

## A Cottage Food Budgeting Example



Producing strawberry jam in home kitchen:

- Using 2 water bath canners on stove top
- Comparing 3 different sources for ingredients
- Using tested recipe from Ball for very small batches (test your own recipe for larger batches!)
- Budgeting to produce 500 ½ pints (8 oz jars) in 32 jar batches (16/canner)
- Comparing sales locations

This example is based on water bath processing of strawberry jam, but you can construct a similar budget for dehydrating, roasting or baking a product too. Note that all expenses in this example are calculated per product line as well as per individual unit of product produced. This is designed to make the example more realistic since it is unlikely that anyone would just sell one product such as strawberry jam; rather they would have several product lines.

### Your investment costs

Item	Unit price	Total cost	Expected life of item
Purchase of 2 water bath canners	80.97	161.94	10 years
Canning equipment	21.99	21.99	5 years
ServSafe Food Manager training	125.00	125.00	5 years
Sales tax license (fee + \$50 deposit)	68.00	68.00	One-time expense
Insurance premium	500.00	500.00	1 year
Time spent on licensing & training (10 hours)	11.42	114.15	5 years

Note: These are estimated start-up costs for home production, assuming you already have some small equipment on hand, such as pots, ladles, etc.

Amortizing these costs over their expected useful life provides the following breakdown of fixed expenses:

Item	Cost per year	Estimated cost per product line	Cost per ½ pint of jam
Purchase of 2 water bath canners	16.19	3.24	0.01
Canning equipment	4.40	0.88	0.00
ServSafe Food Manager training	25.00	5.00	0.01
Sales tax license (fee + \$50 deposit)	68.00	13.60	0.03
Insurance premium	500.00	100.00	0.20
Time spent on licensing & training (10 hours)	22.83	4.57	0.01

The costs of produce used to make your cottage food product will vary, depending on where you obtain it. The table below shows per unit prices for strawberries purchased from three different sources:

Strawberry purchase location	Price per quart	Price per pound	
Home grown	\$1.33	\$1.73	Costs of small-scale field production
Retail store	\$1.58	\$2.06	Average USDA Agricultural Marketing Service prices for strawberries, for May 5 through July 5, 2012
Farmers' market	\$8.00	\$10.40	Colorado State University Extension's farmers' market price reporting data

Your potential costs of production:

Item cost	Based on production of 500 jars
Labor: processing (based on a labor rate of \$10/hour + payroll costs)	\$ 267.54
Water	\$ 3.28
Electricity for preparation	\$ 3.75
Jars and lids	\$ 395.42
Produce costs (using homegrown strawberries as an example)	\$ 208.43
Pectin	\$ 116.12
Lemon juice	\$ 70.31
Sugar	\$ 116.67
Jar labels	\$ 22.96
Sales tax on product sold at market	\$ 67.50
Other marketing costs (for attending 1 farmers' market for the season)	\$ 404.72 *
<b>Total variable costs</b>	<b>\$ 1,676.70</b>

\*Note: Costs are spread over 5 different product lines.

Your net return on your product will depend on where you sell it, as illustrated below.

1. Sell your product at a farmers' market:

Summary:	Source of strawberries:		
	Your own produce	Produce purchased from retail grocery	Produce purchased at farmers' market
1. Fixed costs per 1/2 pint	\$ 0.25	\$ 0.25	\$ 0.29
2. Variable costs per 1/2 pint	\$ 3.35	\$ 4.01	\$ 5.44
3. Total costs per 1/2 pint	\$ 3.61	\$ 4.26	\$ 5.72
4. Expected revenue per 1/2 pint	\$ 6.00	\$ 6.00	\$ 6.00
5. Expected returns per 1/2 pint	\$ 2.39	\$ 1.74	\$ 0.28
<i>Net return on 500 jars</i>	<i>\$ 1,195.00</i>	<i>\$ 870.00</i>	<i>\$ 140.00</i>

2. Sell your product from your home:

Summary:	Source of strawberries:		
	Your own produce	Produce purchased from retail grocery	Produce purchased at farmers' market
1. Fixed costs per 1/2 pint	\$ 0.25	\$ 0.25	\$ 0.29
2. Variable costs per 1/2 pint	\$ 2.67	\$ 3.33	\$ 4.76
3. Total costs per 1/2 pint	\$ 2.93	\$ 3.58	\$ 5.04
4. Expected revenue per 1/2 pint	\$ 6.00	\$ 6.00	\$ 6.00
5. Expected returns per 1/2 pint	\$ 3.07	\$ 2.42	\$ 0.96
<i>Net return on 500 jars</i>	<i>\$1,535.00</i>	<i>\$1,210.00</i>	<i>\$ 480.00</i>