



**NAVIGATING
FOOD BIZ
LICENSING & REGULATORY
REQUIREMENTS**

**ZINA MURRAY
LOGAN SQUARE KITCHEN
PCQI, HACCP, FSSMC**



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TODAY'S AUDIENCE ?

- **Introductions**

- Types of food
- Not yet operating, how long in operation
- Types of sales: direct to consumer, to small coffee shops/markets, distributors
- In Chicago or elsewhere?

- **Any non-food folks here?**



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AGENDA

- Basic Business Requirements
- Basics of Food Regulations
- Food Reg's & Your Business Decisions
- Production Facility
- Recommended Practices



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BASIC BUSINESS REQUIREMENTS

definitions

- **Retail**
 - Selling to the eater, end consumer
 - Sales over internet, at markets, in storefront
- **Wholesale**
 - Selling to an entity that is not eater
 - Could be a retailer – grocery store, coffee shop
 - Could be a distributor – Fortune Fish, Midwest Foods



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BASIC BUSINESS REQUIREMENTS

"any business, food or not"

- Structure
 - LLC, sole proprietorship, partnership, non-profit
- Federal
 - FEIN # for LLCs, partnership, non-profits
 - SSN for sole proprietors
- State
 - Illinois Business Authorization (IBT#)
 - Quarterly estimated tax payments, sales tax, employee taxes



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BASIC BUSINESS PRACTICES

“first things first”

- Separate personal and business funds
 - Have a separate credit card used only for business expenses
 - Start a recordkeeping system – never too early to start
- Set tasks and schedule
 - Personal/professional boundaries of time and space
 - Set specific goals – register business, setup quickbooks
 - How much time and money are you willing to invest?
 - Don't eat dessert first



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BASICS OF FOOD REGULATIONS

“describe food, process and intended distribution”

- What, where, who
- Licensing & Jurisdictions
- Regulations, also called Codes



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WHAT – WHERE - WHO



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WHAT – WHERE - WHO



At home

**Shared
Kitchen**

Pie Shop

Commissary

Co-packer

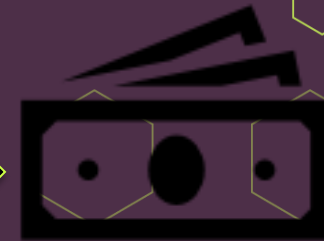


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WHAT – WHERE - WHO



At home	Shared Kitchen	Pie Shop	Commissary	Co-packer
Farmer's Market Patrons	Retail Online local coffee shops	Retail Online in-store local markets	Wholesale Grocery Restaurant Food service	Wholesale Grocery Restaurant Food Service



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WHAT – WHERE - WHO



At home	Shared Kitchen	Pie Shop	Commissary	Co-packer
Farmer's Market Patrons	Retail Online local coffee shops	Retail Online in-store local markets	<u>Wholesale</u> In-state Grocery Restaurant Food service	<u>Wholesale</u> Across USA Grocery Restaurant Food Service
Local & State Health Dept	Local & State Health Dept	Local Health Dept	State	FDA 3 rd Party Auditor



BASICS OF FOOD REGULATION CODES, RULES & REG'S

- Federal – FDA & USDA
 - Oversee food shipped across state lines
 - FDA writes Model Food Code – guidance for locals
- State & Local
 - Adopt FDA Model Food Code
 - Supplements with add'l reg's
- Health Depts love to kick the can upstairs



BASICS OF FOOD REGULATION CODES, RULES & REG'S

- State of Illinois & City of Chicago
 - Uses FDA FSMA 21 CFR Part 117
- City of Chicago
 - Uses FDA 2017



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BASICS OF FOOD REGULATION CODES, RULES & REG'S

- Red Flags
 - Based on food science
 - Some foods or processes trigger additional req's
- Canning
- Vacuum Packaging
- Fermentation
- Juice



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BASICS OF FOOD REGULATION

- Questions?



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FOOD REG'S & YOUR BUSINESS DECISIONS

- Licensure = strategic decisions that YOU make
 - How, when and where you apply
- What is your end game?
 - Your destination helps you define the path you choose
- You have more choices than you realize



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WHAT – WHERE - WHO



Salami	Salami	Salami
Italian Restaurant	Food Wholesaler On-site cash & carry	Salami shop
1. In-house sales only	1. Retail 2. Wholesale in-state 3. Regional Distributor	1. Wholesale & retail launch 2. Intend nat'l dist



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WHAT – WHERE - WHO



Salami	Salami	Salami
Italian Restaurant	Wholesaler On-site cash & carry	Salami shop
1. In-house sales only	1. Retail 2. Wholesale in-state 3. Regional Distributor	1. Wholesale & retail launch 2. Intend nat'l dist
Federal food safety reg's apply	→	
Local License & Inspections	1. Local License 2. State License 3. USDA	1. USDA



WHAT – WHERE - WHO



Salami	Ice Cream	Salad Dressing
Italian Restaurant	Wholesaler On-site cash & carry	Salami shop
1. In-house sales only	1. Retail 2. Wholesale in-state 3. Regional Distributor	1. Wholesale & retail launch 2. Intend nat'l dist
Federal food safety reg's apply	→	
Local License & Inspections	1. State Dairy License 2. Local License 3. FDA	1. State & Local 2. FDA



FOOD REG'S & YOUR BUSINESS DECISIONS

- Licensure is a requirement
- How, when and where you apply may not be
 - Timing, sequence important
 - Chicago vs. State for retail & wholesale
- May be more than one option
- Look thru lens of long-term goals



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FOOD REG'S & YOUR BUSINESS DECISIONS

- Questions?



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PRODUCTION FACILITY

- Home
- Shared Kitchen
- Your own place
- Co-manufacturer



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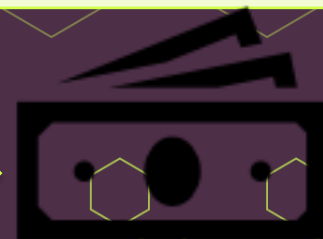
WHAT – WHERE - WHO



At home	Shared Kitchen	Your own place	Co-Man
Cheapest	Commercial facility	Lease or Own	Investment
Farmer's Mkt only	Limits of time, space, equipment	Not shared	Producer assumes food safety liability, label approval, recipe scale
\$36K max sales	Significantly reduces barrier to entry	Bigger financial risk	
Allows gov't to enter your home	Operator manages building	You must maintain your facility	Not all or nothing; can outsource a portion of process



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FACILITY CONSIDERATIONS

- Shared Kitchen
 - Location, location, location
 - Quality of operator
- Requirements
 - One Certified Food Safety Manager
 - Liability Insurance
 - Signed Agreement to Kitchen's terms



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FACILITY CONSIDERATIONS

- Your own place
 - Existing utility services
 - Minimal design-retrofits
 - \$300-\$325 square foot construction
- #1 Check Zoning
 - Google City of Chicago Zoning Map and enter address
- #2 Check Utilities
 - 3-phase electrical needed for WIC's and hoods



FACILITY CONSIDERATIONS

- Co-manufacturer
 - Ability to scale recipes
 - Critical skill for product consistency
 - May only outsource a portion of process
 - Assembly, packing, label
 - Grinding/stuffing, return for ferment/dry
 - Huge need for small-batch co-packers
 - Significant financial commitment
 - Secure experts and counsel to assist



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PRODUCTION FACILITY

- Questions?



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PRACTICES

- Financial Homework
- Labels
- Allergens
- Traceability
- Transportation



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FINANCIAL HOMEWORK

- #1 – convert recipes from volume to weight
 - Need accurate food costs
- Separate personal from business expenses- NOW
 - If possible, have a separate credit card
 - If cash, carry separate envelope for money & receipts
- Compute your COGS (Cost of Goods Sold)
 - Include your labor – eventually you'll be hiring someone



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FINANCIAL HOMEWORK

- Fixed start up costs
- LLC creation – put creation date on your calendar!
 - Annual reports each year
- Sales tax filings, employee withholding filings
- Set aside appointments for recordkeeping



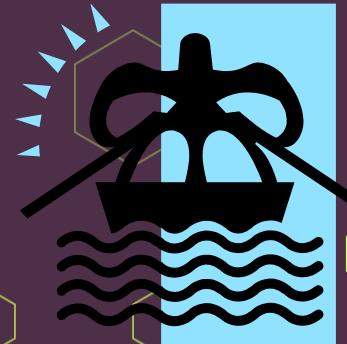
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LABELS - 5 MUST HAVE'S

- All food in a package requires a label
- Front: **common name & quantity**
- Ingredients, descending order by weight
- Allergen statement
 - **CONTAINS:** ---- BOLD, ALL CAPS
- **Name and address of manufacturer**
 - In a shared kitchen, Chicago requires its address
 - Don't use home address



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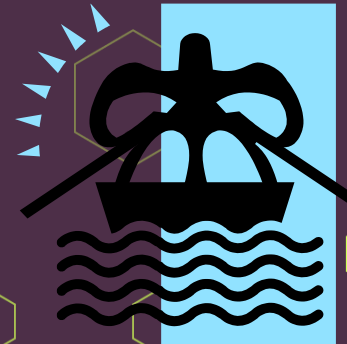
LABELS NUTRITION INFO

- Small businesses exempt
 - Required after 10+ full time staff
 - Required after \$50,000+ in food sales
 - Friendly text on requirements [HERE](#)
- Free nutritional panel calculations

■ www.recipal.com



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ALLERGENS PACKAGED FOOD

- Packaged food: MUST have “CONTAINS” allergen statement
- Must use common name of allergen
- 85%+ of all USA food recalls due to unlabeled allergens

Milk	Wheat
Eggs	Soy
Fin Fish	Peanuts
Shellfish	Tree Nuts

INGREDIENTS: CULTURED NONFAT MILK, MILK, CREAM, CONTAINS LESS THAN 2% OF: NONFAT MILK, WHEY, SALT, MALTODEXTRIN, GUAR GUM, CITRIC ACID, CARRAGEENAN, MONO- AND DIGLYCERIDES, LOCUST BEAN GUM, NATURAL FLAVOR, POTASSIUM SORBATE (TO PRESERVE FRESHNESS), CARBON DIOXIDE (TO PRESERVE FRESHNESS), ENZYME.

CONTAINS MILK.



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ALLERGENS

CATERING & RESTAURANTS

- Communicate on labels on drop-off jobs
- Bold allergen statement
- Include safe handling instructions

Milk	Wheat
Eggs	Soy
Fin Fish	Peanuts
Shellfish	Tree Nuts



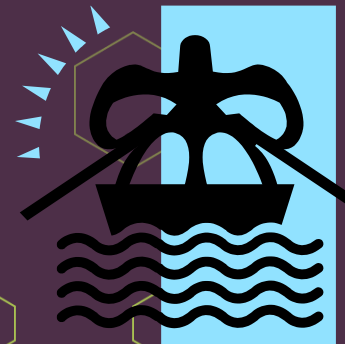
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ALLERGENS

- Ensure labels reflect ALL allergens
- You can be responsible for undeclared allergens in your ingredients
 - Soy sauce - wheat
 - Worcestershire sauce - fish



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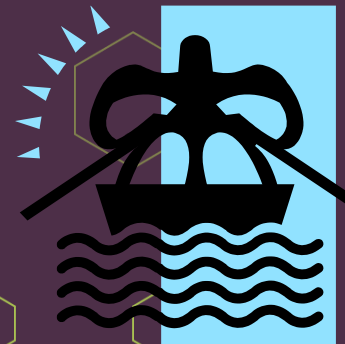


TRACEABILITY

- One step back, and one step forward
- Packaged goods: Lot codes
- Caterers: Ingredient Invoices
- FDA regulation
 - 21 CFR 7, 21 CFR 117, 21 CFR 507
 - Requires records identifying immediate previous source and immediate subsequent recipient



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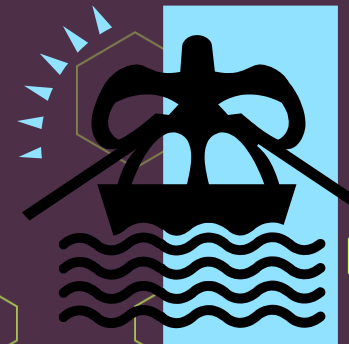


TRANSPORTATION

- Review methods for maintaining temps
- In coolers or insulated hot boxes
- Consider travel times, traffic
- How do methods impact quality?
- Are others delivering?



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TRANSPORTATION

- Review your transit methods
- Records for food in transit
 - Not always required, but best practice for caterers
 - Required for Chicago Festival Vendors
 - #1 reason food destroyed – no transportation logs
- Data loggers
 - Provide record without paper logs
 - Dickson Data Logger with Bluetooth phone app

■ \$50



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FINAL THOUGHTS

- Finances
 - Time
 - Money
 - Resource limits
- Food Safety Manager Certification
- Insurance
- Product R&D
- Facility selection
- Be brutally honest with yourself – seek honest counsel



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QUESTIONS?



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