

1.4 Starting out in food

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| PRODUCT |
| DISTRIBUTION |
| PROMOTION |
| PEOPLE |
| FINANCE |
| RISK |
| GROWTH |

- > *Start or buy?*
- > *Business structure*
- > *Business name*
- > *ABNs and tax*
- > *Licences and permits*

You have gone through the process of deciding that you are the right kind of person to own a small business and that there is potentially a business opportunity in your idea. Now you must start the process for real—it is no longer time to dream, it is time to turn your dream into a reality.

Starting a food-related business is the same as starting any other business plus more, as there are many issues surrounding food safety and quality that must be addressed.

Start or buy?

An existing business may already have the appropriate infrastructure and market presence to allow you to ‘hit the ground running’ from day one. If you have a new product to develop, the existing business will give you the all important cash flow to run the business whilst developing and getting the new product out to the market. However, you will have to pay for the business (obviously!)

You will need to consider:

- > Existing sales
- > Existing costs
- > Assets and liabilities
- > The seller and you
- > The availability of trustworthy financial records
- > The purchase agreement

The seller will generally ask for payment for goodwill and so great care must be taken in valuing the goodwill as it is intangible.

You will need to think carefully about the seller’s motives for selling. Are there hidden problems with the business? Are they intending to set up another competing business nearby?

It is important at this stage to appoint an accountant and solicitor and run all the above information past them for their advice. An accountant will help you put a value on the business, based on the assets you are acquiring and the income generated by the business.

Starting from scratch does mean that you don’t have to pay someone else for a developed business, which means that you can introduce your own personal touch to the business from day one and also choose, for example, where the business is situated. However, raising finance will be a much bigger issues and all of the procedures will need to be established from scratch as well as accessing markets and customers. There may also be a considerable period of time with little or no income.

Business structure

There are a number of options, the most common being:

- > Sole trader
- > Partnership
- > Company
- > Trust

While a sole trader is the lowest cost option at start up, companies are widely used for good reasons, including liability limitation, legal status and taxation purposes. Discuss with your accountant which structure is most suitable for you.

Business name

Unless you are running the business under your own name (without any additions), by law you must register your business name. In South Australia, the Office of Consumer and Business Affairs manages this process.

Australian Business Number and general tax requirements

The Australian Taxation Office can help with obtaining an Australian Business Number, and with general taxation information.

Licences and permits

Once you have decided on the location of the production of your product (this may be in your home or in another premise) you must by law notify the appropriate council.

Details of other licences and permits can be obtained from your local Regional Development Board or Business Enterprise Centre, or the Business License Information Service.

Websites

www.southaustralia.biz/Events_Calendar/BizFacts/BuyingABusiness.pdf

www.southaustralia.biz/Events_Calendar/BizFacts/ChoosingABusinesStructure.pdf

www.ocba.sa.gov.au/businessnames/

www.ato.gov.au/businesses/

www.dh.sa.gov.au/pehs/Food/food-notification.htm

Department of Trade and Economic Development
business licence information (08) 8303 2519 (country callers 1800 188 018)