



## Developing a Specialty Food Business: Penny and Vince Granberg, Rose Lane Farm, Oakley, CA

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This case study of the development of Penny and Vince Granberg's specialty food business was prepared to help new specialty food producers understand the planning and steps involved in starting a specialty food business. It includes an overview of the business, and reviews the start-up process and the Granberg's processing, marketing, financial management, business management and regulatory compliance issues. It concludes with advice from Penny Granberg for others who have a small specialty food business or are considering developing one.

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### ***Business Overview***

Penny and Vince Granberg bought 5 acres in Oakley in Contra Costa County in 1987 and planted walnuts and almonds, then fruit trees and tomatoes, flowers and vegetables. Neighbors and the farm advisor told them that the soil was class four and would not grow anything. They needed sand to amend the soil, so got a pool installer to give them lots of sand he excavated. They got lots of horse manure from a neighbor as another amendment. A local beekeeper keeps some hives on the property.

The Granbergs started selling at local farmers' markets about 1995, when they had enough nuts and flowers to sell. They planted tomatoes between the widely spaced walnut trees, roses along the driveway, and onions and other crops under the trees, and added fruits and vegetables to their market mix. When there was too much fruit by the early 2000s, Penny started making jam. She got a cottage food permit from Contra Costa County's Environmental Health Department in 2013, and began



producing the jams as a Cottage Food Operation (CFO). In September, 2013, she submitted a Processed Food Registration Application to the California Department of Public Health (CDPH). She then obtained a Cannery License from CDPH in January 2014 that allowed her to begin producing pickles, relishes, BBQ sauce and salsas.

Before becoming a CFO, Penny produced jams at a restaurant in Martinez, which was a county-inspected commercial kitchen. She sold a variety of jams at her antique store, and then at the farmers markets starting in 2011 (Penny sold the antique store in 2005.) After Penny got her cannery license in January 2014, she began producing these acidified products: sweet pickle relish, pickled beets, green salsa, red salsa, tomato basil pasta sauce, BBQ sauce, Chowchow relish, hamburger relish, spicy dill beans, bread and butter pickles, and dill pickles.

The Granbergs have no wholesale accounts for specialty foods. All the products sell out at farmers' markets. The couple currently sell at five summer markets and two winter markets. All of the specialty foods are sold under the Rose Lane Farm brand name.

### ***Mission, vision and business philosophy***

The Granbergs have no formal mission or vision statement. They believe in integrated pest management, sustainability, and growing old-fashioned varieties. They don't like food additives, and rely on their crop's natural flavors and their wholesome personas to sell their specialty food products

### ***Start-up inspiration, education and planning***

Penny and Vince had too much soft fruit left over after farmers' markets, so they wanted to do something with it. Also they sought to have something on their farmers' market tables when the other products ran out. They are always looking for something new to offer their customers.

Penny's ex-mother-in-law taught her how to preserve food. Her great-grandmother homesteaded near Merced and used to put up lots of food. Penny's mother was a nutritionist.



Penny studied and taught Home Economics, and used to teach food preservation to 4-H students. She started with her grandmother's jam recipe for the most part – one cup fruit to one cup sugar, but varies the amount of pectin by product.

Penny did not write a business plan. She and Vince work by trial and error. Penny says, "I believe in starting small with things to see if they work out. If we sold out of a product at the markets early last year, we make 25 or 50 percent

more this year." Penny and Vince talk at the end of each market day to decide together what to do next and what changes to make in the business.

### **Starting Production**

The first commercial production run really wasn't any different from the home canning recipe. They produced their apricot and the three-berry jams first. They started with single batches – about 11 jars at a time. They found that some fruits are hard to get to jell, particularly blueberries. The jams were easy to sell at farmers' markets. Penny said, "We were amazed that people would actually buy that much." They charged \$5 for a pint jar.

The major startup items the Granbergs purchased were thermometers, timers, special kettles, big aluminum pots and large plastic covered tubs for transporting their equipment. Their startup costs totaled about \$2,000. They needed an extra freezer that cost \$900. The Food safety class cost \$200. The required Better Process School (for the cannery license) was \$400. The Granbergs did not need any outside financing to start their specialty food business.



CDPH's fees were a surprise to Penny. CDPH must inspect each batch of acidified product before it can be released for sale; its inspection fee is based on an hourly charge, from the time the inspector leaves the office until he/she returns to the office. Penny commented, "When fees are \$1.00 per jar, you need to be efficient or have more jars per inspection batch." She had to learn to set up for the inspector to decrease the inspector's time.

Penny was also surprised by the cost of needed equipment. The pH meters cost about \$150 dollars, and a test solution is also needed for the pH testing.

### **Current Processing Operations**

The facility that the Granbergs now use as their county-inspected commercial kitchen, Scout Hall on Bethel Island, is lower cost than a comparable facility in close-by Brentwood. The Scout Hall kitchen is rented for \$75 per day. It also serves as the Granberg's facility for their CDPH cannery license, and is inspected annually by CDPH.

They grow the majority of their major ingredients. They freeze a lot of fruit in season, and then make jam in the fall and winter. They buy some raspberries and blackberries. Last year they had to buy a small amount of green beans when they ran out, but this year they planted more in

order to have enough to process. They purchase sugar from Smart and Final, because they like the quality of the brand sold there.

Penny uses recipes from Better Homes and Gardens or Ball’s Blue Book, and then adjusts them to taste. She and Vince work together with no other help during the processing. They have eight pots going at the same time on the 14-burner Wolf Range. Processing double batches with 22 jars per batch, they can produce 275 jars a day, 2 days in a row each week. The Granbergs keep all of their processing utensils at their farm, and transport them each week during their short drive to the Scout Lodge.

To develop new products, Penny and Vince sometimes try combinations that sound good. Customers ask for different varieties and different products, such as plain blackberry. They started the plum/raspberry to create a jam with less seeds. They listen to and respond to customers’ wishes for developing new products. For 2015, their specialty food product line included:

### **Rose Lane Farm Specialty Food Products-2015**

<b>Jams &amp; other fruit preserves</b>	<b>Pickled Products</b>	<b>Sauces and other canned foods</b>
Apple Butter	Bread & butter pickles	Apricots in light syrup
Apricot jam	Chowchow relish	Heirloom tomato barbecue sauce
Blackberry jam	Dill pickles	Green salsa
Cherry jam	Hamburger relish	Red salsa
Cherry-berry jam	Pickled beets	Tomato basil pasta sauce
Cherry-blueberry jam	Spicy dill beans	
Nectarine-raspberry jam	Sweet pickle relish	
Peach jam		
Peach-raspberry jam		
Pear butter		
Plum jam	<b>Nuts and other foods</b>	
Plum-blackberry jam	Almond brittle	
Plum-raspberry jam	Dried herbs	
Spiced Peach	Dried tomatoes	
Spiced Plum	Honey	
Strawberry	Honey-spiced almonds	
3-berry jam (strawberry, blackberry and raspberry)		

The Granberg’s inventory management is straightforward, since all of their specialty food products are stored in the Flower Room on their farm. They count the boxes and assume that everything will sell by the end of the year. To plan for next year’s production and processing quantities, they keep track of what products sell out early, and may drop a product that sells slowly, such as the ChowChow.

#### ***Packaging and labeling***

The jams and pickles and sauces are all packed in jars. The Granbergs purchase their jars from WinCo. The almond brittle and Honey Spiced almonds are packaged in plastic bags. They also sell Christmas bouquets and table arrangements during the holidays. Herbs are put through a screen or food processor, or crushed by hand, then packed in small Zip-loc bags with labels.



The Granberg's brand is their farm name, Rose Lane Farm, because of the roses planted along the driveway leading to the farm. Penny is known also as the Tomato Lady, but she thinks that brand is probably already taken.

Penny developed the labels. For the full-color decorative picture labels with the farm name and address, she chose stock pictures from a label company and ordered them online. She used an example of a cottage food label to design hers on a computer. For a while, Penny and Vince were putting a cottage food label, a decorative label and a



batch code label on each jar. Now they use brown Kraft paper labels for the products made in the commercial kitchen and put the required traceback label on the bottom of each “cannery” product (pickled vegetables and barbeque and tomato sauces). They include nutritional labels on all of their canned products<sup>1</sup>, since their customers are often interested in healthy eating. Since the Granbergs don’t sell any specialty food products wholesale, they do not use UPC codes.

### **Marketing and sales**

All the Rose Lane Farms specialty food products are sold at farmers’ markets. Vince delivers produce and honey from the farm to restaurants every week, but no specialty food items are sold wholesale. Vince and Penny do not hire any sales staff, but sell at all the farmers’ markets themselves. In 2011--the first year that the Granbergs sold jams at farmers’ markets--they made 600 jars in the restaurant kitchen in Martinez, and sold them all for \$5.00 each, generating \$3000 in revenue that year. Penny and Vince haven’t added any market channels since 2011; they continue to sell at five farmers’ markets each summer and two farmers’ markets in the winter. They sell out of all the specialty food products that they produce at these markets. Penny commented, “We are a small farm, and we feel we do best selling at smaller farmers markets.”

Penny’s daughter does a Facebook page for the business. Word of mouth is important for marketing. The Granbergs collect emails and sometimes email their customers. They make sure that their market tables always look attractive with colorful matched tablecloths, an abundant display of produce, and always sell some cut flowers. They take pride in putting a lot of something on the table to attract customers.

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<sup>1</sup> The FDA has a specified format for the Nutrition Facts Label, although revisions are being proposed. For the currently approved format, see: <http://www.fda.gov/Food/GuidanceRegulation/GuidanceDocumentsRegulatoryInformation/LabelingNutrition/ucm064904.htm>. However, FDA provides an exemption from nutritional labeling requirements (also described in this link) for food businesses that have fewer than 10 full-time equivalent employees and any food product with annual sales of fewer than 10,000 total units (of any size package).



When Penny first began marketing her jams at the farmers market, she did a talk for the local garden club, and later invited the club members to the farm for a tour. This generated a very loyal following of customers, who now place advance orders with Penny for special food products for the holidays, including her honey-spiced almonds and almond brittle.

They are not members of many community organizations, but they do belong to the farmers' market associations where they sell. They do not want people coming out to the farm in general, so they are not interested in joining a farm trail or agritourism association.

### **Financial Management**

Penny was a bookkeeper by trade for 35 years. She uses Quickbooks to track the business. She did not develop any initial financial projections, but she does track sales on the calendar by market. (The Granbergs also track their produce sales by restaurant, and analyze the changes year to year to make planting and production decisions.) Penny used Quickbooks to invoice restaurants, but this is only for produce sales. All of the Rose Lane Farm specialty foods are sold retail at farmers' markets, so no invoicing, order processing or collections is needed. A CPA prepares their financial records and tax returns. The Granbergs have no employees currently involved in the farming or production or sales for their specialty food products. Their daughter helps out with their Facebook site.

Initially, Penny set the prices just a little lower than the competition. She was surprised when the jams sold as well as they did. She set her prices by asking herself, "What would I pay for something?" Processing their own produce, rather than buying most ingredients, and creating their own labels allows them to keep costs controlled. Currently, the 8-ounce jars of Rose Lane Farm jams sell for \$5.50, and preserved products are priced at \$4.50 for the 8-ounce jars and \$6.50 for the 16-ounce jars.

<b>Rose Lane Specialty Food Products Revenue</b>				<b>Rose Lane Specialty Food Product Operating Expenses</b> (excludes any costs associated with marketing produce and flowers, such as Farmers Market stall fees and travel expenses)	
<b>Year</b>	<b>Jam</b>	<b>Preserved Products</b>	<b>Total</b>	<b>2012</b>	<b>2013</b>
<b>2012</b>	\$3,000	\$0	\$3,000		\$6,357
<b>2013 - 14</b>	\$4,400	\$1,930	\$6,330	<b>2014</b>	\$8,719 (includes \$1,604 for various health inspection fees)
<b>2014 - 15</b>	\$6,534	\$9,974	\$16,508	<b>2015 (up to November 18)</b>	\$7,965 (includes \$1,536 for health inspection fees)
<b>2015 Inventory Value (not yet sold)</b>	\$8,250	\$12,948	\$21,198		

The Granberg's recurring capital expenses included large speckled cooking pans every 3 years or so. They maintain 6 freezers to store products.

### ***Regulatory considerations***

Before California's Cottage Food Law was passed, Penny used a restaurant kitchen to produce her jams for sale and was able to sell them direct to consumers at the farmers markets. Contra Costa County's Environmental Health Department inspected the restaurant as a commercial kitchen and issued her a permit.

When the Cottage Food Law went into effect, Penny had to register as a Class A Cottage Food Operation because she was freezing and holding the frozen fruit in her home freezers. The county staff was unfamiliar with the cottage food process, and the registration took a long time to be approved. During the 6 to 7 months while she was waiting for approval of the cottage food permit, Penny was not allowed to sell her jams at the farmers markets.

To maintain her cottage food operation, Penny is required to have the farm's water tested because it is well water. It must be tested for e-coli during each quarter when she is producing cottage foods. The water must also be tested annually for nitrates and every three years for nitrites. She is also required to submit all of her cottage food recipes, along with the product labels, to the county environmental health department annually when she submits her CFO registration.

To sell her low-acid foods (sauces, pickles, salsas, etc.), Penny had to obtain a cannery license. She was required to take the "Better Process Control School" to learn safe food processing procedures to obtain this license. She also took an onsite food handler class for her Cottage Food Operator training, and passed the class with all A's and B's. She says that she appreciated and learned from this class, even though she thought she already knew how to can. Every new acidified product that the Granbergs formulate must be sent to the UC Livermore lab for testing. There is no charge for the initial sample testing; it is used to determine whether the



product must be packed under a valid Cannery License. However, a fee is charged if reformulations are sent in for testing. When the product has been approved by the lab, the Granbergs will receive a letter (called an S-Letter) or official process letter from CDPH's Food and Drug Branch. The letter will specify if the product is an acidified food or heat-processed Low-Acid Canned Food that must be packed under a Cannery License to minimize the risk of botulism. Penny noted that acidification can considerably alter a product's flavor. She prefers to use vinegar (Heinz 5 percent), lemon or lime juice, rather than citric acid.

The Granbergs now produce most of their products in the rented kitchen (the facility for their Cannery License) at Scout Hall on Bethel Island. Penny checks the pH of each batch of "cannery product" with her pH meter. They are required to batch code the products they produce under their Cannery License. Each jar must include a label (Penny's are on the bottom of the jar) with a distinct product code, the date of the pack and the batch code.

Then each batch of "cannery" product must be inspected by a CDPH inspector before it can be sold. The CDPH inspector comes to the Flower Room at Rose Lane Farm where all of the Granberg's specialty food products are stored. She or he uses Penny's pH meter to check the pH from one jar of each batch of product, and counts the jars. If the acid levels are acceptable, the CDPH inspector provides Penny with a stamped Production Report for each inspected product, which means that the product is officially released for sale. Because each CDPH inspection of the Granberg's cannery products costs about \$800, Penny tries to have all her acidified products inspected at one time.

After the inspection, Penny must send a jar of each product, along with its S-letter, to the University of California Laboratory for Research in Food Preservation (UCLRFP) in Dublin, California to be tested to confirm the pH test results conducted by the CDPH inspector. The UCLRFP send a notice confirming or negating the test results to the CDPH inspector, who then sends a copy to Penny to file with her production records. Because of the CDPH inspection process, the Granbergs sometimes have periods of time when they have completed production of the products, but are not allowed to sell them at the markets, which affects their cash flow.

Penny's philosophy about the health department regulations: "If you follow the rules and do what you're supposed to do, you don't have any problem." They make more products now, and make larger batches of the products, which has reduced the regulatory cost per unit.

*Initial cost to comply with government requirements:*

\$200 for Food Safety class

\$400 for Better Process School for acidified foods

*Annual cost for government permits:*

CDPH inspections – usually 2x/year at about \$800 = about \$1600/yr

Food Processor's license: \$348

Cottage Food permit: \$95

***Plans for the next three years***

The Granbergs say they plan to keep doing it as long as they're not too old. They probably will drop a product or two that are the slowest moving, and will also add a new product or two each year. For next year, they plan to expand their production volumes of almond brittle, honey-spiced almonds and dried tomatoes.



They have no specific financial projections for the next three years. So far, they have done better each year and have increased farm production and specialty food production each year.

### ***Lessons learned***

Penny Granberg offers this advice to new specialty food producers:

1. Be prepared for the amount of work it's going to take and the frustrations you will encounter.
2. Be sure you have a supportive spouse.
3. Don't let difficulties get you frustrated. Think about what you can do differently next year.
4. Listen to your customers

