

Access to Co-Manufacturing

Fall 2025





Housekeeping/Reminders

- Leverage the worksheets
- Office Hours – Thursday 1-4pm
- Reminder: Please turn on your cameras so we can see your beautiful faces. 😊



Presenters



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Founder/President

FoodOps



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Managing Partner

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Pulse check



What are some words that come to mind when you think of co-manufacturers/ co-manufacturing?

Answer in the chat



Agenda

1. Preparation

- Am I ready for a Co-Manufacturer?
- How do I prepare?

2. Co-Manufacturing Options

- Finding the Right Co-Manufacturer
- Range of Options

3. The Path to Commercialization and Beyond



Am I ready for a Co-Manufacturer?

+Why co-manufacturing?

- +Focus
- +Time commitment
- +Not in your area of expertise

+ Are you ready for a co-man?

- + Great velocity (generally >5 UPSPW)
- + Revenue at or over \$1MM, understand cash flow, growth plan in place
- + Systems in place (Sales, Distribution, BOM Procurement, etc)
- + Currently experiencing capacity constraints



Am I ready for a Co-Manufacturer?





How do I prepare?

Objectives by Stage

| Bronze <\$50k | Silver <\$249k | Gold \$250 - \$499k | Platinum \$500k - \$1M+ |
|--|---|--|--|
|  <p>Refine & finalize formula</p> |  <p>Communicate how to make your product to others</p> |  <p>Formalize everything about your product & process</p> |  <p>Establish an LOI and/or MSA with your co-man.</p> |
|  <p>Manufacture consistent product</p> |  <p>Prepare your brand for larger accounts & more doors</p> |  <p>Know your key product attributes and what is negotiable. Scale comes with compromise.</p> |  <p>Maintain regular contact and hold the co-man accountable for quality, cost, and delivery.</p> |
|  <p>Establish yourself as a legitimate food business</p> |  <p>Understand your metrics (COGS, velocity, mfg capacity, bottlenecks)</p> |  <p>Make a compelling case for building a mfg partnership</p> |  <p>Fill company functions that aren't personal strengths.</p> |



Am I ready for a Co-Manufacturer?

- + Even if you are not ready right now for a co-man, there are things you can do to prepare**
- + Tips on preparing**
 - + Specifications, process, testing
 - + Ingredient suppliers and approvals
 - + Certifications, allergens, quality requirements
 - + Clear vision of time and cost

How do I prepare?



Manufacturing Situation

BRONZE

Founders & Volunteers
or PT staff in a
commercial kitchen

SILVER

Utilizing part time employees
in commercial kitchen and
working on productivity.

GOLD

Capacity in the commercial
kitchen is tapped out.

Moving to co-man and hiring
full-time or fractional support
staff.

PLATINUM

Producing at a co-man at least
once a quarter.

Support staff manages
production and inventory.



How do I prepare?



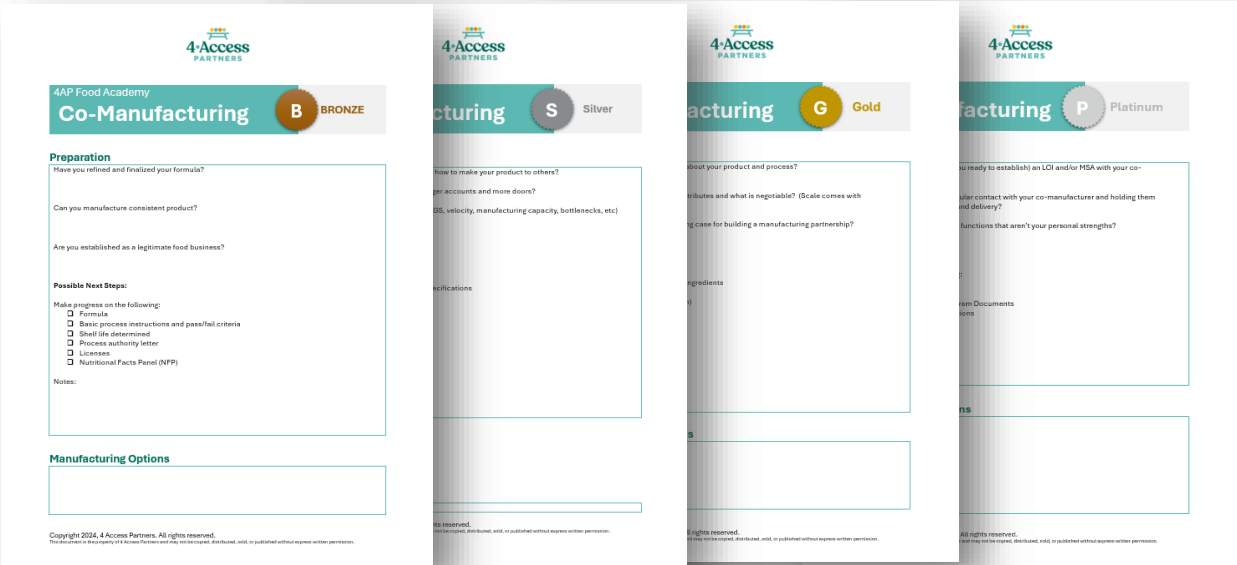
Documents Implemented / Questions Answered

| BRONZE | SILVER | GOLD | PLATINUM |
|---|---|--|--|
| <ul style="list-style-type: none">● Formula● Basic process instructions and pass/fail criteria● Shelf life determined● Process authority letter● Licenses● Nutritional Facts Panel (NFP) | <ul style="list-style-type: none">● Certifications and Claims● Finished product and WIP specifications● Basic COGS● UPC Codes● Professional graphics● Sell sheet | <ul style="list-style-type: none">● Commercially available ingredients● Formula in wt%● Ti-Hi (Pallet configuration)● Sensory attributes● Recall Procedure● Established P&L | <ul style="list-style-type: none">● NDA with co-packer● LOI or MSA● Supplier Approval Program Documents● 2+ Year Volume Projections |

5-min Break



05:00



Reflect and Begin to fill out your worksheet



Finding the Right Co-Manufacturing Partner

+ **Right fit at the right time**

- + It's hard to find a marriage of brand and partner
- + There's so much that needs to align
- + Start early / be patient

+ **It's all about the relationship**

- + Choose your analogy: Keys to the car, watching your baby, etc

+ **The vetting process**

- + How do we get there?

Range of Options



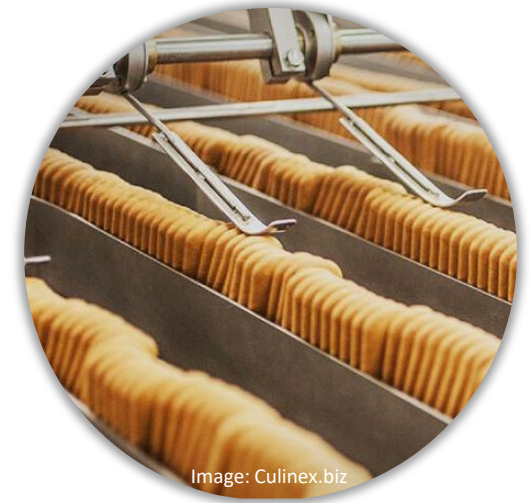
Commercial Kitchen



**Maximizing Current
Production**



Hybrid



Co-Manufacturer



Commercial Kitchen

Benefits of Commercial Kitchens

- Access to equipment for next step of scalability
- Complete control over manufacturing and quality
- Accessibility to peer entrepreneurs
- Flexibility in production schedule
- Storage of larger scale bill of material
- Proximity



Maximizing Current Production

Benefits of Maximizing Current Production

- Improve COGS
 - Lower ingredient/packaging costs
 - Increase/optimize production efficiency (longer runs, bigger batches, additional shifts).
- Manage Distribution Landscape
- Understand intricacies of your product
- Control consistency and quality of product



Hybrid

Benefits of Hybrid

- Less capital outlay
- Contract out difficult/complex parts of manufacturing that you cannot do efficiently
- Unique processes/equipment that enhance or limit production (access expertise you don't have)
- Reduces startup costs/time
- Maintain control/ownership of IP/Process with self-manufacture
- More control/management of production costs and scheduling



Co-Manufacturer

Benefits of Co-Manufacturers

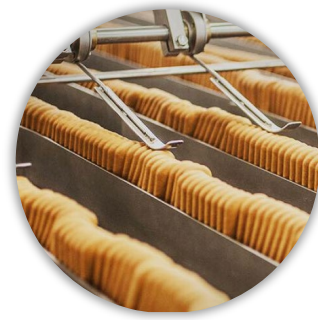
- Experience making and distributing similar products to the market for themselves and others
- Team expertise (warehouse tech, quality tech, procurement specialists)
- Support network for things like 3PL, testing lab, team controlled storage, etc
- Scalable equipment
- Speed to market – can leverage vendor connections, shared ingredients and purchasing, accelerated production schedule
- Frees up business owner to focus on growth opportunities

Which option is the right fit for you?



| Attributes | Commercial Kitchen | Maximize Current Prod. | Hybrid | Co-Manufacturer |
|---|---|---|--|---|
| Retail Velocity (UPSPW) | Selling to your network/farmer's market | Selling in retail or omnichannel | Getting repeat orders in your current channels, Regional distribution | Multi-region or National distribution/ contract(s) |
| Growth Strategy/Plan | Single Founder + volunteer staff | Founder + key fractional staff (production, sales, finance, etc.) | -Fractional or full time staff -Using a broker/distributor. -Quality person involved. | Full time staff (Sales, Quality, Production, Finance, Marketing, etc.) plus broker/distributors. |
| Min. Working Capital Needed to Scale | \$250k | \$150k | \$100k | \$90k |
| Understand true COGS/Cash Flow | COGS doesn't include own labor or trade spend | Understanding of COGS and cash flow. | Understanding of COGS and cash flow (COGS, margin structure, trade spend, slotting fees, sourcing timing). Establish P&L | Maximized your current cash flow (COGS, margin structure, trade spend, slotting fees, sourcing timing, payment cycle). Full P&L. |

Which option is the right fit for you?



| Production Volumes (Current prod and % capacity utilization) | Commercial Kitchen | Maximize Current Production | Hybrid | Co-Manufacturer |
|--|-----------------------------------|---|--|--|
| MOQ's | Do not currently meet coman MOQ's | Do not currently meet coman MOQ's, can increase at current facility | Any order placed has to be at their MOQ | Meet minimum quarterly MOQ's for desired coman |
| Who's producing | You the Founder + volunteer staff | Part-time employees | Part or Full time employees | Full time employees |
| Product, Package, Quality | Formulation/target product | Production process and specs | Develop Gold standard and acceptance ranges on product, package, etc. Quality documents created. | Quality systems program installed (Proven production process, gold standard product, final specifications, recall plan). |



Potential Partners - Definitions



Co-Manufacturer

Processing the product and likely has ability to finish the product

*Space is at a premium for Co-manufacturers and Co-packers. Most will want your product out of their facility within 7-10 days.



Co-Packer

Takes a finished product and puts it into a final deliverable product (e.g. – Bulk candy placed in sales unit packaging)



The Vetting Process

Initial Contact

- + **Pitch your product** (Pickup Line)
 - + Forecast and frequency
 - + Number of SKUs
 - + Call outs/Certifications
 - + Formulation/Process
 - + Unique packaging
- + **They are interested!**
 - + NDA in place
 - + Understand the plant's food safety / food defense plan
 - + Detailed process discussion
 - + Specification
 - + Unique Ingredients

The Dance

- + Testing and hold requirements
- + Packaging / panel approval
- + Packaging test (secondary pkg?)
- + Bench top approval
- + Reformulation and ownership
- + Coordinating the scale up run
- + Scale up cost?
- + Initial tolling (if available)
- + Labeling
- + Retain program
- + Ti-Hi / Pallet configuration
- + Lead times
- + Distribution model

The Goal

- + Plan, prepare and execute, a successful scale up run
- + The product made matches your specs (attributes)
- + Defines expected tolling
- + Could be multiple iterations



What is tolling?



- + The burdened cost of direct labor
- + Varies by location and economic factors

- + This is generally the cost to run the factory (electricity, IDL, equipment, insurance, indirect materials)

- + The amount of profit the co-man makes from producing your product
- + PITA Factor
- + Use 20% as a general planning factor

* This does not include materials, although this can be built into the tolling model

The Path to Commercialization and Beyond



Image: FHA-FNB

- Consumable scale up vs Salable product
- The MSA (Manufacturing Services Agreement or Contract)
- Plan > Source > Make > Deliver > Customer Operations
- Reporting – Production reports, inventory, quality / CAPAs
- Ongoing meeting rhythm – Quality, Delivery, Cost



MSA Must Haves

Manufacturing Services Agreement

Production:

- Products must be produced to the specifications
- Must produce to at least FMSA
- Define lead times
- Define MOQs
- To address volumes you will provide a 90 day forecast in lieu of a volume commitment
- You own all formulas
Expect to pay for their R&D services, otherwise they may have claim to your formulas
- You have the right to refuse the product within 14 days if the product doesn't meet specifications

Documentation & Fees:

- Must document all of the plant's certifications that you are counting on
- Well defined tolling fees
- Defined payment terms
- Terminations defined
- NDA
- Assignability if you sell you company
- Lawyer stuff like indemnification and insurance



Key Takeaways

- + Be prepared. You only get one shot at a first impression.
- + A co-man is effectively another partner in your business.
- + Prioritize being on-site for trials and production runs.