

VSG

BUSINESS GUIDES

REAL IDEAS. REAL STEPS. REAL RESULTS

COTTAGE BAKERY BUSINESS STARTUP GUIDE

FROM YOUR KITCHEN TO A BRIGHTER TOMORROW

*Bake
Create
Earn
Repeat*

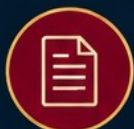


A step-by-step guide to starting and growing a legal, profitable home bakery business.



PREMIUM
2026
EDITION

UPDATED TO
CURRENT U.S. GUIDELINES
TEMPLATES
CHECKLISTS
REAL-WORLD STRATEGIES



STATE RULES



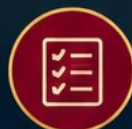
PRICING &



LABELS &



PREORDERS &



TEMPLATES &



90-DAY

Before You Begin

A cottage bakery can be a low-overhead food business, but the legal line is state-specific and the profit comes from disciplined product selection, preorder selling, accurate costing, and safe labeling.

NATIONWIDE RULE

There is no single U.S. cottage-food law. States and local jurisdictions decide which home-produced foods are allowed, where they may be sold, whether training or permits are required, whether sales caps apply, and whether online, wholesale, or interstate sales are allowed.

What this guide helps you do

- ☐ Choose a product line that fits your state's home-food rules.
- ☐ Test demand before buying equipment or building a large menu.
- ☐ Use preorder selling to reduce waste and working-capital risk.
- ☐ Price for ingredients, packaging, labor, overhead, and profit.
- ☐ Build labels that address identity, ingredients, allergens, quantity, and required producer information.
- ☐ Create a 90-day launch plan, order system, and reusable worksheets.

Guide map

1. The Business You Are Actually Building
2. Choose the Right Product Lane
3. Verify Your State Cottage-Food Rules
4. Validate Demand Before Buying Equipment
5. Build a Preorder-First Sales Model
6. Kitchen, Equipment, and Startup Budget
7. Food Safety and Shelf-Stability Boundaries
8. Labeling and Major Allergens
9. Pricing and Profit per Hour
10. Packaging, Pickup, Delivery, and Shipping
11. Holiday and Event Sales
12. Custom Orders and Scope Control
13. Marketing and Repeat Customers
14. Bookkeeping, Taxes, and Order Records
15. Your First 90 Days
16. Workbook and Templates
17. Sources & Annual Verification Checklist

CHAPTER 1

The Business You Are Actually Building

A cottage bakery is not a miniature storefront. It is a controlled production business that turns baking skill into paid, scheduled orders.



Start with a product you can make consistently, package cleanly, and repeat without turning every order into a custom emergency.

- The best early model is usually preorder, not speculative inventory.
- The key constraint is often labor time, not ingredient cost.
- Perishability punishes guessing. Unsold baked goods can erase the margin from the work you already performed.

- The legal product list matters: one filling, topping, or storage requirement can move an item outside a state's home-food exemption.

ONE METRIC

Track contribution per labor hour: selling price minus ingredients, packaging, delivery/processing costs, divided by hands-on and production time. Revenue alone hides low-paying work.

CHAPTER 2

Choose the Right Product Lane

Build the menu in layers. Every new product adds ingredients, allergens, packaging, production steps, and legal questions.

START WITH ONE PRODUCT - THEN EARN THE NEXT



Add complexity only when repeat demand proves the added product pays for its labor, packaging, storage, and c

Strong starter characteristics

- ☐ Shelf-stable under your adopted state rules
- ☐ Repeatable in batches
- ☐ Easy to package and label
- ☐ Low breakage and spoilage risk
- ☐ Shared ingredients across products
- ☐ Clear size/count so pricing stays consistent

DO NOT ASSUME

A cookie, frosting, pie, bread, or filled pastry is not automatically cottage-food eligible everywhere. Formulation and temperature control can change the answer.

CHAPTER 3

Verify Your State Cottage-Food Rules

Before selling the first batch, verify the rules where the food is produced and sold.

State-law checklist

- ☐ Which foods are allowed and which require refrigeration or licensing?
- ☐ Is a permit, registration, inspection, food-safety course, or local zoning approval required?
- ☐ Is there an annual sales cap?
- ☐ Where may sales occur: home pickup, markets, events, online, delivery, retail stores, or wholesale?
- ☐ Are interstate shipping or sales allowed?
- ☐ What exact label statement, address, registration number, or disclaimer is required?
- ☐ Are pets, children, water source, septic system, or kitchen-use restrictions specified?

FEDERAL / STATE SPLIT

FDA notes that home-based food businesses should learn both federal requirements and state/local health rules. Private residences generally are not 'food facilities' for FDA registration purposes, but that does not override state cottage-food law or other federal labeling requirements.

CHAPTER 4

Validate Demand Before Buying Equipment

Prove the product before expanding the kitchen.

STARTUP GUIDE

BUILD TOMORROW.



A limited paid batch is better market research than a kitchen full of equipment bought before the first repeat order.

The three-batch test

- ☐ Make the same product three times and document batch yield, ingredient cost, labor time, and defects.
- ☐ Offer a small paid preorder batch with a hard order deadline.
- ☐ Track how many buyers reorder or refer someone without being chased.
- ☐ Do not add a second oven, mixer, decorating system, or packaging line until real demand creates the bottleneck.

SIGNAL

Compliments are not demand. Paid reorders, prepayments, referrals, and event requests are demand.

CHAPTER 5

Build a Preorder-First Sales Model

Preorder is the cleanest way to control waste, cash, and production.

THE PREORDER MODEL



Preorder converts perishability into a planning advantage: bake what is sold, not what you hope will

Simple operating rules

- ☐ Open a batch with a clear product, quantity, pickup date, and order cutoff.
- ☐ Collect payment or a deposit according to your policy.
- ☐ Close orders before buying perishable inputs or committing production time.
- ☐ Create one pickup/delivery window instead of scattered appointments.
- ☐ Record no-shows, late changes, and special requests so future policies improve.

CHAPTER 6

Kitchen, Equipment, and Startup Budget

Buy capacity only when orders prove the constraint.

Category	Start lean	Upgrade trigger
Mixer	Use existing reliable equipment	Batch size or dough stiffness exceeds capacity
Oven	Use the compliant home oven allowed by your rules	Booked production cannot fit available bake windows
Pans / racks	Enough for one production cycle	Cooling becomes the bottleneck cycle

Scale	Digital gram/ounce scale	Essential from day one
Packaging	One or two standard sizes	Add only for proven product lines
Labeling	Home printer / simple labels	Volume justifies thermal or commercial print

Startup budget worksheet

Registration / permit / course: \$_____

Mixer: \$_____

Pans and racks: \$_____

Digital scale: \$_____

Smallwares: \$_____

Packaging: \$_____

Labels / printer: \$_____

Initial ingredients: \$_____

Website / ordering: \$_____

Insurance: \$_____

Working capital: \$_____

CHAPTER 7

Food Safety and Shelf-Stability Boundaries

The safe business stays inside the product category your state allows.

- ☐ Use approved recipes/processes where your state requires them.
- ☐ Separate raw ingredients and finished packaged products from contamination sources.
- ☐ Follow manufacturer storage instructions and safe handling for eggs, dairy, fillings, frostings, and other temperature-sensitive ingredients.
- ☐ Do not guess that a filling, frosting, glaze, or pie is shelf-stable because it looks similar to a permitted product.
- ☐ Use laboratory testing or process authority review when your state requires it for acidification, water activity, pH, or a specific formulation.
- ☐ Stop selling any item that cannot be stored, transported, displayed, and handed off safely under the applicable rules.

PRODUCT BOUNDARY

The premium operator treats the state's approved-food list as a design constraint, not a suggestion.

CHAPTER 8

Labeling and Major Allergens

A good label protects the customer and makes the product look professional.

Federal baseline for packaged foods

- FDA requires truthful, non-misleading labeling for foods under its jurisdiction.
- The nine major food allergens are milk, egg, fish, Crustacean shellfish, tree nuts, peanuts, wheat, soybeans, and sesame.
- Major allergen sources used as ingredients must be declared using the required source names where federal allergen labeling applies.
- Small businesses may qualify for nutrition-labeling exemptions, but those exemptions do not erase other mandatory label information.

Build a state-compliant cottage label

- ☐ Product name / statement of identity
- ☐ Ingredient list in descending order by weight where required
- ☐ Major allergen declaration where required
- ☐ Net quantity / count
- ☐ Producer/business name and required address or registration information
- ☐ Any state-required home-kitchen or cottage-food disclaimer
- ☐ Date / lot code if you use one for traceability

ALLERGEN CONTROL

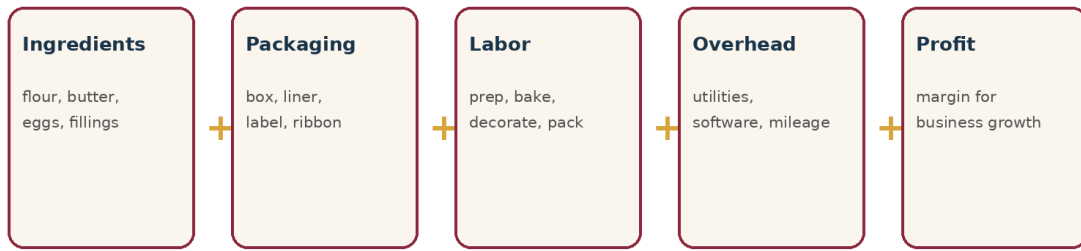
Never use a voluntary 'may contain' statement as a substitute for knowing the ingredients or cleaning your process. Verify labels every time an ingredient or supplier changes.

CHAPTER 9

Pricing and Profit per Hour

Ingredient markup alone is not enough. Your time must be paid.

PRICE THE ORDER - NOT JUST THE INGREDIENTS



Selling price must cover ALL five pa
Ingredient cost alone is not a pricing system.

ILLUSTRATIVE PROFIT PER HOUR

Example only - replace every number with your own prices, time, packaging, and ingredient costs.



Contribution per hour shown before fixed overhead and tax. The point is the method, not these sample prices.

Pricing worksheet

Ingredients per order: \$ _____

Packaging: \$ _____

Payment / platform fee: \$ _____

Delivery / mileage: \$ _____

Labor hours: \$ _____

Target labor value: \$ _____

Allocated overhead: \$ _____

Target profit: \$ _____

Final selling price: \$_____

PRICING RULE

A multiplier can be a quick screening tool, but the final price must survive labor and overhead. If a custom order pays less per hour than your simple batch product, the 'premium' product is not actually premium.

CHAPTER 10

Packaging, Pickup, Delivery, and Shipping

The handoff is part of the product.



Standardized packaging helps protect product quality, reduce packing time, and make labels easier to verify.

- ☐ Choose packaging that protects the product through the entire handoff.
- ☐ Use pickup windows to reduce interruptions and missed orders.
- ☐ Price delivery separately when distance or time materially changes the order economics.
- ☐ Do not promise interstate shipping until your state cottage-food law, destination-state rules, carrier constraints, and applicable federal requirements are verified.
- ☐ FDA guidance states that qualifying private residences are generally not required to register as food facilities; do not register merely because a marketplace tells you to without verifying that registration is actually required.

CHAPTER 11

Holiday and Event Sales

Cottage-bakery demand often follows the calendar. Use that predictability.

Seasonal planning

- ☐ Open holiday preorder windows early enough to buy packaging and ingredients in bulk.
- ☐ Cap the batch based on oven, mixer, cooling, and decorating capacity.
- ☐ Offer a narrow holiday menu instead of every regular product.
- ☐ Use pickup waves for large order days.
- ☐ Take deposits or full payment according to a written cancellation policy.

Event order intake

Event date: _____

Guest count: _____

Product / quantity: _____

Theme / colors: _____

Allergy information disclosed by client: _____

Pickup / delivery: _____

Deposit: _____

Final payment due: _____

Change cutoff: _____

CHAPTER 12

Custom Orders and Scope Control

Custom work needs a change-control system just like any other project business.

- ☐ Use a written description or approved reference image.
- ☐ State size, servings, flavors, decoration level, packaging, and delivery.

- ☐ Set a final change cutoff.
- ☐ Price rush work, complicated decoration, and delivery separately.
- ☐ Do not guarantee an exact color match or copied copyrighted design unless you have permission and can reproduce it legally.

CUSTOM-ORDER RULE

If the customer changes the design, quantity, date, or delivery scope, the price and deadline may change too.

CHAPTER 13

Marketing and Repeat Customers

Cottage bakery sales are deadline-driven. Market around occasions, not generic 'fresh baked' posts.

- Weekend limited-batch preorder
- Birthday and celebration calendar
- Holiday preorder calendar
- Local events, school/community functions, churches, clubs, and workplaces where permitted
- Customer referral and repeat-order reminders
- Strong product photography and consistent packaging

Repeat-buyer loop

- ☐ Collect permission to send order reminders.
- ☐ Record what the customer bought and for which occasion.
- ☐ Message before the next likely occasion, not every week.
- ☐ Ask for reviews only after a successful handoff.

CHAPTER 14

Bookkeeping, Taxes, and Order Records

Keep the kitchen creative. Keep the records boring and complete.

- ☐ Separate business income and expenses from personal spending.
- ☐ Track ingredient, packaging, mileage, platform fees, equipment, and permits.
- ☐ Record sales tax according to your state and local rules.
- ☐ Keep copies of labels/recipes when a product changes.
- ☐ Keep order records that identify product, date, customer contact, and batch/lot reference when practical.

- ☐ Use actual profit per hour and contribution margin when deciding which products stay on the menu.

CHAPTER 15

Your First 90 Days

The goal is not a 20-item menu. The goal is a legal, profitable repeatable batch.

Days 1-30: Verify and test

- ☐ Verify state/local cottage-food law, labels, tax, zoning, and sales-channel rules.
- ☐ Choose one product lane.
- ☐ Run the three-batch test and record true cost/time.
- ☐ Create one compliant label template.

Days 31-60: Sell the batch

- ☐ Open one limited paid preorder.
- ☐ Collect payment/deposits under a written policy.
- ☐ Measure waste, defects, production time, and contribution per hour.
- ☐ Refine the pickup process.

Days 61-90: Prove repeat demand

- ☐ Run a second batch or holiday/event offer.
- ☐ Add one product only if it shares ingredients and does not create a new regulatory problem.
- ☐ Collect reviews and repeat orders.
- ☐ Buy equipment only if booked demand proves a production bottleneck.

CHAPTER 16

Workbook and Templates

Use these pages while building the business. The open space is intentional.

Product approval worksheet

Product: _____

State cottage-food status verified?: _____

Requires refrigeration?: _____

Testing required?: _____

Allowed sales channels: _____

Label disclaimer required: _____

Shelf-life / storage plan: _____

Batch yield: _____

Ingredients per batch: _____

Packaging per batch: _____

Hands-on labor time: _____

Selling price: _____

Preorder batch sheet

Batch name: _____

Order opens: _____

Order closes: _____

Pickup date/window: _____

Maximum units: _____

Units sold: _____

Revenue: _____

Ingredient spend: _____

Packaging spend: _____

Labor hours: _____

Waste / defects: _____

Contribution per hour: _____

CHAPTER 16

Workbook - Order & Production Control

FIELD	ENTRY
Customer	
Product / quantity	
Event / occasion	
Pickup / delivery	
Deposit / payment	
Allergen notes disclosed	
Special design	
Change cutoff	
Production date	
Label version	
Packaging	
Handoff completed	
Notes / follow-up	

Sources & Annual Verification Checklist

Recheck the rules every year and whenever you change products, ingredients, sales channels, or states.

Primary sources reviewed for this edition

- Internal source: VSG_Bakery_Business_Model_2026.docx.
- U.S. Food and Drug Administration - How to Start a Food Business.
- U.S. Food and Drug Administration - Food Allergies / Major Food Allergens.
- U.S. Food and Drug Administration - Questions and Answers Regarding Food Facility Registration (private residence exemption).
- U.S. Food and Drug Administration - Small Business Nutrition Labeling Exemption.
- U.S. Small Business Administration - Launch Your Business / state and local licenses and permits.

Annual / product-change verification checklist

- ☐ State cottage-food allowed and prohibited products
- ☐ Permit / registration / inspection / training requirements
- ☐ Local zoning or home-occupation requirements
- ☐ Sales cap and permitted sales channels
- ☐ Wholesale / consignment / online / delivery / shipping rules
- ☐ Required label text and producer address rules
- ☐ Major allergen declarations and current ingredient labels
- ☐ Nutrition-labeling exemption status if relevant
- ☐ Sales-tax registration and rate handling
- ☐ Insurance coverage for home food production and delivery
- ☐ Current ingredient, packaging, mileage, payment, and labor assumptions

FINAL QUALITY RULE

The premium cottage bakery stays small enough to control quality and compliant enough to grow. Verify the law before changing the menu or sales channel.