

The Microbusiness Stage

Sales under \$25,000 per year

What is the microbusiness stage?

This stage is where you will learn how to make a commercial product.

By the microbusiness stage, you should have determined that opening a food business is achievable. The next step is to create a business plan. Your business plan will help you list all the steps needed to grow a successful food and beverage business and identify the resources you'll need. Refer to the [Facts on Starting a Food Business](#) fact sheet to learn more.

Licensing and Permit Requirements

The Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) administers and enforces acts and regulations that apply to food processors that produce and distribute agri-food products for sale only within Ontario. These products include [meat](#), [fish](#), [dairy](#), [eggs](#) and foods of plant origin (fruit and vegetables, sprouts, culinary herbs, nuts, edible fungi, maple and honey products.) Depending on your activities you may need a license to sell meat, fish, dairy or egg products. Processors of apples, asparagus, grapes, potatoes, tender fruit or vegetables may need to be licensed under the *Farm Products Marketing Act*. For more information see [Processor/Dealer Licence](#).

All other products produced and distributed for sale within Ontario are regulated under the [Food Premises Regulation](#) and enforcement is carried out by the local [Public Health Unit](#).

If you plan to export or trade food inter-provincially contact the Canadian Food Inspection Agency (CFIA) for requirements under the *Safe Food for Canadians Act* and Regulations. Some of the traceability,

labelling, advertising and grading provisions can apply to foods sold within Ontario. For more information refer to the CFIA's [Understanding the Safe Food for Canadians Regulations: a handbook for food businesses](#).

Preparing Your Product

When preparing your product, you will need to use a site that is approved and inspected for food preparation. Many start-up food and beverage entrepreneurs begin production using an inspected church, community centre or municipal food incubator kitchen. (See the Resources section for locations.)

Alternatively, you can lease or purchase an existing building or construct a new one. Ensure the site that you select is zoned for the type of food production business you are undertaking. Check with the local municipality and public health unit for applicable zoning and municipal by-laws, permits and plan requirements.



All food premises are subject to the requirements of the [Health Protection and Promotion Act](#) (HPPA). Home-based food businesses that prepare only low-risk foods are exempt from certain regulatory requirements of the Food Premises Regulation. Low-risk food items are generally considered non-hazardous and do not require time and temperature control. Refer to the Ministry of Health's [Guide to Starting a Home-based Food Business](#).

You are required to contact your local Public Health Unit where your food business will be located to let them know you are a new food operator. Application forms are often located on your public health unit's website.

Product Labelling

There likely will be labelling requirements to sell your product and depending on what your product is, there may be both provincial and federal regulations. The CFIA has developed an [Industry Labelling Tool](#), available on their website. This labelling reference tool can be used by anyone who is required to have a food label on their product in Canada.

At this stage, you may label your products by hand. It is recommended that you review information on CFIA website regarding nutrition labelling exemptions, to find out if you are exempt from having nutrition details on your labels. [Nutrition labelling exemptions](#) can be found on the CFIA website.

Product Sales

Food and beverage products tend to be sold at seasonal craft events, farmers' markets, local specialty food stores or online. Some microbusinesses have a market booth a few days a week or sell through roadside farm stands. To ensure that you comply, it is recommended that you check with the local municipality before setting up a roadside stand at a specific location.

Difference between Product Cost and Product Price

Product cost is the sum of all of the costs you incur to manufacture your product. As a new start-up business, you need to be prepared for any unforeseen costs. Product price is your final selling price of your product. Once you have set your retail price point, you will no longer be able to change the price.

The retail price of your product should be based on your product costs and what your customers are willing to pay. The cost of packaging (including labeling) and ingredients for successful microbusinesses generally ranges between 20 to 40 per cent of the product's selling price. The remainder of the sale price after the cost is paid is called the gross margin.

Example, a bottle of jam priced at \$9 may cost between \$1.80 and \$3.60 to make, leaving a gross margin that will range between 80 and 60 per cent respectively.

Operational Costs

These include the rent you pay on the space you use for production as well as financing, utilities and transportation costs. Remember to keep good records using either a software program or the services of an accountant.

Product Development

Farmers' markets and specialty stores are excellent test market venues. A microbusiness needs to ensure their product meets all requirements before being sold including regulations, shelf life, and consumer acceptance. A product or product line that gets repeat customers and grows in demand over an 18-to-24-month period may mean you are ready to move to the next growth stage. Some products may take longer to develop than others.

Getting to the next phase

When growing your business to the next level, you could face several challenges, including:

- Needing more help with labour as sales grow
- Needing capital to lease or buy space and processing equipment
- Hiring staff for management and other role specializations
- Focusing on your product costing model to ensure a healthy gross margin

With a good product, effective marketing, and strategic leadership, your microbusiness can thrive.

Typically, this is the stage where you continue to improve your packaging and labels and look at ways to expand your market. For some entrepreneurs this is the perfect size of business. It provides independence with a modest income.

Resources

Commercial Kitchens

- [Foodstarter](#) (used to be The Toronto Food Business Incubator (Toronto))
- [Commis Culinary Work Space](#) (St. Catharines, Niagara Region)
- [Kitchen Collective](#) (Hamilton)
- [The Ottawa Incubator Kitchen](#) (Ottawa)
- [Manning Canning Kitchens](#) (Toronto)
- [Ontario Agri Food Venture Centre](#) (Northumberland): also have dry, frozen, cold & tempering storage and packaging services
- [The Mount Community Centre](#)
- [Alimentary Initiatives - Kitchens to Rent by the Hour](#)

Starting a New Business

Ontario Small Business Enterprise Centres

Get help writing your business plan, doing your research, or developing the skills you need to be a business owner.

- www.ontario.ca/page/small-business-enterprise-centre-locations

Ontario Small Business Access

Get support, information and advice to run your small business.

- www.ontario.ca/page/small-business-access

Indigenous Business Development Toolkit

Provides business development supports, tools and information to help start and operate a successful business.

- www.ontario.ca/document/indigenous-business-development-toolkit

Starting a Business in Canada

Learn about the steps to consider before operating a business in Canada.

- www.canada.ca/en/services/business/start.html

Community Futures Development Corporations

Obtain support, financing and assistance with strategic planning for rural Ontario businesses

- www.cfontario.ca/index.php

Waubetek Business Development Corporation – Investing in the Aboriginal Business Spirit

- www.waubetek.com

Online Business Canada

- [Checklist: How to Start an Online Store \(eCommerce Business\) in Canada](#)





Check out our other business resources:

- Is Entrepreneurship Right for You?
- Key Components of a Business Plan
- Co-packing Your Product

Subscribe to Monthly Food Bulletins

Subscribe to OMAFRA's monthly [Food Bulletin](#) and find information on the latest food and beverage manufacturing funding programs, consultations, regulations, events, training and more.

For more information, contact the Agricultural Information Contact Centre at 1-877-424-1300 or by email: ag.info.omafra@ontario.ca.