

Sales Caps in Cottage Food Laws

Under \$10,000	<ul style="list-style-type: none"> • South Dakota, \$5,000 (only applies to foods sold out of producer's home—no sales cap for sales at farmers markets and events)
\$20,000 to \$25,000	<ul style="list-style-type: none"> • Louisiana, \$20,000 • Alaska, \$25,000 • Connecticut, \$25,000 (even with license and inspection) • Delaware, \$25,000 (unless you are a farmer, and then you can sell up to \$40,000) • Maryland \$25,000 • Michigan, \$25,000 • Washington, \$25,000 (even with license and inspection)
\$35,000 to \$50,000	<ul style="list-style-type: none"> • Mississippi, \$35,000 • Nevada, \$35,000 • New Jersey, \$50,000 • Missouri, \$50,000 • Texas, \$50,000
\$60,000 to \$250,000	<ul style="list-style-type: none"> • Kentucky, \$60,000 • Minnesota, \$78,000 • California (\$75,000 for class A and \$150,000 for class B) • Oklahoma, \$75,000 • Wyoming, \$250,000 • Florida, \$250,000

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<p>No Sales Limit</p>	<ul style="list-style-type: none"> • Alabama • Arizona • Arkansas • District of Columbia • Georgia • Hawaii • Idaho • Indiana • Kansas • Illinois • Iowa (but if you want to sell perishable/potentially hazardous baked goods, limited to \$35,000) • Massachusetts • Maine • Montana • Nebraska • New Hampshire (but if don't want a license/inspection, need to sell under \$20,000) • New Mexico • New York • North Carolina • North Dakota • Ohio • Oregon (but if don't want a license/inspection, need to sell under \$20,000) • Pennsylvania • Rhode Island • South Carolina • Tennessee • Utah • Vermont • Virginia • West Virginia • Wisconsin
<p>Caps just on pickled foods.</p>	<ul style="list-style-type: none"> • Virginia, \$3,000 • Wisconsin, \$5,000
<p>Caps on specific sales</p>	<ul style="list-style-type: none"> • Colorado, \$10,000 (but only limited to each product or flavor, so producers can sell an unlimited amount of food, as long as they keep creating different products.)

Are you currently baking under the Cottage Food Law, or are you licensed? I am currently licensed, but will be going back to CFL when my license expires because it's too expensive using a commercial kitchen.

What are your gross retail sales for the year? \$38,916.00

What is your profit for the year? approx. \$25,000 - I haven't finished inputting all the expenses yet

If you are commercially licensed, please list as thoroughly as possible all of your costs – rent, license fees, overhead costs, any wages paid to employees, and any other expenditure in your business. Did you have to take out a loan, or do you rent? Also please list the items you sell, their price point, and their profit margin

I'm lucky because I found a licensed kitchen that I could rent for \$300/month. It was a shared space so I didn't have anywhere to store anything. My insurance went up to \$50/month and I had the expense of travel back and forth with my equipment.

Please tell your story/explain the process on how you moved from Cottage Food Law to a commercial business in as detailed way as possible. Did you have to take out a loan?

My main reason for moving to a commercial space was due to the cap on retail sales. As a custom wedding cake business my price point is significantly higher than a traditional baker. My average wedding cake cost about \$900 meaning under the CFL cap I could only do about 25 weddings which is well below my average since wedding season typically is about 8 months long. So I started the process of looking for a commercial space and in our area renting/purchasing a space was out of the budget. I looked into places in my area and everything was several thousand dollars a month or needed so much remodeling that I would have needed to take out a sizable loan to get it up to code. I finally found a commercial kitchen inside a church that allowed me to rent the space I needed, but due to their own limited space and using the kitchen meant I was only able to use the space in the evenings and I didn't have anywhere to store my equipment, supplies and ingredients. The space has worked OK except part of the draw of starting my own business was that I was able to work from home around my family's obligations. As it stand now I have to commit to several hours being away

from home to bake or decorate and that definitely makes it less advantageous.

If you were commercial and had to fall back under Cottage Food Law, please explain the reasons as to why it was necessary for you

Honestly the reason I am going back to CFL is the cost of being commercial isn't enough to make it worth it.

If you are under the Cottage Food Law and are consistently near or surpassing the \$25K annual gross sales limit, please list as thoroughly as possible all of your costs and expenditures in your business. Also please list the items you sell, their price point, and their profit margin.

How many do you sell per week on average, and how many *could* you sell if the CAP was raised?

I have been in business for 5 years now and even with the pandemic I have had sales growth year over year. Years 1 and 2 were well below the cap. Years 3 and 4 just touched the cap and last year I realized I was poised to blow so far past the cap that I started the process of looking to get licensed.

I only sell wedding cakes and I have a minimum order of \$500. My profit margin is about 50% depending on the project and most of my costs are fixed now that I've been in business for a while. There are no large capital expenses of equipment, mostly ingredients and the occasional new tool for a specific project.

If the cap was raised I'm sure I could almost double the amount of wedding cakes I take in a year. As it stands by April/May time I have hit the cap with projected weddings through the end of the year so I have to turn away business.

I would eventually like this to replace my full time job and with the cap where it stands I will never be able to do that. Profit from 25K in sales is in no way a living wage for anyone, let alone a family of 5.

Do you pay yourself? If so, how much? What does your pay equate to hourly? What is your profit for your business AFTER you pay yourself, or conversely, what is your debt?

I don't specifically pay myself as in there isn't a line item for salary/wages.

What has the CAP prevented you from doing in your business? How would raising the CAP benefit you, your business, your family, and your community?

The cap has prevented me from realizing my business's true potential. When you know you can only book about 25 weddings/year there is no incentive for going out and getting more business, building relationships with venues and planners, etc. I can see the potential for my business to become extremely successful and profitable to the point where I could replace my current income, but that will only happen if the cap is increased to a point where I can start building a savings to sustain my family during the growth period.

*I capped out as a cottage baker. (I sold \$28k, but on paper had to report \$25k). I had to either scale up or scale down. I considered food trucks and commissary kitchens, ended up with a storefront that was already built out with equipment. Commissaries were unavailable/ filled or had requirements that I couldn't meet as a cottage baker.

*I could easily sell \$1,000-1,500 in a weekend at upscale markets, selling \$3-10 items.

*wedding cakes ranged from \$50-500, I was doing about 10/year and growing. I now am doing 30+ in the bakery, ranging \$100-1,000.

*celebration cakes ranged from \$20-200, I was doing about 10/month. Now I do about 10/week, ranging from \$35-500.

*My monthly expenses in a retail storefront (rental) is \$10-15k. When I first opened it was around \$8k/month. I've been open almost 2 yrs. Rent alone is \$2,250/month. Utilities are \$12-1400/month. Payroll for 6 p/t employees is \$6-8k/month. Insurance is \$2400/year.

*I'm in a bakery owners group on Facebook. They were sharing how much it cost them to build out their space. It ranged from \$60k-200k. This is across the country.

I am a home based bakery out of Livonia Michigan operating under Michigan Cottage Food Law.

My Gross retail sales are right around \$25,000 each year. I have to be very careful not to exceed that income cap because I am not currently able to open a store front. Being a stay at home parent has its limitations and working away from my home is one of them. So as much as I would love to open and run a store front bakery, it's just not a feasible option for me at this time.

While I am not in a commercially licensed kitchen, I do have large expenses that cut into my profits. Insurance (\$350), vendor fees (>/\$1,000 for the 2021 year), material costs (>/ \$3,500), packaging costs (>/\$1,000), equipment costs & upkeep [Tents, tables, signs, mixers, pans, website, etc.] (>/\$1,000), plus utilities, mileage, phone lines, email accounts, and more. At the end of the year, I have around \$9,000 in expenses in order to bring in \$25,000 in gross sales. And I watch carefully to not surpass the limit because if I do, the costs are too high and I can't take the time away from my family to operate in a commercial kitchen.

I only sell one (1) type of item: Vanilla Sugar Cookies. I participate in Farmers Markets during the summer, Holiday markets in the winter, and off- season markets in the off months. I also make custom decorated sets for clients to help celebrate all of their special moments- Weddings, Bridal & Baby Showers, Birthdays, Graduations, and more. I've also started working with corporations and large companies to help bring their logo into cookie form. I have an extremely low food cost- around 6%. My material cost per dozen is about \$2 p/ dozen and I charge starting at \$40 p/ dozen. This number does not include my labor. It is solely material cost. I *try* to pay myself \$12- \$15 p/ hour and usually spend about 2 hours on a set in my simple tier. This puts me at \$2.28 materials, \$30 labor, and \$7.72 profit back into my company. As you probably know, not every set goes the same way, so even though this is what I aim for, I don't always have a profit after paying myself. This number also does not factor in communication. I have always considered that a cost of business so it is something I do in my "down" time and I honestly haven't even figured out what the cost of that would be. It varies so much with each client that it would be hard to put a flat number on it.

I try to limit myself to 8 dozen p/ week. This way, I know what I can bring in without overloading my income. The last thing I want is to hit the cap and then not be able to take any orders the remainder of the year and lose business in the long run. If the cap was removed, I could probably take on at least double. Now that my daughter is starting preschool, I'm finding myself with even more time. Not enough to dedicate to an outside business, but enough to invest back into myself. Over the last year, I have had to turn so many people away and it's always so hard to do. People come to me because they see what I can create and they want to work with me. They have the option to go to another baker or even a store front but they've ultimately made the decision that I can complete their vision. That hasn't changed, but what could change is how many of those people I can help and make sets for by raising the cap.

The cap has prevented me from continuing to grow my business. With a cap as low as michigans, the probability that you're consistently making profit is low and if you are, it's because you put in so much hard work. The difference between me and a store front bakery is that I don't have the capability to crank out 1000's of cookies each week. I don't have the equipment to mass bake and decorate. And I don't have the team behind me to support the labor required. I won't ever as a home bakery. So while a lot of people see us as taking business from a bakery, I see the two as apples and oranges. We may both be baking, but we aren't on the same level and the potential to make the same income is even further from each other.

I would love to be able to actually contribute significantly to my households bills. While having a little extra income has been helpful with side things (groceries, school tuition, little vacations), it won't ever be able to make a strong indent on our family's finances. At one point during my cookie career, my marriage was in a rough place and the thought of supporting myself and my daughter independently was becoming very real. Under Michigan's Cottage Food Laws, there is no way I would have been able to support us on that. I would have had to put my daughter in full time daycare while I worked outside of the home full time and I would have missed out on so many special and important moments with her. Thankfully we are no longer in that position, but it could be a very real situation for someone else.

So in short- raising the cap would be continuing to support Michigan families.

Are you currently baking under the Cottage Food Law, or are you licensed?

Cottage Food Law

What are your gross retail sales for the year?

2021 - \$45K

2020 - \$40K

2019 - \$27K

Ok, that jump from 2019 to 2020 is crazy considering all the pandemic crazy!

What is your profit for the year?

2021 - \$36K

If you are under the Cottage Food Law and are consistently near or surpassing the \$25K annual gross sales limit, please list as thoroughly as possible all of your costs and expenditures in your business.

Ingredients: \$3,500

Packaging (boxes, bows, stickers, labels, bags): \$3,900

Tools (cutters, stencils): \$1,290

Web/Domain/online ordering: \$310

Also please list the items you sell, their price point, and their profit margin.

Custom decorated sugar cookies

\$4.25 - \$5.25 each

Approx. \$3 per cookie after all expenses

How many do you sell per week on average, and how many *could* you sell if the CAP was raised?

6-8 dozen during non-holiday weeks

Do you pay yourself? If so, how much? What does your pay equate to hourly?
What is your profit for your business AFTER you pay yourself, or conversely, what is your debt?

Yes, after holidays I make a big transfer from my business account to a personal savings account.

I have NO CLUE about the other questions – should probably figure that out one of these days! Since I don't "clock in" I truly have no idea of the amount of time it takes me for an order. The flexibility of working from home means I can do one aspect of a cookie and then go fold laundry!

What has the CAP prevented you from doing in your business? How would raising the CAP benefit you, your business, your family, and your community?

Ability to truly just let my business run based on my schedule vs. always calculating where I am and what I'm able to take on. Sometimes I do close off custom orders (even when my schedule is open) because I know a holiday is coming up and I'll be bringing in more income.