and professional
- Labor
- Repair and maintenance
- Marketing expense
- Shipping and delivery
- Utilities

Pricing Methods

- Bottom up
 - Add all costs
 1. Raw material
 2. Packaging
 3. Label
 4. Labor
 5. Overhead
 6. Margin
 7. Mark-ups

- Top down
 - Benchmark through market analysis
 - Set hypothetical sale price
 - Back-off markups
 - Subtract above costs #1-5
 - Analyze final margin



Bottom Up Pricing Example

- Raw material-\$.65
- Packaging-\$.40
- Label (amortized)-\$.10
- Labor-\$.15
- Overhead-\$.25
- Margin-\$.33
- Sub-total-\$1.88
- 25% distributor mark-up-\$.47
- Cost to retailer-\$2.35
- 40% retailer mark-up-\$.94
- Selling price-\$3.29

Top Down Pricing Example

- Target price-\$4.95
- Less retail m/u-
 $\$4.95/1.4 = 3.54$
- Less distributor
m/u= $\$3.54/1.25 =$
 $\$2.83$
- Less-
- Raw material-\$.65
- Packaging-\$.40
- Labor-\$.15
- Overhead-\$.25
- Margin= \$1.38

Establishing raw material value

- Cheesemakers- set cheese price based on target cwt price, i.e. \$15.50
- Tomatoes with \$2.50/# value reduced to 40% for sauce= \$6.25/#





Compare the Two

- Don't leave any money on the table
- Don't price yourself out of the game
- Know your upper and lower negotiation boundaries

On-line resources

- <http://www.vermontfoodventurecenter.org>
 - brian@vermontfoodventurecenter.org
- <http://www.nysaes.cornell.edu/necfe/>
- www.umass.edu/nefe
- <http://foodinnovation.rutgers.edu>
- www.ncsu.edu/foodscience/extension.htm
- www.cals.uidaho.edu/ftc/
- <http://fpc.unl.edu>
- <http://www.gov.pe.ca/ftc/>
- <http://www.gftc.ca/>

Housekeeping Details

- Don't forget to mark your 2010 -2011 calendars with the dates of the upcoming webinars – 2nd Thursday
- Coming Attractions...
 - October/November – Specialty Food series continues
 - December – Youth Entrepreneurship
- Evaluations please...