



**CFAES**

# Starting a Food Business

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## Start-Up Basics

## January 24, 2023

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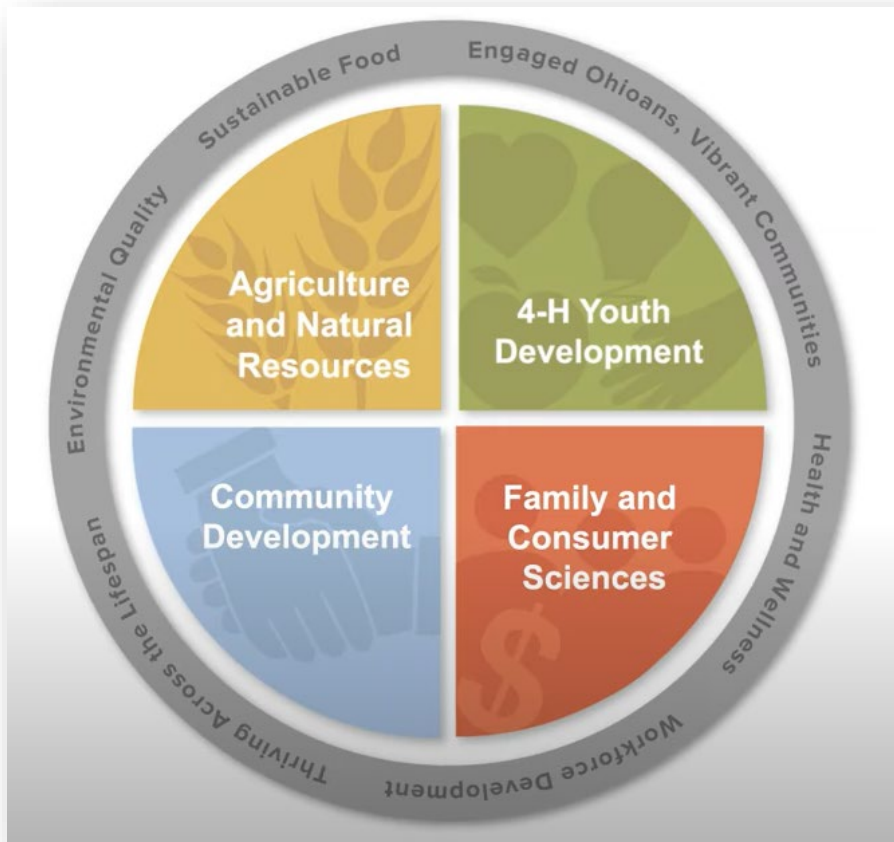
*Garth Ruff, OSU Beef Cattle Field Specialist*



THE OHIO STATE UNIVERSITY  
EXTENSION



# Ohio State University Extension



- An education-driven organization that promotes lifelong learning
- Outreach of the College of Food, Agricultural, and Environmental Sciences
- A statewide network – linked to a nationwide network – that links individuals, communities, and businesses to research and development resources of Ohio State and beyond.

# Teaching Faculty



**Emily Marrison**

Family and Consumer  
Sciences Educator  
OSU Extension



**Nicole Arnold**

Food Safety Field Specialist  
OSU Extension



**Garth Ruff**

Beef Cattle Field Specialist  
OSU Extension



**Peggy Kirk Hall**

Agricultural Law Field Specialist  
OSU Extension

**We'd like to know more  
about you...**

# Food Business Checklist

Common components  
when starting a food  
business



## Food safety practices

Managing risk in a food business starts here



## Regulatory compliance

Protecting the consumer



## Economic viability

Even the tastiest idea must pay the bills



## Legal risk management

Protecting yourself and your business





# **Food safety perspective**

# Overview

- Foodborne illness in the U.S.
- Factors affecting growth of microorganisms
- Food safety considerations



# **A depiction of my New Year**

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# Foodborne Illness in the United States

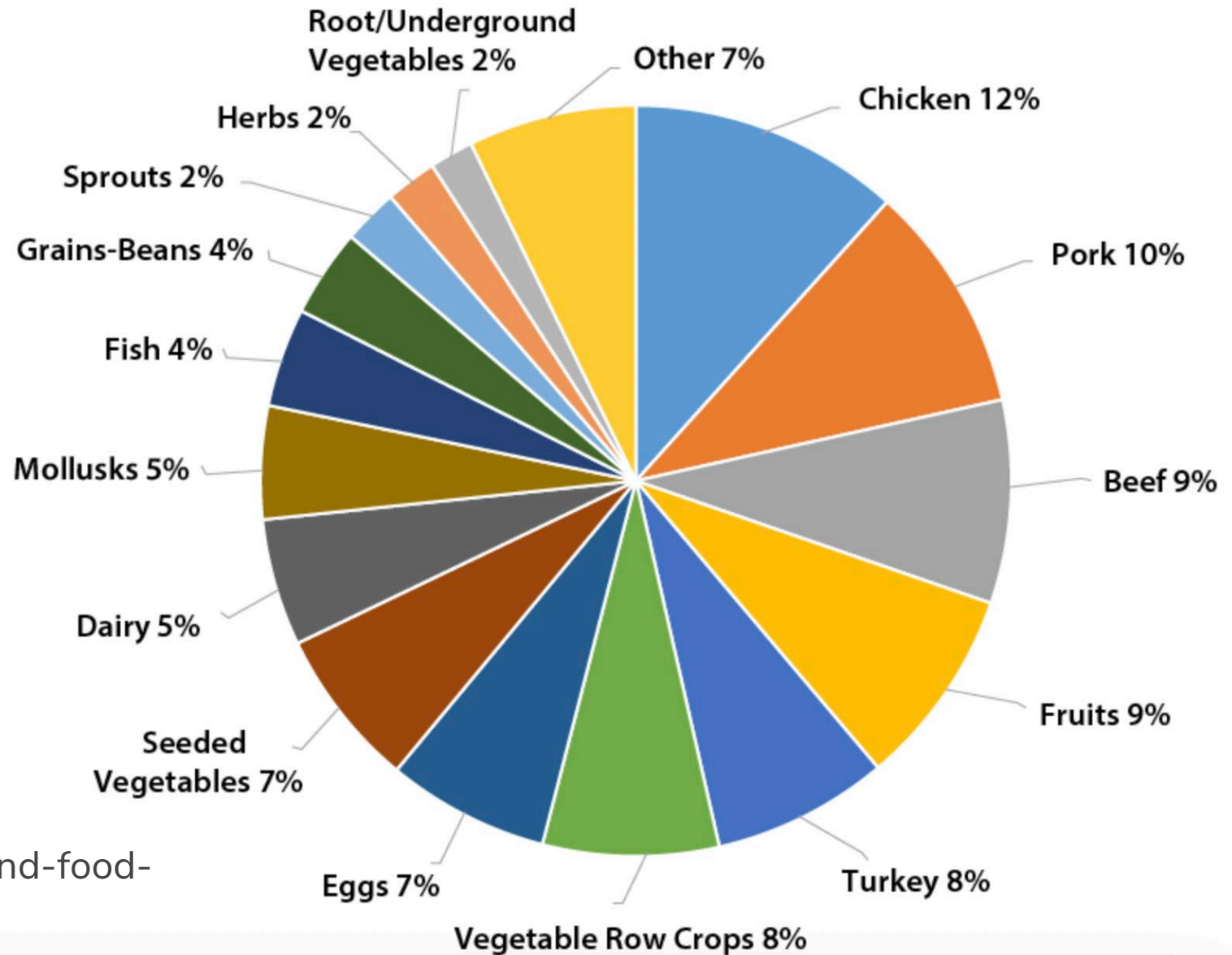
CDC estimates that annually:

- 48 million people get sick
- 128,000 people are hospitalized
- 3,000 people die



# Foodborne Outbreaks in the U.S.

Top 15 Foods That Caused Outbreak-Associated Illnesses, 2009–2018\*



Source: <https://www.cdc.gov/foodsafety/cdc-and-food-safety.html>

# How do foodborne illnesses occur?

## CDC RISK FACTORS



Improper cooking temperatures



Improper hot/cold holding temperatures



Poor employee health + hygiene



Dirty and/or contaminated utensils + equipment



Food from unsafe sources



# Case Study: OH Botulism Case

- Incorrect home-canned potatoes in Church potluck meal
- Did not use appropriate processing equipment to ensure safety



NEWS

WEATHER

SPORTS

## Source of Ohio botulism cases likely was potato salad

Health officials say the likely source of the botulism outbreak that killed one person and sickened many others at an Ohio church potluck dinner was home canned potatoes used in a potato salad.

Monday, April 27th 2015, 7:37 PM EDT

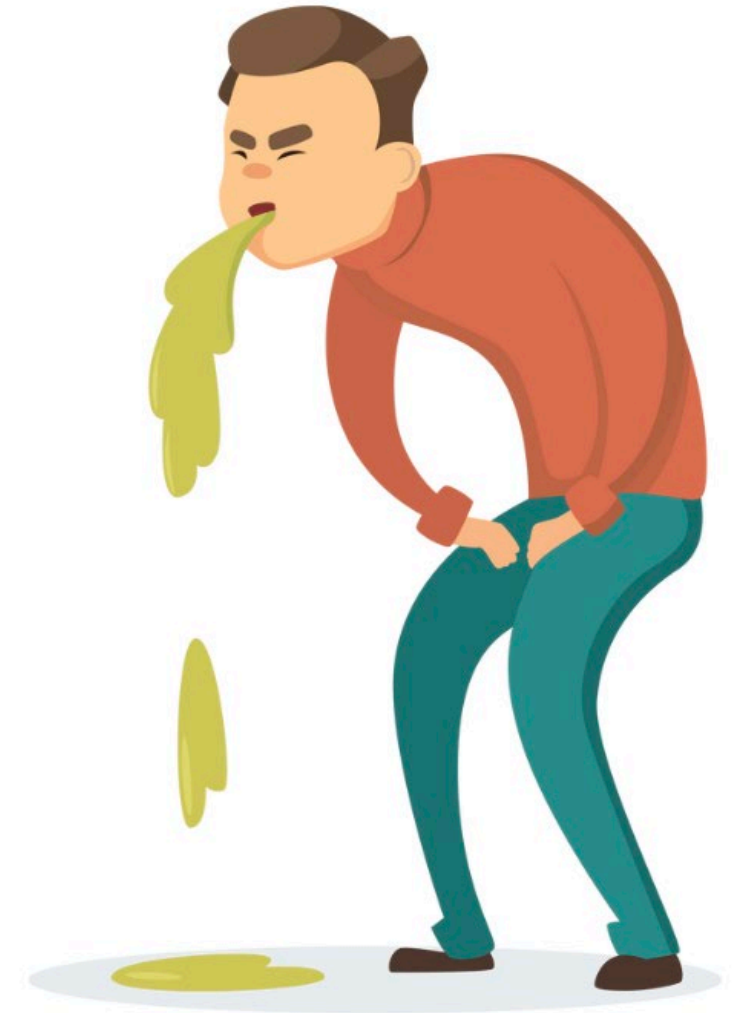
**Updated:** Monday, May 18th 2015, 7:40 PM EDT



<https://www.wfmj.com/story/28912552/source-of-ohio-botulism-cases-likely-was-potato-salad>

# Food Safety – why should I care?

- Food safety practices may be required
- Pathogens (bad germs) are naturally present in foods and the environment
- People can get sick from food
- Just because I am well-intentioned does not mean I can't get someone sick from the food I produce
- I can become sick from the food I produce
- Just because I have never previously gotten anyone ill from my food, does not mean it can't still happen
- My business could be shut down
- My reputation could be affected



“

Why do different kinds of foods have different requirements?

**Some foods, based on a variety of factors, have a greater likelihood of causing a foodborne illness than others.**

”



# Microbiological Food Spoilage

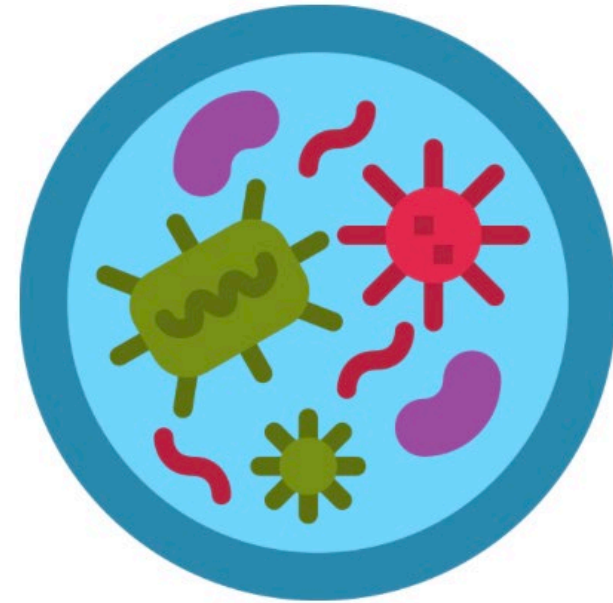
- Microorganisms can get onto a food product from anywhere in the environment
  - People, animals, dirt, insects, other surfaces
- Spoilage microorganism
  - Cause food to spoil but are not pathogenic
- Pathogens
  - Can cause illness



# What do we need to consider for food safety?

## FATTOM

- Food
- Acidity
- Temperature
- Time
- Oxygen
- Moisture



# Pathogens have Preferences





# FOOD FATTOM

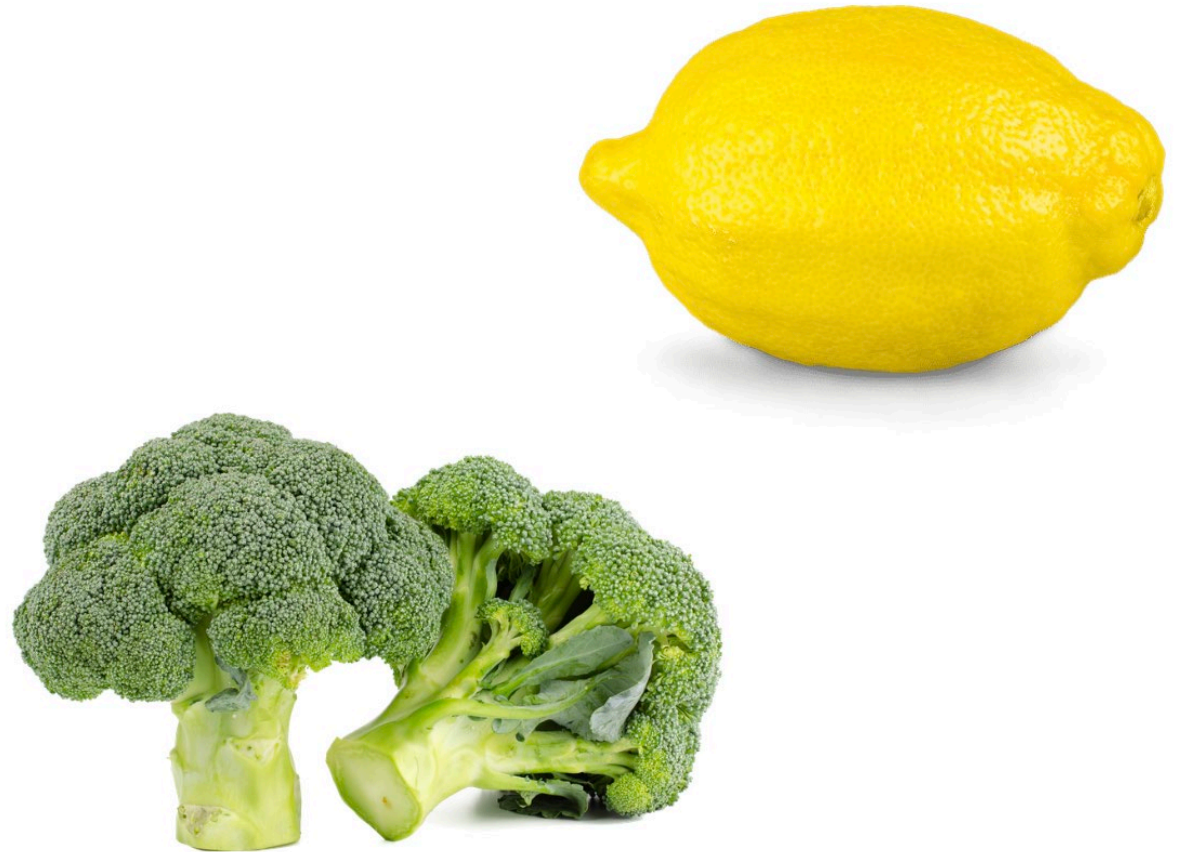
The make-up of the food (nutrients, especially protein) plays a role in whether microbial growth will be supported.



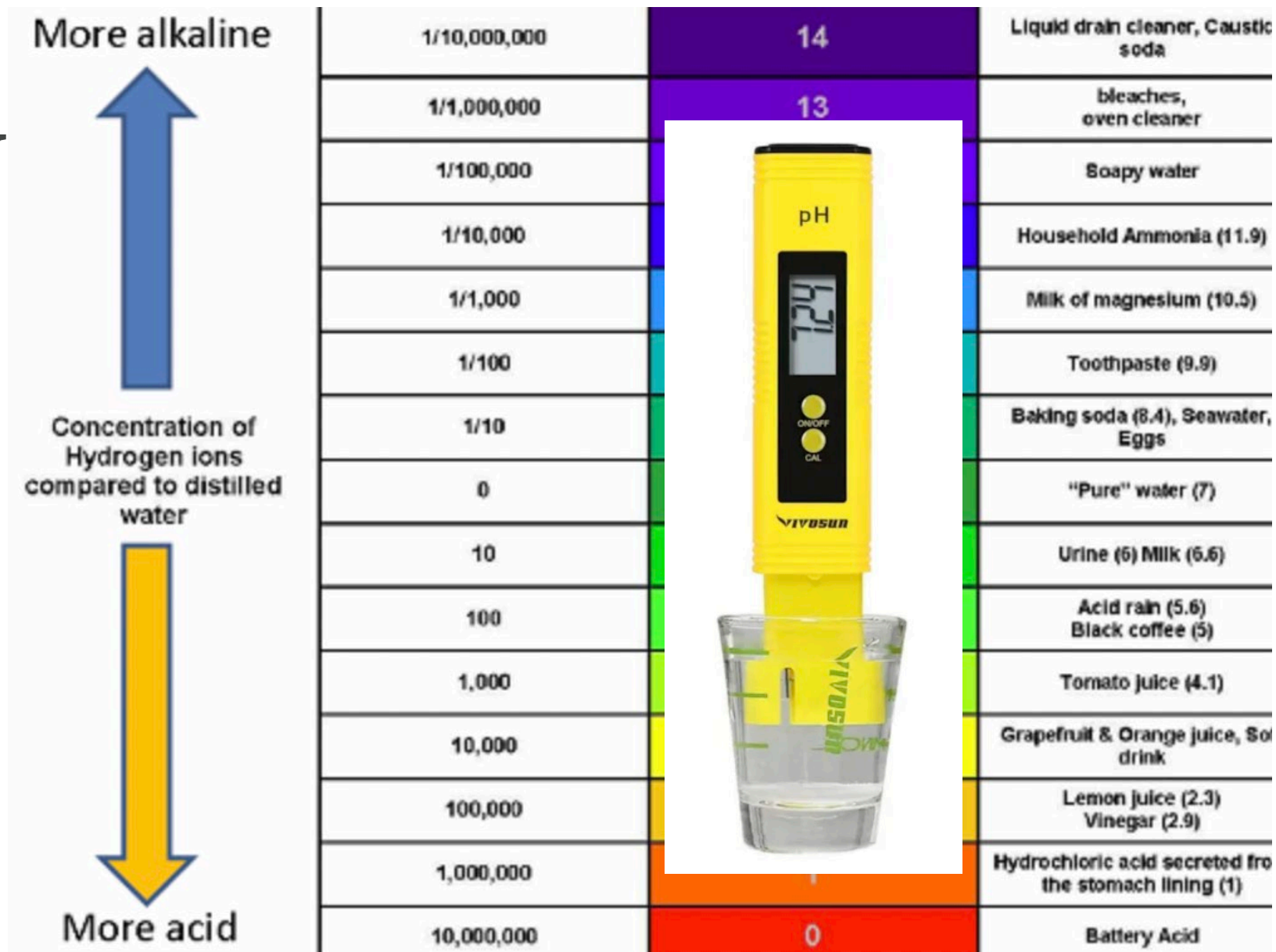
# ACIDITY

## FATTOM

The degree of acidity or alkalinity. Most bacteria will not grow below a pH of 4.6. A pH of 7 is neutral.



# ACIDITY



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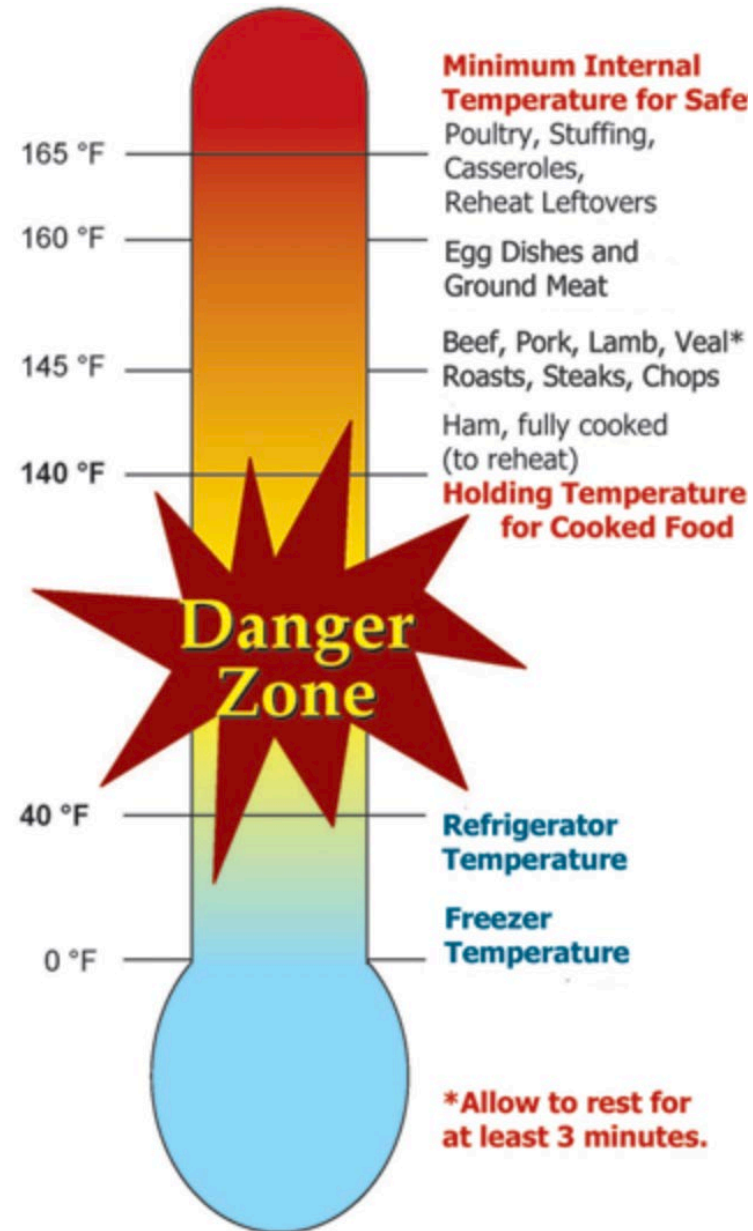
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Source: <https://www.clemson.edu/extension/food/canning/canning-tips/44what-is-ph.html>



# TEMPERATURE FATTOM

Keep hot foods hot and cold foods cold. Bacteria grow most rapidly in the temperature danger zone.



# TEMPERATURE

## FATTOM

Home-made pumpkin pie requires temperature control because it can support the growth of microorganisms if left at room temperature.



# TIME FATTOM

When low acid or high protein foods are left out at room temperature for too long, they can support the growth of microorganisms.



# OXYGEN

## FATTOM

Most foodborne pathogens are aerobic, meaning they need oxygen to grow.





# MOISTURE

## FATTOM

Moisture supports the growth of microorganisms.



## Water Activity

- Water activity ( $A_w$ ) is another way to control pathogens (including *C. botulinum*).
- The cut off for water activity is **0.85**.
- Food with a water activity below **0.85** will not allow for a spore to germinate and grow into a vegetative cell.

## Microorganisms and Minimum $a_w$ for Growth

Molds (e.g. Aspergillus) 0.75

Yeasts 0.88

C. botulinum 0.93

Staphylococcus aureus\* 0.85

Salmonella 0.93

# MOISTURE

## FATTOM

Water activity is the available water.





**KNOW THE HAZARDS:** There are four types of food safety hazards. Understanding them can help you pinpoint changes you can make to your workspace or processes.



### BIOLOGICAL HAZARDS

Bacteria, viruses, yeasts, molds, parasites—all those microorganisms we can't see, taste, or smell can cause disease and be life-threatening. (Salmonella and norovirus fall into this category.) Contamination comes from various sources including fecal matter, soil and water, and food handlers' poor hygiene.



### CHEMICAL HAZARDS

Harmful chemical substances can be naturally present in food, or intentionally or unintentionally added. For example, improperly storing or using cleaning agents or pesticides could cause food to be contaminated while it's being handled and prepared.



### PHYSICAL HAZARDS

Foreign objects that make their way into food products are physical hazards. These could be pits from fruit, metal flakes from opening cans, glass from a broken light bulb, or even jewelry. To reduce the risk of a consumer chipping a tooth (or worse), carefully examine canned products and fruit before using. Also, make sure your kitchen equipment is in good condition, with no loose parts.



### FOOD ALLERGENS

Food allergies occur when a person's immune system has an abnormal reaction to certain proteins in food. An allergic reaction can be mild, such as hives and swollen lips, or life-threatening. Common allergens that cause reactions are milk, eggs, fish, shellfish, tree nuts, peanuts, wheat, sesame, and soybeans. Whenever you're working with food, consider ways to manage allergens.

**Food safety is the thoughtful approach to the methods for handling, preparing, and storing food in ways that help prevent foodborne illness.**

# Home-based business food safety considerations



SOURCING



HYGIENE AND SANITATION



HANDLING AND PREPARATION



PROCESSING AND PACKAGING



STORAGE AND  
TRANSPORTATION

# Examples of food safety considerations

## Using Space Wisely

- Where are ingredients stored?
- Where is product prepared?
- Order of product preparation?
- Where is it stored?
- Designated sinks?

## Housing Dynamics

- How to manage pests?
- How to manage pets?
- How to manage other household members?



## Hygiene

- Change clothes?
- Does hair need to go up?
- Beard guard?
- Wearing jewelry?
- Long nails or nail polish?



# **Regulatory compliance**



“

**“I aimed at the public’s heart, and by accident I hit it in the stomach.”**

**Upton Sinclair**

”

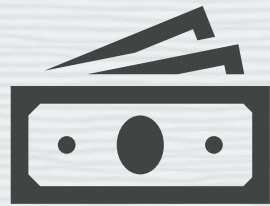


# Who Regulates Food?

## **ODA License and Registration – Food Safety Division**

- Bottling License
- Cannery License
- Cold Storage License
- Frozen Food License
- Home Bakery Registration
- Registration (food processing facilities and warehouses)
- Syrups and Extract License
- Wholesale Bakery Registration





# **Economic viability**



# Food Business Economics

## Understanding Costs

- Cost of Production
  - Overhead
  - Variable Costs
  - Per Unit Production
- Marketing Costs
  - Customer Acquisition
  - Ex. Advertising, Time
- Pricing Products
  - Profit Margin



Source: Meat and Poultry

# Cost of Production

## Overhead Costs - Can Be Difficult To Measure

- Utilities - Water and Electric
  - Often combined with home or farm
- Equipment
  - Do you have what's needed to be successful?
  - Cost to use vs Cost to replace
- Insurance
- Labor and Management - What is your time worth?
- Does Your Business Pay Rent?
  - Farm or Home Payments?
  - "Yardage"

# Cost of Production

## Overhead and Startup

- Marketing Costs
  - Cost to acquire customers
  - Labor Spent, Paid Advertising, Fuel
- Be efficient early - Build customer profile
- Build YOUR Brand

# Building a Brand

- Brand Identity
  - Identifying core mission, vision values (defining characteristics)
- Brand Promise
  - Delivering on that promise, QUALITY, local, etc.
- Brand Personality
  - Who you are in human terms, personal connection
- Brand Signals
  - Elements that are tangible (logo, colors, etc.)
  - Memorable, Recognizable, Brand recall



**BEEF.**  
IT'S WHAT'S FOR DINNER®

*pork*  
*Be inspired*



# Cost of Production

## Variable Costs - Cost to Produce and Sell Your Product

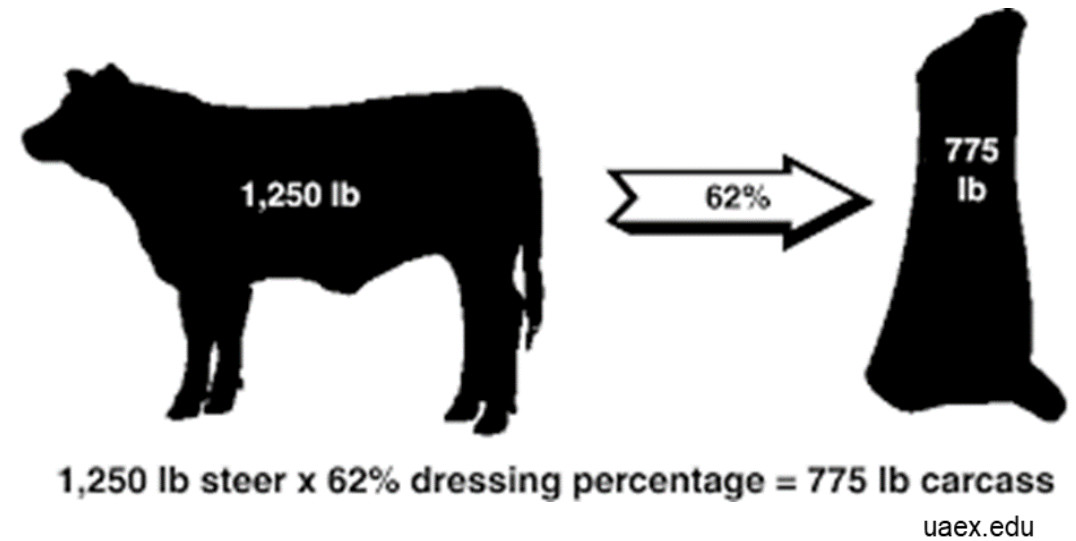
- What do you have to purchase?
  - Ingredients, Consumable Supplies, Feed, Seed, Packaging, etc.
  - Yield Loss - Waste
- Keep track of costs
- Develop a budget

[Company Name]		2021 Budget		
quickbooks		2020 Budget	2021 Budget	Difference
Total Income		\$	\$	
Total Expenses		\$	\$	
NET Income		\$	\$	
Income Sources		Budget	Actual	Difference
Operating Income				
Income source # 1		\$	\$	\$
Income source # 2				
Income source # 3				
Other				
Total Operating Income				
Non-Operating Income				
Interest income source		\$	\$	\$
Rental income source				
Other				
Total Non-Operating Income				
TOTAL INCOME		\$	\$	\$
Expenses		Budget	Actual	Difference
Operating Expenses				
Fixed Costs				
Office / store rent		\$	\$	\$
Phone bill				
Industry Licenses				
Payroll				
Insurance				
Total Fixed Costs				
Variable Expenses				
Advertising / marketing costs		\$	\$	\$
Research and development				
Utilities				
Professional fees				
Travel				
Maintenance and repairs				
Supplies				
Other				
Total Variable Expenses				
Non-Recurring Expenses				
Equipment		\$	\$	\$
Laptop				
Furniture				
Total Non-Recurring Expenses				
TOTAL EXPENSES		\$	\$	\$
Net Income Before Taxes				
Income Tax Expense				
NET INCOME		\$	\$	\$

# Pricing Product

## Meat Example

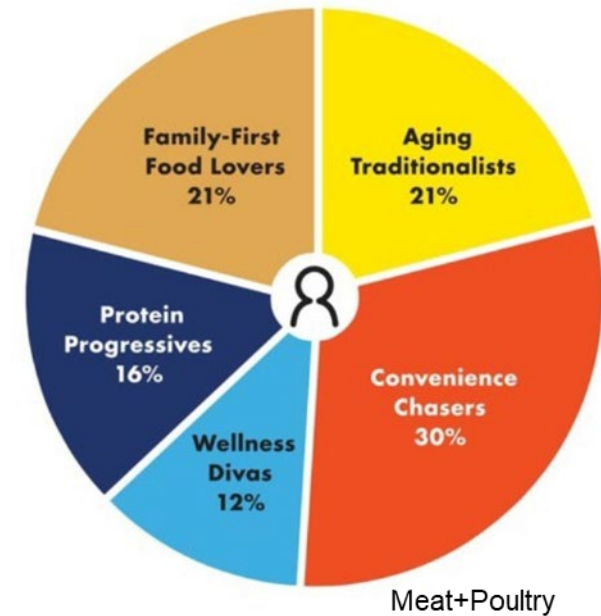
Cost/Value of Animal  
+ Feed Cost/Value  
+ Yardage (overhead costs, time, labor)  
+ Slaughter, Cut, Package, Label  
+ Transport  
+ Licenses/Fees  
+ Advertising  
= Breakeven/Yield = Avg. Price per Pound



# Profit Margin

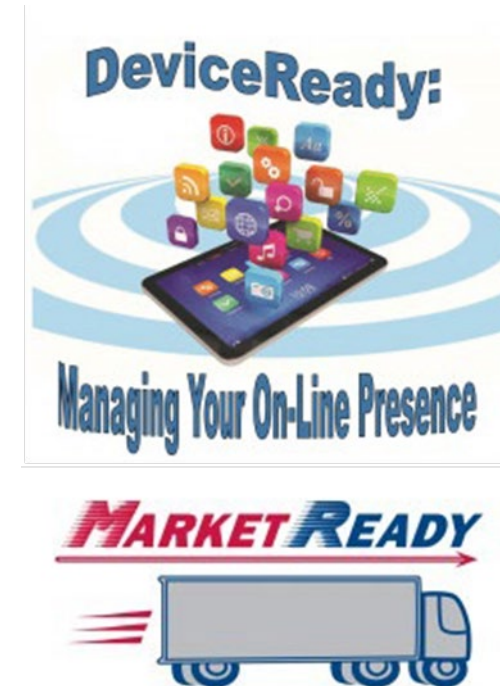
## Ways to Calculate

- For you to decide, we can help get you there
- % Margin that YOU are comfortable with
- Do some research on competitors, incl. commodities
- What will the market bear?
  - What does your customer profile say?
- Size and Scale Matter
  - \$2 Eggs???



# Marketing Help

- OSU Extension Resources
  - MarketReady
  - DeviceReady
- OSU South Centers
  - <https://southcenters.osu.edu/direct-marketing>
- Center for Cooperatives







# **Legal risk management**

# Managing food business legal risk ...

## FOOD PRODUCT LIABILITY

- Liability for producing or selling a “defective” food product that causes illness or death.

## COMPLIANCE LIABILITY

- Liability for failing to comply with applicable food safety, licensing, and labeling regulations.

## GENERAL BUSINESS LIABILITY

- Liability for business decisions, contracts, employees, taxes, premises... and more.

### HOW CAN YOU MANAGE THE RISK?

- Knowledge and implementation of food safety practices.
- Employee training.
- Food product insurance.
- Business entity choice.

- Knowledge of applicable food regulations.
- Licensing and inspection compliance.
- Food product insurance.

- Financial and economic knowledge.
- Legal start-up compliance.
- Business entity choice.
- Liability insurance.

# Managing legal risk: getting started

This is an introduction ~ some topics require more depth than our overview!



## 1. BUSINESS ENTITY FORMATION

Should you formalize your business as a Limited Liability Company (LLC)?



## 2. LEGAL START-UP

What local, state, and federal business filings, licenses, and permits do you need?



## 3. INSURANCE

What type of coverage do you need and where do you find it?

**What type of  
business entity is  
your food business?**



# 1. Business entity formation

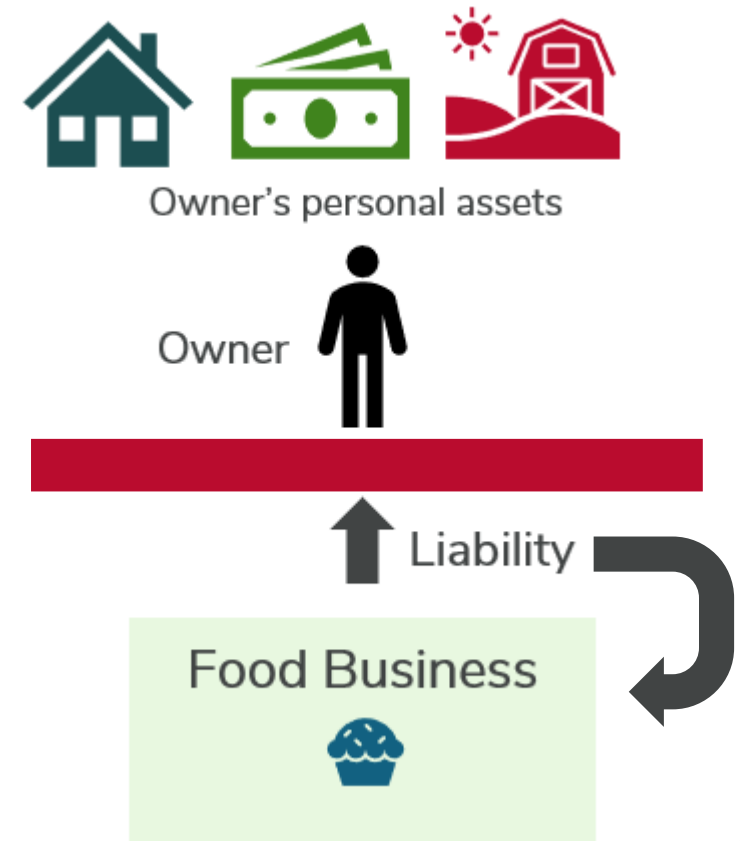
## *Should your food business be an LLC?*

- The LLC has become the “entity of choice” for businesses.
- A corporation or partnership is likely not as good a fit for a farm or food business... ease of operation and liability exposure are primary reasons.
- But you don’t have to be a formal entity like an LLC: you can operate as a “**sole proprietorship**.”
  - A sole proprietorship and its owner are one and the same, legally.
  - A sole proprietor is personally responsible for the sole proprietorship’s liabilities.
  - So... sole proprietors have more liability risk exposure for the business.
- Consult with your professional advisors first...

# 1. Business entity formation

## *Should your food business be an LLC?*

- An LLC doesn't completely "limit liability" or create complete immunity.
  - It separates business and personal assets and subjects only the LLC assets to the LLC's liabilities.
- But note: liability protection is not absolute.
  - There can be legal ways to "go after" non-LLC assets, especially if the LLC owner is at fault.
- If you have non-LLC assets you want to protect, an LLC can help protect them from LLC liability.
  - But good liability insurance is the best protection.



# **If you do want to be an LLC**

**You can form an LLC yourself,  
but an attorney can be helpful**

## SEARCH BY BUSINESS NAME

Business Name:

home bakery llc

All

Active

SEARCH

CLEAR

### SEARCH RESULTS

Name	Type
BHB - BETSY'S HOME BAKERY, LLC	DOMESTIC LIMITED LIABILITY COMPANY
COUNTRYSIDE HOME BAKERY LLC	DOMESTIC LIMITED LIABILITY COMPANY
GINGERBREAD HOME BAKERY LLC	DOMESTIC LIMITED LIABILITY COMPANY
MAYMUN HOME BAKERY LLC	DOMESTIC LIMITED LIABILITY COMPANY
OUR HOME BAKERY, LLC	DOMESTIC LIMITED LIABILITY COMPANY
SWEET HOME BAKERY LLC	DOMESTIC LIMITED LIABILITY COMPANY
SWEET LOU'S HOME BAKERY, LLC	DOMESTIC LIMITED LIABILITY COMPANY
SWEET SURRENDER HOME BAKERY LLC	DOMESTIC LIMITED LIABILITY COMPANY
TROYERS HOME BAKERY, LLC	DOMESTIC LIMITED LIABILITY COMPANY
VAL'S HOME BAKERY LLC	DOMESTIC LIMITED LIABILITY COMPANY

# Forming an LLC

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## 1. Name the LLC.

- An LLC must be “distinguishable on the records” from other registered businesses and must include “LLC”.

- Guide to name availability—Ohio Secretary of State (SOS).

<https://www.ohiosos.gov/businesses/information-on-starting-and-maintaining-a-business/guide-to-name-availability/>

- Search online for names already registered:

<https://businesssearch.ohiosos.gov/>

NOTE: You may also file a “trade name” (protected) or a “fictitious name” (not protected) to use a variation of the LLC name.



# Forming an LLC

CFAES

## 2. File Articles of Incorporation with the Ohio Secretary of State.

- Form 610, is online and can be filed online.
- Business name, address, and optional info: effective date, period, purpose.
- Must appoint a “statutory agent” who will receive legal process, notice, demands.
- \$99 filing fee.
- SOS will verify name is available and send certificate once approved for registration.
- Must keep statutory agent information up-to-date.

**STATE OF OHIO  
CERTIFICATE**

Ohio Secretary of State, Frank LaRose  
4298976

It is hereby certified that the Secretary of State of Ohio has custody of the business records for

THE COFFEE HALL LLC

and, that said business records show the filing and recording of:

Document(s)	Document No(s):
<b>DOMESTIC FOR PROFIT LLC - ARTICLES OF ORG</b>	<b>201905704572</b>
Effective Date: 02/26/2019	



United States of America  
State of Ohio  
Office of the Secretary of State

Witness my hand and the seal of the Secretary of State at Columbus, Ohio this 1st day of March, A.D. 2019.

  
Ohio Secretary of State

# An LLC must function as an LLC

*This is when working with an attorney is very important!*

- There is a danger of losing liability protection if the business is a “sham” and not functioning as an independent business.
- Develop an **Operating Agreement**.
  - Rules on how the business will operate.
  - Especially important when there are multiple members in the LLC and for transitioning the business.
- Maintain **separate** LLC banking accounts, records, insurance, tax filings.
- If you’re not willing to function as an LLC, perhaps you shouldn’t be an LLC?

# Managing legal risk: getting started



## 1. BUSINESS ENTITY FORMATION

Should you formalize your business as a Limited Liability Company (LLC), and what does that require?



## 2. LEGAL START-UP

What local, state, and federal business filings, licenses, and permits do you need?



## 3. INSURANCE

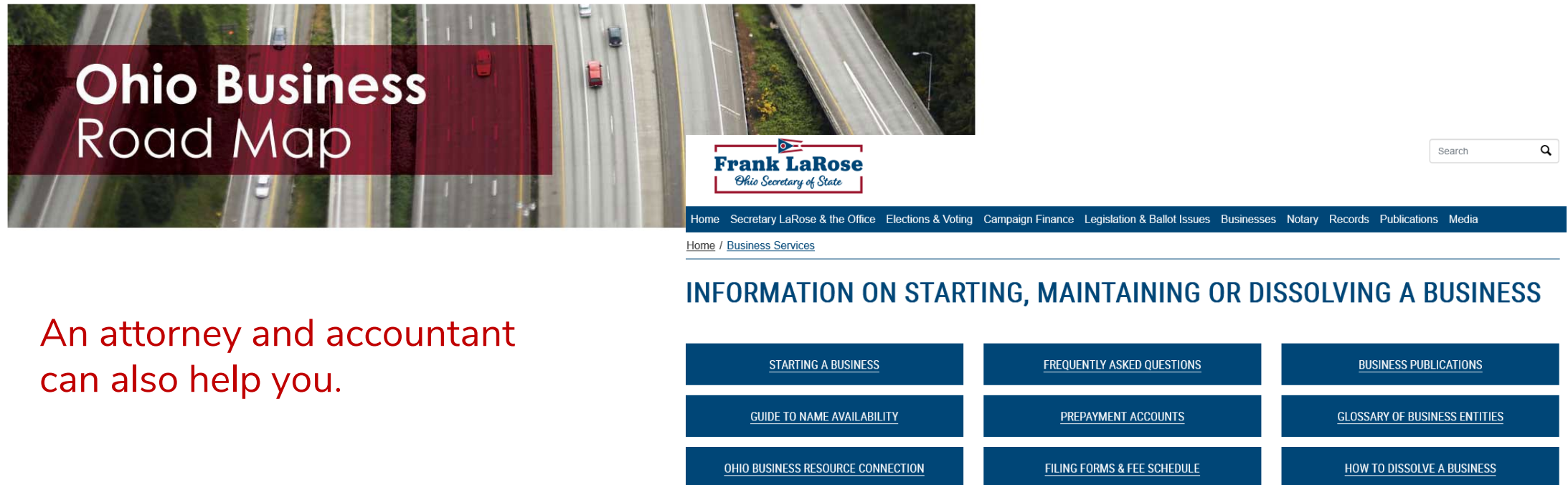
What type of coverage do you need and where do you find it?

## 2. Legal start-up

### *Ohio Secretary of State website resources*

<https://www.ohiosos.gov/businesses/information-on-starting-and-maintaining-a-business>

#### STARTING A BUSINESS



The screenshot displays the Ohio Secretary of State's website. At the top, there is a banner for the 'Ohio Business Road Map' featuring an aerial view of a highway. Below the banner is the Frank LaRose, Ohio Secretary of State, logo. A search bar is located on the right side of the banner. The navigation menu includes links to Home, Secretary LaRose & the Office, Elections & Voting, Campaign Finance, Legislation & Ballot Issues, Businesses, Notary, Records, Publications, and Media. Below the navigation menu, the breadcrumb trail reads 'Home / Business Services'. The main heading is 'INFORMATION ON STARTING, MAINTAINING OR DISSOLVING A BUSINESS'. Below this heading is a grid of nine blue buttons with white text, each containing a link to a specific resource.

**Ohio Business Road Map**

**Frank LaRose**  
Ohio Secretary of State

Search

Home Secretary LaRose & the Office Elections & Voting Campaign Finance Legislation & Ballot Issues Businesses Notary Records Publications Media

Home / [Business Services](#)

### INFORMATION ON STARTING, MAINTAINING OR DISSOLVING A BUSINESS

<a href="#">STARTING A BUSINESS</a>	<a href="#">FREQUENTLY ASKED QUESTIONS</a>	<a href="#">BUSINESS PUBLICATIONS</a>
<a href="#">GUIDE TO NAME AVAILABILITY</a>	<a href="#">PREPAYMENT ACCOUNTS</a>	<a href="#">GLOSSARY OF BUSINESS ENTITIES</a>
<a href="#">OHIO BUSINESS RESOURCE CONNECTION</a>	<a href="#">FILING FORMS &amp; FEE SCHEDULE</a>	<a href="#">HOW TO DISSOLVE A BUSINESS</a>

An attorney and accountant  
can also help you.

## 2. Legal start-up

### Register with Ohio SOS

- Unless you are a sole proprietorship using your personal name for the business.
- Filing as an LLC/corporation already is a registration.
- For others, register your business name as a “trade name” (protected) or “fictitious name” (not protected).
- Forms available online at <https://www.ohiosos.gov/businesses/filing-forms--fee-schedule/>

#### NAME REGISTRATIONS

##### TRADE NAME REGISTRATION FILING FORMS

Form Name	Fee	Form #
<a href="#">File Name Registration Online at Ohio Business Central</a> <a href="#">Download Name Registration (PDF)</a>	\$39.00	534A
<a href="#">File Trade Name or Fictitious Name Registration Update Online at Ohio Business Central</a> <a href="#">Download Trade Name or Fictitious Name Registration (PDF)</a>	\$25.00	524A
<a href="#">File Renewal Online at Ohio Business Central</a> <a href="#">Download Renewal (PDF)</a>	\$25.00	523A
<a href="#">File Change of Registrant Name Online at Ohio Business Central</a> <a href="#">Download Change of Registrant Name (PDF)</a>	\$25.00	558

##### FICTITIOUS NAME REGISTRATION FILING FORMS

Form Name	Fee	Form #
<a href="#">File Name Registration Online at Ohio Business Central</a> <a href="#">Download Name Registration (PDF)</a>	\$39.00	534A
<a href="#">File Trade Name or Fictitious Name Registration Update Online at Ohio Business Central</a> <a href="#">Download Trade Name or Fictitious Name Registration Update (PDF)</a>	\$25.00	524A
<a href="#">File Renewal Online at Ohio Business Central</a> <a href="#">Download Renewal (PDF)</a>	\$25.00	523A
<a href="#">File Change of Registrant Name Online at Ohio Business Central</a> <a href="#">Download Change of Registrant Name (PDF)</a>	\$25.00	558



## 2. Legal start-up

### Obtain a federal Employer Identification Number (EIN)

- Your identification for tax purposes.
- Watch out for websites that try to charge you for this--**don't use them!**
- Go to the IRS site at **www.irs.gov** and file online **at no cost.**



[File](#)
[Pay](#)
[Refunds](#)
[Credits & Deductions](#)
[Forms & Instructions](#)

[Home](#) / [File](#) / [Businesses and Self-Employed](#) / [Small Business and Self-Employed](#) / [Employer ID Numbers](#)

## Employer ID Numbers

[English](#) | [Español](#) | [中文\(简体\)](#) | [中文\(繁體\)](#) | [한국어](#) | [Русский](#) | [Tiếng Việt](#) | [Kreyòl ayisyen](#)

Individuals

Businesses and Self-Employed

Small Business and Self-Employed

**Employer ID Numbers**

Business Taxes

Reporting Information Returns

Self-Employed

Starting a Business

Operating a Business

Closing a Business

Industries/Professions

Small Business Events

Online Learning

Large Business

Corporations

Partnerships

Alert

You must complete each EIN application individually instead of using any automated process.

An Employer Identification Number (EIN) is also known as a Federal Tax Identification Number, and is used to identify a business entity. Generally, businesses need an EIN. You may apply for an EIN in various ways, and now you may [apply online](#). **This is a free service offered by the Internal Revenue Service and you can get your EIN immediately.** You must check with [your state](#) to make sure you need a state number or charter.

- [Do You Need an EIN?](#)
- [Do You Need a New EIN?](#)
- [How to Apply for an EIN](#)
- [How Long Will it Take to Get a Number?](#)
- [Lost or Misplaced Your EIN?](#)
- [How EINs are Assigned and Valid EIN Prefixes](#)
- [Canceling an EIN - Closing Your Account](#)
- [What to Do if You're Assigned an EIN You Did Not Request](#)
- [Who is a Responsible Party?](#)
- [Report EIN Identity Theft](#)

Apply for an EIN Online

Check out our Interview-style online EIN application. No need to file a Form SS-4! We ask you the questions and you give us the answers. The application includes embedded help topics and hyperlinked keywords and definitions so separate instructions aren't needed. After all validations are done you will get your EIN immediately upon completion. You can then download, save, and print your

Related Topics

- [Taxpayer Identification Numbers \(TIN\)](#)

Publications

- [Publication 1635, Employer Identification Number Understanding Your EIN \(PDF\)](#)

Forms

- [About Form 8822-B, Change of Address or Responsible Party - Business](#)

Video

- [EIN Video](#)

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## 2. Legal start-up

### Open a bank account in the business name

- Your lender will want your EIN for the account.
- If a sole proprietorship, a bank may allow you to use your “tax identification number,” i.e., your social security number.
- This is a good time to set up your separate business records also.

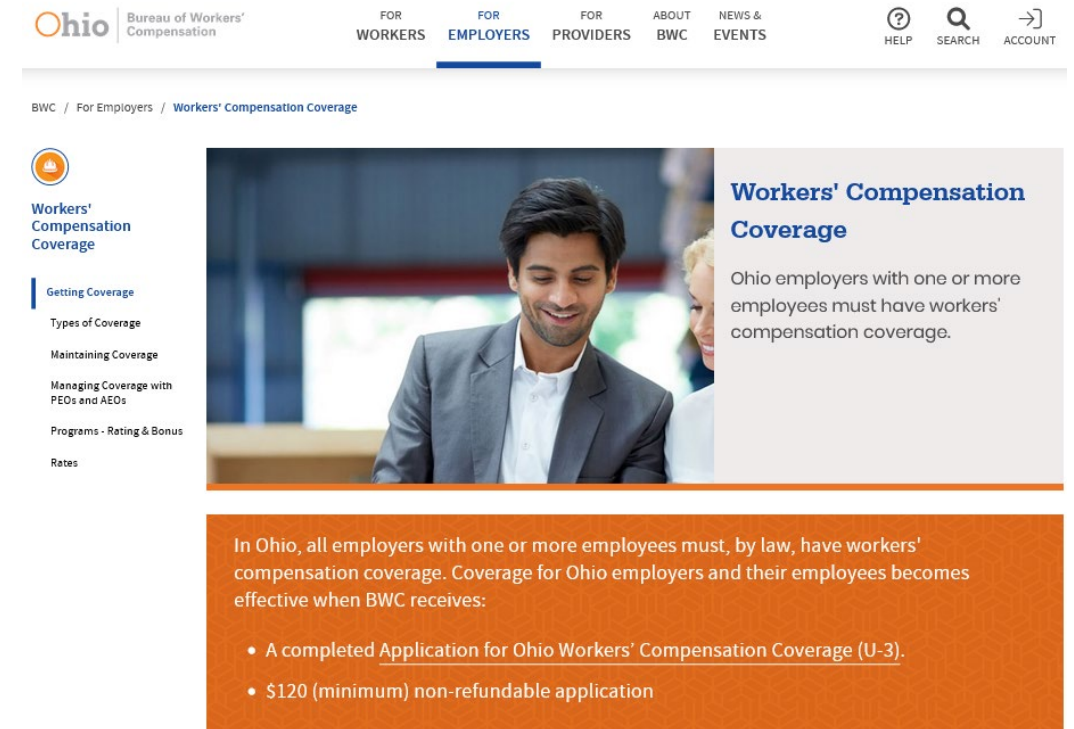
### You may need a Vendor’s license from the Ohio Department of Taxation

- For sales tax collection and payment non-food items and food consumed on-site.
  - **But note** that there is no sales tax on “**food for human consumption off the premises where sold.**”
- File and pay online at [tax.ohio.gov/business](https://tax.ohio.gov/business).
- \$25 registration fee.

## 2. Legal start-up

### Identify your employer responsibilities

- Reporting of new hires, tax withholding, FICA, self-employment tax, and Workers Compensation requirements.
- For self and employees.
- Differs from laws for agricultural employees hired for farm-based labor!
- Details are beyond the scope of our program today...
- Government websites, attorneys, and payroll/accounting service can provide helpful guidance.



The screenshot shows the Ohio Bureau of Workers' Compensation website. The header includes the Ohio logo, the text "Bureau of Workers' Compensation", and navigation links for "FOR WORKERS", "FOR EMPLOYERS" (which is highlighted), "FOR PROVIDERS", "ABOUT BWC", and "NEWS & EVENTS". There are also icons for "HELP", "SEARCH", and "ACCOUNT". Below the header, the breadcrumb trail reads "BWC / For Employers / Workers' Compensation Coverage". The main content area features a large image of a smiling man in a suit. To the left of the image is a sidebar with the "Workers' Compensation Coverage" logo and a list of links: "Getting Coverage", "Types of Coverage", "Maintaining Coverage", "Managing Coverage with PEOs and AEOs", "Programs - Rating & Bonus", and "Rates". To the right of the image, the heading "Workers' Compensation Coverage" is followed by the text: "Ohio employers with one or more employees must have workers' compensation coverage." Below this, an orange box contains the text: "In Ohio, all employers with one or more employees must, by law, have workers' compensation coverage. Coverage for Ohio employers and their employees becomes effective when BWC receives:" followed by two bullet points: "• A completed Application for Ohio Workers' Compensation Coverage (U-3)." and "• \$120 (minimum) non-refundable application".

## 2. Legal start-up

### Determine other licensing and permitting requirements

- Our next webinar will address **food licenses and regulations**.
- Check local **zoning and building** permit requirements.
  - For non-ag food activities in home, check for “home-based business” or “home occupation” requirements. Some of these don’t allow retail sales at the home.
  - If constructing a building or structure, building permit might be necessary unless it’s an agricultural building supporting an agricultural land use.

#### Home-Based Business Zoning Regulations

If you live in Avon Lake and you run a small business out of your home, you do not need a zoning permit. You just need to abide by the Home Occupancy Regulations that the City has adopted.

#### 1240.07 Home Occupancy Regulations

The purpose of this section is to set forth regulations which control the establishment and operation of home occupations. The intent of these regulations is to control the nonresidential use of a residential dwelling unit so that the nonresidential use is limited to an accessory use, and does not in any manner whatsoever disrupt or alter the residential character of the neighborhood in which it is located. Compliance with the regulations contained in Sections 1240.07(a) through (j) should result in all home occupations being located and conducted in such a manner that their existence is not detectable in any manner from the outside of the dwelling unit.

# Managing legal risk: getting started



## 1. BUSINESS ENTITY FORMATION

Should you formalize your business as a Limited Liability Company (LLC)?



## 2. LEGAL START-UP

What local, state, and federal business filings, licenses, and permits do you need?



## 3. INSURANCE

What type of coverage do you need and where do you find it?



## 3. Insurance

*A fantastic tool for managing risk but...*

1. A **homeowner's policy** is not likely to cover a home-based or farm-based business.
  2. A general **farm liability policy** might not cover direct marketing of food products.
  3. These policies might **explicitly exclude** such coverage.
- Discuss your current policy with your provider!
  - You will likely need additional coverage (an amendment, addendum, or rider) or a separate policy.
  - Does your current provider offer additional coverage?
  - Should you shop for a new policy?
    - Consult with similar businesses and your business association to find coverage, and internet searches can also help.
    - New options for food product insurance continue to evolve and rates can vary, so your research can pay off.

# 3. Insurance

## *Coverage considerations*

- Needs to review with your insurance provider:
  - Home-based business coverage
  - Food product liability
  - Equipment
  - Customers coming onto the property
  - Advertising claims
  - Transporting goods
  - Farmer's market sales

### OHIO FOOD LIABILITY INSURANCE

During the 19th century, Cincinnati was known as "porkopolis" because of the hog industry, so it's no wonder that the Buckeye State was the first place in the world to produce a hot dog. Ohio is famous for strawberry festivals, the Circleville Pumpkin Festival, and the Marion Popcorn Festival.

If you operate a food business in Ohio, the Food Liability Insurance Program (FLIP) can help you protect your business with comprehensive general liability insurance.

#### We provide coverages for:

- food vendors
- food trucks
- caterers
- bakers
- food carts
- farmers markets
- food festivals
- commercial kitchens

# Managing food business legal risk ...

## FOOD PRODUCT LIABILITY

- Liability for producing or selling a “defective” food product that causes illness or death.

## COMPLIANCE LIABILITY

- Liability for failing to comply with applicable food safety, licensing, and labeling regulations.

## GENERAL BUSINESS LIABILITY

- Liability for business decisions, contracts, employees, taxes, premises... and more.

### HOW CAN YOU MANAGE THE RISK?

- Knowledge and implementation of food safety practices.
- Employee training.
- Food product insurance.
- Business entity choice.

- Knowledge of applicable food regulations.
- Licensing and inspection compliance.
- Food product insurance.

- Financial and economic knowledge.
- Legal start-up compliance.
- Business entity choice.
- Liability insurance.

“

**This is a beginning.  
Legal risk management is an ongoing  
process that requires vigilance.**



**“One thing I always say is being a great chef today is not enough –  
you have to be a great businessman.”**

**Wolfgang Puck**

”



# Follow up information

CFAES

- Watch for an e-mail with resources related to today's webinar
- Find a recording of this webinar in the Farm Office website Food Law Library at [farmoffice.osu.edu](http://farmoffice.osu.edu) or [go.osu.edu/startingafoodbusiness](http://go.osu.edu/startingafoodbusiness)

## Starting a Food Business

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## Starting a Food Business

What you need to know about selling your home-based and farm-raised foods

Recordings of our 2023 Starting a Food Business Webinar Series





**CFAES**

# Starting a Food Business

Join us next month for

## Selling Home-Based Foods

Tuesday, February 28

7:00 PM

We will cover:

- Food product development
- Ohio's Cottage Food and Home Bakery laws
- Requirements for selling canned foods



THE OHIO STATE UNIVERSITY  
EXTENSION