

FOOD AS A BUSINESS

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In Mississippi, interest in local foods and agriculture-based businesses is growing. These markets provide an excellent opportunity for beginning, small, and limited-resource producers to sell their products.

The Mississippi State University Extension Service Food as a Business program provides food safety, marketing, financial, and business training to stakeholders who operate or are interested in operating an agriculture-based food business. The goal of this program is to help new and existing producers and processors overcome potential risks associated with operating an agriculture-based food business.

This publication outlines considerations, resources, and contacts that can help business owners. Our goal is to share and provide information to increase food-safety knowledge, prevent foodborne illness, improve product quality, increase production and sales, and increase the profitability of Mississippians involved in agribusiness.

FOOD PRODUCT DEVELOPMENT, REGULATIONS, AND FOOD SAFETY CONSIDERATIONS

Food safety includes properly handling, processing, preparing, transporting, and storing food to prevent foodborne illness. Food and water that has been exposed to hazards like bacteria, chemicals, or physical debris can contaminate food products and cause harm to consumers. Foodborne illnesses are a preventable and underreported public health problem.

Although anyone can get a foodborne illness, some people are at greater risk, such as those with compromised immune systems, elderly people, children, and pregnant women. Food safety issues and outbreaks can be costly and can result in big losses for a business. It is very important to be knowledgeable about food regulations (state and federal) and produce food using good practices and procedures.

Some of the common challenges faced by small industry operations are:

- Improper product labeling and allergen labeling.
- Improper storage and transport.
- New product development challenges.
- Food safety considerations when purchasing, preparing, transporting, and storing products.
- Improper handwashing, cleaning, and sanitation.
- Improper processing and/or changes in production practices.
- Difficulty interpreting regulation and certification requirements and finding assistance.
- Difficulty in tracing food items to their sources and distribution points (traceability).
- Prevention of potential contamination hazards.
- Recordkeeping, including production information and ingredient sources.

In Mississippi, the Mississippi State Department of Health (MSDH) and the Mississippi Department of Agriculture and Commerce (MDAC) oversee and regulate food production and processing. Federally, the United States Department of Agriculture (USDA) and the Food and Drug Administration (FDA) oversee the majority of food processing and production.



In Mississippi, recent laws have allowed for “cottage food” production on a limited basis. The MSDH generally oversees cottage foods. Cottage food operations are a great way for food entrepreneurs to start their businesses. Farmers’ markets in Mississippi allow for produce (fruits and vegetables), cottage food products (non-potentially hazardous, nonperishable items), eggs, dairy, meat, and poultry to be sold.

If you are interested in selling, make sure to be familiar with the proper laws and regulations pertaining to the commodity you produce. Some commodities require additional steps, certifications, inspections, and requirements to sell at farmers’ markets, restaurants, retail outlets, and to consumers.

For specific commodity assistance, food regulations, and requirements for meat, poultry, eggs, animal health, and produce, contact the Mississippi Department of Agriculture and Commerce (www.mdac.ms.gov).

For specific commodity assistance, food regulations, and requirements for processed food (other than meat, poultry, catfish), cottage food, dairy, fish and seafood, restaurants, retail, and catering, contact the Mississippi State Department of Health (www.msdh.ms.gov).

To learn more about how MSU Extension can help with your food operations, visit extension.msstate.edu or contact Dr. Courtney Crist at cac400@msstate.edu.

BUSINESS AND LEGAL CONSIDERATIONS

Potential food safety liabilities from “farm to fork” are an important factor in determining legal risks and business setup. Producers and processors must understand the requirements to meet local, state, national, and international regulations and certifications.

In addition, the legal structure of a business is an important consideration, as it will determine the level of personal liability the business owner can be subject to. Some of the business structure options are:

- Sole proprietorship. One person operating a business as an individual. It is a simple and inexpensive business structure to establish. Profits are taxed to the owner; the tax rate is usually lower than for a corporation. The business owner is personally liable for any business debt or liability.
- Partnership. Two or more people join in the operation and management of a business. Profits are taxed to the partners based on percentage of ownership. A written agreement is recommended for this structure.
- Limited liability company (LLC). Combination of corporate and partnership characteristics. This is a separate legal entity from the owners, and taxes must be filed with the state.

- Corporation. A separate legal entity having its own rights, privileges, and liabilities apart from the owners.
 - Sub-S corporation. May be taxed as a partnership or sole proprietorship.
 - C corporation. Double taxation on earnings and distribution of dividends.

Here are some other factors to keep in mind to control legal risks when establishing a business:

- Consult an attorney and business counselor.
- Hire an accountant/Certified Public Accountant (CPA).
- Invest in a good bookkeeping system.
- Check for any issues or requirements of the planning department that oversees your business location.
- Obtain business insurance.

Mississippi Small Business Development Center

The Mississippi Small Business Development Center helps small business entrepreneurs. Offices are located regionally and are housed with community colleges and universities around the state. Counselors are available to assist and coach entrepreneurs with navigating their business development.

This center provides free educational materials, workshops, and business coaching to small-business entrepreneurs.

Seminars and workshops include:

- Starting a Business – First Steps. Covers the basic factors to consider when starting a business, including:
 - Regulations such as licenses and permits.
 - Legal form of business ownership and its impact on liability and taxes.
 - Capital requirements and financing.
 - Development of a business plan, including a marketing plan to forecast potential revenue.
- How to Develop a Business Plan. The MSBSC offers seminars designed to help you prepare a business plan. The parts of the business plan are explained (i.e., industry research, description of company products and services, identifying target customer groups, and developing a marketing plan). Financial components discussed are startup costs and preparation of a projected cash-flow statement. Preparing a business plan is important in order to evaluate progress and to determine feasibility. Developing a solid business plan is also important when requesting financing from banks or investors.
- Being Credit Smart. Establishing and maintaining good credit is very important.
- Cash Flow Projections for Your Business. It is important to know the process of establishing and analyzing cash-flow projection numbers for your business plan.

To learn more about business options and MSBDC services and workshops, visit www.mssbdc.org.

MARKETING CONSIDERATIONS

Marketing strategies are important to gain access to the right market channels and obtain fair prices to cover costs and make a profit. With changing consumer preferences and the availability of new marketing tools such as online marketing, producers need a marketing strategy to be competitive in the market. In today's world, it is important to create a strong media presence to advertise your company and your products, even if you are a small producer and/or processor.

Online media outlets could be an effective tool to communicate with your target customers. In order to successfully market your products and services, it is important that you identify your target consumers and their preferences. You should develop a strong and focused marketing message around the characteristics of your intended audience.

Some options to increase your online media presence are having your own website, listing your business with Google, and creating a social media presence. Facebook and Twitter are widely used by many agriculture-based food businesses.

To learn more about how MSU Extension can help with online and social media marketing, visit brickstoclicks.extension.msstate.edu or contact Dr. James Barnes at james.barnes@msstate.edu.

FINANCIAL CONSIDERATIONS

As with any business, financial risks are part of the day-to-day business operations. Financial management will impact a business's growth and viability.

Below is a list of financial strategies to lower or better manage your exposure to risk:

- Develop a solid business plan along with action steps.
- Understand how to estimate production costs. Identify the main cost categories in your business to determine total production costs. Identifying these costs will be the first step in determining a good price for your products.
- Identify the right price for your products. The main considerations in determining a selling price are production costs, quality of your products, market outlet for your products, location, demand factors, and competition.
- Maintain good production and financial records. These records should be used for future production and financial decisions (such as identifying a profitable crop/product mix, expansion, and investment).

To learn more about how MSU Extension can help with budgeting, record-keeping tools, and cost and price determination, visit extension.msstate.edu or contact Dr. Elizabeth Canales at dec249@msstate.edu.

STATEWIDE OPPORTUNITIES, MARKETING, AND GRANT PROGRAMS

The Mississippi Department of Agriculture and Commerce (MDAC) provides a wealth of resources and programs for producers:

- GAP/GHP cost-share program. This program reimburses farmers 75 percent of the cost of obtaining Good Agricultural Practices (GAP) and Good Handling Practices (GHP) certification, up to \$500, on a first come, first serve basis.
- Organic cost-share. For producers seeking organic certification, this program will reimburse up to \$750 on a first come, first serve basis.
- State branding opportunities.
 - Genuine MS branding program (formerly Make Mine Mississippi). This program provides state-branding opportunities for products created and produced by Mississippi farmers and entrepreneurs. For additional information on how to become a member, advertise your products and business, or find Mississippi products, please visit genuinems.com or email your questions to Info@GenuineMS.com.
 - Farm to School Program. This is a national network that provides information on community-building through local food sourcing, educational gardens, and agricultural curriculum in schools.
 - Road signage. The Mississippi Department of Transportation offers signage to eligible operations for directions to their location (for a fee).
 - Agritourism Limited Liability program. This program provides landowners added liability protection as long as they provide security and hazard alerts for visitors of the operation. Visit the Mississippi Agritourism mobile app for agritourism sites in Mississippi, special events, and maps and directions. Also, to learn more about the Mississippi Agritourism Limited Liability Law, see MSU Extension Publication 3002 Understanding the Mississippi Agritourism Limited Liability Law (<http://extension.msstate.edu/publications/publications/understanding-the-mississippi-agritourism-limited-liability-law>).

To learn more about these programs, visit the Mississippi Department of Agriculture and Commerce website at www.mdac.ms.gov.

SUMMARY

Knowledge is key to identifying business needs, developing growth strategies, and reducing risks. We encourage producers to take advantage of resources and educational opportunities available through the Mississippi State University Extension Service (such as Food as a Business workshops) and other organizations supporting producers and processors in Mississippi.

RESOURCES

Food Product Development, Food Safety, Food Preservation, Food Regulations, and Labeling Considerations

Mississippi State University Extension Service
extension.msstate.edu
Dr. Courtney Crist (cac400@msstate.edu)

Food Regulations, Labeling, and Permits

Mississippi Department of Agriculture and Commerce
mdac.ms.gov

Mississippi State Department of Health
msdh.ms.gov/msdhsite/_static/30,0,77.html

Cottage Food Operations

Mississippi State Department of Health
msdh.state.ms.us/msdhsite/_static/resources/5375.pdf

Budgeting, Recordkeeping Tools, and Cost and Price Determination

Mississippi State University Extension Service
extension.msstate.edu
Dr. Elizabeth Canales (dec249@msstate.edu)

Online and Social Media Marketing

Mississippi State University Extension Service
extension.msstate.edu
Dr. James Barnes (james.barnes@msstate.edu)

Agritourism Limited Liability Program and Mississippi Agritourism Signage Program

Mississippi Department of Agriculture and Commerce
mdac.ms.gov/agency-info/programs/mississippi-agritourism

Genuine MS Program

Promoting products created or produced by Mississippi farmers and entrepreneurs
genuinems.com

GAP/GHP Certification Cost-Share Program

Mississippi Department of Agriculture and Commerce
mdac.ms.gov/bureaus-departments/market-development/gapghp-certification-cost-share-program

Setting Up a Business

Mississippi Small Business Development Center
clients.mssbdc.org/mapresults.aspx?showall=y&groupby=area

This material is based upon work supported by USDA/NIFA under Award Number 2015-49200-24228.

Publication 3261 (08-18)

By **Elizabeth Canales**, Assistant Professor, **Courtney Crist**, Assistant Extension Professor, **Victorian Tilley**, Graduate Research Assistant, and **Madeline Roth**, Undergraduate Extension Assistant.

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Produced by Agricultural Communications.

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Extension Service of Mississippi State University, cooperating with U.S. Department of Agriculture. Published in furtherance of Acts of Congress, May 8 and June 30, 1914. GARY B. JACKSON, Director