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**Working With Co-Packers - Finding a Co-Packer, Pt 1**

Director of Operations in Elk Grove, CA - 2 years ago

*In the first part of this two part article, Glen Ishikata (Charles Chocolates, [Scharffen Berger](http://www.bbfdirect.com/pc/scharffen-berger-dagoba%22%20%5Ct%20%22_blank), Cocolat) discusses best practices on choosing the best co-packer for your food business, and tips from his year of experience on successfully working with co-packers.*



photo by [John Loo](http://www.flickr.com/photos/johnloo/606739059/) and [Stuart Spivack](http://www.flickr.com/photos/stuart_spivack/97834894/in/photostream/)

Our uncertain economy has led business owners to examine other means of keeping up with their workloads and keeping costs down.  Using a co-packer is a strategy that can accurately predict costs and reduce investments allowing the business owner to concentrate on other areas that need attention.

**WHAT IS A CO-PACKER?**

A co-packer is a company that manufactures and packages foods or other products for their clients.  Also known as contract packers, the services provided can additionally include:  R&D, warehousing, distribution, and other assistance depending on the size and capabilities of their plant.

**WHY CO-PACK?**

There are many reasons to use a co-packer.  Here are the most common:

Reducing cost.  Acquiring equipment, setting up the infrastructure, and plant facility can be cost prohibitive.  Using co-packers allows capital expenditure to be deferred and used elsewhere.

Knowledge.  An established co-packer will have experience in manufacturing and packaging your type of product.  For example, a recipe that works in a small test batch might have to be altered when produced at higher volumes and/or changed to meet the requirements of processing equipment.  Previous experience with similar product lines will ensure better results.

Lead time.  By choosing the correct co-packer, you will be able to reduce lead times.  Your learning curve is reduced when trying to produce product.  Their experience with processing will allow you to fill orders sooner.

Scalability.  The ability to perform increased workloads is invaluable.  Here again, the choice of co-packer is critical.  Ideally, as volume increases so should margins.   This would allow for better pricing (volume discounts).

Regulations.   There are several requirements that must be met before products can be made and sold.  These may include, but are not limited to:  health inspections (local, state, and/or federal), FDA, OSHA, and insurance.  In addition, your product may require additional certifications such as Kosher, Organic, and Allergen free (for nuts, dairy, and gluten).  By utilizing a co-packer, you eliminate the time and money required to deal with these issues directly.

**DO THE BASICS FIRST**

Prior to selecting a co-packer, make sure your business plan is up to date.  This would include a marketing timeline that details projected sales by month, quarter, and year to gauge your ordering pattern.  Prepare the following information for your meeting with a potential co-packer:

-       Product specifications (SPECS). These are the characteristics that identify your product.  This would include: name, description, weight, packaging, nutritional values, labeling, and product ID # (UPC number).

-       Process instructions.  Describe how your product is currently made. Detail specifics such as “mix ingredients gently for 1 minute” or “heating mixture to a temperature of 230\*F.”  This information will help your co-packer match their processing equipment to the manufacture of your product.

-       Ingredients.  List all components and necessary specifications.  For example, “almonds – US Extra No. 1” or “dried fruit, diced – 5mm.”

-       Product testing.  Is your product marketable?  Run tests to determine shelf life and stability.  Outside labs can be utilized to determine the needs for product stability and food safety.

-       Professional advice.  Consult with your accountant, attorney, and your insurance company to see what will be required to protect your interests.

**FINDING THE RIGHT CO-PACKER**

Now that you have done the basics, the most common question is how do I find the right co-packer?

-       A good place to start is to talk to other people in a similar business.  Ask them if they have any recommendations or heard about co-packers that have done work in your specific product area.

-       Contact industry associations and ask for their membership list.  See if they have any members that specifically do contract packing.   A manufacturer will often have “down time” or “seasonal products” that will do contract work to keep their plant active.

-       Contact specialty food associations.  There are many local, regional, and national groups that have been organized to give support, education, assistance, and jointly promote their members.  Here are a few that come to mind: NASFT (Fancy Food Show), Slow Food USA, Chocolate Manufacturers Association, Vermont Specialty Foods Association.

-       Does your product require specialty equipment?  If so, contact the equipment distributor/manufacturer and ask for businesses that purchased this equipment in your area.  Explain that you are trying to find a co-packer for your product and they will often give you several prospects.  Don’t be surprised at the amount of their help because they will hope to make you a customer as your business grows!

-       Research other products that are similar to yours.  Look at the shelves in a retail store and contact the manufacturer.   Find out if they would do your formulation.  You will receive the best pricing if they are experienced in making similar products.

**IMPORTANT FACTORS IN EVALUATING A CO-PACKER**

The selection of a co-packer is very important because you are interviewing a “business partner”.  Both of you will have to work closely to achieve a level trust. Your goal is to reach a level of mutual profitability for the partnership to work. When this happens it becomes as simple as placing an order.  Prepare a checklist to review with your prospective partner:

-       Confidentiality/Non-Disclosure Agreement.  Before handing over your “secret family recipe”, make sure you have your attorney draw up a confidentiality agreement.  Do not be surprised if you are asked to sign a similar agreement.  The manufacturer may want to protect their processes or they have clients that require confidentiality/nondisclosure.

-       Tour the Manufacturing Plant.  Ensure the facility has proper equipment and processes to produce your product. Walk through the facility and have them take you through the process from start to finish.

-       Sanitation.  Check the quality programs that are in place.  Ask if they have any audited certification, i.e.: AIB (American Institute of Baking), NASFT, ISO certification, HACCP, and others that you may require.

-       Inspection.  Determine where ingredients and finished products will be stored.  If ingredients need refrigeration before processing, is the space adequate and the temperature maintained?  If the finished goods require certain conditions, are they present?  For example, chocolate should be stored at 65\*F or below.  Review logs that document inspection, testing, and quality control.

-       Referrals.  Ask for a list of current customers from the manufacturer. Call this list to see if the businesses are happy with the co-packer’s performance in terms of quality, on-time performance, and overall reliability.

-       Financials and Company History.  You want to make sure your co-packer is financially sound.  You do not want any surprises during the middle of a production run for your product.  Find out how long they have been in business and their experience level in contract packing.

-       Costing.  Ask for estimated costs for your product.  This forum is not able to determine if you are being charged a fair price.  There are many factors that will determine your final cost.  Are there any specific processes or special handling involved in your product that will affect pricing?  How much product are you going to order?  Pricing can run a broad range.  Your co-packer will have minimum requirements for production runs usually based on cases, dollar volume, or full shifts. Get several quotes for comparison.

Read the second part of the series on how to work effectively with a co-packer [here](http://www.bbfdirect.com/f/t/using-co-packers-as-part-a-successful--qzJj).

***ABOUT GLEN ISHIKATA***

*Glen has over twenty years of food industry experience in gourmet bakery and chocolate.  Positions have encompassed all aspects of operations, R&D, marketing, and sales in high growth companies. These companies have included:*

*-*[*Charles Chocolates*](http://www.charleschocolates.com/)*, VP Operations*

*- [Scharffen Berger Chocolate Maker](http://www.bbfdirect.com/pc/scharffen-berger-dagoba%22%20%5Ct%20%22_blank) (Hershey’s), Plant Manager/VP Production*

*- Chocolates a la carte, VP Production/R&D*

*- Cocolat, Director of Production & Operations*