

BACKGROUND DOCUMENT FOR HOME-BASED FOOD BUSINESSES



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Introduction

In 2016, the NSW Food Authority (the Food Authority) undertook a study into businesses making food in domestic kitchens. This study was the result of council and Food Authority staff noting that the number of “home-based businesses” were increasing over time.

This document has been developed to provide background on the proposed inclusion of some home-based businesses to the definition of a retail food business within the 2017 changes to the *Instruments of Appointment* for NSW enforcement agencies.

How the information for the study was collected

The Food Authority contracted Pirrama Consulting and the Australian Institute of Food Science and Technology to help research this topic. Research activities included:

- review of records held by other government agencies and consideration of international experiences of home-based businesses,
- a survey completed in May 2016 by 724 people who had notified the Food Authority between 2003 and January 2016 that they were operating a business that prepared food at home,
- interviews conducted with Environmental Health Officers (EHOs) from ten local government areas, including five Category C councils and five Category B councils,¹
- analysis of the Food Authority’s “Byte” database records of over six hundred enquiries made between February 2014 and January 2016 regarding home-based food businesses. This database also documented 298 complaints made by the public regarding the operation of home-based food businesses over the last 13 years, and
- review of feedback received from EHOs at Regional Food Group meetings in 2015.

Headline findings of the study

The key findings were:

- due to a lack of data it is difficult to estimate the total number of home based businesses,
- most home-based food businesses that responded to the survey prepare very small volumes of potentially hazardous foods,
- around a third of survey respondents sold food to local shops and restaurants, with the rest only supplying direct to the final consumer. Around half of home-based food businesses retail directly to the public through markets and events,
- there was some evidence of a lack of skills and knowledge among home-based business operators, especially in the areas of labelling, sanitation and temperature control (only 62% had a Food Safety Supervisor certificate),

¹ The five Category C enforcement agencies inspect home-based manufacturers and wholesalers, in addition to home-based retailers. Category B enforcement agencies are limited to inspecting home-based retailers that sell to customers directly from their residence.



- home-based food businesses wanted more access to information and welcomed consistent risk-based regulation,
- ninety-five percent of home-based food businesses sell low volumes of food and consequently can be treated as low risk, though it is important that they have access to adequate skills and knowledge through compliance with Food Safety Supervisor requirements.

'Typical' home-based food businesses

Home-based food businesses are people or organisations that handle or prepare food for sale at a residential property, usually in a domestic kitchen.

According to the survey, 95% of home-based food businesses produce less than 10kg of food per day and 86% of respondents operate less than 20 hours per week in their domestic kitchen. The 'typical' home-based food business (70%) operates with a single proprietor and no support staff.

EHOs perceive a rapid rise in the number of home-based food businesses over recent years. Notifications by new home-based food businesses to the Food Authority have steadily increased over the last decade. However, the Food Authority is unable to verify the number of home-based food businesses that do not notify. There is no other dataset available to identify the number of past or current NSW home-based food businesses.

Table 1: Notifications of NSW home-based food operations received by the Food Authority 2005-2015

Financial year	Notifications
2005/2006	275
2006/2007	337
2007/2008	310
2008/2009	452
2009/2010	482
2010/2011	524
2011/2012	712
2012/2013	721
2013/2014	966
2014/2015	898

The survey showed that only around 22% of home based businesses are growing, with only 2% of home based businesses doubling their takings in the past year. Businesses that outgrow their domestic kitchen often move into larger premises, with 20% of former home based food businesses having switched to a commercial kitchen.

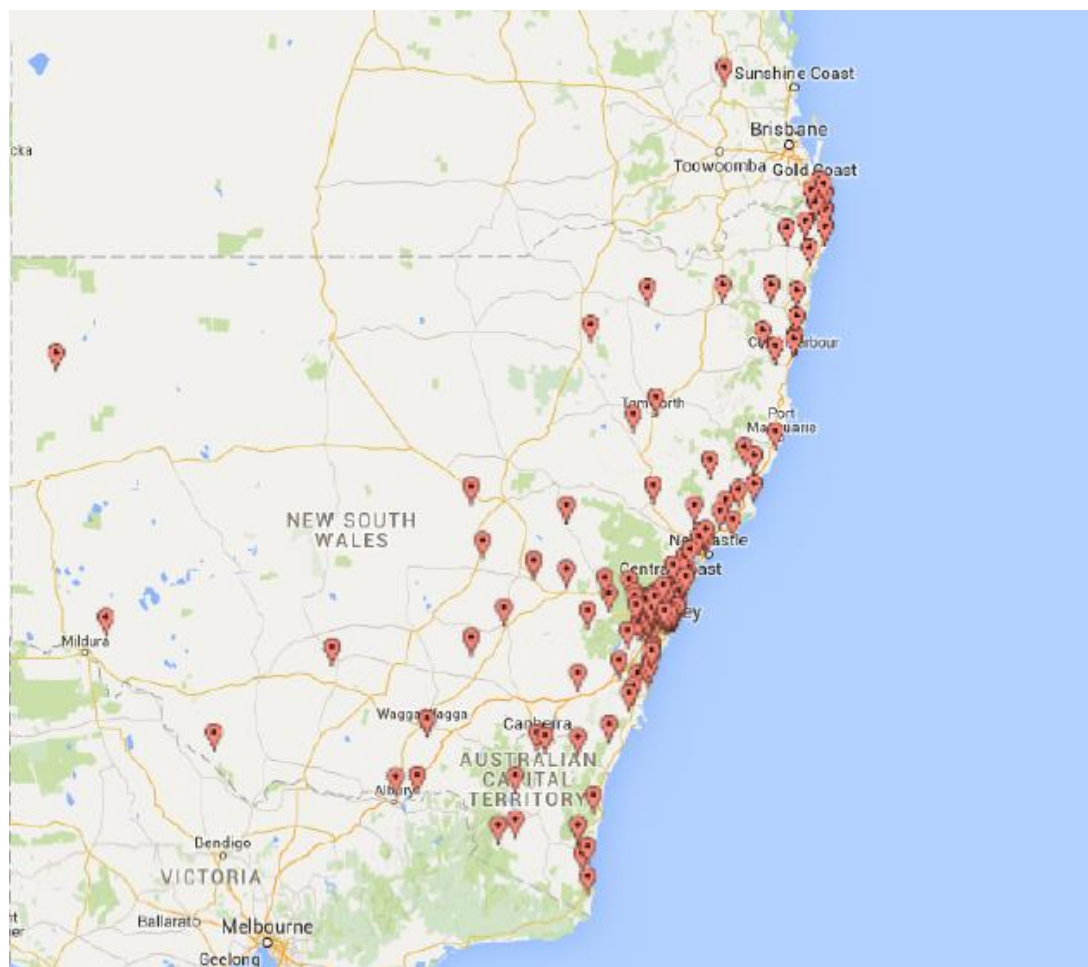


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Locations of home-based food businesses

Image A: Map showing location of respondents to Food Authority home based business survey, May 2016



Survey findings

Foods handled or produced by home-based food businesses

Most (75%) survey respondents are producing potentially hazardous foods such as meals containing pasta and rice, vegetables and meats, or other types of high risk foods (e.g. vegetables in oil) (see Table 2). Eggs were the most commonly used ingredient across all home-based food businesses.

Table 2: Types of foods produced by home-based food businesses (May 2016 survey results)

Food risk category	Example Foods	Number of businesses
Potentially hazardous or high risk foods	Salami, raw meats, meals, custards, dips, cut fruit	330 (75%)
Other food	Drinks, chocolates, whole eggs	57 (13%)
Negligible risk foods	Bread, biscuits, jam, chutney	52 (12%)
	TOTAL	439

Food sale locations

Council officers believed that vendors at markets and temporary events often produced food at home. The survey showed that home-based food businesses tend to sell through multiple channels and their products find many routes to the consumer, including:

- more than half (55%) of survey respondents sell from market and temporary event stalls, or from food vans,
- thirty-six percent of survey respondents sell their products to local shops and restaurants,
- thirty-nine percent have customers that collect food directly from their home business, and
- forty-four percent of survey respondents receive orders online through their own website or social media and another 8% sell through someone else's website or social media.

Home-based food businesses were identified by EHOs as a particularly attractive option for people with lower education or those with poor English skills, who often operate within their cultural or ethnic community. EHOs reported that these businesses find customers by word-of-mouth and by advertising in community newspapers.

Food Authority experience

The Food Authority records show few complaints or foodborne illness outbreaks linked to home based businesses.

Between January 2004 and September 2016, Food Authority has recorded 293 complaints regarding home based businesses, often related to unauthorised business activity from home such as the slaughter and butchering of animals.

Food Authority has prosecuted three home based businesses since 2004; two related to licensing offences and one prosecution of a home-based caterer in relation to an incident of foodborne illness in 2009, caused by unsafe production and storage of raw egg sauce.



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Perceptions and experiences of council

The interviews with local government EHOs revealed vast differences in attitudes, policy and regulatory approaches between councils. Other findings included:

- “Local government EHOs anecdotally report rising trends towards people starting food business ventures by working from home, as these provide flexibility and low start-up costs”,
- “Restaurants and cafes are observed to be increasingly outsourcing food preparation, including to home-based food businesses”,
- “It is unclear where the responsibility lies to ensure that these foods are safe and in compliance with the Food Standards Code”, and
- “Many local government representatives see its (sharing economy food platforms) rise as inevitable”.

All local government representatives interviewed showed a strong desire for more clarity around the roles and responsibilities of council and the Food Authority in regulating home-based food businesses. They also requested more guidance on risk, inspection criteria, construction standards, and updated guidance on how to treat mobile and temporary businesses that are suspected of making food at domestic premises.

Most of the interviewed EHOs called for a central register of home-based food businesses, mobile food vendors (food trucks) and vendors at temporary events. They saw this as the best way to regulate businesses that make food at home and sell from another location.

Councils identified a range of planning and environmental concerns around the operation of a home-based food business. Some requested that any home-based food business policy recognise councils existing responsibilities in regulating these businesses under other legislation, and said that food policy should be consistent with the requirements of other jurisdictions (e.g. Department of Planning advice on fit-out for complying food businesses). Councils have widely differing planning policies for home-based food businesses with some exempting them from planning requirements and others banning them outright.

Attitudes of home-based food business operators

Most comments from home-based food businesses (12 respondents) indicated that they want more technical support and clarification of regulatory requirements. Five businesses were concerned about inconsistency between councils and unfair regulatory requirements or were worried that over-regulation would affect the viability of their small businesses.



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Key home-based food business issues

Lack of clear regulatory model

Councils and businesses requested more clarity around the roles of enforcement agencies in regulating home-based food businesses. Improved information gathering and sharing through a central database was also considered by council as a key requirement to effective regulation of businesses that make foods at home and sell at markets and events.

Skills and knowledge

Ninety-eight percent of survey respondents claimed that they understood safe food handling practices either extremely well or quite well, however only 62% had a Food Safety Supervisor certificate or other qualifications in food safety.

Labelling

Ten percent of survey respondents that made packaged foods did not provide ingredient and allergen labelling. These businesses may be providing this advice direct to customers at point of sale. However, this information was not collected in the survey.

Temperature control

Sixty percent of survey respondents had a dedicated fridge or freezer at home for their business activities.

More than 20% of perishable food transported by home-based businesses may occur outside of temperature control. There was a higher than average survey dropout rate at this question which may indicate many home-based food business operators are uncomfortable discussing how they transport food. Six percent of survey respondents reheat or cool products upon arrival at the point of sale which may indicate that the food is not being transported under temperature control.

Cleaning and hygiene

Less than half of respondents (47%) use commercial cleaning products in their home-based business. Twelve percent of survey respondents use natural or organic cleaning products only. Other respondents use bleach, steam, antibacterial surface cleaners, UV light, and vinegar.

Water supply

Nineteen percent of respondents indicated that they are on a non-potable water supply (e.g. bore, river or rain tank water). This is an unusually high proportion, especially as most respondents were from Sydney and coastal areas where town water supply is standard (see map on page 5 for details). A reasonable assumption here is that a significant number of respondents misunderstood the question.

“Sharing economy” (UBER-style businesses)

Since 2014, the Food Authority has been aware of several companies seeking to set up an online marketplace for people to sell food that they have prepared at home. These companies often market themselves as “UBER for food” in reference to the popular ride-sharing app. It is not clear at this stage whether these are food businesses under the NSW *Food Act 2003* definition.



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Our survey revealed some signs that websites promoting takeaway meals from home may not attract home-based food business operators. According to our survey, seventy percent of home-based food business operators are not considering expanding into other types of food, and only 1% would consider expanding their operation to make hot, ready to eat foods. Only 10% of survey respondents that had ceased trading would consider reopening in the future to sell hot, ready-to-eat foods.

Due to a lack of data it is impossible to predict the potential growth of online platforms for home-based food businesses.



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Limitations of research conducted

The following factors should be considered when reviewing the findings of this study:

- whether the survey respondents are truly representative of the sector:
 - the survey was only distributed to notified home-based food businesses. It is likely that many home-based food businesses have not notified any regulatory authority, and
 - potential omission of businesses operating within ethnic communities that have not notified the Authority or that have not completed the survey because of language barriers,
- the impact of the low survey completion rate for some questions:
 - respondents may have ceased answering some questions because they didn't want to reveal poor food safety practices or regulatory non-compliance (e.g. 254 respondents advised that they delivered the product themselves, but only 135 of them answered the question about whether delivery was made under refrigerated conditions; of the 111 businesses who identified as producing very high-risk foods, only 58 answered that they had been inspected),
- the accuracy of the responses:
 - there was some evidence that responses mirror what they expect the Food Authority will want to hear. For example, extremely high level of understanding of food safety principles, use-by dates and regulatory requirements,
 - respondents may be over-rating their level of knowledge in their self-assessments,
- lack of information around the scale of the sector, and
- no dataset exists showing the full scale and range of home-based food businesses either in the past or present.



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Recommended regulatory arrangements for home-based food businesses

Through the 2017 review of enforcement agency instruments of appointment, Food Authority proposes to clarify the role of enforcement agencies in regulating home based businesses. The role of council is proposed to expand to include all premises used by businesses that sell food direct to the public, including any domestic premises. The updated guidelines for enforcement agencies provide advice on how councils can manage these premises within their area, as well as giving clear advice on how to manage temporary and mobile businesses that make food at home.

The principles behind the changes are set out below.

A single regulator for each business

Each business should be regulated by a single enforcement agency wherever possible to improve consistency and regulatory certainty. Councils are not currently appointed to inspect off-site preparation areas such home kitchens for retail food businesses, other than the five “Category C” councils appointed to inspect home kitchens. This means that an increasing number of businesses that make food off site for sale direct to the customer are regulated by at least two different food enforcement agencies, e.g. businesses that trade at a market or event. Appointing councils as the appropriate enforcement agency for all sites used by retail businesses in their area would greatly reduce regulatory duplication for business and improve regulatory oversight by government.

Exempting low risk home based businesses from routine inspections

The Food Authority guidelines on retail business inspection currently indicate that home kitchens where food is prepared for sale should be inspected at least annually if they are producing high risk products such as ready-to-eat meals. However home-based businesses are rarely linked with foodborne illness outbreaks, and their low volumes of sales mean that the potential impact of an outbreak is also very low. Due to the low risk nature of home based businesses, it is recommended that home kitchens be exempted from routine inspection, so long as they meet risk criteria based on volume of trade and access to skills and knowledge. These criteria have been laid out in the updated advisory guideline *Risk-based inspection frequency*.

Creating a central database of retail businesses

EHOs have raised concerns that many mobile and temporary food businesses are being supplied with food prepared in home kitchens, and that council has no way of knowing whether these home kitchens have been inspected or have demonstrated safe food handling practices. They have called for a central register of food business inspections to allow councils to more effectively monitor businesses that sell foods made in a home kitchen.

The single enforcement agency approach for these businesses, outlined above, will help address this issue. Food Authority is also working to develop a single electronic database for retail food businesses, subject to a successful business case.



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