



# Guide to Starting a Local Food Business in Minneapolis



Minneapolis Community Planning & Economic Development

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## COME TO THE TABLE!

This publication has been produced for use by local food entrepreneurs interested in using the funding and technical assistance available through the pilot **Homegrown Business Development Center** – a partnership between the Minneapolis Department of Community Planning and Economic Development and the Metropolitan Consortium of Community Developers.

The impetus for this program is the City's **Homegrown Minneapolis** initiative – a project of the City to improve the growth, sales, distribution, and consumption of healthy, locally grown foods within the city and the surrounding region. Under the leadership of Mayor R.T. Rybak and the Minneapolis Department of Health and Family Support, Homegrown Minneapolis is bringing together key partners from local government, area businesses, community organizations, non-profits, and residents to build a healthy, local food system.

Minneapolis has long been home to a variety of food-related companies. For many years, Minneapolis was the flour milling capital of the world. Today, food processors and manufacturers make up a smaller portion of our local economy. As times have changed, so have the needs and wants of Minneapolis residents. Over the past several years, interest in local food has been increasing.

The many stakeholders involved in **Homegrown Minneapolis** – residents and individuals representing schools, neighborhood groups, non-profits, and the City – have made it clear that there is a great demand for a local food system that provides access to healthy, sustainably produced, and locally grown food. With much of the foundation already laid through the work of **Homegrown Minneapolis**, we have an opportunity to foster small business development in the City and build businesses that will contribute to a strong local food system in Minneapolis.

Local food is more than just a trend; there are legitimate reasons behind the City of Minneapolis' desire to promote food grown or raised near the city and processed, marketed, or distributed within city limits.

Empirical research has found that local food systems confer a number of important benefits<sup>1</sup>.

- Expanding local food systems can increase employment and income in a community
- Making more local food available may improve diet quality and food security in a community
- Localizing food systems can reduce energy use and greenhouse gas emissions

Help us grow a robust local food system – for our economy, our health, and our environment!



## PROGRAM GUIDELINES

The Homegrown Business Development Center will assist current and aspiring entrepreneurs in developing and expanding business ventures that promote sustainable agriculture and food production.

- Loans range from \$1,500 to \$10,000.
- Loan recipients must match the loans with their own funds.

Prospective loan recipients will work with staff from the Metropolitan Consortium of Community Developers to develop proposals for the use of the funds. Once MCCD has reviewed the proposal and determined its viability, the loan application will be processed.

The Homegrown Business Development Center aims to assist entrepreneurs basing as much of their business activity as possible within the limits of the City of Minneapolis.

Loans will be available for business projects that involve the production, distribution, marketing and manufacture of food products that include at least one ingredient grown within approximately 200 miles of Minneapolis. In addition, preference will be

given to businesses that process their product locally or conduct substantial amounts of any other business activity in the city.

Eligible uses of funds include:

- Processing and Manufacturing
- Aggregation and Distribution
- Some marketing activities – including advertising, packaging and branding – may be eligible

Agriculture production – including seeds, feed and harvesting services and equipment – will not be funded. In addition, vehicles will not be funded.



Food businesses are uniquely challenging, so make sure you've thought long and hard about starting your own business! The checklist on the following page should give you an idea of whether or not it's for you. (This checklist is courtesy of the MDA's *Starting a Food Business in Minnesota* guide.)

# Preliminary Considerations | *A Checklist*

## Are You Prepared?

- Have you ever worked for a food business similar to the one you would like to start?
- Do you have any managerial experience?
- Have you had any business training in high school, college, or at a previous job?
- Do you know your vision/purpose and why you want this business?
- Are you willing to work long hours without knowing how much money you will earn?

## Do You Have Enough Money?

- Do you know how much money you will need to get your food business started?
- Have you talked to a banker about your plans?
- Do you know how much of your own money you can put into your business?
- Do you know where you can borrow the rest of the money you will need?
- Do you know how much credit you can get from your suppliers?
- Add your anticipated salary and profits from your business together and subtract your business expenses. Are you willing to live on less than this amount in order to help your business grow?

## Do You Need a Partner?

- Do you know both the good and bad points about having your own food business, having a partner, and incorporating your business?
- If necessary, do you have a partner in mind who could bring money and experience to your business?
- Will you be able to trust and get along with a partner?
- Have you talked to a lawyer about having a partner?

## Do You Know Your Customers and Competitors

- Do most businesses in your community appear to be successful? Do you know why?
- Do you know if food businesses like yours are doing well in your community and the rest of the state/country?
- Is your product(s) currently available within the community?
- Do you know who your clientele are that will want to patronize your business?
- What differentiates your product (or service) from those already available?
- Does your community need a food business like yours? If not, have you thought about opening a different kind of business or starting it in another location?

## *After Completing Your Checklist*

If you **did not check** “yes” to all of the above questions, you may have additional considerations and research to do. Go back to the checklist and make a note of each question you did not check. After you have written this list, develop and write down the goals that will assist you in completing the entire checklist. If you left the majority of the questions blank, you may want to seek professional advice or even reconsider your decision to start a food business.

If you **did check** “yes” to all of the questions, you should be ready to start planning for the future of your food business. To assist you with this enormous task, here is another helpful checklist to guide you through a second set of important steps in a starting a food business.

## THE SEED OF AN IDEA

Without proper planning, your seed of a business idea might never sprout. Even worse, it could wilt away after you've invested considerable amounts of your time and money! **Business planning** requires a serious time investment. Fortunately, a good business plan will pay off in a successful business venture!

One-on-one business assistance is often available free or at a discount to eligible business owners. In addition, the following organizations offer classes in business planning and development:

- Neighborhood Development Center  
<http://www.ndc-mn.org/programs-services/entrepreneur-training-program>
- Northside Economic Opportunity Network  
[http://www.neon-mn.org/technical\\_assistance.html](http://www.neon-mn.org/technical_assistance.html)
- WomenVenture  
<http://www.womenventure.org/career.cfm?CatID=12>



If you're familiar with the business world, you may be able to navigate the business planning stage without outside help. The following publications contain business plan templates and worksheets to help you produce a fundable plan:

Small businesses involved in local food production, manufacturing, distribution, and marketing will face a unique set of challenges. It is recommended that all potential local-food entrepreneurs read the following publications carefully.

*Starting a Business in Minneapolis: A Practical Guide* (City of Minneapolis Department of Community Planning and Economic Development Business Finance Section) is a useful place to begin and includes information on self-employment; forms of business organization; financial resources; and local, state, and federal regulations.  
[http://www.ci.minneapolis.mn.us/cped/docs/starting\\_a\\_business.pdf](http://www.ci.minneapolis.mn.us/cped/docs/starting_a_business.pdf)

*Starting a Food Business in Minnesota* (Minnesota Department of Agriculture) contains a wealth of resources including detailed information on self-assessment, business planning, regulations, and additional resources.  
<http://www.mda.state.mn.us/~media/Files/food/business/startingfoodbiz.ashx>

While focused on marketing, *Marketing Local Food* (Minnesota Institute for Sustainable Agriculture – MISA) is an essential primer on local food-specific issues.  
[http://www.misa.umn.edu/vd/publications/marketing\\_local\\_food.pdf](http://www.misa.umn.edu/vd/publications/marketing_local_food.pdf)

The National Sustainable Agriculture Information Service (ATTRA) and MISA offer useful business planning templates.

*Business Planning and Management*  
<http://www.attra.org/marketing.html#business>

*Building a Sustainable Business: A Guide to Developing a Business Plan for Farms and Rural Businesses*  
<http://www.misa.umn.edu/vd/bizplan.html>

## PREPARE YOUR SOIL!

While each local-food business will be unique, there are a few common steps most of them will have to take. Don't get ahead of yourself and forget these important items!

*A Guide to Starting a Business in Minnesota* (Minnesota Department of Employment and Economic Development) will help with all facets of starting your business.

[http://www.positivelyminnesota.com/Data/Publications/Publications/All Other DEED Publications/Small Business Assistance Office Publications/A Guide To STARTING A BUSINESS IN MINNESOTA 28th Ed 2 0102.pdf](http://www.positivelyminnesota.com/Data/Publications/Publications/All%20Other%20DEED%20Publications/Small%20Business%20Assistance%20Office%20Publications/A%20Guide%20To%20STARTING%20A%20BUSINESS%20IN%20MINNESOTA%2028th%20Ed%200102.pdf)

You will also most likely need to contact the *Minnesota Secretary of State* to organize your business.

<http://www.sos.state.mn.us/>

Many business-owners who work with food will need to obtain **liability insurance** – speak with your current insurance agent or ask a trusted source for a recommendation.

If you're working directly with food – or in some cases even if you are not – you'll need a **Food Manager Certification** from the Minnesota Department of Health.

[http://www.health.state.mn.us/divs/eh/food/fmc\\_training/index.cfm](http://www.health.state.mn.us/divs/eh/food/fmc_training/index.cfm)

Both the City of Minneapolis and the State of Minnesota **license** certain types of businesses:

**Minneapolis Food Licensing:**

<http://www.ci.minneapolis.mn.us/business-licensing/food/index.asp>

**Minnesota Food Business Licensing:**

<http://www.health.state.mn.us/divs/eh/food/license/index.html>

### Minneapolis Development Review

Since you're starting a business in Minneapolis, one of your most important partners will be the Minneapolis Development Review (MDR). Development coordinators are available to assist with all **City regulatory requirements**. MDR is located on the third floor of the Public Service Center building at 250 S. Fourth St. You can reach MDR and a development coordinator by calling Minneapolis 311.

<http://www.ci.minneapolis.mn.us/mdr/>



You'll need the assistance of a number of professionals in starting your business. For example, most entrepreneurs will need:

- An attorney
- An accountant
- A banker
- An insurance agent/broker
- Additional technical assistance

MCCD can assist you with finding these services if you don't already have them.

### Additional Funding

Chief among concerns for many new businesses is finding start-up capital. Many lenders require you to provide equity equal to 10-35 percent of your start-up costs. Food-related ventures are often considered high risk, so you might face even higher equity requirements. Once you have saved up what you can, a number of resources are available to assist small businesses in Minneapolis.

Also, keep in mind that you may have already built up equity. If you've purchased equipment or otherwise invested in your business, it may count toward the match you must bring to the table to utilize Homegrown Business Development Center funds. Keep your receipts! For more information, speak with staff at CPED and MCCD.



The City of Minneapolis Department of Community Planning and Economic Development will be your first stop. CPED's Business Finance Section works with local banks and non-profits to help small businesses obtain loans.

[http://www.ci.minneapolis.mn.us/cped/business\\_finance\\_home.asp](http://www.ci.minneapolis.mn.us/cped/business_finance_home.asp)

The Metropolitan Consortium of Community Developers is a partner in the Homegrown Business Development Center. MCCD provides direct loans and works with CPED and local banks to provide additional funding.

<http://www.mccdmn.org/>

Further general resources can be found in the following City of Minneapolis Publications:

*Guide to Loans and Grants for Minneapolis Businesses*

[http://www.ci.minneapolis.mn.us/cped/docs/loans\\_and\\_grants.pdf](http://www.ci.minneapolis.mn.us/cped/docs/loans_and_grants.pdf)

*Starting a Business in Minneapolis: A Practical Guide*

[http://www.ci.minneapolis.mn.us/cped/docs/starting\\_a\\_business.pdf](http://www.ci.minneapolis.mn.us/cped/docs/starting_a_business.pdf)

*Business Development and Financing Resources for Micro and Small Urban Agriculture and Local Food Entrepreneurs*

<http://www.ci.minneapolis.mn.us/dhfs/Resources071210.pdf>

## Agriculture-specific Funding

While the majority of funding for agricultural and food-related activities is geared toward larger producers, there is a growing amount of money available for local food-related ventures.



The Minnesota Department of Agriculture offers a number of grants, loans, and additional financing opportunities. For example, urban farmers who file a Schedule F tax form with the IRS may be eligible for the Sustainable Agriculture Loan Program. <http://www.mda.state.mn.us/grants/loans/esaploan.aspx>

The USDA North Central Region Sustainable Agriculture Research and Education (NCR-SARE) program has grants available for marketing and other activities. <http://www.sare.org/NCRSARE/cfp.htm>

The United States Department of Agriculture Rural Communities program has funding available as well. The following programs may be of assistance if your business model entails processing food in a rural area and marketing it in Minneapolis. USDA Deputy Secretary Kathleen Merrigan has specifically highlighted these programs to assist in building local food systems:

<http://www.usda.gov/documents/KnowYourFarmerandRD.pdf>

- Community Facilities loans and grants – to develop essential community facilities in rural areas <http://www.rurdev.usda.gov/HCF/CF.html>
- Business and Industry Guaranteed Loans – to improve, develop, or finance business, industry, and employment and improve the economic and environmental climate in rural communities <http://www.rurdev.usda.gov/rbs/businessandindustry.htm>
- Value-Added Producer Grants – May be used for planning activities and for working capital for marketing value-added agricultural products. Eligible applicants are independent producers, farmer and rancher cooperatives, agricultural producer groups, and majority-controlled producer-based business ventures <http://www.rurdev.usda.gov/rbs/coops/vadg.htm>

## A KEY INGREDIENT – LOCAL FOOD

Now that your business is ready to go, there's one last detail – local food! While Minnesota is one of the largest agricultural producers in the nation, retailers, processors, restaurants, and others can face challenges in sourcing the local food they hope to market.

The Minnesota Department of Agriculture **Minnesota Grown** guide allows you to search by area or product.

<http://www3.mda.state.mn.us/mngrown/>

Local Harvest lets you search by product and zip code or city for sustainably-grown food.

<http://www.localharvest.org/>

The Directory of Minnesota Organic Farms (2008) might also be useful.

<http://www.mda.state.mn.us/-/media/Files/food/organicgrowing/organicdirectory.ashx>

MISA's *Local Food: Where to Find It, How to Buy* It is a good resource as well.

[http://www.misa.umn.edu/Local\\_Food\\_Consumer.html](http://www.misa.umn.edu/Local_Food_Consumer.html)

In addition, organizations such as AURI and distributors like Co-op Partners can help you source local products.

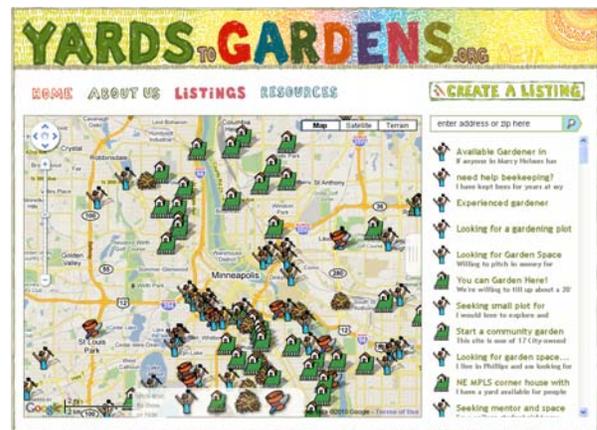
<http://www.cooppartners.coop/>

### Finding Land

If you're interested in growing or raising your own food, you'll have to decide whether to operate in the city or somewhere else within 100 miles. Land might be cheaper in surrounding counties, and you may be eligible for rural program funding if you decide to locate outside of Minneapolis. Keep in mind, however, that **urban agriculture** is taking off – in Minneapolis and throughout the country. Whatever you decide, if you're interested in growing your own, the following resources might be of help.

Yards to Gardens is an organization that connects those who need land to those with land they would like to see utilized for agricultural purposes.

<http://www.y2g.org>



Gardening Matters is the Twin Cities' go-to source for all things related to community gardens. They also coordinate the Local Food Resource Hubs program, which provides seeds, seedlings, educational opportunities and more to urban growers and entrepreneurs.

<http://www.gardeningmatters.org/>

## Production Assistance

The University of Minnesota Extension is an essential resource for Minnesota-specific information on crops and livestock.

<http://www.extension.umn.edu/>

Likewise, the Minnesota Department of Agriculture is a resource for everything from food safety to proper use of fertilizers and pesticides.

<http://www.mda.state.mn.us>

The Minnesota Institute for Sustainable Agriculture has a number of technical publications on alternative crops, soil management, and other topics.

<http://www.misa.umn.edu>

The Land Stewardship Project's Farm Beginnings is a comprehensive training program for beginning farmers or those who would like to transition to more sustainable methods of production.

<http://www.landstewardshipproject.org/farmbeg.html>

Permaculture Research Institute – Cold Climate offers a number of educational opportunities to growers interested in incorporating elements of permaculture into their operations.

[http://www.pricoldclimate.org/our\\_programs](http://www.pricoldclimate.org/our_programs)

The Minnesota Food Association provides training in production methods and business management to farmers – especially immigrant farmers – in the St. Croix River Valley.

<http://www.mnfoodassociation.org/>

The Co-op Project is working to build a neighborhood-level sustainable food system through collaborative workshops.

<http://thecoopproject.wordpress.com/>



## CULTIVATING YOUR PRODUCT

You have your plan, and you have your local food. Now what do you do with it? If you plan to process your local food in any way, this step in the process could be more complicated than you imagine. Of course, if you've come this far in your preparations, you must have a pretty great recipe. But did you know that you can't always just scale up the recipe or rely on the same ingredients you use at home?

The Agricultural Utilization Research Institute is an excellent resource. As a non-profit state organization, AURI is able to offer most of its services free of charge:

- Recipe formulation
- Recipe scale-up
- Prototyping and testing
- Determining market form
- Developing a process
- Labeling and health claims
- Shelf-life testing
- Kitchen set up, equipment, protocols
- Meat products

AURI also offers cost-sharing for eligible clients in the areas of distribution, marketing, aggregation, and market availability.

<http://www.auri.org/>

### Labeling

While very small food manufacturers may not be required to outfit their product with an official label, it may nonetheless be prudent to do so.

AURI is an excellent resource in this area as well. See their handouts in the resources section of this publication.

Food Product Basic Label Requirements from the Minnesota Department of Agriculture

<http://www.mda.state.mn.us/food/safety/basic-label-req.aspx>

Labeling & Nutrition from the U.S. Food and Drug Administration

<http://www.fda.gov/Food/LabelingNutrition/default.htm>

Join Minnesota Grown to use the label and be included in the directory.

<http://www.mda.state.mn.us/food/minnesotagrown/mn-grown-join.aspx>



## PREPARING YOUR LOCAL PRODUCT

If you're selling a local-food product, you've planned your business as well as the specification of your product. Now you're ready to actually make it!



If you're making your product at home, familiarize yourself with the State's "Pickle Bill" regulations.

<http://www.mda.state.mn.us/food/safety/mi-nn-food-code-fact-sheets/pickle-bill.aspx>

Many local-food entrepreneurs will begin in a borrowed kitchen. While organizations like AURI can help you plan if you want to open your own kitchen, the expense is out of reach of most small food businesses.

Restaurants, churches, parks, and others sometimes have excess kitchen capacity. If you have a relationship with a business or organization in your neighborhood – or know of one nearby – ask them if you can use or rent their space. For ideas, see this partial list of kitchens in Minneapolis that may be available for use or rent:

*Kitchen Facilities in Minneapolis Available for Local Food Preparation Processing and Preservation*

[http://www.ci.minneapolis.mn.us/dhfs/MplsKitchen\\_0710.pdf](http://www.ci.minneapolis.mn.us/dhfs/MplsKitchen_0710.pdf)

Another great resource is the Kindred Kitchen Food Business Incubator. Kindred Kitchen offers a professional, commercial kitchen space with state of the art equipment as well as cold and dry storage. Partial scholarships are available to eligible users.

<http://kindredkitchen.org/>

The Midtown Global Market's Kitchen in the Market is also available.

<http://kitcheninthemarket.com/>

Kitchen equipment can be expensive, so if your needs are temporary, consider renting from a company like CaterRent:

<http://www.caterrent.com/>

If you're ready to seriously scale up your production, you may need to use a co-packer. AURI can help you determine whether this is an option for you and find an appropriate firm.



## GETTING YOUR PRODUCT INTO A CONSUMER'S MOUTH

The most important step of all is finding someone to eat your product! Consumers of local food are key to realizing the benefits of a local-food economy. Fortunately, eaters in Minneapolis are interested!



The Minnesota Department of Agriculture maintains a directory to link buyers and sellers:

<http://www.mda.state.mn.us/food/business/processedfoods.aspx>

Many local food businesses have found success by contacting restaurants, grocery stores, natural food co-ops, schools, and other venues directly.

Minneapolis is fortunate to be home to five natural food co-ops:

- Seward Co-op Grocery and Deli  
<http://www.seward.coop/>
- East Side Food Co-op  
<http://www.eastsidefood.coop/>
- Wedge Community Co-op  
<http://wedge.coop/>
- Linden Hills Co-op  
<http://www.lindenhills.coop/>

Slow Food Minnesota advocates for food that is “good, clean, and fair” and maintains a directory of local restaurants and shops that carry local products.

<http://www.slowfoodmn.org/local.html>

Schools are in great need of local food that has undergone minimal processing, since many schools do not have full kitchens.

Institute for Agriculture and Trade Policy's Farm2School program:

<http://www.farm2schoolmn.org/>

Using a **wholesaler** or **distributor** is another viable option. Co-op Partners Warehouse buys local organic products and distributes them to retail and restaurants. Even if they're not interested in carrying your product, they may be able to advise you further.

<http://www.cooppartners.coop/>

While geared toward consumers, MISA's *Local Foods: Where to find it, how to buy it* can offer ideas about potential markets.

<http://www.misa.umn.edu/vd/localfoodguide.pdf>

Foodservice providers are also experiencing a growing demand from their clients for health, local food products.

The Minnesota Farmers Market Association has helpful information if you're hoping to sell at a farmers market.

<http://www.mfma.org/>

The City of Minneapolis maintains a list of all **farmers markets** in the city:

<http://www.ci.minneapolis.mn.us/sustainability/MplsFarmersMarkets.asp>

IATP has pioneered a unique program that enables organizations to host **mini-markets** with fewer regulations than full farmers markets.

<http://www.iatp.org/iatp/publications.cfm?accountID=258&refID=103489>

## RESOURCES

Minneapolis Department of Community  
Planning and Economic Development  
(CPED)  
Minneapolis 3-1-1 or 612-673-3000

Metropolitan Consortium of Community  
Developers (MCCD)  
612-789-7337

Neighborhood Development Center (NDC)  
651-291-2480

Northside Economic Opportunity Network  
(NEON)  
612-302-1505

WomenVenture  
651-646-3808

Minnesota Institute for Sustainable  
Agriculture  
612-625-8235

Minnesota Department of Agriculture  
651-201-6000

Minnesota Secretary of State  
651-296-2803

Institute for Agriculture and Trade Policy  
612-870-0453

Minnesota Department of Health  
651-201-5000

United States Department of Agriculture  
202-720-2791

USDA North Central Region Sustainable  
Agriculture Research and Education (NCR-  
SARE)  
612-626-3113

Land Stewardship Council  
612-722-6377

Permaculture Research Institute – Cold  
Climate  
612-333-0430

Minnesota Food Association  
651-433-3676

Agricultural Utilization Research Institute  
(AURI)  
218-281-7600

Kindred Kitchen  
612-412-1292

Co-op Partners Warehouse  
651-644-7000

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Guide prepared by Kelly Wilder, Grow Good Consulting

Photos courtesy of Seward Co-op and Austin Aho (Kindred Kitchen)

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<sup>1</sup> *Local Food Systems: Concepts, Impacts, and Issues*, USDA Economic Research Service  
<http://www.ers.usda.gov/publications/err97/>