

Bush Grant Advisory Committee Meeting

September 21, 2015

Start-up Challenges for Food Entrepreneurs

We interviewed 6 businesses:

1. Commercial Kitchen Manager (J)
2. Hops Producer (E)
3. Produce Business Owner (S)
4. Condiment Producer and Commercial Kitchen (M)
5. Two meat producers (D and L)



8 major themes and many great ideas came out of these case studies!

#1: Respect For the Rules & Regulations

“We knew there were licenses and regulations that cover food processing and handling. We knew we wanted to be in compliance and that it was a good thing since it keeps your food safe and licensing keeps out people that don’t follow the rules.” (D)

“There should be no question as whether or not to follow the regulations. The rules are there for a reason....But the way everything is set up is inherently limiting. You’re either small or big; there’s no room for the mid-sized business, and no way to grow your business” (S)

#2 Confusion Why Certain Rules Are In Place

People want to know why

“If you had a hog custom processed yourself... they can have it done anyway they want. They can have the lard rendered - really anything. If I’m going to take a hog in and have it sold at a farmer’s market, the number of regulations just for lard are ridiculous...[I] must test for water and other tests just to call it rendered lard. It’s a color test, it’s a water test, and some other things. Only one place in Minneapolis will give us the Lovey test for lard. It’s all ridiculous the process that you have to pass to just sell lard. Consumers are like, “What, why?” They can’t understand why there’s such a big kabosh on lard. I’d really like to see something like that changed. A consumer can buy half a hog and get the lard back, why is that any different than when I take it back and sell it at the farmer’s market?” (D)

#3: Business Doesn't Fit Into One "Rule" Category

"An inspector was asking me if I was mostly retail or mostly wholesale. I said, "Well, we're kind of both. When you talk about the farmer's market, I would call that retail but a different vendor considers herself wholesale." Then the inspector goes, "Well, if you're retail, then the floor you have in your walk-in freezer is not correct so you need to have a different floor. If you were a wholesaler you could go with a cement floor in your walk-in freezer but if you think you're retail then you need to cut that out and put all epoxy floor in your walk in freezer." So, I go, "Well I guess I'm wholesale." In a way, you want to be in compliance but yet you worry you're probably not within the parameters that they have now." (D)

"Regulations are always behind – if you are the first people trying to do something new, the law will say no. New food businesses doing new things have the hardest time. The government needs forecasters that can open up the process on the regulatory side for when new ideas pop up - Find a way for them to fit into the regulatory system. " (J)

#3: Business Doesn't Fit Into One "Rule" Category

For example, the Corporate Agriculture form is confusing

"Yeah, it was somewhat confusing because government forms are generally not written for understanding - they're written in legalese... We're so small and we're only ever going to be small [so the wording was confusing] - the regulations are all written for people much bigger than us... when I was trying to fill it out and figure out what I had to write and what questions I had to answer, I remember being like, "Gee, I don't know..."
(E)

#4: Need Consistency in Rules Across Minnesota

Would be great to be able to have food entrepreneurs work in every single commercial kitchen – ie have some sort of “membership to all commercial kitchens” so that they can easily switch between them all depending on their location. It would make it easier for food entrepreneurs if their license for one commercial kitchen could roll over to another commercial kitchen (J)

Need consistency among inspectors; seems like there are so many judgement calls made -- can judgement call tendencies be shared? Can inspectors in different areas communicate more? And if the new inspector says something different, can there be a way to appeal? (J)

#4: Need Consistency in Info Across Minnesota

“What if the regulations change during the commercial kitchen process? I have a friend (Theresa) who was setting up her commercial kitchen and the regulations changed 3 times over the course of the year when she was building her kitchen. It was a horror story! It’s not like she wasn’t trying to follow the rules. But when the rules change that often, it’s unfair! Completely unfair!” (S)

Soup Thyme is a business started by a man in Red Wing who wants to make frozen soup. He has to come make his soup in Minneapolis, because the Red Wing inspector was suspicious of a shared kitchen. So, if he drives 2 hours to Minneapolis where shared kitchens are well-known, he can make his soup. Why should driving 2 hours make a difference for food safety/whether or not you can make & sell your food? (J)

#5 Feeling Stuck at Pickle Bill Size

The Pickle Bill is helpful, but there are a lot of other regulations that keep me from growing my business...I can't afford to build a commercial kitchen space for \$80,000-\$200,000 (S)

Could we have regulations that are “graduated”? Like on a scale? Smaller businesses have smaller amounts of regulations to follow, larger businesses have larger amounts of regulations to follow. If smaller business, isn't the risk smaller? (J)

In an interview for a HFSF project, a producer mentioned that she couldn't afford rent for a commercial kitchen space near them. The per hour cost would have eaten up half of her potential revenue from the product, making the scale-up beyond cottage food regulations difficult.

#6: Fear of Losing Business

Food entrepreneurs care about safety, but fear inspection expectations will be so strict that they will lose their business.

“...[In] the hops industry, there’s been talk about, “How are they going to regulate us?” It’s something that could easily ruin everything. They could say that you need an all-steel \$50,000 facility to separate the hops from the vine and that could ruin - that could destroy the industry and my business. So that’s one of our biggest risks. When the regulation comes - what are they going to regulate and to what extent and how heavy?” (E)

#7: Lack of Business Knowledge

i.e. marketing, finance, taxes, insurance, strategy, labeling, etc

“I didn’t know anything - I did a horrible job. I didn’t take cash flow seriously enough, I was not disciplined enough to get rid of animals who were not making me money...I didn’t take a serious look at the business side of things for a very long time” (S)

“Networking is very important -- there is a fear that someone will take your great idea, but it’s best to be as open as you can with everybody because then it you can get input from everyone” (M)

“What if there was some kind of Food Entrepreneur Association/support group that could meet a couple times a year? [It would have] a closed directory, you apply to get in, and then you have access to networking connections/opportunities” (M)

#8: Need a mentor/coach/advocate!

The food entrepreneurs who had someone to turn to to ask for advice found it incredibly helpful

“Must be someone who is not just purely academic -- also needs to have business experience in the field. Someone who can prevent fires from happening instead of just putting out the fires” (M)

“Eventually food businesses want to be self-sustaining -- how can they get there? How can an advocate help them?” (J)

“Needs to be someone the government workers actually respect” (J)

Inspector Traits - Relationship Building

Presence in community OR effort to be a part of community

Belief in the value of the food entrepreneur's business

Acting proactively on the behalf of the entrepreneur

Helping the entrepreneur find ways to meet the rules/reggs that fit within their business budget as much as possible.

The first inspector worked out really well and he was really helpful. We could pick his brain as to what we needed to do and he was very helpful. We didn't have to do all the research ourselves - he would give us ideas and suggestions as to what would work as far as your freezer truck or on-farm storage. (D)

Consistency in judgement calls

Regulators have their duty to whatever they need to do, which is sometimes at odds with what farmers need to do. They have different goals than the farmer (S)

Inspector Traits - Relationship Breaking

Not being able to ask 'why' ("Well those are the rules" and conversation ends)

Inconsistency in recommendations between different meetings or different entrepreneurs

Not picking-up where previous inspectors had left-off after retiring or taking a new job

Then the next inspector we had, they didn't seem like they had any of the initial records of what we had done with this previous inspector. What was going on there I don't know...so we had to start the process all over again explaining what we did and when. "What do you mean what do I do, we've been here for like 15 years" you know, "Now you're wondering who we are?" That was kinda like, "What?" (D)

Not updating the food entrepreneur when rules or regulations change along the way (e.g. Theresa's commercial kitchen -- rules changed 3 times during her construction)

"The breweries generally get screwed pretty hard... You have to figure out what the process is - who do you need to go first for what [information] and then what order do you do it all in because otherwise you end up looping back and wasting time... The type of floor that you have in your brewing space vs your serving space and defining those spaces is a common point of trouble and will often add significant cost because floor is really expensive." (E)

Questions?

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8 Major Themes Recap:

1. Interviewees Respect Rules & Regs
2. Confusion exists for some rules/regs
3. Entrepreneurs don't always fit well into one category
4. Consistency across info needed
5. People can get stuck at Pickle Bill size
6. Losing business is a major fear
7. Business operations knowledge