



Learn How to Start a Food Business Out of Your Home

Opportunities and Guidelines in starting your own business and
How the "Recipes for Success" program can assist you

California Homemade Food Act : Overview, Opportunities, and Restrictions

The California Homemade Food Act was passed in 2013 to allow California residents to start limited home-based food businesses, also known as “Cottage Food Operations” (CFOs). While this law has created many new opportunities, it also has strict guidelines that must be followed.

Here are some of the opportunities made available through this law:

1. Lower start-up costs than opening a restaurant or shop in a commercial building
2. Ability to work from home in the familiarity of your own kitchen
3. Ability to sell your home-made products at outdoor markets, community events, or even grocery stores, coffee shops and other “third-party” vendors (depending on which license you choose to get)
4. Ability to grow over time into a larger, more established business
5. Ability to buy insurance to protect yourself in case a customer gets sick
6. Access to future funding to help grow your business- being able to take out loans, etc.
7. Allows you to continue operating your food business without fear of authorities finding out and imposing penalties, fines, etc. for operating illegally

Here are some of the limitations and guidelines set forth by the State of California as well as Stanislaus County:

1. Limited on what types of foods are allowed (see list of approved items on the third page)
2. The business cannot generate more than \$50,000 in total sales every year (after \$50,000 the business must relocate to a commercial kitchen and can no longer operate out of the home)
3. Less profit in the short-term due to permit and licensing fees, taxes, and other costs associated with running a business
4. If you are currently selling your product illegally, obtaining a license will alert the authorities of your existence as a business which will make it difficult to return to your illegal operations if you change your mind and decide not to continue with your licensing, permitting, etc.
5. You will have to pay taxes on your business

Factors to Consider When Deciding Whether or Not to Start a Cottage Food Business

1. *Do you own or rent your home?*
 - a. In order to start a home-based business of any kind, you are required to obtain a Home Business Permit
 - b. If you *do not* own your home, you must obtain signed permission from your landlord authorizing your use of the residence for business purposes
2. *Do you live within the boundaries of an incorporated city (like Modesto, Ceres, etc.) or on unincorporated county land?*
 - a. You must obtain a business license for the jurisdiction in which you reside *and* the jurisdiction in which you plan to sell (*for example: if you live outside of city limits on county land, but you plan on selling your product in the City of Modesto, you must obtain a business license from Stanislaus County AND from the City of Modesto*)
 - b. If you live outside of city limits, you likely receive your water from a well. If this is the case, you *must* have your water tested in order to be considered for a cottage food license.
3. *Do you have access to reliable transportation?*
 - a. In order to sell your products, you must be able to transport them to market
4. *Do you have childcare options?*
 - a. Sometimes it may be difficult for you to attend a workshop, have a meeting with a consultant, or sell your product at a market if you also have to look after a young child.
5. *Do you have the financial means to cover the necessary expenses?*
 - a. Accumulated start-up costs for permits and licenses alone could cost between \$700 and \$900.

Necessary Licenses and Permits

1. **ServSafe Certificate:** Food safety certificate required by ALL cottage food businesses in order to obtain the Stanislaus County Cottage Food License
2. **Stanislaus County Cottage Food License:** This license is obtained through the Stanislaus County Department of Environmental Resources (ie “Health Department”). You can choose a Class A license (allows direct sales only), or a Class B license (allows both direct and indirect sales).
3. **Business License:** Cottage food businesses must obtain a business license in the jurisdiction in which they reside and create their product AND in the jurisdiction in which they would like to sell their product.
4. **Home Business Agreement:** This license is obtained from the same place as the business license and authorizes a person to operate a business from their home. If you rent your home, you will need signed permission from your landlord.
5. **Seller’s Permit:** All businesses selling merchandise within the State of California must obtain this permit from the California Department of Tax and Fee Administration (CDTFA). There is no charge for a seller’s permit, but a deposit may be required.

Approved and Unapproved Cottage Food Products

Approved Items

- Baked goods without cream, custard, or meat fillings, such as breads, biscuits, churros, cookies, pastries, and tortillas
- Candy, such as brittle and toffee
- Chocolate-covered non-perishable foods, such as nuts and dried fruit
- Dried fruit
- Dried pasta
- Dry baking mixes
- Fruit pies, fruit empanadas, and fruit tamales
- Granola, cereals, and trail mixes
- Herb blends and dried mole paste
- Honey and sweet sorghum syrup
- Jams, jellies, preserves, and fruit butter that comply with the standard described in Part 150 of Title 21 of the Code of Federal Regulations (These should be fruit products to assure that they are not potentially hazardous).
- Nut mixes and nut butters
- Popcorn
- Vinegar and mustard
- Roasted coffee and dried tea
- Waffle cones and pizzelles

Unapproved Items

Milk, cheese, eggs, fish, shellfish, meat, custard, lard, chili, soup, cream, etc. If you have to refrigerate it to keep it from spoiling, its not allowed under the cottage food law.

Overview of the “Recipes for Success” Program

“Recipes for Success” is a program designed to assist individuals interested in starting a small cottage food business by providing information about requirements, guidelines, local resources, and market opportunities.

The program consists of a few different aspects including a month-long cohort of four 3-hour classes, follow up assistance and guidance in obtaining proper permits, connections to local resources for small businesses, introductions to markets and vendors, and financial assistance (for eligible cottage food businesses).

Eligibility for Classes

To ensure the program’s success in creating viable businesses, there are some minimal eligibility requirements for program participants who are interested in the classes and financial assistance.

- Must have some experience in working with food or in a kitchen (either professionally or domestically)
- Must have a genuine desire to start a business
- Must be at least 18 years old

Class Curriculum Overview

In order to obtain a cottage food license, all Cottage Food Operators must attend an accredited food handler course within 3 months of obtaining a license.

Recipes for Success provides such classes for interested and eligible individuals in which participants will learn about necessary permitting and licensing, regulations and guidelines, food safety, basics of managing and promoting a small business, and local resources available to small businesses.

Class #1: October 3rd, 10am – 1pm

Introduction: 40 min.

- What is a CFO (Cottage Food Operation)
- CA cottage food law overview

Overview of Cottage Food Law and County Permitting Process: 40 min.

- Class A license vs. Class B license
- Permitted food items vs. non-permitted food items
- Labeling Requirements

Food Safety and Sanitation Guidelines: 55 min.

- Background on foodborne illness and contamination
- Sources of contamination
- Personal hygiene
- Cleaning and disinfecting equipment and facilities
- Liability insurance

Class #2: October 10th, 10am – 1pm

Review of product/business ideas: 45 min.

- Share ideas
- Suggestions
- Make sure ideas conform with County/State CFO guidelines
- What type of license is each student applying for

Managing Your Cottage Food Business and Marketing Your Product: 45 min.

- Market research
- Pricing
- Promotions (press release, signage, samples, etc.)
- Packaging
- Social Media
- Collaborative Marketing
- Business structure
- Profitability

Guest Speaker: Local entrepreneur from the neighborhood: 30 min.

- Motivational talk from a successful neighborhood entrepreneur to encourage students to pursue their ideas.

Hands-On Activity: 1 hr.

- Exercise in making strawberry jam

Class #3: October 17th, 10am – 1pm

ServSafe instruction:

- Time and temperature control
- Preventing cross-contamination
- Cleaning and sanitizing
- Safe food preparation
- Receiving and storing food
- Methods of thawing, cooking, cooling, and reheating food
- HACCP (Hazard Analysis and Critical Control Points)
- Food safety regulations

Class #4: October 24th, 10am – 1pm

ServSafe Exam and Certification

Financial Assistance

Financial assistance toward your ServSafe certificate as well as your Stanislaus County Cottage Food License is available to those who qualify and attend all of the classes. This assistance can be up to \$438 in value. Although the program can cover these initial expenses, every participant will be responsible for paying for their own business license(s), seller's permit, insurance, and other costs associated with the business.

A breakdown of the low and moderate income thresholds per household size is shown in the table. This program's future funding depends on how many low to moderate income individuals we serve over the course of this program. When filling out the income reporting form, please be as accurate as possible in declaring your household income.

Household Size	Income cap considered low/moderate
1	\$36,300
2	\$41,500
3	\$46,700
4	\$51,850
5	\$56,000
6	\$60,150
7	\$64,300
8	\$68,450

Follow-Up Assistance

Navigating the ins and outs of starting a business can be daunting, especially in the food industry. For this purpose, Opportunity Stanislaus has two employees on staff who will follow up with all participants who complete the class to offer assistance in a number of different ways, including:

- Assistance and guidance in obtaining proper permits and licenses
- Connections to local resources like the Small Business Development Center (SBDC) and UC Venture Lab
- Connections to potential buyers and third-party sellers of your product like Farmers Markets, local grocery stores, small markets, coffee shops, breweries, etc.
- Assistance in identifying funding options for businesses to scale up

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