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FOOD TRUCKS, CATERING AND HOME-BASED FOOD

A playbook for lower-cost food businesses: mobile food, catering and cottage food, with the rules, costs and numbers to know.

TYPE: PLAYBOOK REVIEWED: NOVEMBER 2026 TIME: 13 MINUTES LEVEL: BEGINNER

AT A GLANCE

- Food trucks, catering and home-based food businesses can cost **far less to start** than a restaurant, and are great ways to test a concept.
- Rules are **very local**: commissary kitchens, mobile vending permits, where you can park, and cottage food laws for food made at home.
- **Catering** often has the strongest margins, because you know orders in advance and waste less.

WATCH OUT

Figures are general, illustrative ranges as of the review date. Food safety and vending rules vary by state, county and city. Check with your local health department first.

Three models

Model	How it works	Pros	Watch out for
Food truck or cart	Sell from a vehicle at events, offices and parks	Flexible, lower cost than a restaurant, builds a following	Permits, parking rules, weather, vehicle repairs, commissary requirements
Catering	Cook for events and businesses, often in a rented commercial kitchen	Orders known in advance, deposits, higher margins	Seasonal demand, staffing for big events, contracts
Home-based (cottage food)	Make certain foods at home under state cottage food laws	Very low startup costs	Limits on which foods, where you sell, sales caps and labeling

Startup costs (illustrative)

Item	Food truck	Catering	Cottage food
Vehicle or kitchen	Truck purchase or lease (often the biggest cost)	Commissary kitchen rental by the hour or month	Your home kitchen
Equipment	Built into truck, plus generator and supplies	Chafing dishes, transport containers, serving gear	Small equipment, packaging
Permits	Health, mobile vending, fire, business license	Health, business license	Cottage food registration where required
Branding	Truck wrap, menu boards	Website, menus, proposals	Labels, packaging
Insurance	Commercial auto, general liability	General liability, product liability	Product liability

Rules to check

- **Commissary kitchen**: many areas require food trucks and caterers to prep in a licensed commercial kitchen.
- **Mobile vending permits** and where you're allowed to park, and for how long
- **Fire safety** for cooking equipment and propane
- **Cottage food laws**: which foods are allowed, labeling, sales limits and where you can sell
- **Temporary event permits** for markets and festivals
- **Sales tax** on food in your state. See **M-13 Sales Tax, Payroll Tax and Staying Current**.

How the money works (illustrative)

Line	Food truck	Catering
Food and packaging cost	28% to 35%	25% to 35%
Labor	20% to 30%	25% to 35%
Truck, kitchen and fuel	10% to 15%	8% to 12%
Permits, fees, insurance, other	8% to 12%	8% to 12%
Profit before owner pay	**Often 10% to 20%**	**Often 15% to 25%**

EXAMPLE

Daniel runs a food truck 5 days a week, averaging **$1,200 a day**, or about **$260,000** a year over 43 weeks. He books office lunches and private events ahead, which raised his average day by $300 and cut wasted food. His catering arm, launched in year 2, now brings a third of his profit on just 15% of his working days.

Numbers to track

- Sales per service and per hour
- Food cost %
- Best and worst locations or events
- Catering bookings and deposits on the calendar
- Repeat corporate clients

Funding

- Savings, friends and family
- Equipment or vehicle financing. See **R-07 Equipment Financing and Lines of Credit**.
- Microloans and community lenders. See **R-05 Microloans and Community Lenders**.
- Rewards crowdfunding for a truck build. See **R-09 Crowdfunding: Rewards and Investment**.
- Deposits from catering clients. See **M-06 Cash Flow: Why Profitable Businesses Still Run Out of Money**.

Common mistakes

- **Buying a truck before understanding local parking and permit rules**
- **Underestimating repairs and downtime**
- **No commissary arrangement**
- **Taking catering jobs without deposits or contracts**
- **Selling foods not allowed under cottage food rules**

Launch checklist

- ☐ Call your health department about your model
- ☐ Secure a commissary kitchen if required
- ☐ Get permits for each place you'll sell
- ☐ Set up deposits and a simple catering contract
- ☐ Cost your menu and track food cost weekly

Where to go next

- **P-01 Restaurants and Food Service**
- **I-08 Testing a Main-Street Idea: Pop-Ups, Markets and Pre-Orders**
- **B-09 Contracts Every New Business Needs**

IMPORTANT
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