

Guide for Small Food Businesses

Starting, Developing and Expanding a Small Food Business

Expert knowledge means success

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Note: This publication has not been updated since it was last published. Some of the hyperlinks may have changed and may need updating. In addition, some of the information in this publication may be out of date.

Introduction

British speciality food in our regions shows our food at its best. The vigour and importance of this sector of the food industry is demonstrated by the increasing number of small rural producers as well as those interested in joining them. But success in this sector has created a demand for practical guidance on the everyday, but vital, aspects of the production and sale of speciality food - such as how best to produce it, how best to market it and finally how to sell it.

The food chain represents the production and delivery of our food from farm to fork. In the UK this is big business. Here are some statistics to give you an idea: -

- It employs about 12.5% of the UK's workers;
- It represents 8% of our economy; and
- Farmers manage 70% of the land.

It is a complex industry with world class organisations set alongside individual farmers and growers. There are a range of pressures at work on the sector, and to survive all businesses in the chain have to respond to what consumers care about and want. This can extend beyond simply the price of the products. Now more than ever before, quality, safety, nutrition, animal welfare and environment are all factors which influence consumer decisions. The whole chain is faced with a constant need to adapt to these changing circumstances, whilst at the same time maintaining profitability. In addition, many businesses are competing in global markets and have to deal with competition from imports as well as marketing their products abroad.

Government Partnership with the Food and Drink Sector

The Department for Environment, Food and Rural Affairs (DEFRA) is the Government partner with the UK's Food and Drink industries¹. DEFRA works closely with these

sectors and key businesses to foster and promote greater competitiveness and to remove obstacles to growth.

Schemes and Initiatives

DEFRA Food

<http://www.defra.gov.uk/food-farm/>

Supporting and developing British farming, and encouraging sustainable food production, is one of the three departmental priorities laid down in Defra's Business Plan. This includes helping to enhance the competitiveness and resilience of the whole food chain, including farms and the fish industry, to ensure a secure, environmentally sustainable and healthy supply of food with improved standards of animal welfare. In support of this, Defra work in a number of areas including:

- Food strategy, personal food imports, food labelling and public sector food procurement;
- Farm animals: animal welfare, animal health and diseases, and livestock movement controls;
- Crops - including organics, GM crops, plant health, bees;
- Fishing industry - conservation of fish stocks and the EU Common Fisheries Policy;
- Farm management, Single Payment Scheme, Environmental Stewardship;
- The Review of Farm Regulation, CAP Reform.

Home Grown Cereals Association Enterprise Awards

<http://www.hgca.com/content.template/0/0/Home/Home/Home.msp>

HGCA's mission is to deliver a world-class arable industry through independence, innovation and investment.

Food and Drink Federation

The Federation represents and promotes the interests of food and drink manufacturers and seeks to influence all policies affecting the industry.

http://www.fdf.org.uk/about_fdf.aspx

Improve - the Food and Drink Skills

This organisation aims to provide food and drink companies with advice on skills, training and education to maintain and improve competitive advantage and market share.

<http://improvetd.co.uk/>

Specific Export Help for the Food and Drink Sector

UK Trade and Investment

UK Trade and Investment is the Government Organisation that provides business opportunities, expert trade advice and support



Consultation on New Food Safety Act Guidance

The Food Safety Agency has written new guidance notes on compliance with the Food Safety Act 1990. The guide provides advice for food businesses on the requirements of the Food Safety Act 1990 and updates the previous version - 'The Food Safety Act 1990 and You', issued by MAFF.

The guide takes into account amendments made to the Act by the Food Safety Act 1990 (Amendment) Regulations 2004 and the General Food Regulations 2004 to allow for the requirements of the General Food Law Regulation (EC) 178/2002 and also amendments in the light of the Food Hygiene Regulations 2006.

Views are specifically sought on whether more simplified guidance is needed for small businesses, or for particular business sectors, and, if so, what form the guidance should take. Responses were required by 11 July 2008.

The Food Standards Agency guidance can be viewed at: <http://www.food.gov.uk/news/consultations/consulteng/2008/fsa90eng08>

to UK-based companies wishing to grow their business overseas. Sector specific export help for the Food and Drink Sector can be found on the UK Trade and Investment website.
www.uktradeinvest.gov.uk

Other Sector Contacts

Listed next is a selection of organisations that can offer assistance to companies in this sector. A more extensive list of Trade Associations in this sector can be found on the Trade Association Forum website:
<http://www.taforum.org.uk/>

- **British Food Export Council (BFEC)**
Tel: 020 7233 5111
- **British Frozen Food Federation**
www.bfff.co.uk
Tel: 01476 515300
- **Chilled Food Association**
www.chilledfood.org
Tel: 020 8451 0503
- **Food Standards Agency (FSA)**
www.food.gov.uk
- **FoodVision**
www.foodvision.gov.uk
Part of LACORS
- **Institute of Food Science & Technology**
www.ifst.org
Tel: 020 7603 6316
- **Institute of Grocery Distribution**
www.igd.org.uk
Tel: 01923 857141
- **Local Authorities Coordinators of Regulatory Services (LACORS)**
www.lacors.gov.uk
Tel: 020 7665 3888
- **Meat & Livestock Commission (MLC)**
Tel: 01908 677577
- **English Farming and Food Partnerships (EFFP)**
EFFP's aim is to strengthen the profitability, competitiveness and sustainability of England's farming and food industries. It will achieve this through the growth of market focused farmer controlled businesses and by developing co-operation and partnership activities not only between farmers but also between farmers and existing co-operatives and vertically between farmers and the food chain.
www.effp.org.uk

General Business Support, Schemes and Initiatives

- **Companies House**
From this site, you can link to a wide range of Government sites and Professional Bodies that can provide general guidance and support for all UK companies.
www.companies-house.gov.uk

- **Business Link**
Business Link provide information and links for businesses of all sizes and type all designed to help businesses in a variety of ways. .
<http://www.businesslink.gov.uk/>

Regulatory Guidance

- **BIS Regulatory Guidance²**
This provides information on a wide range of regulatory guidance material for which the Department for Business, Innovation & Skills is responsible.
<http://www.bis.gov.uk/policies/bre/old%20content/better-regulation-framework>

Planning

When starting a food business, the real question is: where do you begin? You'll need to think about:

- *Where are you now* - what do you know about food production, what are your ideas for new products, what money and resources do you have and what skills do you have?
- *Where do you want to go* - what are you trying to achieve, how big do you want your business to get, how would you reach the customers to tell about your products and how would you make your products competitive?
- *What do you need in order to get to where you want to go* - will you need to learn new skills and what equipment and funds will you need to achieve your objectives?

Only by answering the above questions honestly will you be able to understand your strengths and weaknesses. For further general information about starting a business, call us to ask for details of other publications on that subject.

A national survey of small food businesses showed that their main concerns were:

- Market development and product promotion;
- Distribution;
- Quality management;
- Food regulations;
- Finance and administration.

If these are legitimate concerns for you as well, you'll know that something that is key to your success is your business plan since it will clarify your thinking. Contact us for our publication dealing with the preparation of successful business plans:

[28-Business Plan and Checklist](#)



Mandatory nutrition labelling on its way

The European Commission has proposed new regulations to simplify and consolidate the consumer information provided with both packaged and non-packaged foods.

One of the key measures will see the front-of-pack nutrition labelling include mandatory energy, fat, saturated fat and carbohydrate information with specific reference to sugars and salts per 100ml/g on a per portion basis.

- The proposals will also:
- clarify and tighten the country of origin rules;
 - cover food sold loose;
 - allergy labelling;
 - alcoholic drinks; and
 - distance selling.

Businesses will be given three years from adoption to comply with the regulations.

The proposed regulation will replace Directive 2000/13/EC on general labelling and Directive 90/496/EC for nutrition labelling.

More information is available at:
www.food.gov.uk/consultations/ukwideconsults/2008/infoprovision

Quality

You don't have to be a genius to know that unless your customers are delighted with your product, then they wouldn't buy your product again - it's as simple as that. Quality is essential for any business and most particularly so for a food business. It means that everyone who works in the business must be committed to quality. Quality also applies to your suppliers. Quality isn't something that happens by accident - it requires management commitment as well as agreeing the required quality parameters and aiming to either meet or exceed the standard you set on a consistent basis.

DEFRA promote something called "hazard analysis critical control point" or HACCP for short. HACCP describes a system of control for assuring food safety and provides a more structured and critical approach to the control of identified hazards than that achievable by traditional inspection and quality control procedures. It has the potential to identify areas of concern where failure has not yet been experienced, making it particularly useful for new operations.

HACCP was developed in the 1960s in the United States to ensure food safety for the first NASA manned space missions. Since then, HACCP principles have been defined and endorsed in international food standards, and in European and UK legislation.

HACCP is a seven-step process which a food producer or establishment can use to develop a food safety plan. The HACCP procedure identifies critical control points and aids in the development of food process safety control measures. The steps in the HACCP process are:

- Conduct a Hazard Analysis. The stages to this are:
 - Define Terms of Reference;
 - Select the HACCP team;
 - Describe the product;
 - Identify intended use;
 - Construct a flow diagram;
 - On-site verification of flow diagram;
 - List all hazards and control measures;
- Determine the Critical Control Points (CCPs) using a decision tree. These are the points where hazards must be eliminated or minimised;
- Establish Critical Limits which must be met to ensure the CCP is under control;
- Establish a system for monitoring the control at CCPs;

- Establish the corrective actions to be taken when monitoring indicates that a particular CCP is not under control;
- Establish procedures for verification to confirm that the HACCP system is working correctly;
- Establish documentation for all procedures and records.

Many major retail outlets now insist on HACCP implementation, and it is a requirement of the BRC Technical Standard for suppliers of Private Label products.

HACCP gives the reassurance that products will not present a danger to the consumer. It also supports any 'due diligence' defence should it be required. The system brings valuable benefits, including:

- reducing likelihood of recall & adverse publicity;
- reducing wastage;
- reducing costs through less problems and rework;
- improving processes;
- raising standards; and
- promoting 'right first time'.

For further information on HACCP, visit the *HACCP for Excellence* website at: www.haccpforexcellence.com

Risk analysis and HACCP are not only quality control procedures - they are also effective ways to demonstrate the due diligence required by law.

The solution for some businesses may be to start with a low cost option via an internal scheme of quality control designed with professional help that can be verified internally. But in the long-term, it will probably be best to commit to a quality scheme externally devised and verified. Many national retailers recognise participation in this type of scheme as being a sound basis for inclusion in their supply base. Often, large retailers will seek to enhance such schemes with their own standards or quality requirements.

Selling and Promotion

You'll need to be sure your product will sell and you'll have to think about things like:

- Your product - what's special about your product, is it presented well

Regulator pledges to cut red tape for food manufacturers

Small food manufacturers will benefit from more efficient enforcement of regulation, and the public will benefit from higher standards of protection thanks to a Government war on ineffective bureaucracy announced on 21 January 2013. The **Government's** Focus on Enforcement campaign asked small food manufacturers with up to fifty employees to report on their experiences of working with national regulators and local authorities.

Acting on the feedback received, the Food Standards Agency (FSA) will:

- Allow businesses with a good record of compliance fewer inspections;
- Deliver enhanced training for enforcement officers, helping them understand the law and the businesses they are regulating - including an innovative e-learning package that will also benefit business;
- Work with local authorities to improve consistency in the quality of enforcement, creating a level playing field for businesses and a dependable level of protection for consumers;
- Explore alternate appeals mechanisms in cases of disagreement between the business and the enforcing officer;
- Ensure guidance for the food industry on food safety management is clear and concise.

The Focus on Enforcement website including full details of the review is at: <http://discuss.bis.gov.uk/focusonenforcement/>

enough?

- How big is your market?
- Is your market changing?
- Is your market restricted to the UK or are there export opportunities?
- How can technology, such as the Internet, help sell your products or create awareness of what you offer?
- Your customers - where do your customers buy and what turns them on?
- Your competitors - who are your competitors and how will they react to your success?
- Your marketing - what is the competitive edge you have, how will you create awareness and how will you handle the sales orders when they start to roll in?
- It's a good point to make here about the difference between marketing and selling. Marketing can be defined as the efforts which make your telephone ring whilst Selling is what you do after the telephone does ring.

You've got plenty of options when it comes to selling:

- You can use agents who will sell on your behalf for commission only of somewhere between 7 percent and 15 percent, but you will invoice your customer direct;
- You can use wholesalers who will buy the product from you at a discount from the retail selling price;
- You can sell by mail-order, through a catalogue, via an advertisement or the Internet;
- You can sell direct to retailers but this will require time and effort; and
- You can sell direct to the customer but this would take even more time and effort.

It's no good having the best product in the world if you don't tell someone about it. You'll need to promote your product through many different initiatives such as:

- Personal sales via presentations, exhibitions and through use of the telephone and fax;
- Packaging via a distinctive design and logo;
- Merchandising in the form of carrier bags, point-of-sale material with emphasis of your organisation's distinctive design and logo;
- Public relations and press relations to keep in touch with the media and your customers; and
- Media advertising through posters and direct mail, local television and radio and newspapers and magazines.

Check with us for further ideas on selling and promoting your product.

Distribution

The distribution of food has always been a major issue with food businesses. The aim is to deliver the right amount of the right product in the right condition at the right time to the right customer - it sounds simple but in practice difficulties often arise.

If you distribute to local markets, this is something you can handle yourself and you'll have the advantage of control, feedback from customers and quality of service. There may be disadvantages too - such as the actual costs of distribution and the need to be responsible for staff engaged in this work.

On the other hand, if you distribute to markets beyond your local territory, or even abroad, you'll have to use outside contractors. There are cost implications but with the right volumes this may be the right way for your business to go.

Other Factors

There are many other factors that you will need to consider if you want your business to stay ahead. Successful small businesses need to be innovators which means that you'll have to constantly review your market, the opportunities in it, the trends and growth potential which exist and your positioning. As if that is not enough, your competitors won't stand still and you'll have to be on your guard to make sure that you stay ahead.

One way in which you can stay ahead is to find a niche - small food businesses are ideally suited to exploit niche markets particularly if the owners have specialised knowledge as a result of a hobby or past experience. You mustn't be afraid to capitalise on the knowledge you have but don't lose sight of the reality of market conditions.

With many small-businesses, cash flow management is important. Neglect it at your peril. Making profit alone is not enough. You'll have to be sure that your business finances are soundly structured and that you have the necessary sources of funds available to you to enable you to expand and operate your business. Check with us for further details of cash flow management and raising

New National Occupational Standards

On 3 March 2005, People 1st, the Sector Skills Council for the hospitality, leisure, travel and tourism sectors, published new National Occupational Standards for the travel and tourism industry.

The standards prioritise sales, customer service, organisation and business planning and will form the basis for all vocational training for these industries.

For more information on the standards visit: <http://www.ukstandards.co.uk/Pages/index.aspx>



Useful Marketing Books

Guerrilla Marketing: Secrets for Making Big Profits from Your Small Business, by Jay Conrad Levinson

Marketing For Dummies, by Alexander Hiam

The 22 Immutable Laws of Marketing, by Al Ries and Jack Trout

funds for small businesses.

The structure of your business is also very important. In the beginning you will be faced with a number of decisions such as whether or not to operate as a sole trader or in partnership with others or whether to form a company. Again, check with us as we have publications on these subjects.

There will be plenty of compliance things that you'll have to handle such as maintaining hygiene certificates, keeping proper books and records, dealing with VAT returns, employing people and operating the PAYE scheme and filing your annual accounts.

Food Standards Agency

Based in London, the Foods Standards Agency (www.food.gov.uk) covers the whole of the UK and oversees food safety work carried out by local environmental health officers. It also advises the Government on food safety policy and will have powers to enforce food safety legislation as well as taking the Meat Hygiene Service under its wing. The Government has said that it hopes that the agency will help to avoid future expensive traumas similar to the fall-out from the BSE crisis.

Other Useful Sources of Advice

Note: Organisations change as well as their contact details. The following list, prepared in August 2008, may have some errors in it. If you discover any, please let us know.

- Association of Quality Management Consultants Ltd - 01364 652315
- British Franchise Association - 01491 578049
- Business Link SignPost - 0207 316 1000
- British Quality Foundation - 0207 654 5000
- Chartered Institute of Environmental Health - 0207 928 6006
- Chartered Institute of Marketing - 01628 427500
- Chartered Institute of Purchasing and Supply - 01780 756777
- Company's House - 01222 388588
- Department of Health - 0207 972 2000
- BIS - 0207 215 5000

- Farm Retail Association - 0207 331 7200
- Food Standards and Product Technology - 01292 525089
- Food from Britain - 0207 233 5111
- The Food Innovation Centre - 01472 276098
- Food Technology Centre - 01626 325858
- Health and Safety Executive - 0541 545500
- Institute of Food Research - 0118 935 7000
- Institute of Food Science and Technology - 0207 603 6316
- Institute of Grocery Distribution - 01923 857141
- Institute of Quality Assurance - 0207 245 6722
- Mail Order Fine Foods Association - 01235 833732
- Office of Fair Trading - 0207 211 8000
- Specialist Cheese Maker's Association - 01782 580580
- UK Register of Organic Food Standards - 0207 238 5915
- Wine Standards Board - 0207 236 9512
- National Association of Speciality Food Groups - 0207 233 5111

Food Safety

On 12 January 2000, the European Commission unveiled its white paper³ on food safety outlining its targets of a fully operational food safety authority by the year 2002 and a three-year action plan for a complete overhaul of legislation to ensure the safety of food in Europe. In adopting the White Paper on Food Safety, the legislation introduces a 'farm to fork' approach to food safety, by including primary production (that is, farmers and growers) in food hygiene legislation, for the first time in the majority of cases.

The Commission's white paper was aimed at restoring consumer confidence in the safety of European food, following a series of food scares involving BSE, dioxin, the use of sewage sludge in animal feed and genetically modified crops.

As a result, on 1 January 2006, new EU food hygiene legislation was brought into force.

The legislation:

- modernises, consolidates and simplifies the previous EU food hygiene legislation;

Guidance on Food Safety, Traceability, Product Withdrawal and Recall

The Food Standards Agency (FSA) has published informal, non-statutory advice on the requirements for food businesses which relate to the safety and traceability of food, notification of food safety incidents and product withdrawal and recall. It replaces earlier FSA guidance, which included EC guidance that were regarded as disproportionately costly by the industry.

Key changes in the new guidance include:

- greater discretion for businesses regarding the period for which they are required to keep traceability records;
- the requirement of 'immediate' production of traceability records has been changed in certain cases to 'within a short timescale'; and
- a new focus on the legislative requirements, with minimal advice on best practice.

The advice "*Guidance notes for food business operators on food safety, traceability, product withdrawal and recall*" is available at www.food.gov.uk/multimedia/pdfs/fsa1782002guidance.pdf

- applies effective and proportionate controls throughout the food chain, from primary production to sale or supply to the final consumer;
- focuses controls on what is necessary for public health protection; and
- clarifies that it is the primary responsibility of food business operators to produce food safely.

The new legislation covers the whole of the food chain, including animal feed production. It aims to establish a high level of consumer health protection and clearly attribute primary responsibility for safe food production to industry, producers and suppliers. Appropriate official controls at both national and European level and the ability to trace products through the whole food chain are key issues.

The new regulations are:

- Regulation (EC) 852/2004 on the hygiene of foodstuffs;
- Regulation (EC) 853/2004 laying down specific hygiene rules for food of animal origin;
- Regulation (EC) 854/2004 laying down specific rules for the organisation of official controls on products of animal origin intended for human consumption.

All food businesses need to be registered with the competent authority, such as the Meat Hygiene Service or the local authority environmental health department, depending on the type of business. A key part of the legislation is the requirement for food business operators (except farmers and growers) to put in place, implement and maintain a permanent procedure, or procedures, based on HACCP principles. The legislation is structured so that it can be applied flexibly and proportionately commensurate with the nature of the food business.

More information is available at:
www.food.gov.uk/foodindustry

Improve – Food and Drink Sector Skills Council

Improve is the company formed to be the licensed Sector Skills Council for the UK's £66 billion turnover food and drink manufacturing sector. Their aim is to work with the employers of more than 600,000 people at companies of all levels, sizes and functions to:

- increase skill;
- increase workforce competencies;
- raise productivity;
- improve business performance; and
- attract people to a career in the sector.

For more information on *Improve*, visit: www.improveltd.co.uk

Further Information

This guide is for the general interest - it is always essential to take advice on specific issues.

We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

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References:

¹ DEFRA's website is at: www.defra.gov.uk

² The Department for Business, Innovation & Skills (BIS) was formerly known as the Department for Business, Enterprise and Regulatory Reform (BERR) and before that was called the Department for Trade & Industry (DTI).

³ The white paper (in downloadable PDF format) can be found at:
www.europa.eu.int/comm/dgs/health_consumer/library/pub/pub06_en.pdf