

Facts on Starting a Food Business: Co-packing your product

Co-Packing Your Product

Before you consider co-packing your product, it's important that you make the product on a small scale first. A food incubator or a commercial kitchen may be the place to start. For larger production quantities co-packing might be appropriate.

If you already have your product and business plan ready and/or have outgrown your incubator or commercial kitchen and are ready to scale up, you may want to outsource the manufacturing process.

A co-packer, or contract manufacturer, is an established food manufacturer that processes and packages your product according to your specifications within their facility for a fee. Co-packing has become an important competitive advantage for food businesses as it provides for operational efficiencies. In the current economic climate, co-packing has become increasingly popular as a means of fulfilling large projects without taking on extra staff and equipment.



Advantages to Co-Packing

There are definite advantages to using a co-packer such as:

- maintain product consistency and costs
- you don't have to raise the capital or invest in manufacturing capacity
- co-packer maintains the plant and keeps the equipment up-to-date
- benefit from co-packer's manufacturing expertise
- access to trained production personnel and ongoing technical support
- more efficient, better quality control and reduced start up time
- you set the manufacturing pace that matches your market's needs
- allows you to focus on other aspects of your business

Establishing Your Criteria for a Co-Packer

Before contacting potential co-packers, define your specific needs. Consider:

- level of food safety standards and certificates
- special requirements (i.e. gluten-free, nut-free etc.)
- price you are willing to pay for their services
- quality that must be maintained
- volume you need produced
- distribution and delivery methods required
- your level of involvement in manufacturing
- timing of your needs
- availability of warehousing
- any specialized equipment required
- Intellectual Property (IP) rights and ownership

What's in a Contract?

Once you have selected a co-packer putting a successful contract in place is the next step. This will ensure that you, the brand owner, and the co-packer achieve the best manufacturing outcome. Make sure you have protections and solutions in place to ensure your product is being produced to your specifications at a reasonable cost. Your contract should provide you assurance that you have legal recourse if something happens to go wrong. Due to the complexity, it is recommended you consult legal counsel, preferably with food and beverage experience, prior to entering into any agreement.

At a minimum make sure your contract covers:

- product quality, safety, recall and delivery
- formula protection and ingredient specifications
- cost agreement
- minimum orders
- what, if any, tolerance you have for deviations from your product specification document

Where to look for Co-Packers

Ask your network of food industry insiders for their recommendations on co-packers. Contact food industry associations for their recommendations.

Some brand owners or food and beverage businesses with specialized products may not find a local co-packer. Options for such a case include going out of province/country (special permits may be required) or setting up your own facility.

Checklist of Questions to Ask a Co-Packer

- ✓ Will you sign a confidentiality agreement?
- ✓ Can you develop more than one costing option to produce my product?
- ✓ What is your minimum production run?
- ✓ What are your packaging capabilities? e.g., glass, plastic, cartons?
- ✓ Can my labels run on your equipment?
- ✓ Will you purchase and manage my ingredients and packaging inventories?
- ✓ Do you possess the necessary equipment that can manufacture my product to the necessary specifications?
- ✓ How will you handle "emergency" product demands or recalls?
- ✓ What program do you have in place for quality assurance?
- ✓ What certifications does your facility have?
- ✓ Do you co-pack similar products to mine?
- ✓ Who owns the product formulas?
- ✓ How is packaging inventory and replenishment managed?
- ✓ If packaging is damaged in the co-packer's facility, who bears the cost of write-offs?

Resources

Co-Packer

- OMAFRA - Steps to Choosing a Co-Packer
www.omafra.gov.on.ca/english/food/industry/bdb-start/threestep-copacker.html
- Questions to Ask a Food Co-packer
www.thebalancesmb.com/questions-to-ask-a-food-copacker-1326037
- Birgit Bain – Co-Packer Relationships
bbandassoc.com/partnering-co-packers/
- Canada Co-Packers: Want to Sell Your Salsa, Preserves, Jams, Etc.? Learn About Using a Co-Packer to Prepare It!
www.pickyourown.org/copackers-Canada.php

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/

Food and Beverage

- OMAFRA – Guide to Food and Beverage Manufacturing in Ontario
www.omafra.gov.on.ca/english/food/business-development/guide.pdf
- OMAFRA - Ontario's Food and Beverage Industry
www.omafra.gov.on.ca/english/food/investment/learn-about-fb-ind.html
- OMAFRA - Starting a Cidery in Ontario
www.omafra.gov.on.ca/english/food/business-development/brewery-guide.pdf
- OMAFRA - Starting a Winery in Ontario
www.omafra.gov.on.ca/english/busdev/facts/startingawinery.pdf
- Agriculture and Agri-Food Canada – Processed Food and Beverage Sector
<https://agriculture.canada.ca/en/canadas-agriculture-sectors/food-processing-industry>
- Canadian Manufacturing: Food & Beverage
www.canadianmanufacturing.com/industry/food-and-beverage/
- George Brown College - Food Innovation Research Studio (FIRSt)
www.georgebrown.ca/partnerships/work-with-an-academic-division/george-brown-hospitality-culinary-arts/food-innovation-research-studio-first

Subscribe for 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.

www.omafra.gov.on.ca/english/new/comm-bulletins-form.htm

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

Ask about our other business resources:

- Is Entrepreneurship Right for You?
- Key Components of a Business Plan