Idaho State Department of Agriculture
2270 Old Penitentiary Rd.
Boise, ID 83712
www.agri.idaho.gov
(208) 332-8530

www.idahopreferred.com

Facebook.com/IdahoPreferred

Twitter.com/idahopreferred

Pinterest.com/idahopreferred

Instagram.com/idahopreferred

Starting a Specialty Food Business in Idaho

A Comprehensive Guide for Idaho Specialty Food Processors

IDAHO STATE DEPARTMENT OF AGRICULTURE

2016 EDITION

Region V – Southeast Idaho
Serving: Bingham, Power, Bannock, Caribou, Oneida, Franklin, and Bear Lake counties
Idaho State University SBDC – ISU College of Business
921 S 8th Ave., Building #5, Room 510
Pocatello, ID 83209-8020
Phone: (208) 244-8521

Region VI – East Idaho
Serving: Lemhi, Custer, Butte, Clark, Fremont, Jefferson, Madison, Teton, and Bonneville counties
Idaho State University SBDC – ISU College of Business
2300 N Yellowstone Hwy.
Idaho Falls, ID 83401
Phone: (208) 523-1087

Visit www.idahosbdc.org for a list of current contacts at each SBDC Region location.

Idaho Small Business Development Centers

Region I – North Idaho
Serving: Boundary, Bonner, Kootenai, Benewah, and Shoshone counties
North Idaho College SBDC
525 S. Clearwater Loop
Post Falls, ID 83854
Phone: (208) 665-5085

Region II – North Central Idaho
Serving: Latah, Clearwater, Nez Perce, Lewis, and Idaho counties
Lewis- Clark State College SBDC – Sam Glenn Complex
500 8th Ave., Room 202
Lewiston, ID 83501
Phone: (208) 792-2465

Region III (also state office) – Southwest Idaho
Serving: Adams, Valley, Washington, Boise, Payette, Gem, Canyon, Ada, Elmore, and Owyhee counties
Boise State University SBDC – Micron Business & Economics Building
2360 W. University Drive, Suite 2132
Boise, ID 83706
Phone: (208) 426-3875

Region IV – South Central Idaho
Serving: Camas, Blaine, Gooding, Lincoln, Jerome, Minidoka, Twin Falls, and Cassia counties
College of Southern Idaho SBDC
315 Falls Avenue
Twin Falls, ID 83301
Phone: (208) 732-6450

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Published by:
Idaho State Department of Agriculture
Market Development Division

2270 Old Penitentiary Rd.
Boise, ID 83712
www.agri.idaho.gov
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2016 EDITION

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Idaho's Small Business Development Centers.

The **Idaho Small Business Development Center (SBDC)** is a statewide, university-based organization which has been helping small businesses succeed since 1986.

Idaho SBDC assistance is available to anyone interested in expanding or starting a private small business in Idaho. Often, the consultations are free of charge and training is a nominal fee. Approximately 98% of all firms in Idaho qualify as small businesses and, therefore, are eligible for assistance from the nearest Idaho SBDC office.

With six office locations throughout the state, each affiliated with one of Idaho's colleges or universities, the Idaho SBDC has the ability to link together their partners from higher education, the private business community, and federal, state and local government.

Small Business Administration
Boise District Office
1020 W. Main, Suite 290
Boise, Idaho 83702
Phone: (208) 334-1696
Website: www.sba.gov/localresources

Business Training

Beginning your own specialty foods business can seem to be a daunting task, but there is plenty of help available to you as your begin the process. **TechHelp** works in cooperation with the universities within Idaho to offer many business training options to the food entrepreneur. They offer a full line of services to Idaho's food processors to help them improve their products, processes, and competitiveness.

TechHelp offers a variety of workshops—often for free or a nominal charge—which provide valuable insight into waste reduction in work processes, floor space utilization, how to increase productivity, develop new products, locate new markets, and how to become more profitable.

They also offer training on food safety programs and help to address regulatory and compliance issues in this industry. For a complimentary consultation on new product development, operational excellence, or food & dairy processing you may call (208) 426-3767 or fill out their electronic request form at http://www.techhelp.org/assessment.

The **University of Idaho Food Technology Center** (FTC) is an excellent resource for start-up specialty foods businesses. The FTC regularly schedules classes on business, technical, and education assistance to get kick-start companies in their business ventures. Visit web.cals.uidaho.edu/ftc for a list of upcoming events. Business training and counseling services are also available from

Getting Started

You have a terrific recipe for a unique salad dressing your family and friends have raved about for years and are now encouraging you to bottle and sell it. It's true, everyone loves your secret recipe and it has made a nice gift on more than one occasion. It sounds simple - turn your labor of love into a profit! Create your own "specialty foods business."

However, do not underestimate the planning that will be required in starting your new specialty foods business. Below is a list of a few questions you will encounter upon deciding to enter this business: Where do I make my product commercially? What do I name my product? How do I package and label my product to appeal to my target demographic? How do I price my product? Where do I sell my product? Who will purchase my product? Finally, how do I expand and increase my market share?

Perhaps the most difficult and necessary question you must ask yourself...*How do I fund my new enterprise?*

Don't be intimidated by this list of questions. There is an abundance of information and technical advice available to you as a budding food entrepreneur. Many successful specialty foods businesses have been built in Idaho in recent years from a few family-favorite recipes, quality local ingredients, and a lot of hard work. The secret to success is thorough research and a commitment to quality.

This handbook will discuss the major issues involved in building a specialty foods business in Idaho. It will offer tips on how to avoid pitfalls and provide contacts in both the public and private sectors which will be valuable resources as you pursue your new business venture.

Business Management

The Small Business Administration (SBA) is an independent federal agency that provides counseling, training, and financing to small businesses. A variety of free seminars and courses are offered by the SBA throughout the year, including financial analysis, record keeping, marketing, and business planning.

The SBA offers consulting through the SCORE (Service Corps of Retired Executives) program free of charge, assisting on how to write a business plan, financing, accounting requirements, legal issues, and marketing. SCORE can be contacted at:

SCORE - Boise Office
380 E. Parkcenter Blvd.
Boise, ID 83706
Phone: (208) 334-1696
Website: https://treasurevalley.score.org/

SCORE - Idaho Falls Office
2300 N. Yellowstone Hwy.
Idaho Falls, ID 83041
Phone: (208) 523-1022
Website: https://easternidaho.score.org/

The SBA also offers financing to eligible small businesses. The loans are handled by commercial lending institutions and guaranteed by the Small Business Administration.

In addition to private sources of capital and loans through commercial lending institutions, funds are available for business development from several government sponsored programs in Idaho. Contact your local Idaho Small Business Development Center and nearest SBA office for more information.

Idaho Preferred® Program

Idaho Preferred® is a program managed by the Idaho State Department of Agriculture to identify and promote Idaho food and agriculture products. Idaho specialty foods companies may participate in the many promotional programs offered through the Idaho Preferred® program if the product contains a minimum of 20% agricultural content by weight that has been grown or raised in Idaho and is processed in the state of Idaho. Membership is $100 and paid annually.

In additional to having the opportunity to use the Idaho Preferred® logo on packaging, sings, websites, and other promotional materials, Idaho Preferred® participants have the opportunity to take advantage of:

- Retail promotions
- Foodservice partnerships
- TV and radio advertising
- Consumer events
- Media opportunities
- Website and Social Media activities
- Farm to School Program

For more information, visit www.idahopreferred.com or call the Idaho State Department of Agriculture at (208) 332-8530.

We Are At Your Service

The **Idaho State Department of Agriculture's Market Development Division** offers the following services to you:

- Domestic and International Market Information
- Trade Shows
- Marketing Plan Workbook
- Promotional Events
- Workshops and training on such topics as: Starting a Business, Developing a Marketing Plan, Navigating Social Media, and more
- Potential Buyer Contacts
- One-on-one consultations regarding packaging, labeling, marketing, regulatory compliance, and social media training

The Market Development Division can be contacted at (208) 332-8530 or www.agri.idaho.gov.

The **University of Idaho Food Technology Center** is also an excellent resource. Housed with the Agribusiness Incubator in Caldwell, they offer one-on-one consulting for product and business development and classes for developing your food product idea. Their on-site staff can walk you through every intricacy of food product development. The fully-equipped, 7,000 sq. ft. facility includes a commercial kitchen capable of producing a wide variety of different foods.

The University's Agribusiness Incubator can be contacted at (208) 454-7616 or http://web.cals.uidaho.edu/agincubator/.

The Food Technology Center can be reached at (209) 795-5331, 1908 E. Chicago St., Caldwell, ID 83605, or http://web.cals.uidaho.edu/ftc/.

Product Development and Testing

This section will cover the basic development questions. The obvious place to begin before committing resources to purchase processing equipment or leasing space in an existing facility is to research and understand consumer preferences and trends in food marketing.

Market research suggests that today's consumer is looking for quality. Surveys of specialty foods consumers suggest food manufacturers can capitalize on the consumer's desire for new and different tastes, uniqueness, and freshness, natural, organic, or local.

Processing Locations

Cottage Food Operation

The Idaho Department of Health and Welfare (DHW) maintains updated information related to cottage foods on the Food Protection Program's website at www.foodsafety.idaho.gov. Under the Idaho Food Code, cottage foods are specific foods that can be made in a person's home or other designated location and sold directly to a consumer, within the state of Idaho, through farmers' markets, home sales, roadside stands, online (in state), mail order (in state), personal delivery or delivery service without regulatory oversight. In addition, neither the local Public Health District nor the Idaho Department of Health and Welfare require a cottage food producer to obtain a food establishment permit or license. However, as a cottage food operation, you will need to have a sales tax permit and may need a business license depending on which city or county you live in.

Cottage food producers are allowed to produce foods that are low-risk and do not require time and/or temperature control for safety. These types of foods are frequently referred to as non-TCS foods. The list below contains examples of non-TCS foods that are allowed.

Resources

Idaho State Department of Agriculture
Market Development Division
P.O. Box 790
Boise, Idaho 83701
Phone: (208) 322-8530
Website: www.agri.idaho.gov

Idaho Specialty Foods Association
5150 N. Montecito Pl.
Boise, ID 83704
Phone: (208) 375-3720
Website: www.idahospecialtyfoods.com

National Association for the Specialty Foods Trade, Inc. (NASFT)
120 Wall Street, 27th Floor
New York, NY 10005-4001
Phone: (212) 482-6440
Website: www.nasft.org

Social Media

Facebook, YouTube, Pinterest, Twitter, blogs, and other social media outlets are great ways to communicate with consumers and build your brand. These free avenues allow customers to "interact" in ways traditional marketing avenues don't allow. Social media pages can be used to give customers ideas on new ways to use your product, provide customer support, and provide interactive experiences with photos, videos, contests, etc.— and much more.

In the world of technology, social media evolves at a dizzying page but do not be intimidated! Begin by identifying where your potential clients are spending their time and become active on those specific social networks rather than expending more time and effort on platforms that won't be seen by the right people.

Many organizations offer free or low-cost seminars on current social media trends. Check your local Small Business Development Center at www.idahosbdc.org for a list of upcoming social network events. Additionally, the Specialty Foods Association posts great resources online regarding social media for the specialty foods producer. To learn more, visit www.specialtyfood.com.

DHW may add to or delete food products from this list, so it's a good idea to check for updates that will posted on the Food Protection Program's website.

- Baked goods that do not require refrigeration
- Pastries and cookies that do not require refrigeration
- Breads
- Cakes that do not require refrigeration
- Fruit pies
- Honey
- Fruit jams and jellies
- Candies and confections that do not require refrigeration
- Dried fruits
- Dry herbs
- Seasonings and mixtures
- Cereals
- Trail mixes and granola
- Nuts
- Vinegar and flavored vinegars
- Popcorn or popcorn balls
- Tinctures that do not make medicinal claims

The Idaho Food Code specifically indicates that cottage foods do not include low acid canned foods, fermented foods, or acidified foods, so if your recipe includes one or more of these items, you will need to produce it outside of your home in a commercial kitchen. Some examples of low acid canned foods include canned fruits, canned vegetables, canned meats, and canned pie fillings. Examples of acidified foods include pickled products and canned salsa.

To determine if your product can qualify as a cottage food, contact your local Public Health District and complete the information in the Cottage Foods Risk Assessment Form found at http://healthandwelfare.idaho.gov/Health/FoodProtection/tabid/96/default.aspx. This should be reviewed by and signed by an Environmental Health Specialist from the local Public Health District that covers the county where your product will be processed.

Commercial Kitchen Facilities
If your food product is on the "no" list for a cottage food, you're selling your products outside of the State of Idaho, you're selling your products to retailers, distributors or brokers, or if your home kitchen is not suitable, there are several other options open to you depending on your location. You can use one of the commercial kitchens located in Idaho or you might be able to rent space in a local restaurant, church, school, or community center kitchen that has been approved by your local Health District. A list of Idaho commercial kitchens can be found at http://www.agri.idaho.gov/AGRI/Categories/Marketing/domesticmarketing.php or you can call the Idaho State Department of Agriculture at (208) 332-8530 to have one sent to you.

Co-Packing
As your company grows, your current processing location may not be the most convenient for developing new products or expanding product lines. Under a co-packing arrangement, you contract with an existing food processor to manufacture and package your product using your recipe and your quality specifications. To ensure a successful product launch you will want to visit the processing facility and oversee initial production runs.

Shared Processing Facility
Another option is a shared or cooperatively-owned kitchen or processing facility which may offer you a range of services, from a simple lease of common kitchen space to an opportunity to invest in a production cooperative, which enables members to pool equipment, packaging and input materials, product liability insurance, shipping costs, and even marketing and promotional expenses.

Make a Good Impression: Keep the booth area neat and uncluttered. Do not eat while in the booth. Dress professionally, smile and have a positive attitude. Hand out professionally printed business cards. Be sure to converse with visitors, not other staff. Stand in front of or to the side of your booth. Never sit in a chair while speaking with potential customers. Establish teams and take frequent breaks.

Listen: Stop talking and listen to what the trade show visitors need. Do not assume that you know what they want. Tailor your comments around their individual needs. This is an opportunity to get honest feedback about your product.

Follow-up: Keep a log of prospects to contact after the show. Most sales are made after the show, not during. **Follow-up is essential**. Send a letter to all prospects within two weeks. In addition, make a personal phone call to those prospects with the greatest potential. One follow-up effort is not sufficient. A study by Incomm Center for Trade Show Research found two thirds of the actual purchases resulting from a visit to an exhibit took place 11 to 24 months after the show. The frequency of the follow-up can dramatically affect the success exhibitors obtain from a show. It is not unreasonable to conduct six or seven mailings to prospects during the first twelve months following the show.

Email Service Providers are a great resource for helping you maintain an e-mail database from your trade show leads. They provide numerous advertising templates and ways to maintain contact with your customers. Generally, their minimal fees are based on the number of e-mail addresses they maintain and "host" for you. Look into Constant Contact, iContact, MailChimp or Vertical Response and compare features and prices to others you may find on the web.

Extreme caution should be used with cooperative advertising. Include in the agreement detailed specifics concerning ad copy, cost, placement, etc. Require copies of all billings if the retailer is buying the space. You do not want to be overcharged or left with an ad that only mentions your name in fine print at the bottom.

Trade Shows

Expositions provide ample opportunities for exhibitors to generate sales, check out the competition, and research the market. Lists of potential trade shows are available in most industry magazines, trade associations, and government agencies.
Make sure the **attendees represent the type of buyer you are targeting**. Make sure to review previous show statistics such as number of attendees, who the attendees are (type of business), and their geographical spread. Contact past exhibitors to determine their success at the show. Determine the number of trade leads you need to generate to make participation cost-effective. Estimate that 20% of your contacts at a show will result in qualified trade leads.
Some trade show tips include:
Focus on Motivated Buyers: There are generally three categories of attendees at trade shows:

- Those simply browsing, with no interest in your product
- Competitors and others interested in the product, but not interested in "pushing" it
- Target visitors interested in making a purchase

Qualify your buyers by asking such questions as *"Thanks for coming in, what attracted you to my booth?"* and *"We have some exciting things here. "What are you looking for at the show?".* Do NOT ask *"Can I help you?"* The answer will invariably be *"no."* Distribute your business cards rather than expensive product brochures. *Brochures do not get read*. Send serious buyers literature after the show.

Increasing production from a single batch to commercial scale may require some modifications to your recipe and possibly the addition of stabilizers, emulsifiers, and preservatives. This does not mean that your quality or taste needs to be compromised, but that adjustments may be necessary.

We recommend you seek the technical advice of qualified food technologists on the safety of your ingredients, shelf life, nutritional content, and toxicology. Many of your questions can be handled over the telephone, but some require laboratory analysis. There are several privately run laboratories and registered dieticians which can assist you.

Some of the product quality and safety areas that you will need to consider include:

Microbiological

- Total bacterial count
- Yeast and mold
- Salmonella
- E-coli
- Staphylococcus

Nutritional Content Per Serving

- Protein
- Calcium
- Cholesterol
- Vitamins (A, C, B1, B2)
- Fat: Saturated vs. Unsaturated
- Sodium
- Fiber
- Phosphorus
- Iron

Food Processing & Laboratory Resources

University of Idaho Food Technology Center
1908 E. Chicago Street
Caldwell, ID 83605
Phone: (208) 795-5331
Website: http://web.cals.uidaho.edu/ftc

Analytical Laboratories, Inc.
1804 N. 33rd Street
Boise, ID 83703
Phone: (208) 342-5515
Website: www.analyticallaboratories.com

National Food Laboratory, Inc.
2441 Constitution Drive
Livermore, CA 94551
Phone: (925) 828-1440
Website: www.thenfl.com

- **Costs** of different media may be compared by calculating "Cost per Thousand," which is expressed as CPM. Divide the *cost* of the advertisement by the *reach:*
- *Example:* $40/5,000 = $8 per thousand

Produce quality advertisements. Spend the money to have your advertisements professionally produced. Poor quality art work or voice work is a waste of money. Some newspapers offer design services free of charge. Some radio stations will offer their personalities to read prepared ad scripts. Be sure to ask about it.

Keep your message consistent with your overall marketing strategy. In creating your ad, begin by prioritizing the points you want to make. You can't tell the whole story in one ad, so keep it simple with concise messages. Emphasize the benefit that is *most important to the consumer*.

Your message will also dictate your media selection. If your ad requires visual display, radio will not deliver. It is, however, still possible to create a picture with radio advertising. Do not overlook it just because you have a food product. Be aware that costs vary widely between different media outlets. You will need to shop around.

Timing

To increase the effectiveness of your advertising, advertise in conjunction with other promotions such as in-store demonstrations, special tastings, coupon offers, etc. Coordination of advertising with promotional events will improve both.

Cooperative Advertising

You can stretch your advertising dollars by cooperating with other food processors or retailers. Look for complimentary products that are available in the same outlet to share an ad. Retailers are also looking for opportunities to reduce their advertising costs through cooperative ads with manufacturers.

Have experienced salespeople operate the display who can interact with customers, answer questions, and point out important product features. Consider offering a special price to encourage an immediate purchase.

To locate your local farmers markets and other special events, contact the Idaho State Department of Agriculture at (208) 322-8530 as well as your local Chamber of Commerce. Nearly every city in Idaho has a Chamber of Commerce and they may be found in the phone book or online at www.2chambers.com/idaho2.htm.

Advertising

The amount and type of advertising you select will depend upon your audience, which media they use most, and your budget. It is common for specialty foods companies to devote 10%-15% of their annual budget to advertising.

There are two primary audiences you can advertise to—the trade and the consumers themselves. There are numerous specialty foods magazines directed at the trade. The magazines are excellent sources for reaching retailers, brokers and distributors. Generally, it is more cost effective for specialty foods producers to advertise to the trade rather than directly to consumers.

Amount of Advertising

Whether you choose consumer or trade advertising, your choice should be evaluated based upon audience, reach, frequency, cost, and editorial quality.

- **Audience** refers to the *demographics of* people hearing or seeing the advertisement.
- **Reach** refers to the *number of target customers* that will see or hear the advertisement.
- **Frequency** is the *number of times* the target customer sees or hears the ad. Both are important. A customer who only hears an ad once is unlikely to remember it. In general, a frequency of three to seven times is most effective.

Food Processing Publications

Food Processing
Phone: (630) 467-1300
Website: www.foodprocessing.com
Provides a nationwide directory for sources of:

- National associations
- Architects and engineers
- Food laboratories/services
- Ingredient suppliers
- Federal government agencies
- Plant sites
- Computer software
- Equipment suppliers

Food Product Design/Natural Products Insider
Phone: (480) 990-1101
Website: www.naturalproductsinsider.com
Offers a variety of information in their resource center including:

- Podcasts
- Webinars
- Industry Reports
- White Papers

Food Technology
Phone: (312) 782-8424
Website: www.ift.org
Offers newsletters and special reports

Prepared Foods
Phone: (847) 763-9534
Website: www.preparedfoods.com
Provides a nationwide directory of suppliers for:

- Equipment
- Packaging materials
- Sanitation and maintenance
- Service and supplies
- Ingredients
- Instruments

Idaho Department of Health & Welfare Food Protection Program

Under the **Idaho Food Code**, you must submit a written application for a food establishment license on forms provided by *your* local health district. Keep in mind, there are seven regional health department districts.

450 West State Street
Boise, ID 83720
Phone: (208) 334-5938
Website: www.foodsafety.idaho.gov

IDAHO DEPARTMENT OF
HEALTH & WELFARE

Idaho Health District Offices

When calling one of the Heath District offices, listen to the choices and choose Environmental Health or Food Services depending on the options on the recorded message.

Panhandle Health District
Serving Benewah, Boundary, Bonner and Kootenai counties
8500 N. Atlas Rd.
Hayden, ID 83835
Phone: (208) 415-5100
Website: www.phd1.idaho.gov

North Central Health District
Serving Clearwater, Idaho, Latah, Lewis and Nez Perce counties
215 10th Street
Lewiston, ID 83501
Phone: (208) 799-3100
Website: www.idahopublichealth.com

appropriate for local media.

2. Mail a press packet that includes the following items.

   a. Personalized cover letter introducing yourself
   b. Brochure, if possible
   c. Fact sheet briefly describing the product and company history
   d. Business cards
   e. Graphics including your camera-ready logo
   f. News release
   g. Photos of product and entrepreneur (separate photos)
   h. FAQ sheets going into more detail are also helpful

3. Follow-up with a phone call.

Your news release should be double-spaced on nice letterhead and be BRIEF. Short releases increase your chances of coverage. If the media has more space to devote to the article, they will contact you for more information.

You must "sell" the newsworthiness of your product or your success story. Simply because the story is appealing to you does not guarantee that it will be appealing to the general public. Present your story with the media's point of view in mind using action-packed, vivid, and descriptive language. Make a short call to the contact person to confirm whether or not they received your packet and ask if they need any additional information. Do they intend to publish the piece in the near future? In all cases, be sure to thank them.

Sampling

The more senses you involve in your marketing strategy, the more effective your efforts will be. What better way to introduce people to your product than to stimulate the palate with a taste? After an initial trial of the product, excellent ones will sell themselves. You can utilize sampling at fairs, farmers markets, holiday bazaars, shopping malls, and inside stores. To get the most out of sampling, select peak shopping hours when there is a great deal of traffic.

Neck hangers (also called product information tags) are attached to the product and have the potential to convey a great deal of information to consumers. Neck hangers can include recipes, more detailed product descriptions, and price or percentage-off coupons. These tags are especially useful since they require no additional effort on behalf of the retailer.

Recipe booklets are especially useful for specialty foods which serve as ingredients. Novelty foods that are unfamiliar to consumers will require product use education. Recipe booklets can be attached to the product or stand on their own.

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Recipe booklets are especially useful for specialty foods which serve as ingredients. Novelty foods that are unfamiliar to consumers will require product use education. Recipe booklets can be attached to the product and highlighted on your website.

Publicity

There are numerous opportunities for receiving coverage in food magazines and local media. Many food editors are searching for new foods and companies for their articles. Most national food magazines have regular product preview columns and local success stories are of great interest to the local media. In order to capitalize on these tremendous possibilities, you must inform the media of your existence. Although there may not be a monetary charge for publicity, it is not "free." *You must put effort into it!*

An effective publicity campaign involves strategic steps:

1. Identify your media possibilities. Be sure you get to know the *person* responsible for such articles. This is especially

Southwest District Health
Serving Adams, Canyon, Gem, Owyhee, Payette and Washington counties
13307 Miami Ln.
Caldwell, ID 83607
Phone: (208) 455-5300
Website: www.publichealthidaho.com

Central District Health Department
Serving Ada, Boise, Elmore and Valley counties
707 N. Armstrong Place
Boise, ID 83704
Phone: (208) 375-5211
Website: www.cdhd.idaho.gov

South Central District Public Health
Serving Blaine, Camas, Cassia, Gooding, Jerome, Lincoln, Minidoka and Twin Falls counties
1020 Washington Street N.
Twin Falls, ID 83301
Phone: (208) 734-5900
Website: www.phd5.idaho.gov

Southeastern Idaho Public Health
Serving Bannock, Bear Lake, Bingham, Butte, Caribou, Franklin, Oneida and Power counties
1901 Alvin Ricken Drive
Pocatello, ID 83201
Phone: (208) 233-9080
Website: www.sdhdidaho.org

Eastern Idaho Public Health District
Serving Bonneville, Clark, Custer, Fremont, Jefferson, Lemhi, Madison and Teton counties
1250 Hollipark Dr.
Idaho Falls, Idaho 83401
Phone: (208) 523-5382
Website: www.eiph.idaho.gov

Legal Issues

Health Licenses

As mentioned earlier, you are not permitted to manufacture your food product in your home kitchen unless you comply with the Idaho Cottage Food Law. If you opt to use a commercial kitchen your commercial kitchen will need to meet minimum requirements spelled out in the State of Idaho's *Idaho Food Code*, which governs food sanitation standards for food establishments.

Under the *Idaho Food Code*, you must submit a written application for a food establishment license on forms provided by *your* local health district. Keep in mind there are seven regional health department districts within Idaho and refer to page XX to see which one covers the county where your product will be processed which might not be the same as where you live. Once approved, this will license the operator, who is the actual food processor *only*– that's you and is valid for 1 calendar year. The license only applies to the product you are making and how it is being processed in a specific kitchen. If you add a product, change the process or move to a different kitchen, you need to get a new approval from the public health district. You will also need to renew your license at the end of each calendar year.

If you are using a facility that is already approved, you still need to obtain a license, from the health district, for your personal business within your city or county. The *health district's environmental health official must review and approve* your processing facility plans prior to retrofit and/or construction. A final inspection will be made prior to licensing. Some of the areas that will be covered in this plan review and on-site inspection include the following:

- Site plan, floor plan, and mechanical plan
- Construction materials for floors, walls, and ceilings
- Plumbing: Separate sink for worker sanitation
- Processing equipment and food safety and sanitation training

a paragraph attempting to describe the product's qualities.
Food photography and styling are special arts, and produced well, can greatly enhance your marketing efforts. Poorly done photographs, on the other hand, can greatly discourage purchases. Invest in professionals experienced in food photography. Food photography is very different from other forms of photography and requires special handling and preparation.

Before hiring, examine the prior work of both the stylist and the photographer. Talk to previous clients of the photographer to determine their level of satisfaction. Select individuals whose work you like and who you are comfortable with.

Point of Sale Materials

As the name implies, point-of-sale (P.O.S.) materials attract the consumer's attention and educate them on the benefits and uses of the product at the location where the product is sold to the consumer. Many retailers find P.O.S. materials useful in creating attractive displays and interest in their stores, while others limit the use to have an "uncluttered" store environment. Ask the retailer is they allow P.O.S. materials before producing them.

Table tents are tent-shaped cards placed on tables or counters and are most often used by the restaurant and food service industry. Table tents can be utilized to convey information regarding menu items or daily specials.
Shelf talkers are small signs that hang underneath the product on the retail shelf. They are used extensively by grocery retailers to draw attention to the product. Shelf talkers are excellent promotional tools for new products consumers are not purposely searching for.
Posters are most useful for in-store promotions or trade show exhibits. They may be hung in store windows or on walls but are used less frequently than other P.O.P. materials because of their size and cost.

Promotion

Promotional and marketing expenses are necessary to increase sales and should be considered an investment in your business. There are many methods of communicating the existence of your product to consumers. Broad promotional categories include: Product Literature, Point of Purchase Materials, Publicity, Sampling, Advertising, Company Website, Social Media, and Trade Shows.

Product Literature

There are two distinct audiences for product literature - the trade market and the consumer. Product literature developed for the *trade* is essential to your sales efforts. Sales literature is developed to educate distributors and their sales staff on the product, its benefits, and uses.

Sales literature for the trade typically consists of a price list, catalog of products available, and product fact sheets. Product fact sheets highlight the product's benefits and may contain testimonials, company history, and notable recognitions or awards.

Literature developed for the *consumer* can be found in many forms such as post cards, brochures, and even newsletters, all of which should contain some form of food photography.

If you have an email list of your customers, you can send them holiday cards, electronic announcements introducing a new product in your line, or specials you are offering. Companies exist that can help you develop an e-mail database and develop a routine contact list.

Food Photography

It may be a cliché—"a picture is worth a thousand words"—but it's true! A well done photograph of your mouth-watering product looking steaming hot or freshly prepared is much more enticing than

- Quality control checks
- Packaging and labeling
- 3-compartment sinks for equipment clean-up
- Source and storage of ingredients, including processing steps

Business Licenses

Depending on where you live, you may be required to obtain a business license from the city or county. To find out if your specific business activities require a license or is regulated in some way by your local authorities, contact your local county or city's clerk or recorder's office.

Mandatory Supervisor Training

During food processing at a location other than a home kitchen, at least one employee must be trained in food safety and sanitation and on duty during the food preparation. All food workers must also receive specified training in their area of responsibility. For more information regarding various training options, contact your nearest district health office.

Food and Drug Administration Regulations

The U.S. Food and Drug Administration also regulates food manufacturers that are selling food products in interstate commerce or receiving ingredients through interstate shipment. For small-sized food processors, which do not have a significant percentage of interstate sales, the FDA will contract with the State Health and Welfare Department (health districts) to inspect these facilities. To determine whether your company will fall under the FDA's jurisdiction, you must contact your district health department. In addition, if a processor is manufacturing an acidified food product such as canned salsa or pickled products, FDA requires the manufacturer to complete the Better Process Control School class which is usually instructed by a Processing Authority at a major University. Contact your local district health department for more information.

As part of the Bioterrorism Act passed in 2002, companies that manufacture, process, pack, or hold food for human or animal consumption must register online with FDA. There is no fee for the registration. More information is available at www.fda.gov/Food/GuidanceRegulation/FoodFacilityRegistration/default.htm.
consumption must register online with the FDA. There is no fee for the registration. More information is available at www.fda.gov/Food/GuidanceRegulation/FoodFacilityRegistration/default.htm.

U.S. Department of Agriculture (USDA) Regulations

If a packaged product for resale contains three percent or more meat products (by weight), the processor will fall under USDA inspection which requires a detailed HACCP Plan and an FSIS inspector on-site during processing. For questions about USDA requirements, contact the Small Plant Help Desk at 1-877-FSISHELP (1-877-374-7435) or email infosource@fsis.usda.gov.

When developing a label for food products that contain three percent or more meat, your label may need to be approved by the USDA, FSIS through their Labeling and Additives Policy Division (LAPD). The distinctions are listed as follows:

USDA Label Approval Not Necessary (Generic Label Approval):

- If the label is for a single ingredient amenable product that bears no special claims, nutrition facts, organic certification, guarantees, foreign language, or animal production claims, it is a generic approval.

- If the label is for an amenable multi-ingredient product that bears no special claims, nutrition facts, organic certification, guarantees, foreign language, or animal production claims, the label can either be a generic approval or submitted to the Labeling Compliance Team (LCT) attached to a label application form.

discount.
For example: 2%, 10 days, NET 30 days means that if the invoice is paid off within 10 days the buyer will receive a 2 percent discount. Otherwise, the full amount is due within 30 days.

Evaluate your decision carefully. *Only* offer a special deal if it is necessary to sell the product and then only if the overall benefit will outweigh the cost. Developing a long term relationship will be difficult if you first give the product away too eagerly.
may also be made by airmail and truck.

Shipping and Billing

Most specialty foods companies do not pay shipping costs and quote their prices undelivered. When shipping costs are the responsibility of the buyer, processors can avoid the headache of tracking the varying shipping rates for different destinations.

The terms used in quoting prices are F.O.B. (city of warehouse) and F.O.B. (city of destination). F.O.B. stands for Free On Board. With F.O.B. (warehouse), the buyer takes title to the merchandise when it leaves the producer's warehouse and is responsible for the shipping charges. With F.O.B. (destination), the buyer does not take title of the product until it reaches their destination and the seller pays for the shipping and insurance. For example, if the warehouse is in Nampa, ID and the buyer is in Seattle, WA, prices quoted F.O.B. (Nampa) indicate the buyer pays the shipping charges. For prices quoted F.O.B. (Seattle), the seller pays the freight and any insurance.

After determining who will pay the shipping charges, method of transportation and method of payment must be selected. Specialty foods products that are shipped in lower quantities are typically transported by ground transportation such as UPS or FedEx. They may also be made by airmail and truck.

Alternative methods of payment include Pre-Paid, C.O.D (Cash on Delivery), and 30 day or 60 day accounts.

greater sales potential due to their established relationships with many retailers.

Evaluating Distribution Alternatives

Analyze Your Market
Many distributors and brokers specialize and develop a niche within the industry. Select those that reach the retailer you want.

Evaluate Special Deals
Some retailers and distributors are reluctant to carry new products due to the risks involved. Many will require special deals during the introductory stage. Examples include free merchandise, freight allowances, advertising allowances, and even price discounts.

Free merchandise can range from free samples to one free case with the purchase of ten. Distributors or retailers may pass the savings on to the customer by charging a lower introductory unit price, or they may keep the difference in order to absorb the risk.

Freight allowances are negotiated during the deal, and the processor can offer to absorb the cost of freight and ship F.O.B. (delivery point). Freight allowances can also include a percentage discount for a certain quantity purchased. With this arrangement, product is shipped F.O.B. (warehouse) but the buyer is allowed to deduct the predetermined percentage from the total shipping costs.

Advertising allowances are cooperative advertising agreements where the buyer and seller share the cost of advertising in a local newspaper or on a local radio station. For payment, the retailer would deduct their share of the advertising (the allowance) amount from the invoice.

Price discounts include quantity discounts or discounts for paying the invoice early. Discounts for early payment are expressed as percentage discounts, a specified payment due date in order to receive the discount price, and a payment due date without

- If your product qualifies for a Generic Approval Label, you do NOT have to submit your label to FSIS LAPD for approval. However, you must comply with the standards set forth by FSIS LAPD, which are outlined online at www.fsis.usda.gov/Regulations_&_Policies/index.asp

USDA Label Approval Necessary:
For any product that does not fit either of the above definitions, the label and an application form must be electronically submitted to the LAPD for approval through the Label Submission and Approval System (LSAS). For information on how to access this system, fact sheets, labeling guidance and other information, please go to http://www.fsis.usda.gov/wps/portal/fsis/topics/regulatory-compliance/labeling/label-submission-and-approval-system. In addition, procedures have been initiated whereby small businesses who get back labels evaluated by the label evaluation staff, and who have questions about the labels, can arrange a phone consultation with the labeling staff member who performed the label review. Contact the FSIS Label Approval Policy Division office at (202) 205-0619.

Quality Control

Performing what is termed “hazard analysis at critical control points,” (HACCP) is a widely accepted quality control process. It is required for all types of food manufacturers. There are a few key definitions to keep in mind as you begin this process:

Hazard - an unacceptable contamination, survival, or growth of micro organisms of concern to safety, spoilage, or toxins in the food product.

Critical control point - an operation (practice, procedure, process, or location) or a step in an operation, at or by which a preventive measure can be exercised that will eliminate, prevent, or minimize a hazard.

Critical Limits - criterion that separate what is considered acceptable to what is unacceptable.

There are seven basic steps to consider in implementing this type of quality control system:

1. Diagram the process flow for each food or group of related foods being processed.
2. Evaluate the hazards associated with each point in the diagram.
3. Identify those points that are critical to product safety.
4. Determine the controls needed to manage the hazards.
5. Establish critical limits for each control measure.
6. Educate employees on how to properly follow control procedures.
7. Do not deviate from the plan unless the preceding steps are again followed with the new plan.

Taxation

Sales Tax Collections

As an Idaho food manufacturer, including cottage food producers, you are required to collect sales tax. You will need to obtain a state tax identification number from the Idaho State Tax Commission which is required to file your sales tax. If selling goods for resale to a distributor, wholesaler, or retailer, however, these types of buyers may be exempt from paying sales tax. In this case, every buyer who makes tax exempt purchases should provide you, the seller, an exemption certificate to document that fact. The ST-101 form from the Idaho State Tax Commission is the most commonly used exemption certificate; however, there are others for specific sales tax exemptions. This form only needs to be completed once for each buyer. You, the seller must then keep the form on file.

For audit purposes, keep all of your tax forms for a three-year period. For more information on sales tax regulations and forms, contact the Idaho State Tax Commission, Taxpayer Assistance, (208) 334-7660 or (800) 972-7660. You may also visit the Idaho State Tax Commission's website for more information at www.tax.idaho.gov.

restaurants in a wide variety of price range. Food service can be a primary sales strategy or a useful sampling strategy for gaining consumer awareness.

Distribution Methods

Once you have determined where you want your product to be available for purchase, then you can select the most effective channel of distribution. Your decision will be influenced by your capability, volume, marketing support, and target market. The various distribution channels are:

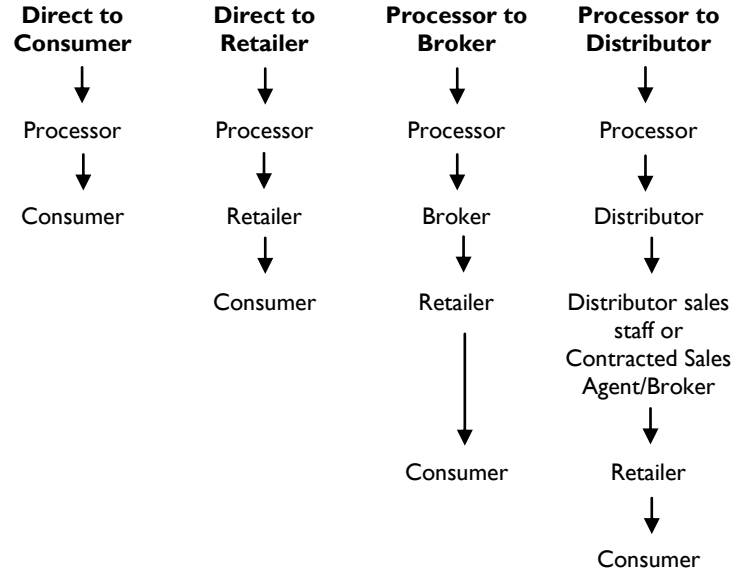
Direct to Consumer - When selling direct, the processor has the greatest control over customer service, price, shelf placement, and display.

Direct to Retailer - Initially, in order to distribute through a retail outlet, it may be necessary for the processor to sell directly to a local retailer. Attracting the attention and support of distributors and brokers can be difficult. As you build a successful track record at the local retail level, your chances of securing a broker and expanding sales volume should improve. However, some retailers will not accept direct "back door" deliveries and will require the use of a broker or distributor.

Processor to Broker - Brokers or sales representatives are commissioned salespeople who sell your product to the trade market. They can sell direct to the retailer or represent your product and sell it to a distributor. Brokers represent a number of different product lines and do not purchase the products they sell. Commissions range from 5%-15% depending upon the market serviced. Experienced brokers have access to buyers that most processors lack. They are very useful for expanding sales beyond the local market.

Processor to Distributor - Distributors purchase your products and then sell them to retailers and other distributors. They may use brokers in addition to their own sales force. Distributors offer

Retail Merchandising and Retail Shelf Placement - Even in a gourmet retail store, your product will be surrounded by other products competing for the buyer's attention. In addition to creative packaging and labeling, increased attention can be achieved through planned merchandising.



Products placed at eye level or slightly below receive more attention than those placed below the knee or high on a shelf. Products placed on the end of an aisle or near the checkout counter also receive more attention.

More "shelf facings" dedicated to a product increase the exposure. Convincing a retailer to increase the shelf facings of your product can be difficult. You may need to consider expanding your product line to reach this objective.

Food Service

There is a market for gourmet specialty foods within food service companies. The local food trend has opened many new markets to specialty foods companies, such as schools, hospitals, and

Taxpayer Identification Number

Sole proprietorships without hired employees are not required to obtain an EIN number and can use their Social Security number in place of the EIN. Businesses organized as a partnership, a corporation, or a sole proprietor with employees or excise tax requirements must obtain an Employer Identification Number known as an "EIN" number. It is recommended, however, to obtain an EIN even if it is not required to avoid identify theft and help establish independent contractor status.

This number is necessary when you file business returns. It is also used to obtain your state tax identification number. To obtain an EIN number for your own business, simply call the IRS at 1-800-829-4933 and receive your EIN number over the telephone. You may also apply online at https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online and have your number emailed directly to you. If you prefer personal assistance, there is a local IRS office located in Boise at 550 W. Fort Street, Boise, ID 83702.

Other Local Permits and Regulations

We encourage you to investigate other local permits and regulations that may be required by your city, county, or the State of Idaho. These may include but are not limited to the following:

- Building and Zoning Permits
- Sewer Hookup Permits
- Property Taxes
- Commercial and Chauffeur Vehicle Licenses
- Business or Professional Licenses
- Wholesale Licenses
- State Permits

Insurance

In setting up any kind of business you will need to consider several types of insurance coverage, including:

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

For a food producer, it may be wise to invest in product liability insurance. Product liability insurance protects businesses in the event that a product causes bodily harm or property damage. The cost of product liability insurance will vary greatly depending on the "risk factor" of your product. This includes the type of product, the size of your distribution, how it's marketed, and what safety measures are in place.

Distributors and major retail chains will often require their suppliers to be covered by a minimum $1,000,000 worth of coverage and specify that the insurance certificate name them as an additional insured party. For questions, contact the Idaho Department of Insurance at (800) 721-3272 or www.doi.idaho.gov. For small businesses, the National Association of Insurance Commissioners provides useful information online at www.insureuonline.org.

Trademarks

A trademark is a legal claim to the exclusive right to use a particular logo, name, or other mark. The actual right is acquired by virtue of the usage of the mark in trade; registration merely puts the public on notice of the owner's claim to the exclusive right. To be registered, a mark must not be generic—it must have an element of fancifulness, uniqueness, or distinctiveness. To learn more about trademarks, the trademark process or to conduct a trademark search in order to determine if your idea is currently in use, go to www.uspto.gov.

food stores, gourmet stores, ethnic stores (Italian, German, etc.), and others, each with a different customer base.

- **General food stores** are suitable for those processors pursuing a lower price, higher volume strategy. General food store customers are often more price sensitive than specialty foods store customers. Thus, price must be more competitive and advertising more extensive in order to move the product. Obvious challenges in grocery retail distribution include slotting and failure fees, retail shelf space, and capacity.

- **Natural food stores** specialize in health foods, organic and natural products, and local items. Many natural grocers have the flexibility to work more directly with producers and can often purchase on trial orders. Customers at natural food stores typically make purchasing decisions based on the perceived health benefits and location of where the product was made.

Retail Store Slotting Allowance - Grocery retailers are faced with limited shelf space and thousands of new food product introductions annually. Slotting fees are charges to processors of new products to cover the costs of adding the new product to the shelf. Slotting fees were initially introduced to cover the expense of introducing new products and then removing the many failures. The use of slotting fees varies considerably by retailer.

In some cases it is impossible to avoid paying slotting allowances for the introduction of your product. However, to help decrease the cost of slotting allowances, put careful thought into your product strategy. Build a track record. Begin by selling to independent grocery stores rather than chain stores. Develop a product that consumers want, create product awareness as well as demand, and support the product once it is on the shelf. Retailers are less likely to discourage a product through high slotting fees if they believe the product will succeed.

In addition, there are “price-points” where small changes in price can have a significant effect on sales. These price points are just below the even dollar amount.

If your retail price is $5.07 you may want to consider lowering it to $4.99 or $4.95 to create more favorable consumer perception of the price.

Placement

Product placement refers to where your target customer will ultimately purchase the product. There are several options available to specialty foods producers regarding placement: direct from the manufacturer, retail stores, and food service.

Direct from Manufacturer

Sales made directly to the customer include purchases at consumer fairs, holiday fairs, farmers markets, direct mail orders, online, etc. With direct sales, the manufacturer has control over pricing, customer service, and presentation.

Retail Stores

There are a variety of different retail outlets to consider. Each one caters to a different type of patron.

- **Gift stores** range from floral shops and kitchenware retailers to hotel souvenir shops. Kitchenware stores can be excellent outlets for specialty foods being used in food preparation such as baking mixes and sauces. Floral shops, on the other hand, may be better suited for ready-to-eat foods such as chocolates and beverages. Souvenir shops are better for the "unique, locally made" foods.

- **Specialty foods stores** target food buyers where products only have to compete with other similar food items. Retail specialty foods stores have one great advantage - they are often targeted to *specific* food buyers. There are health food stores, organic

Although not mandatory, it is highly recommended that you register your trademark once your brand and label are established. Trademarks may be registered under state law and, if used in interstate commerce, under federal law as well.

To receive a trademark in Idaho, you must file an "Application for Registration of Trademark or Service Mark," provide one copy of the mark along with a minimal fee to the Idaho Secretary of State's Office. For additional information, view their website: www.sos.idaho.gov/tmarks/tmindex.htm or call (208) 332-2811.

To obtain a federal trademark application, contact the U.S. Department of Commerce, Patent and Trademark Office at (800) 786-9199 for a 24 hour helpline or view their website: www.uspto.gov.

Universal Product Code

The Universal Product Code or UPC is a twelve-digit numeric code used to identify a retail consumer package. The UPC symbol is read by electronic scanners at the checkout stands in retail stores, allowing for ease in checkout, accurate pricing, and collection of sales data.

Participation in this electronic coding system is voluntary, however, most major retailers require their suppliers to use a UPC on products carried in their stores. For more information about UPC, you may view a web seminar at the United Nations Standard Products and Services Code on their website: www.unspsc.org. Acquiring a UPC for your product usually requires membership in the organization that provides the codes.

Special Product Certifications

Gluten-Free Claims and Certification

The U.S. Food and Drug Administration (FDA) has defined the term "gluten-free" for voluntary use in the labeling of foods. Any food product bearing a gluten-free claim labeled on or after August 5, 2014 must meet the requirements of the agency's gluten-free labeling rule. With this uniform definition, consumers with celiac disease can choose foods with greater confidence. Gluten is a protein found in grains including wheat, rye, and barley. For individuals diagnosed with celiac disease, gluten causes inflammation in the small intestine and a gluten-free diet is used to manage symptoms.

FDA's 21 C.F.R. §101.91(a)(3) defines what characteristics a food has to have to bear a label that proclaims it is "gluten-free", "without gluten", "free of gluten", and "no gluten".

FDA set the gluten limit of less than 20 parts per million (ppm) in foods that carry this label. Additionally, FDA allows manufacturers to label a food "gluten-free" if the food does not contain any of the following:

- An ingredient that is any type of wheat, rye, barley, or crossbreeds of these grains
- An ingredient derived from these grains that has not been processed to remove gluten
- An ingredient derived from these grains that has been processed to remove gluten, if it results in the food containing 20 or more ppm gluten

Example: Retail selling price of $5.00, manufacturing cost of $1.40, and shipping costs of 5 cents per unit:

Retail Level:	Retail selling price: (P)	$5.00
	Retailer's margin: (M)	40%
	Retailer's cost/unit (C)	C

Formula: P = C/(1.00-M)
Cost = $3.00 (purchase price of $2.95 + 5 cents shipping & handling

Distributor Level:	Distributor selling price: (P)	$2.95
	Distributor's margin: (M)	20%
	Distributor's cost: (C)	C

Formula: P = C/(1.00-M)
Cost = $2.36 (purchase price of $2.31 + 5 cents shipping & handling)

Processor Level:	Processor selling price: (P)	$2.31
	Processor's margin: (M)	M
	Processor's cost: (C)	$1.40

Formula: P = C/(1.00-M), Margin = 39%

Remember, broker commissions generally come out of the profit margin and are not included in the cost amount. Thus, any broker commissions must be deducted from this 39% gross profit margin.

Is this margin acceptable? If not, the price to the consumer will need to be changed or your costs need to be reduced. Keep in mind, that there are limits to the price you can charge for a product without encountering stiff consumer resistance. The same is true of the low end. If a product is priced too low, consumers may perceive it is lower quality.

Although many Idaho specialty foods producers do not have distributor services, distributor margins should be included in your original pricing. As you grow and add distributors, you will not want your buyers to experience significant price increases.

These differences may include, but are not limited to the following:

Produced locally	Better taste
Improved packaging	Gourmet image
Lower price	Exotic origin
Unusual use	Hand-made
Greater convenience	Increased freshness
Improved consistency	Fat-free, lower calorie
Health benefits	All natural
Special Certifications	

Product decisions also include presentation, such as packaging and labeling. Even though labels require specific placement and information to meet FDA regulations, your label can still be eye-catching.

Pricing

The specialty foods industry uses profit margins to develop prices. With this pricing strategy, the selling price less the profit margin equals the cost.

Determining your costs can be complicated. Costs include ingredients, processing, packaging, labeling, marketing, shipping, trade allowances, insurance, administration, overhead, and debt. Costs will be split up for each product as your product line expands.

You begin the pricing process by determining the selling price *at the consumer level*. Like your other marketing decisions, your price must be consistent with your overall marketing strategy. Use competitor's prices as a starting point to ensure you are in the same price range.

Next, subtract the retailer and distributor margins. Most retailers in the specialty foods industry use a margin approximately 40%-50%. Distributor margins are generally a minimum of 25%. Broker fees are usually deducted from the profit margin and range from 5%-15% depending upon the type of broker used.

For detailed information regarding labeling, gluten levels, and compliance, go to Questions and Answers: Gluten-Free Food Labeling Final Rule and Gluten and Food Labeling on the FDA's website. For your convenience, listed below are the web addresses for each document.

- http://www.fda.gov/Food/GuidanceRegulation/GuidanceDocumentsRegulatoryInformation/Allergens/ucm362880.htm
- http://www.fda.gov/Food/GuidanceRegulation/GuidanceDocumentsRegulatoryInformation/Allergens/ucm367654.htm

Certification through several independent agencies, such as the Gluten-Free Certification Organization and the Gluten Intolerance Group, include verification that food products are processed in a gluten-free environment, allowing consumers to easily identify that foods are free of gluten and free from any possible cross-contamination in the manufacturer's environment.

Foods such as bottled spring water, fresh fruits, vegetables, and eggs can also be labeled "gluten-free" if they inherently don't have any gluten. FDA does not specifically require manufacturers to test for the presence of gluten in their starting ingredients or finished foods labeled gluten-free. However, manufactures are responsible for ensuring that foods bearing a gluten-free claim meet FDA's requirements.

Organic Certification

The label "Organic" has become a value-added element of many specialty foods products. The Organic Food Production Act of 1990 requires that all products marketed as organic must be certified to meet the USDA National Organic Program (NOP) standard.

The Idaho State Department of Agriculture certifies organic producers, handlers, and processors in the State of Idaho to the NOP standard. For additional information on registering as an organic processor or grower, contact the Idaho State Department of Agriculture at (208) 332-8500 or visit http://agri.idaho.gov/AGRI/Categories/PlantsInsects/Organic/indexOrganicHome.php. The USDA also authorizes third party agencies to issue organic certificates.

To find specific organic farms or businesses with specific ingredients/products, visit the USDA Organic Integrity Database at http://apps.ams.usda.gov/integrity/

Non-GMO Product Verification

For companies that want to certify their food as being free of GMO ingredients, there's the Non-GMO Project Verified seal administered by the independent Non-GMO Project.

The Non-GMO Project's Product Verification Program (PVP) is a process-based and product-based program designed to assess compliance with the Non-GMO Project Standard. The core requirements are traceability, segregation, and testing of high-risk ingredients at critical control points.

The verification process is handled by independent, third-party technical administrators (TAs) who determine if a product complies with their Standard. Go to www.nongmoproject.org for more information.

Positioning

Positioning a product means creating an image for the product in the mind of the consumer. There is a great opportunity for specialty foods producers to create an image that appeals to their target market. Specialty and gourmet food purchases are influenced more by emotion and image than mainstream grocery products.
Once again, select how you prefer to position your product after analyzing your customers and competitors. Products can be positioned as:

- Made with local ingredients
- Meets consumers' special needs (e.g. organic, gluten free, kosher, etc.)
- Superior quality
- Choice of discriminating chefs
- Goodness of homemade
- Country flavor
- Upscale appeal

An image is created through the use of the *Four P's* previously mentioned: the product itself, package design, promotional literature, price, and placement of distribution outlets. Each of your marketing decisions in these areas must be consistent with the position you are trying to achieve. For instance, positioning your product as the "choice of discriminating chefs" but trying to place it on every retail shelf in the Northwest rather than distributing through only the finest gourmet specialty stores may be contradictory.

Product Attributes

Today's consumer has many food choices. To succeed in the food industry, *any new product must offer a significant advantage over existing products*. Small producers succeed through providing a product that is somehow different than the leading brands in a product category.

The term *lifestyle* refers to how people spend their free time. Do they entertain guests at home, have a preference for concerts or theater, prefer whole wheat bread over white, exercise regularly, etc. *Attitude* includes a person's commitment to health foods, concern for the environment, political views, price sensitivity, etc. By further understanding the characteristics of your customers, you can appeal to their tastes and preferences and learn how to reach them.

This type of information can be gathered in the following ways:

- National publications which print statistics and trends
- Associations related to the specialty food industry or the type of product you plan to sell
- Direct mail questionnaires
- Response cards included in a food package

Once you have defined your market segment, this will allow you to concentrate your distribution and promotional efforts to those customers most likely to make a purchase. Furthermore, you can adjust your product, packaging, and image to more fully meet their needs.

Competitor Analysis

To determine your "niche" in the marketplace, thoroughly examine competitors in your product category. Small food producers cannot compete head to head with large manufacturers. Further, it is difficult to compete by copying an established product, even in the specialty foods industry. By looking at the competition, you can determine what you can do to more effectively to meet the needs of your customers.

Ask yourself - is there a need for a better tasting product or one with an improved consistency or texture? Can you improve the packaging or offer the product at a lower price? Are competitors neglecting a market segment?

Kosher Certification

To be certified Kosher, all ingredients in every product in addition to the process of preparing the product must be certified for kosher-compliance. Kosher foods are divided into three categories: meat, dairy and pareve.

- **Meat:** All meat and fowl and their byproducts, such as bones, soup or gravy are classified as Meat.
- **Dairy:** All foods derived from, or containing, milk are classified as dairy, including milk, butter, yogurt and all cheese – hard, soft and cream. Even a trace amount of dairy can cause a food to be considered dairy.
- **Pareve:** Foods that are neither meat nor dairy are called pareve. Common pareve foods are eggs, fish, fruit, vegetables, grains, unprocessed juices, pasta, soft drinks, coffee and tea and many candies and snacks.

Any food product can qualify for kosher certification if it does not violate Jewish dietary law. Samples of these rules include:

- The only types of meat that may be eaten are cattle and game that have "cloven hooves" AND "chew the cud" such as bulls, cows, sheep, lambs, goats, veal, and springbok
- Meat and dairy products may not be cooked or eaten together
- No shellfish
- The eggs of kosher birds, such as goose, duck, chicken, and turkey, are permitted as long as they do not contain blood. Therefore, eggs must be individually examined
- Equipment that has been used for a dairy or meat product must be sanitized before using to process other products
- The production must be verified by a Kosher monitoring agency or an Orthodox Jewish Rabbi

There are fifty national certification agencies that can provide kosher certification and costs vary widely depending on the agency. You may consider contacting OU Kosher in New York online at www.Oukosher.org, or by phone at (212) 563-4000 for more information.

Halal Certification

Required by most countries in the Middle East, a Halal certificate states that the fresh or frozen meat or poultry products were slaughtered in accordance with Islamic law.

Certification by an appropriate chamber is usually required. You may consider contacting the Halal Food Council at http:// www.halalfoundation.org or ISWA Halal Certification Department of the USA Halal Chamber of Commerce, Inc. at www.ushalalcertification.com for information.

Fair Trade Certification

If some of your ingredients come from overseas such as chocolate or coffee beans, this may be of interest to you. In order to use the Fair Trade Certified™ label on products, registration with Fair Trade USA is required. Fair Trade USA is the leading third-party certifier of Fair Trade products in the United States. Fair Trade USA audits and certifies transactions between U.S. companies and their international suppliers to guarantee that the farmers and workers producing Fair Trade Certified goods are paid fair prices and wages, work in safe conditions protect the environment and receive community development funds to empower and uplift their communities. Go to www.fairtradeusa.com for more information.

Marketing

Marketing is the overall process of meeting customer needs. It is more than selling. It involves the development of a product that consumers want to purchase and then communicating the product's existence to purchasers. The elements of marketing are frequently referred to as the “Four P’s”: Product, Price, Place (Distribution), and Promotion.

Marketing decisions are directly influenced by customers and competitors. The customer is your *number one priority*. Success hinges on the customer's initial and repeat purchases. In order to market a product, you must analyze your customers according to their needs, the price they’re willing to pay, and the best place for them to purchase your product.

You cannot be all things to all people. The advantage of being involved in the specialty foods business is the unique nature and variety of products. Unique specialty products appeal to unique customer segments. Therefore, do not try to sell your product to everyone. The particular group of customers your product is designed for is your “niche.”

You can begin to determine your customer niche by listing the demographic characteristics of your potential customers. Demographics can include such things as: residence, age, income, education, type of employment, number of children, and gender.

The Customer

Further describe your customers by looking at their psychographic characteristics and purchasing behaviors. This includes paying attention to their lifestyle, hobbies, attitudes, where they shop, and what type of media they interact with most—social media, the internet, smart phone apps, magazines, newspapers, television, or radio.

Potential GMO Labeling Regulations

In June 2016, the first rule of its kind in the United States requires nearly all food labels to disclose when products include genetically engineered ingredients. Although it applies only within one state on the east coast, it is having national impact.

Currently, there is a bill moving through the Federal system that would create a national standard for labeling food made with genetically modified organisms (GMOs). The legislation (S. 764), would block states from issuing mandatory labeling laws and amend the Agricultural Marketing Act of 1946 to require the Secretary of Agriculture to establish a national disclosure standard for bioengineered foods. If passed, the USDA would have 2 years to decide which products require labeling.

Labeling Information Resource:

U.S. Food and Drug Administration
10903 New Hampshire Ave.
Silver Spring, MD 20993
Phone: (888) 463-6332
Website: www.fda.gov/FoodLabelingGuide

Packaging and Labeling

In the food industry, packaging is as important as the product inside the container. There are several factors to consider when designing a food package and in selecting the appropriate container. Here are some key questions to ask yourself:

1. Does it describe and enhance your product?
2. Does it establish your "brand"?
3. Does it tell the consumer what company made or packaged the product?
4. Does it set your product apart from the competition and establish a niche in the marketplace?
5. Will it appeal to your target consumers?
6. Does it conform to federal and state laws?
7. Does it meet the retailer's need?
8. Does it fit within the existing processing systems?
9. Can you charge enough to cover the costs of the packaging and still make a profit?

Product Containers

There are a variety of containers to select from: glass, plastic, cellophane, paper, cardboard, wood, and metal canisters. The type you select will depend on many variables, but at a minimum should protect your product from contamination and should enhance its best-selling features.

Avoid odd sized containers when first getting started. As a general rule your container should fit and stack on standard store shelves. The selling price that best fits your market will influence the size of your container. For example, a smaller container (8 ounce jar) will likely sell faster than a larger size (16 ounce), resulting in faster repeat sales.

MacRae's Blue Book is an industrial directory that can assist you in locating companies that specialize in food containers and service your particular state. You may reach them via their website: http://macraesbluebook.com.

Tamper Resistant Seals

Many retailers insist the food products carried in their stores are tamper resistant. These can be simple ribbons, seals, stickers, or bands that can be integrated quite attractively into your package and label design.

Label Design and Printing

There are several factors to consider, based on your production budget:

- Original artwork or simple printing
- Standard or custom shape cutting dies
- Number of ink colors and protective coating/varnish
- Glue or pressure sensitive labels

The primary goal should be to limit initial production costs. One way to do that is to start with relatively simple and readily available stock items. Avoid ordering thousands of jars and labels, even if you are tempted by the volume discounts, until you are certain you have found the right look and there are no errors or changes on your label.

Labeling Requirements

To help minimize mistakes and avoid having products pulled from the marketplace, it is essential for producers to take a close look at federal label requirements. There are at least three federal laws that ensure food products are properly labeled and packaged. Those laws include the Federal Food, Drug, and Cosmetic Act (FD&C Act), the Fair Packaging and Labeling Act of 1967, and the Nutrition Labeling and Education Act of 1990, and the Food Allergen Labeling and Consumer Protection Act of 2004.

If your company employs less than ten full-time employees and the product has sales of less than 10,000 units per year, you do NOT have to file for the exemption. If the exemption does apply to you, be sure to contact the Food and Drug Administration to obtain a Small Business Food Labeling Exemption form. Visit www.fda.gov/ora/inspect_ref for more information.

If nutritional information is provided, it must follow a defined format and include specified nutrients. The nutritional panel may vary according to the size of the package. Foods sold in very small packaging (less than 12 square inches of total available labeling space) may omit the nutritional label but must include a statement and address where nutrition information can be obtained.

Nutritional Claims

If a nutrient content claim is made, such as "low fat" or "reduced calories", a nutritional panel is required, along with scientific proof, to support that claim regardless of product sales volume. Terms used on the label such as Healthy, Free, Less, High, More, Low, Good Source, Light, Reduced, Fewer, Lean, and Extra Lean must meet FDA definitions.

No statements or symbols are allowed to imply unauthorized nutrient claims. This includes heart vignettes that may imply "healthy," unless the vignette is clearly used in another context.

Nutrition labeling on retail bulk foods is also required.

Prominently displayed nutritional information on raw fruits, vegetables, and seafood at the point of sale is voluntary.

Nutrition Facts Labels are required on all food products with the following exceptions:

- Restaurant food
- Delicatessen-type food, bakery products or confections sold directly to consumer from location where prepared
- Infant formula and infant and junior foods
- Medical foods
- Bulk foods intended for repackaging
- Foods that contain insignificant amounts of nutrients, such as spice blends and coffee

Low-volume food products processed by small businesses may be exempted from nutritional labeling requirements if they meet all of the following criteria:

1. The product provides no nutrition information and makes no defined health claims.
2. The firm claiming the exemption has less than the equivalent of 100 full-time employees.
3. During the previous 12 months, less than 100,000 units were sold or it is anticipated that less than 100,000 units will be sold during the period for which an exemption is claimed.
4. The exemption must be claimed prior to the period for which it is to apply.
5. If, after filing an exemption, either the number of employees or volume of product sold annually increase and your exempt status is lost, then you would have 18 months to bring your label into compliance with the nutrition labeling requirements.

For each product, the company must apply to FDA annually to obtain a small business exemption if the above criteria are met. For additional information about small business nutrition labeling exemptions, please go to http://www.fda.gov/Food/GuidanceRegulation/GuidanceDocumentsRegulatoryInformation/LabelingNutrition/ucm053857.htm

The Food and Drug Administration (FDA) is the primary agency charged with enforcing these laws. In addition, officers of the State Bureau of Weights and Measures (under the Idaho State Department of Agriculture) are charged with inspecting improperly labeled quantity claims.

If you will be involved in interstate commerce, such information as the statement of product identity, net quantity, an ingredient list (including allergen statement), the name and place of business, as well as nutritional information is required to be placed on the label. The FDA details all of the requirements for food labels on their website at www.fda.gov/food.

Cottage Food Labeling

Idaho Cottage Food producers are not required to follow all of the FDA labeling requirements; however, they must include the following information on their labels:

- Business name and physical address, phone or email (way a consumer can contact the producer directly)
- Statement of Product Identity
- List of ingredients including disclosure of any of the food allergens listed under the Food Allergen Labeling and Consumer Protection Act
- Date produced
- Statement of Net Quantity
- A disclaimer such as “made in a cottage food operation that is not subject to routine government food safety inspections”

Should you wish to make the claim a product is “organic”, “gluten free” or any other special claims , you may be subject to additional labeling requirements and/or regulation if at some point you decide to further distribute your product.

Principal Display Panel (PDP) of the Food Container

Certain required statements must be placed on what is called the Principal Display Panel or PDP. Please refer to the FDA website for detailed information at www.fda.gov/food.The PDP portion of the label is the area most likely to be seen by the consumer at the time of purchase. For food products standing on a shelf, the PDP is typically the front panel. For those products stacked in a refrigerated case, the PDP is usually the top panel. Statements required on the principal display panel include:

Statement of product identity or name of the food
Statement of net quantity or amount of the product

Statement of Product Identity
Product identity is the truthful or common name of the product. An identity statement consists of the name of the food and should appear in prominent print or type. The type size should be at least one half of the size of the largest print appearing on the PDP.

Common or usual names such as "raspberry jam" or "bean soup" should be used. A descriptive or fanciful name is permitted if the nature of the food is obvious but should not be misleading. If the food is subject to a standard of identity it must bear the name specified in the standard of identity (example: dairy products). A description of the form of the food must be used if the food is sold in different forms such as sliced or un-sliced, whole, halves, etc.

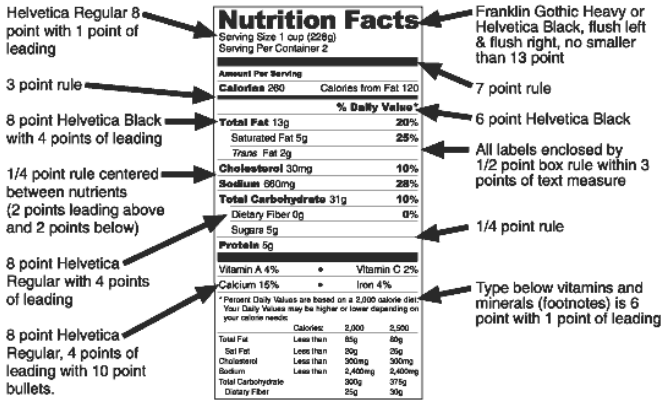
Statement of Net Quantity
Net quantity should be distinctly displayed on the bottom one third of the label on the Principal Display Panel, parallel with the base of the container. Select a print style that is prominent and easy to read. Letters cannot be more than three times as high as they are wide and lettering must contrast sufficiently with the background to be easy to read. Minimum type size should be determined by the total area of the PDP, following the guidelines below:

Name and Place of Business

The name and place of business of the manufacturer, packer, or distributor must appear next to the ingredients statement in type size at least 1/16th inch high. The street address must appear unless it can be readily found in some public document such as a telephone book or city directory.

Nutritional Labeling and Education Act– NLEA

The Nutrition Facts label must be placed together with the ingredient list and the name and address (name and address of the manufacturer, packer, or distributor) on the PDP. These three label statements also may be placed on the information panel (the label panel adjacent and to the right of the PDP, or, if there is insufficient space on the adjacent panel, on the next adjacent panel to the right). On packages with insufficient area on the PDP and information panel, the Nutrition Facts label may be placed on any alternate panel that can be seen by the consumer.



Example of Graphic Enhancements used by the FDA found at: http://www.fda.gov/Food/GuidanceRegulation/GuidanceDocumentsRegulatoryInformation/LabelingNutrition/ucm173838.htm

Organic Labeling Claims

There are specific guidelines for organic processors which limits the use of organic on labels as follows:

- Products labeled as "100% organic", "Organic", and "Made with organic (specific ingredients or food groups)" must be handled by a certified organic operation. Organic production prohibits the use of GMO ingredients, sewage sludge, or ionizing radiation in addition to label specific criteria.

- Products labeled as "100% organic" must contain only organically produced ingredients and processing aids, excluding water and salt. No other ingredients or additives are permitted.

- Products labeled as "organic" must contain at least 95 percent organically produced ingredients (excluding water and salt). Any remaining ingredients must consist of non-agricultural substances that appear on the NOP National List of Allowed and Prohibited Substances. The full list of substances is available on the USDA NOP website at https://www.ams.usda.gov/rules-regulations/organic/national-list

- Products that contain at least 70 percent organic ingredients can use the phrase "made with organic ingredients" and list up to three of the organic ingredients or food groups on the principal display panel.

- Products with less than 70% organic ingredients may only say "organic" in the list of ingredients related to the item listed.

For a downloadable information sheet on organic labeling from the USDA, visit https://www.ams.usda.gov/sites/default/files/media/Labeling%20Organic%20Products%20Fact%20Sheet.pdf

Type size	Area of the Principal Display Panel
1/16 inch	5 sq. inches or less
1/8 inch	more than 5 but less than 25 sq. inches
3/16 inch	more than 25 but less than 100 sq. inches
1/4 inch	more than 100 but less than 400 sq. inches
1/2 inch	more than 400 sq. inches

Net quantity can be stated as volume or weight depending on the viscosity of your product and determined by consumer standards. Liquids are sold and labeled as net volume while solids, semi-solids and viscous products are sold and labeled by weight. Keep in mind that dry products are measured in ounces and grams, while liquid products are measured in fluid ounces and milliliters.

While liquids can be labeled in accordance with the size container being filled, this is not so for a product sold by weight. To determine net weight, subtract the weight of the empty container (including lid, label, etc.) from the weight of the container when filled. Net weight should include all ingredients, including water or syrup used in packing the food.

Net quantity must be stated in *both* units of the U.S. Customary System (ounces/fluid ounces) and Metric measure (gram/milliliter). Dual declaration in both ounces and the largest whole unit (i.e. 2 lbs 12 oz) is optional. When making conversions to metric measure, use the following formulas and round *down* to prevent overstating the contents:

Weight: 1 oz = 28.3495 g **Volume: 1 fl oz = 29.575 ml**

Examples of proper Net Quantity Statements:

Net Wt. 8.5 oz (240 g); Net Wt. 16 oz (1 lb) (453 g); Net Wt. 1.5 lb (680 g);

Net 12.7 fl oz (375 ml); Net contents 32 fl oz (1 qt) (946 ml); Net 237 ml (8 fl oz)

Information Panel

It is not necessary for all required information to be on the "front" of the Principal Display Panel. The ingredient list along with name and place of business may appear on the information panel. The information panel is the label panel immediately to the right of the PDP, as displayed to the consumer. If, due to the package shape, there is no room immediately to the right of the PDP, for example, it's flat like a chocolate bar; the information panel may be on the back of the package.

Ingredient List

Ingredients must be listed in descending order of predominance by weight in type size at least 1/16 inch in height.

Always list the common or usual name rather than the scientific name. Added water is considered to be an ingredient and must be identified.

Approved chemical preservatives must be listed, using *both the common name and a statement specifying the ingredient is a preservative.* The exact function of the preservative may also be included. Incidental additives that have no function or technical effect in the finished product need not be declared. Approved artificial food colors must also be stated by name. The *only* ingredient where the words "and/or" can be used is oils.

All components of ingredients must be specifically listed with the exception of spices and natural flavors which can be declared by their common name or simply by "spices" or "natural flavors".

Foods containing any of the major food allergens listed below under the Food Allergen Labeling and Consumer Protection Act must declare the allergen in plain language, either in the ingredient list or via the following statements.

- the word "Contains" followed by the name of the major food allergen – for example, "Contains milk, wheat" – or
- a parenthetical statement in the list of ingredients – for example, "albumin (egg)"

Such ingredients must be listed if they are present in any amount, even in colors, flavors, or spice blends. Additionally, manufacturers must list the specific nut (e.g., almond, walnut, cashew) or seafood (e.g., tuna, salmon, shrimp, lobster) that is used.

Food Allergen Labeling and Consumer Protection Act – FALCPA

To help Americans avoid the health risks posed by food allergens, this law applies to all foods whose labeling is regulated by the FDA, both domestic and imported. (FDA regulates the labeling of all foods, except for poultry, most meats, certain egg products, and most alcoholic beverages.) The law requires that labels must clearly identify the food source names of all ingredients that are — or contain any protein derived from —the eight most common food allergens, which FALCPA defines as "major food allergens." While more than 160 foods can cause allergic reactions in people with food allergies, the law has identified that these foods account for 90 percent of food allergic reactions, and are the food sources from which many other ingredients are derived. The eight foods identified by the law are:

- Milk
- Eggs
- Fish (e.g., bass, flounder, cod)
- Crustacean shellfish (e.g. crab, lobster, shrimp)
- Tree nuts (e.g., almonds, walnuts, pecans, coconut)
- Peanuts
- Wheat
- Soybeans