

# So, you want to start a food company?

... an easy guide for food entrepreneurs.



by

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in collaboration with the  
Western Cape Department of Agriculture



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## Introduction

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This manual was brought about by two events, one being a similar but more concise document from Campden BRI (2013) and a push from a stalwart of the food industry (Mr. Nick Starke). As luck would have it, a project funded by the Provincial Government of the Western Cape was in progress and this fitted neatly into the requirements of the project. This could be called the South African version of the Campden BRI document, hence it being acknowledged here!

Making and selling food seems to be a reasonably straightforward job. Working from your kitchen, you very likely know many people who make a living out of this type of activity. And you may even know people who have moved out of their kitchen into bigger premises and now have a successful business model. ***Hint: Make friends with these people since they will very likely know everything in this manual from experience!***

However, micro- to large-scale processing is not as simple as it seems. There are many reasons why this is so. However, the main one is that you would be dealing with the health of the public in this business, no matter your size. And if you affect someone's health with your product (from a runny tummy to something more serious), you could be in for the high jump from a frying pan into a cooking fire. For this single reason only, there are many different pieces of legislation, regulations and compliance issues for all food producers, right from the producer of seed for planting and all the way to the packaged product and its preparation by the end-user. And then even what happens to the waste produced and how it is managed.



The issue of compliance in the food industry is increasingly becoming more complex as public health is a critical issue. We also know that the consumer is increasingly becoming more savvy. Balancing this against an increasing frequency of litigation for non-compliances that affect consumers, companies need to be highly organised to mitigate this risk.

It is highly unlikely that there will be one single manual on the do's and don'ts for such a large industry and long value chain. This document, in the interests of being easily usable, only contains the more pertinent and "in your face" issues that you should be aware of to at least enter the industry. Surviving is another game altogether - remember my first hint? This manual does not contain ALL you need to know but some of the more CRITICAL things you need to know.

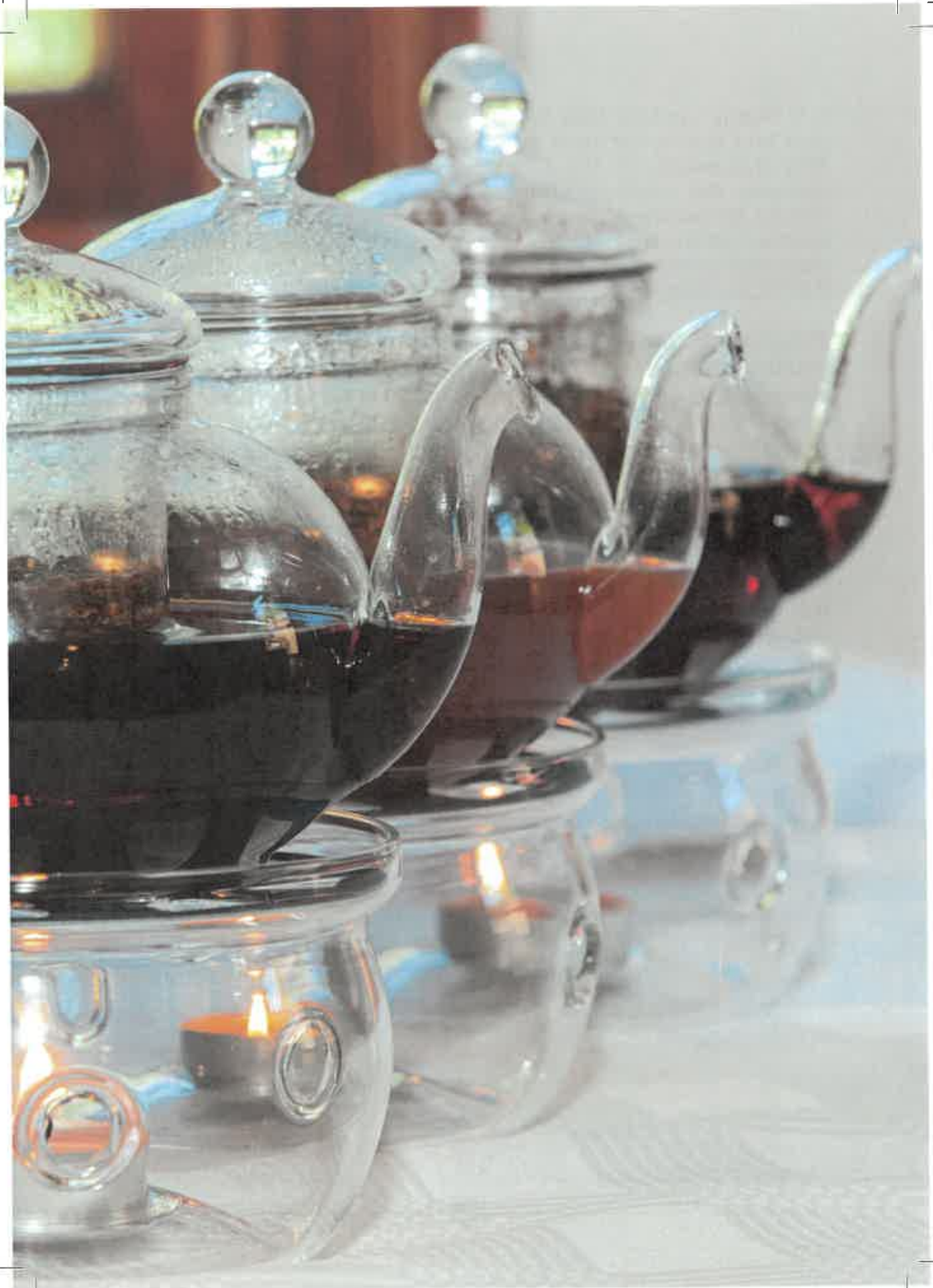
This manual must also be considered a "living document" i.e. if you think something is missing and critical enough to be included, please let us know and we will consider it for inclusion. Keep in mind that we do not want to have a 500-page long document to put people to sleep! Such a document is for another day and another funder.

This document should, therefore, be considered a micro Foodie-pedia to which you may contribute for the good of the industry. If there are other such manuals out there - great! But consider this our own contribution to ourselves as the food industry. And yes, CPUT as an academic institution is part of the industry - ***we eat, therefore we are!***



Larry Dolley







## So you really want to enter the food industry?

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This section refers to some of the questions which, as the Agrifood Technology Station, we frequently ask clients - or they ask us - keeping in mind that we deal with a whole range of people, from those who simply have an idea or a dream to those running successful companies.

**Do you have an idea or a product?** An idea is far, far from a product in many instances even though it may seem to be a simple process to convert it to a product. Don't bank on it as if you are already making money out of it.

**If you have a product, are you selling it already?** If so, good. If you only sell to friends who all tell you what a brilliant product it is, wait until you sell it to strangers and then see what independent, unbiased opinion is given. If there is good feedback, you are on the right track! But don't make huge investments just yet!

**Do you have an identified market yet?** To what type of person do you eventually want to sell your product? Is it low or high income groups (these are known as LSM categories)? Have you tested this market? Do you have a vague idea of what your product is going to cost at this stage? If not, stick to the smaller investments for the time being. Until you have the correct target market for your product.

**What makes you think that your product is so special or unique?** A spade is a spade is a spade! This could often be said of some of the products passing through our doors! For spade read any of the following: sauce, jam, pickle, sports drink, high-energy drink. In today's highly competitive world, the unique competitive edge of your product must make it stand out from the crowd, even if it is just in a very fancy package or container! But this does not mean your product will not make it ... it also depends on a number of other factors!

**You have a recipe?** Wow ... great! But this may not help much! What you will eventually need is a formulation i.e. a

more scientifically controlled piece of information that exactly describes your product ingredients and eventually its process. Your recipe may say: “a teaspoon of vinegar”. Your formulation must be exact: “5 millilitres of vinegar”. And so on ...!

**Is your product “high risk”?** If it is a high risk product then you should be very careful about how you produce, preserve and package it. High-risk products include raw and cooked meat products and dairy products such as fresh milk. High risk products spoil easily which in turn can make people sick or, in serious cases, cause death. Low risk products in turn are easily processed under ordinary conditions, can be stored for long periods and do not spoil easily. Examples are powdered products or products that have a high acid content. This single point can make or break a future business, both in terms of production and infrastructure costs and also in food safety costs. **Choose carefully!**

**Do you have a process?** Do you have a fully documented production process in the form of a flow diagram with all production parameters? You will eventually need one. This usually forms a twin with your formulation above.

**At what scale are you presently producing?** If you are producing at kitchen scale you must realise that scaling up to 50kg or more may mean re-developing your process and possibly your formulation. It is not a simple process in most instances.

**Is your packaging appropriate?** Small-scale producers usually keep things simple and cheap (as it should be). However, depending on your product risk, you may need to upgrade your packaging material immediately. Or even your label information. In both instances, these may have public health implications ... and of course, costs to you.

**What is the shelf-life of your product?** This is simple isn't it? Keep it in the fridge and see when it goes “off”! Well, not always, again keeping mind food safety. You will eventually need to test this at a reputable laboratory. This may be important for labelling



purposes, especially for high risk products.

**Does your product contain any allergens?** Allergens are those things that can cause allergic reactions! Peanuts, gluten, pollen, bee stings, etc. There are so many potential allergens and susceptible consumers. These need to be included on your label if there are obvious ingredients in your product that are known as allergens. It is best to get expert advice on this, keeping in mind that even if you produce food in an area where nuts are used for something else, you need to make a statement in this regard on your label.

**Labels:** Labels act as the window which the public looks through to determine whether your product is suited to them for health and many other reasons. One piece of legislation is the Labelling & Advertising Regulations under the Foodstuffs, Cosmetics and Disinfectants Act. Your label will need to be checked by a professional to ensure it complies. Later on we will be looking at relevant legislation.

**Where are you producing your product?** If it is being done from your own kitchen at home, you will very likely have difficulty getting to supply retailers, especially the bigger ones. If you are producing in a dedicated facility at home you have a much better chance of getting bigger contracts. However, once you grow, the local Municipality will very likely pay you a visit one day and upset your apple cart for you. Prepare to grow and move eventually to a dedicated set of premises with all its attendant costs and organizational management required.

**Have you approached retailers yet?** If so, be aware that your product may have unique competitive edges that a savvy trader or producer out there may want to copy. Within reason, make sure that you only share your trade secrets with trusted sources or under cover of a contract, non-disclosure agreement or some other form of protection.

**Different compliance strokes for different retailer folk!** Retailers have all sorts of requirements for their suppliers. Some

of this involves your company food safety system, the nature of your product (halal versus kosher as an example) and where you source your own ingredients. Be aware that you will need to comply with this before they take on your product.

**Retailers as “friends”!** Bigger retailers usually have a Supplier Development Programme. This is funding they put aside to help you comply or grow your business, since they depend on your products being supplied in good order. Ask them about it and how they can help you!

**In unity, strength!** This specifically refers to smaller producers forming collaborating clusters and groups. An example of such collaboration is sharing a container if you export. You may not need the whole container for your product while another producer has another product and also needs small container space. Talk to each other! The Western Cape Fine Food Initiative may be able to assist with this (see later).







## Legislation, regulation and compliance

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Food is regulated through a set of laws (pet food even more so) that are obviously needed to protect the public in terms of safety and value for money. Here are some issues with a good dose of administrative matters.

- Have you decided on a name for your company? If not, you will have to make sure that the name you choose is not already taken. This can be done through CIPC ([www.cipc.co.za](http://www.cipc.co.za)).
- What type of business do you want it to be e.g. a (Pty) Ltd, sole proprietor or something else?
- You must have a business plan if you wish to apply for loans or other forms of financial support.
- Will you need to register for VAT? Don't try to hide from SARS!
- It is in your interest to open a company bank account! Speak to a financial adviser or bank manager to make sure it is an appropriate account.
- Take advice on appropriate auditors or a bookkeeper who can assist you with SARS requirements, bank accounts, loans, etc.
- Start developing your accounting/business systems e.g. templates for contracts, quotes, invoices, etc.
- Decide on pricing for services/goods, deposits, etc.
- Develop a marketing strategy for products and services.
- Decide whether you need a website.
- Set up an e-mail address and basic IT system.
- Purchase or design appropriate software.

## Out of the fire and into the frying pan! ...

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At the very least you will need a **certificate of acceptability for premises** to comply with the provisions of Regulation 5 and 6 of GNR. 638 of 22 June 2018: Regulations governing general hygiene requirements for food premises, the transport of food and related matters, promulgated in terms of the Foodstuffs, Cosmetics and Disinfectants Act, 1972 (Act 54 of 1972).

You may also require **halal certification** in one or other form depending on the products you produce. A similar situation exists if you wish to produce kosher products.

You may also eventually want to build your **premises** to comply with different standards. If you rent you may need to make physical infrastructure changes to comply with standards as well. When designing a new building or upgrading an existing one it is best if this is done according to good hygiene design practices. This also adds to costs.

Retailers and other consumers of your product may also want you to install one or other **food safety system** e.g. Hazard Analysis Critical Control Point (HACCP). There are a number of other systems such as ISO 22000, British Retail Consortium, etc.

The latest is FSSC 22000 as a global standard. This is being addressed by the Consumer Goods Council of South Africa ([www.cgcsa.co.za](http://www.cgcsa.co.za)). All of these come at a cost to install and then there are also costs for maintenance of the system (including manpower to do this).

But before you can undergo an **audit** you must have built up a record of data regarding your product and process. This may mean that you have to set up a system of testing of product, process, personnel and equipment – at your expense. Once you have 3 to 6 months' records showing good practices, and you have a system installed and functional, then you may undergo an audit by requesting one.

If you pass the audit, you may be given a **contract** and become a supplier to a retailer(s). However, this is not guaranteed since you will need to deal with personnel at companies who source suppliers of specific products. This in itself can be task a requiring a specialist.

If you fail the audit, you would need to get **assistance** in to close the gaps shown in the audit. This may again cost you the services of a consultant OR you could try and do it yourself. Once you have closed the gaps you may then request another audit ... and so it goes!!

Once you are a supplier to a retailer, you may still need to undergo regular audits and, if you fail a subsequent audit, you will be given time to close the gaps and ask for a **re-audit**.

And at this point you have not costed in all your other expenses ... and at this point it becomes **frightening!**





## Agencies that could assist

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Fear not, you are not alone - help is at hand! There are a number of assisting agencies as well as private consultants. One of the better consulting services is supplied to you by a NETWORK of companies and people who have gone through the mill. Join a group that offers networking opportunities. Two such are:

***Agrifood Technology Station (ATS) [www.cput.ac.za/ats](http://www.cput.ac.za/ats)***

***Western Cape Fine Food Initiative (WCFFI) [info@wcffi.co.za](mailto:info@wcffi.co.za)***

Further examples are subscription-related:

The Food Safety Initiative - [www.foodsafetyinitiative.co.za](http://www.foodsafetyinitiative.co.za)

The Food Safety Network - [www.foodsafetynetwork.co.za](http://www.foodsafetynetwork.co.za)

Campden BRI (British) - [www.campdenbri.co.uk](http://www.campdenbri.co.uk)

Consumer Goods Council of South Africa - [www.cgcsa.co.za](http://www.cgcsa.co.za)

And many others!

Please help us make this document grow by submitting links, tips, and suggestions. As an example, we are looking for good links to:

Relevant legislation

Relevant organisations

Relevant sources of information regarding running a food company as an SMME.



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