Case Study

A Case Study on the Home Cooking Movement—Legalization, Market, and Competition

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JEL Codes: Q13; Q18
Keywords: Diffusion of innovation, economic systems and structures, Home Cooking Movement (HCM), legalization, Microenterprise Home Kitchen Operations (MEHKO)

Abstract
The National Food Freedom Initiative, led by the Institute for Justice, has been promoting "food freedom" since 2013, advocating for people's rights to buy or sell foods of their choice and for reduced government regulation. Similar progress by California Assembly members and non-profit organizations, coupled with increased home kitchen operations driven by consumer demand, led to the passage of Assembly Bill No. 626 (AB 626) in 2018, which legalized residential preparation and sale of foods containing perishables (i.e., meat and seafood). California's AB 626 laid out a legislative foundation for other states, such as Utah and Iowa, expanding the Home Cooking Movement (HCM). However, while the HCM is an emerging tool to extend the food freedom initiative, little is known about the economic viability and resilience of the HCM food system and the growth potential of home kitchen operations and businesses. To fill the gap, this case study examines the evolving legislative landscape of the HCM, accesses the economic systems underpinning HCM across three core structures—motivation, decision-making, and information structures, and uses the framework of Diffusion of Innovation Theory to analyze the challenges facing the HCM. By creating an enhanced economic understanding of an innovative food system, this case study offers valuable insights to beneficiaries such as policymakers, consumers, industry advocates, and opponents, as well as students majoring in agribusinesses and food economics.

1 Introduction

Food systems have undergone continuous evolution and adaptation throughout human history, but the pace of change has been particularly rapid over the last 200 years (Lusk 2013; Braun et al. 2021). Our food system has shifted from the traditional format focusing on the upstream (i.e., farmers connect consumers directly) into a more segmented one, comprising midstream (i.e., processing and wholesale) and downstream (i.e., retail) parts (Reardon and Timmer 2012). These shifts in the food system have been motivated by factors such as a growing population coupled with disruptions such as climate change, geopolitical conflicts, urbanization, changing consumer preferences, and uncertainties like the global pandemic (Tendall et al. 2015; Braun et al. 2021).

According to the World Food Summit 1996, the primary objective of a food system is food and nutrition security—"*all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life*" (Pinstrup-Andersen 2009; p. 5). There has been a collective effort among the global scientific community to transform the food system into a resilient, sustainable one, which is pivotal in achieving the Sustainable Development Goals (SDGs) by 2030 (Fanzo et al. 2021). A sustainable food system is characterized by its ability to ensure food security and nutrition for everyone while also preserving the economic, social, cultural, and environmental resources necessary to continue providing food security and nutrition for future generations (Braun et al. 2021). A food system is intrinsically complex, consisting of many channels involving production, aggregation, processing, distribution, consumption, and disposal, and is incredibly diverse. With increased disposable income and heightened variety seeking, new food systems are being

developed and expanded; and consumers can experience a variety of different food systems, even within a localized area (O'Neill 2014).

Originally, the Home Cooking Movement (HCM) emerged from the convergence of chefs' initiatives to sell homemade meals, and consumers' willingness to purchase, often through informal channels. In recent years, the HCM has gained momentum due to the establishment of legal frameworks. These frameworks allow residents to produce and serve homecooked perishable foods prepared in a private residence to the consumer directly, through take-out (or delivery), or even dine-in at home (Institute for Justice 2023b). It presents an opportunity for chefs to generate additional income and showcase their culinary expertise at much lower operational costs compared to brick-and-mortar restaurants (Chang 2022). Meanwhile, rooted in the local economy and food system, the HCM also provides consumers with alternative food experiences through which they can interact with chefs directly (Moreno and Malone 2021). Despite these benefits, there is limited understanding of how organizational arrangements and individual decisions are made in this innovative and emerging food system.

The HCM is in the early stage characterized by the presence of Innovators and Early Adopters among both chefs and consumers. This aligns with the principles of Rogers' Diffusion of Innovation Theory (Rogers 2003). Several persistent challenges continue to affect the broader diffusion of the sales limit of homecooked foods across the states. To name a few, the legal frameworks in states such as California and Iowa impose limits on home kitchens' revenues and the number of meals served. Although home kitchen operators need to obtain a Microenterprise Home Kitchen Operations (MEHKO) permit and Food Protection Manager Certification to legally sell homecooked foods, consumers have limited knowledge about these practices. Therefore, food safety concerns linger. To comprehensively assess the HCM's growth potential, it is critical to examine factors challenging the further proliferation of home kitchen operations. To fill the gap, this case study aims to (1) examine the evolving legislative landscape of the HCM, (2) assess the underlying economic structures that govern the HCM food system, and (3) analyze multifaceted challenges influencing the broader diffusion of the HCM within both chefs' and consumers' communities. It is worth noting that this study represents the pioneering efforts to scrutinize the HCM through economic lenses, contributing to an enhanced economic understanding of this innovative food system. The valuable insights derived from this research are relevant to a wide range of stakeholders, including policymakers, industry advocates and opponents, consumers, and students specializing in agribusinesses and food economics.

The remainder of this study is structured as follows. We begin by examining the evolving regulatory development toward the legalization of HCM (Section 2). Specifically, we delve into the historical evolution of cottage food laws, the food freedom initiative and its impacts on cottage food reforms, and legislation and regulations associated with the MEHKO permit. Then, following Neuberger and Duffy's (1976) system-theoretical approach and Davis and Serrano's (2016) discussion on food systems, we assess three core structures upholding the economic system of the HCM: motivation, decision-making, and information structures (Section 3). Next, we examine the challenges facing the broader diffusion of HCM under the Diffusion of Innovation Theory (Rogers 2003). Last, we conclude and discuss implications for various stakeholders.

2 Regulatory Developments Toward the Legalization of HCM

2.1 U.S. Food Safety Regulation

The United States has a long history of selling homecooked food, and one typical example is the sale of baked cookies by Girl Scouts, which dates back to the 1910s (Christiansen 2017). Over the years, the selling of homecooked food has evolved across the nation in various forms and so have laws regarding food safety regulation. In the United States, the primary responsibility for creating and enforcing food safety regulations lies with the state governments. To establish the most effective kitchen practices,

many states use the "Food Code" developed by the U.S. Food and Drug Administration (FDA) as a guide (O'Hara, Castillo, and McFadden 2021). The Food Code exempts the production of low-risk foods that do not require time and temperature control, for religious and charitable purposes. This exemption provided a regulatory pathway for the development of the cottage food law (O'Hara et al. 2021).

The U.S. federal government has been heavily involved in food safety since the late 1800s (Williams 2010). With the exception of meat, poultry, and eggs, which fall under the jurisdiction of the U.S. Department of Agriculture (USDA), the FDA is in charge of regulating all food items involved in interstate trade (Labuza and Baisier 1992). The U.S. Environmental Protection Agency (EPA), National Marine Fisheries Service (NMFS), and the Consumer Product Safety Commission (CPSC) also play crucial roles in ensuring overall food safety under different aspects (Labuza and Baisier 1992). The passage of the Food and Drug Act in 1906 is the very foundation that led to the development of the present FDA (Food and Drug Administration 2023). The long historical progression of food and safety regulations leads to the current point where U.S. consumers can be confident in the overall food safety and quality of food products (Figure 1). The current food safety regulation results from numerous trials and errors, along with subsequent research and development.

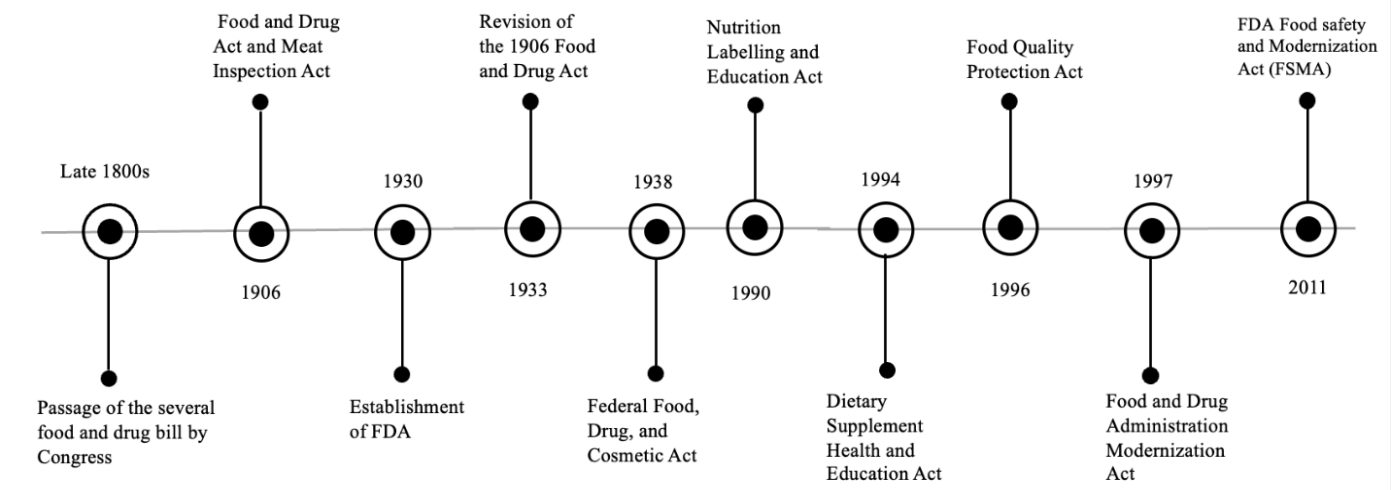

Figure 1: Timeline of the Development of the FDA and Its Food Safety Regulation

Source: Food and Drug Administration (2023)

The 2011 Food and Safety Modernization Act (FSMA) is considered a milestone in regulating food safety and building a national food safety system (Stewart and Gostin 2011; Food and Drug Administration 2023). The main aim of FSMA is to protect public health more effectively by focusing on the prevention of foodborne illnesses before they occur rather than responding to treating them (Centers for Disease Control and Prevention 2022). Under the FSMA, the Integrated Food Safety Centers of Excellence have been established to provide training and assistance to support state and local health departments in strengthening their ability to track and investigate enteric diseases (Centers for Disease Control and Prevention 2023a). At the state level, health departments collaborate with the FDA to administer the FSMA and enforce laws and rules related to food safety, such as Oklahoma state's Food Safety Division, operating under the State Department of Agriculture, Food, and Forestry (Oklahoma Division of Food Safety 2024). In Oklahoma, this division oversees the Homemade Food Freedom Act in the state, ensuring compliance with training requirements and labeling rules for homemade foods.

Despite joint efforts at both federal and state levels, FSMA is not free from flaws and regulatory gaps. First, the FSMA primarily focuses on regulating food products other than meat and poultry, and it collaborates with the USDA to establish specific safety standards for these products (Stewart and Gostin

2011). Second, small producers are also exempt from some safety requirements compared to larger farms. Although these exemptions, along with some modified requirements, are intended to consider the scale and resources of small producers, they create a gap in maintaining a robust food safety system that could lead to foodborne illness because small farms account for 91 percent of all farms and 23 percent of agricultural production (Stewart and Gostin 2011; Boys, Ollinger, and Geyer 2015). The lack of consistent federal policies to regulate small-scale businesses means heavy reliance on local government regulations, which vary widely across regions or may not align with rules for large commercial operators. This lack of consistency poses particular challenges for small business owners. Additionally, in the context of small businesses like home kitchens, there is a notable absence of consistent liability insurance policies, with requirements either not mandated or specified (California Department of Public Health 2019; House Bill 94 2021; House Bill 2431 2022). This exposes home kitchens to legal and financial vulnerability, including potential legal claims or lawsuits seeking compensation for medical expenses, pain and suffering, employment disputes, property damage, or other damages incurred by affected consumers. Therefore, in the context of our constantly evolving food system, ongoing reforms in food regulation are imperative to meet the market demand while upholding food safety standards.

2.2 Cottage Food Law

Cottage foods are a selected group of homemade food products sold for human consumption (McDonald 2019). While eligible cottage food products vary across states, the typical ones present a low risk of foodborne illness, including confectionary products like candy, preserved fruit and vegetable products such as jam and jelly, baked goods like bread and cookies, snack foods like popcorn and granola, and dry goods or condiments (McDonald 2019; O'Hara et al. 2021).

In 1978, Vermont became the first state to establish cottage food laws that allowed residents to produce and market cottage foods. Before 2007, only four states (i.e., Maine, Massachusetts, Vermont, and Virginia) legalized the sales of non-perishable foods prepared in a home kitchen. The cottage food market grew rapidly after 2007 and 2008 with the passage of cottage food laws in various states. In June 2022, Rhode Island marked the last state to legalize the sale of cottage foods with the passing of House Bill 7123 (2022). The law went into effect in November, allowing both farmers and non-farmers to obtain permits to sell cottage foods. As of now, all 50 states in the United States, along with the District of Columbia, have implemented cottage food programs that permit residents to sell home-prepared foods (such as baked goods and shelf-stable foods) directly to consumers (Institute for Justice 2022). The timeline of the implementation of the cottage food law in the United States is visualized in Figure 2.

The specifics of cottage food laws vary within states. For example, California has a tiered system with Class A and Class B operators (California Department of Public Health 2023a). Class A operators need no training but can sell only directly to consumers at a lower gross annual sale limit of $75,000. On the contrary, Class B operators can sell indirectly to consumers through stores and restaurants at a higher gross annual sale limit of $150,000, but they need to complete a training course offered by the California Department of Food and Agriculture and label their products with relevant information. This creates inefficient markets and potentially raises the transaction costs for local operators. Local operators also may not have the technical legal expertise to navigate the regulatory landscape, which could impede its economic growth. Between-state discrepancies in cottage food laws are also significant. For example, Florida cottage food producers or home chefs do not need any licenses or training to start the business and have an annual sales cap of $250,000 (Florida Department of Agriculture and Consumer Services 2021; California Department of Public Health 2023b). These in-state and between-state variations in cottage food legislation led to confusion and disparity in the economic opportunities available to home chefs, further complicating the regulatory landscape of cottage food businesses and emphasizing the need for standardization and clarity in food safety regulations.

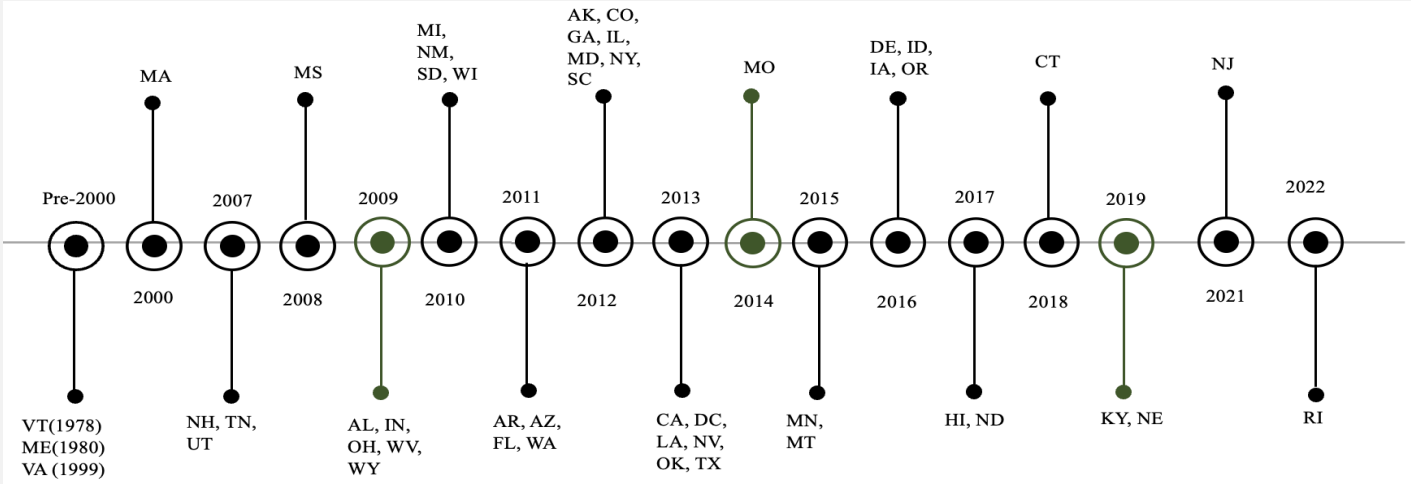

Figure 2: Timeline of the Implementation of Cottage Food Laws Across States

Sources: O'Hara et al. (2021), Table 1 Year Food Manufacturing Sectors Eligible for Cottage Food Production; Cottage Food Laws by State (2023)

Notes: KS, PA, and NC do not have specific cottage food laws, but residents are allowed to sell homemade food. The figure represents the initiation of cottage food laws across states.

2.3 National Food Freedom Initiative

The emergence and development of cottage food laws and the HCM both fall under the umbrella of the "Nation Food Freedom Initiative" led by the Institute for Justice (2023b), which focuses on "*eliminating restrictions that prevent people from making food for sale in their home kitchens*." In 2021, the Institute for Justice facilitated cottage food reforms in nine states (Alabama, Arkansas, Florida, Illinois, Indiana, Minnesota, New Mexico, Oklahoma, and Wyoming) through bill drafting and organizing support for home chefs and policymakers. These reforms aim to relax cottage food regulations, covering a wide range of changes, such as eliminating local bans and permitting requirements, lifting sales caps, and broadening sales channels through online platforms and local retailers (Smith 2021). From an economic perspective, a relaxation in policy (essentially deregulation) could increase economic opportunities, and reduce barriers to competition and innovation. This opens up the market and allows those who do not have the means or background in technical regulatory issues to be able to participate.

The Wyoming Food Freedom Act of 2015 is a notable example of the National Food Freedom Initiative leading the way to legislation. It allows home chefs to sell nearly all types of homemade foods without any license, permit, or certification requirement from any state government agency. Following Wyoming's lead, several states, such as North Dakota (House Bill 1433 2017), Utah (House Bill 181 2018), Montana (Senate Bill 199 2021), and Oklahoma (House Bill 1032 2021), enacted similar food freedom acts, easing numerous restrictions for home chefs producing food for sale in their home kitchens. More recently in January 2024, Alaska introduced a food freedom bill that will exempt sales of homemade food from state licensing requirements, including inspection and labeling after its approval (House Bill 251 2024). Additionally, the controversial Arizona bill, also known as the Tamale Bill, which was vetoed by Governor Katie Hobbs, has been re-introduced which would allow the selling of perishable food items made in home kitchens if approved (House Bill 2042 2024). While the Institute for Justice (2023c) reported no documented cases of foodborne illness linked to food sold across seven states with the broadest homemade food laws (California, Iowa, Montana, North Dakota, Oklahoma, Utah, and Wyoming) as of September 2023, concerns about the food safety has been brewing around the HCM as a whole (Gonzalez 2023; Wimer 2023). In response, state policymakers have taken measures to amend their food freedom law. For example, the North Dakota Health Department has imposed restrictions on the sales of

high-risk foods such as meat products (except poultry), fresh fruits, vegetables, juices from fresh fruits and vegetables, and raw sprouts (Farquhar 2020). Food operators are required to display a sign or label that states: "*This product is made in a kitchen that is not inspected by the state or local health department*." Similarly, poultry products must include a label stating, "*Poultry products do not come from a government-approved source*." Oklahoma has also taken proactive steps to enhance food safety under the Homemade Food Freedom Act. Oklahoma Food Safety Division oversees the Homemade Food Freedom Act ensuring compliance with a set of labeling rules for homemade foods (e.g., legible print stating "*This product was produced in a private residence that is exempt from government licensing and inspection*"). Additionally, food operators are required to undergo food safety training and obtain permits, and a centralized platform for reporting complaints on foods being made and sold under the Oklahoma Homemade Food Freedom Act is available to the public. Overall, the evolving landscape of food regulations underscores a complex dynamic between the National Food Freedom Initiative and the necessity of ensuring food quality and safety at the state level.

2.4 MEHKO Legislation

While residentially produced shelf-stable foods are a cornerstone of cottage foods, direct sales of homecooked perishables, such as meat or seafood, are largely outlawed throughout the United States. Nevertheless, home cooks in California and other states have a long history of selling or trading homecooked meals with neighbors, contributing to charitable fundraisers, or hosting home-based pop-up meals (Alexander 2018; Pixcar 2021; Institute for Justice 2022). In response to the growing lobbying efforts from home kitchen operators and third-party advocacy groups (such as COOK Alliance and the Institute for Justice), California passed Assembly Bill No. 626 (AB 626) in September 2018, which legalized the sale of certain homecooked perishable foods through the MEHKO permits. This groundbreaking legislation was the first of its kind in the United States, reflecting the recognition of the value and potential of home-based food entrepreneurship. AB 626 allowed counties in California to opt in and issue MEHKO permits and enabled the sale of perishable meals containing meat and eggs, which was previously prohibited under the cottage food law. Unlike other states that adopted food freedom acts at the state level, California's MEHKO permits are issued and regulated by the county-level environmental health department (House Bill 94 2021). In a county that has opted into the law, a valid MEHKO permit will be issued to the home kitchen operator by the local county health department after the completion of the initial inspection to verify compliance with the requirements of state law. The MEHKO operator must obtain a Food Protection Manager Certification from an accredited organization, and any individual involved in the preparation, storage, or service of food must obtain a food handler card (COOK Alliance 2022a).[1] Under the current regulation, MEHKO operators are required to receive one on-site routine inspection per year by the environmental health department. By May 2022, nine Californian counties had authorized MEHKO operators (Figure 3).

Following California's path, Utah became the second state to legalize home kitchen operations through the passage of House Bill 94 in May 2021, allowing home chefs to sell their homecooked meals directly to the public (House Bill 94 2021; Sibilla 2023). Likewise, Iowa passed House Bill 2431, signed on June 14, 2022, allowing home food processing establishments to sell most types of food, including perishable foods like red meat and poultry (House Bill 2431 2022). Unlike California, Utah and Iowa do not require counties to opt in to regulate home kitchens but do require permits and/or licenses to operate. Similar legislation has been under development in other states, such as Washington

[1]In California, the oversight of food safety regulation and compliance training and permitting falls within the purview of each county that has opted into the state legislation of MEHKO. For example, information about Food Handler Card and Food Protection Manager Certification provided by San Diego county's Environmental Health and Quality Department can be found here: https://www.sandiegocounty.gov/content/sdc/deh/fhd/food/foodhandler.html

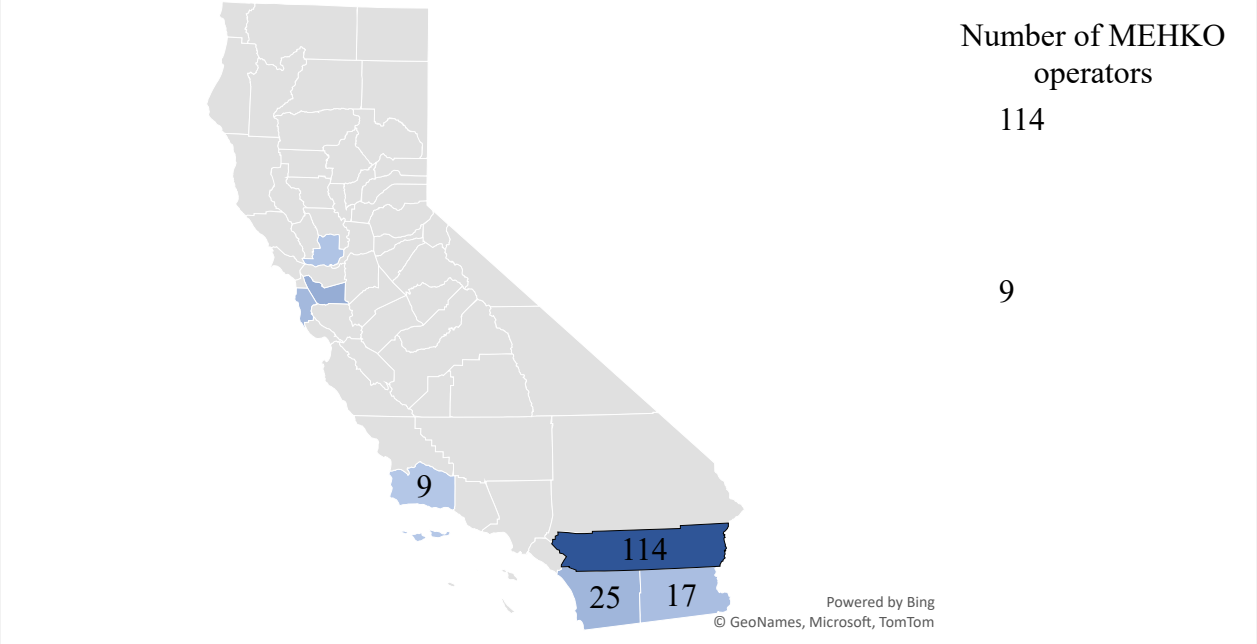

Figure 3: Number of Active MEHKO Operators in California Based on Counties

Source: COOK Alliance (2022c); https://www.cookalliance.org/map

(House Bill 1706 2023), Florida, and Georgia (Martinez 2023). A comparison of home kitchen operation legislation in four states is summarized in Table 1.

As of July 2023, the HCM in California was promoted further with the passing of Assembly Bill No. 1325 (AB 1325). AB 1325 raised the maximum number of meals to 90 per week and raised the gross annual sales cap to $100,000. Additionally, AB 1325 expanded the definition of "meals" to allow for more flexibility in selling individual items such as desserts, appetizers, and beverages. This new legislation increases support for home kitchen operators by offering them more and better economic opportunities for their businesses and expanding the overall HCM market. Lowering barriers to entry, such as previous limitations on sales, meal quantities, or food options, AB 1325 encourages healthy competition and the potential for a wider array of food offerings. The expansion of the meal base also encourages more producers to supply these items, creating economic benefits for local producers and suppliers. In addition, the California Legislature allocated $8 million to bolster California's MEHKO program to provide education and business technical assistance to chefs (CAMEO 2023). Overall, these legislative efforts have the potential to help grow the HCM outside of California by providing modified groundwork legislation for states considering MEHKO legislation.

3 The Economic System of the HCM

To better understand and evaluate an economic system, Neuberger and Duffy (1976) proposed the system-theoretical approach that identifies three foundational structures in an economic system: motivation, decision-making, and information structures. Scholars have adopted this approach to discuss and analyze the long-term resilience and efficiency of economic systems (e.g., Conn 1977; Davis and Serrano 2016; Enderle 2017).

A food system, by nature, is a microcosm of an economic system consisting of organizational arrangements and processes of production, distribution, and consumption of food from the farm to the table (Davis and Serrano 2016; Braun et al. 2021; U.S. Department of Agriculture 2023). As such, the HCM is an emerging economic system that includes its own operational process of transforming raw materials

Table 1: Comparison of MEHKO Legislation in Four Different States

State	California	Utah	Iowa	Florida
Legislative Type	Assembly Bill No. 626; Assembly Bill No. 1325	House Bill 94	House Bill 2431	House Bill 707
Last Action	Signed 09-18-2018; Signed 07-21-2023	Signed 03-22-2022	Signed 06-14-2022	Died 03-14-2022
Requires Permit	Yes (MEHKO)	Yes (MEHKO)	Yes (HFPEL*)	No
Allows for the Sale of Perishable Goods	Yes	Yes	Yes	Yes
Allows for Dine-In	Yes	No	No	No
Allows for Delivery	Yes, but only by the operator	Yes, but details on whether third-party is allowed are not included	Yes, but only by the operator	Yes
County Opt-In	Yes	No	No	No
Inspection Requirement	Yes, one inspection per year	Yes, but no time frame is specified	Yes, but no time frame is specified	Yes, but no time frame is specified
Liability Insurance Requirement	Not required	Not specified	Not specified	Not specified
Meals Must be Cooked, Served, and Sold on the Same Day	Yes	Yes	Yes	Yes
Includes Internet Food Service Intermediary	Yes	No not specified	No not specified	No not specified
Gross Annual Sales Limit	$50,000; $100,000	None	$50,000	$250,000
Number of Meal Limit	30 meals or meal components per day and 60 total per week; 30 meals per day and 90 meals per week	None	None	10 individual meals per day

Source: The table is organized and compiled by authors using data and resources from the following sources: Assembly Bill No. 626 (2018); House Bill 94 (2021); House Bill 2431 (2022); House Bill 707 (2022); Assembly Bill No. 1325 (2023)
Note: *Home Food Processing Establishment License (HFPEL).

into homecooked food for sale with the support of consumers, home chefs, county agencies, advocacy groups, and third-party ordering platforms like Foodnome. To comprehensively examine the functionality and efficiency of the HCM food system, we elaborate on the three underlying and intertwined economic structures.

3.1 Motivation Structure

The motivation structure specifies objectives, incentives, or rewards that influence consumers, producers, and regulatory agencies to engage in an economic system (Conn 1977; Davis and Serrano 2016). In the context of HCM, for example, home kitchen operators expect to gain additional income sources while exercising their culinary skills and maintaining a relatively flexible work schedule. Meanwhile, consumers who order from home chefs could be driven by a number of factors, such as variety seeking and the desire to support local food producers. The emerging popularity of the food-sharing economy in the tourism sector and the growth of enterprises such as Eatwith, a global platform offering a communal dining experience, also motivate consumers into HCM (Ketter 2019). These motivations for chefs and consumers to participate in the HCM contribute to the dynamic of supply and demand for homecooked meals, whereas the motivations of regulatory parties and advocacy groups support the regulatory landscape of the HCM's development and expansion. In this section, we will focus on the core drivers in the HCM system influencing the emergence of supply and demand for homecooked meals.

3.1.1 U.S. Food Trends

In the recent decade, Americans have been spending approximately 10 percent of their disposable income on food (Okrent et al. 2018). However, the share of disposable income has experienced a sharp increase to 13 percent in 2022 due to a surge in the rise of food away from home (U.S. Department of Agriculture, Ecomonic Research Service 2023b). The food expenditure series (Figure 4), published by the U.S. Department of Agriculture, Economic Research Service, indicates that food-away-from-home (FAFH) expenditures have surpassed food-at-home (FAH) expenditures in recent years (Saksena et al. 2018; U.S. Department of Agriculture Economic Research Service 2023a). Despite a sharp decline in FAFH spending in 2020 due to the pandemic, expenditures in FAFH was up by 28 percent in 2021 compared to 2020 and up by 20 percent in 2022 compared to 2021 (U.S. Bureau of Labor Statistics 2023). This represents $3,030 and $3,639 in average expenditures on FAFH in 2021 and 2022, respectively. FAFH expenditures are

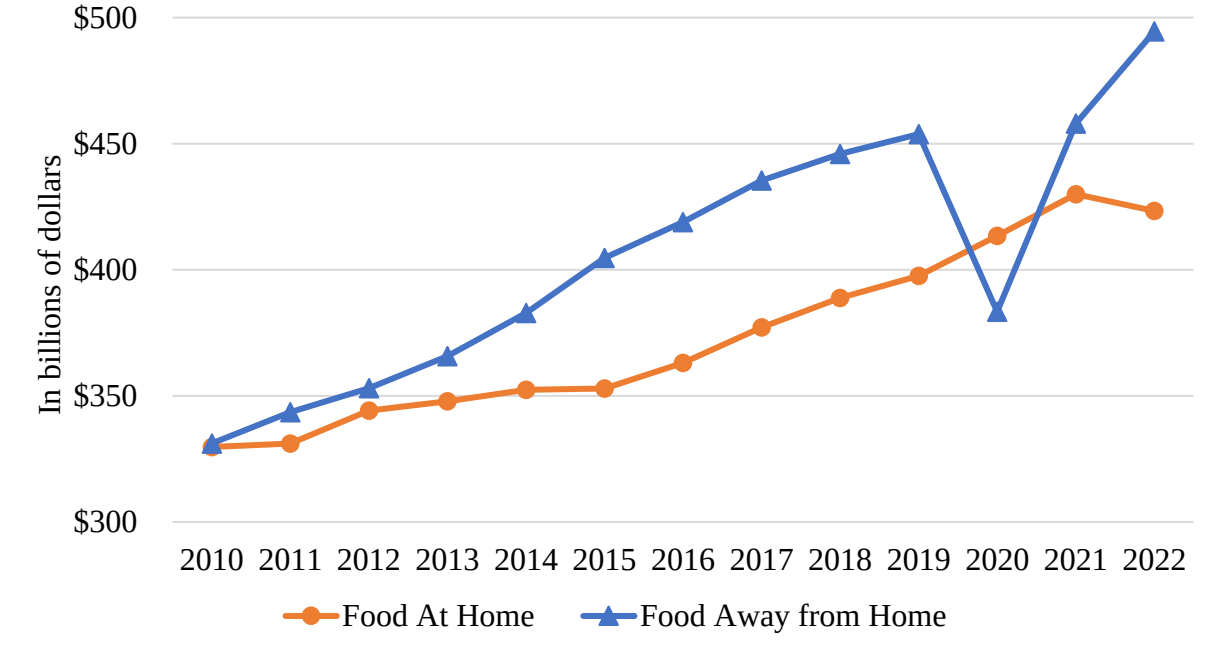

Figure 4: Food-at-Home and Food-Away-From-Home Expenditures in Constant Dollars, 2010–2022.

Source: U.S. Department of Agriculture, Economic Research Service (2023a)

projected to further increase and account for a larger share of U.S. consumers' food dollars in the long run; this trend is largely due to higher income and education levels and shifts in household structures (Saksena et al. 2018; Ellison et al. 2021; Parum and Senarath 2021).

The projected expansion of the FAFH market creates growth opportunities and diversification prospects for home kitchen operations. Although recent studies showed different results in estimating the average FAH and FAFH own price elasticities given different data and methods used (Okrent and Alston 2012; Lusk 2017; Ellison et al. 2021), a general implication is that consumers appear to be more sensitive to prices when dining out. Indeed, the hospitality literature shows that variety-seeking behavior, driven by both internal and external factors, is common in restaurant choices (Ha and Jang 2013). Additionally, partly driven by the desire to support local producers and the local economy, consumers have shown growing interest in seeking out locally sourced or produced foods (Feldmann and Hamm 2015). This shows that the community itself is restructuring its food system to have a more local or regional focus while moving toward its own local production and distribution channel (Bloom and Hinrichs 2011). Thus, this increasing demand for FAFH and local food provides opportunities for home chefs to capture the growing food industry.

3.1.2 Growing Consumer Preferences for Ethnic Foods

The shifting demographics in the United States are creating a more diverse food environment, encouraging consumers to explore and develop preferences for ethnic foods, which are a central focus of the HCM. U.S. Census Bureau (2022) data show that the U.S. population is becoming increasingly diverse, with about 4 out of 10 Americans identifying with a non-white race or ethnic group. This trend is expected to continue because the increased diversity among the younger population is more prevalent—more than half of children under 16 were identified as a racial or ethnic minority in 2019 (Frey 2020). The growing demographic diversity has led to a unique food market segment within these communities, particularly in areas with a substantial non-native population (Palumbo and Teich 2004).

An example of how ethnic food gained prominence in the United States is sushi. It was considered disgusting and faced skepticism when first introduced to the United States in the 1960s, but it is now available in more than 4,000 restaurants across the nation (Ruby and Rozin 2019). Roseman (2008) identified reasons behind the growing interest in ethnic foods, including, for example, "like food of a different ethnicity/culture than me" and "food with a variety of different tastes." Similarly, Latino foods also faced resistance and were perceived as foreign and potentially unsettling by earlier generations of Americans; however, today, Latino foods are an integral part of American food culture, enjoyed by people of all backgrounds (Pilcher 2023).

Research indicates that ethnic or cultural food consumption is associated with nostalgia, upbringing, and a sense of belongingness (Wright et al. 2021b). For consumers with racial or ethnic identification, especially those from immigrant communities, access to cultural foods can help alleviate psychological stress and provide a connection with their cultural heritage (Sanou et al. 2014; Moffat, Mohammed, and Newbold 2017). Among these consumers, cultural food security, defined as availability, access, utilization (i.e., food preparation, sharing, and consumption), and stability of cultural foods (Power 2008; Wright et al. 2021a), becomes a significant driver of food choices.

The growing consumer preference for ethnic foods contributed to the initial proliferation of commercial home kitchens in the local communities, even before the establishment of the regulatory framework in California. Today, a significant number of MEHKO operators cater to the demand for ethnic foods, such as Indian and Mexican, offering a different taste or association with cultural traditions.

3.1.3 Cost Comparison of FAFH Outlets

One of the significant drivers for chefs to engage in home cooking businesses is their competitive advantage in cost and low barriers to entry, compared to traditional food establishments such as brick

and-mortar restaurants, food trucks, and commissary kitchens.[2] The MEHKO, by nature, allows operators (i.e., home chefs) to prepare food for sale in their home kitchen, eliminating the need to rent or own commercial kitchen spaces, which is usually the largest expense for traditional food establishments. In addition, due to small-scale operations based on delivery or take-out, home chefs can use the appliances and tools they already own, avoiding additional expenses on pricey commercial equipment such as range hoods. In the current market, menu prices for similar or same food items between traditional restaurants and MEHKO operators exhibit similarity, indicating comparable pricing (Shef 2024). This suggests a larger profit margin for MEHKO operators owing to their lower costs, making them more appealing to individuals with limited initial capital. Overall, MEHKO operators offer a holistic approach to economic development by supporting local entrepreneurship ultimately leading toward long-term sustainability.

An industry survey distributed to restaurant owners shows that the average startup restaurant cost is between $175,500 and $750,500 (Restaurant Owner 2018), and food truck startup costs range between $50,000 to $175,000 (Rankin 2021; Roaming Hunger 2023). For MEHKO chefs, the startup costs are notably lower, totaling a few thousand dollars to obtain mandated permits and licenses and complete facility inspections governed by their local environmental health agency (California Department of Public Health 2023; Table 2). These expenses vary by county but are generally affordable. For example, the MEHKO permit application costs $435, and its annual fee is $635 in Santa Clara County (Blodgett 2022). The completion of Food Protection Manager Certification costs between $50–$90, and the certification is good for five years (California Department of Public Health 2023; COOK Alliance 2022a). Table 2 provides a brief cost comparison between traditional food businesses and MEHKO operators.

3.1.4 Key Drivers of HCM Growth

Although the MEHKO framework is pivotal to legalizing the sale of homecooked food, its initial restrictions and sales limits made it difficult for home kitchens to grow, limiting the supply of homecooked meals and the expansion of the HCM. In July 2023, the enactment of AB 1325 by the California Assembly marks a significant advancement in (1) increasing the gross annual sales cap to $100,000 from $50,000, (2) freeing home chefs to serve up to 90 meals weekly (up from 60 previously), and (3) expanding the definition of a "meal" by allowing chefs to sell foods that were previously prohibited, such as appetizers, beverages, and desserts (Assembly Bill No. 1325 2023; Institute for Justice 2023a). These reforms strengthened the incentives for Californian food entrepreneurs to turn their home kitchens into businesses and for policymakers in other states to reexamine the effectiveness of their current legislation.

A critical underlying driver of the HCM is the growing popularity of the novel market model—the sharing economy—in the last decade. According to Trenz et al. (2018) and Quattrone, Kusek, and Capra (2022), the sharing economy model is "*collaborative consumption or peer-to-peer sharing [and] is an economic model that leverages the ability (and perhaps the preference) of individuals to rent/borrow goods and services rather than buying/owning them*." (p. 1) The technological advancement and change in consumer attitude toward product ownership have allowed for the rapid growth of the sharing economy in sectors such as workspace, hospitality, delivery services, and rental services (Botsman and Rogers 2010; Cheng 2016; Ganti 2021). In the context of HCM, chefs leverage their culinary skills within their residences to offer food choices to local consumers. Following the established categorization of sharing practices developed by Trenz et al. (2018), the HCM is a type of commercial sharing that (1) builds on the commercial interests of home chefs (i.e., resource provider); (2) involves direct monetary compensation for chefs; and (3) does not involve the transfer of ownership. As the sharing economy is projected to

[2]A commissary kitchen is a rentable shared kitchen that has commercial-graded equipment where food service operators such as food truck and mobile vendors can prepare and store their food (Webstaurant Store 2023).

Table 2: Comparison of MEHKO Legislation in Four Different States

Costs	MEHKO	Food Truck	Commissary Kitchen	Brick-and-Mortar Restaurant
Place of business (Capital Cost)	No cost outside what is already paid for in the operators' home.	Average food truck[1] $50,000–$175,000	Security Deposit[2] $100–$250 Hourly rent[2] $15–$45 Monthly rent[2] $250–$1,250	Security Deposit[3] $12,000–$36,000 Rent[3] $2,000–$12,000 or Down Payment[3] $100,000–$350,000 Mortgage[3] $2,000–$12,000
Equipment and Supplies (Material Cost)	Equipment can be equipment already in the home kitchen.	$50,000– $200,000[1]	Equipment included in rent[2]	$50,000–$400,000[3]
Certificates and Licensing (Legal Cost)	MEHKO Permit[5] $500–$700 & Food Protection Certificate/ Food Handlers Certificate[5] $50–$90	Business License[1] $65–$150 Health Permits[1] $100–$1,000 Food Handlers Certificate[5] $50–$90	Food Handlers Certificate[5] $50–$90	$675–$9,200[3]
Energy Cost	Low	High (Considering the cost of travel)	Low	High
Advertising Cost	Social Media Advertising; Local Advertising; Online Presence (Medium)	Social Media Advertising; Local Events and Promotions; Signage and Wraps[1] (Medium)	Online Presence; Website Development; Local Advertising[4] (Medium)	Local Advertising; Online Presence; Social Media Marketing; Signage and Décor ($20,000–$30,000) (High)
Insurance Cost	$0–$300 per year[6] (Low)	$2,000–$5,000 per year[1] (High)	$300–$500 per year[6] (low)	Average of $2,160 per year[3] (High)
Additional Costs	Sometimes, street parking (Low)	Parking on average costs[4] $500–$1,000 a month (Medium)	Dry storage[2] $30–$60 a month Cold storage[2] $60–$100 a month (Medium)	Furniture/Décor[3] $40,000–$80,000 (High)

Source: The table is organized and compiled by authors using data and information from the following sources: Brett (2022)[1]; Shrauner (2021)[2]; Rankin (2021)[3]; Emily (2023)[4]; Assembly Bill No. 626 (2018)[5]; Frankel (2023)[6]

quadruple its market in the next few years (*Statista* 2023), the increasing consumer familiarity with this economic model could potentially contribute to the growth of HCM.

While these sharing economy models "*create opportunities for underused goods and services to be available and within easy reach of matching demand*" (Quattrone et al. 2022; p. 1), they could generate negative externalities (e.g., Trenz et al. 2018; Quattrone et al. 2022; Mosaad, Benoit, and Jayawardhena 2023). The two most notable pioneers of commercial sharing, Airbnb's online accommodation platform and Uber's ride-sharing service, have been facing criticism (Guttentag 2015; Quattrone et al. 2022). For example, the increasing popularity of Airbnb in Berlin leads to a housing shortage in some districts (Trenz et al. 2018). As the HCM gains momentum, it has the potential to bring disruptions to the traditional restaurant industry and cause externalities in economic, social, and environmental domains. This underscores the importance of establishing an externalities-based regulatory framework. This sharing economy has had a major economic impact on the sector of tourism and hospitality that aligns very closely with the HCM (Guttentag 2015; Sigala 2017).

3.2 Decision-Making Structure

The decision-making structure "*reveals who has the authority over which decisions and the basis of that authority*" (Neuberger and Duffy 1976, p. 14), focusing on the distribution of decision-making authority or power among various stakeholders holding different motivations and objectives. Overall, the HCM's decision-making structure is characterized by the nature and concentration of decision-making power (such as government regulations versus cultural tradition), decision-making parties (such as consumers, home chefs, local authorities, and policymakers), and their function in the market (such as food preparation, consumption, and regulation) (e.g., Conn 1977; Enderle 2017). This section elaborates on the interplay of market structure, product differentiation, and pricing strategies in the HCM food system.

Although in its infancy, California's HCM food system spans nine counties, representing approximately 30 percent of the state population (Institute for Justice 2023b). The legal market for MEHKO operators and homecooked meals is still in its nascent stages and has yet to mature into one of the conventional market structures. Nevertheless, the characteristics of MEHKO operators, including low barriers to entry or exit, price-sensitive demand within the market of MEKHOs, small-scale operations with small market share, and limited influences on market prices, align the HCM market structure more closely with that of perfect competition (Robinson 1969). However, some disagreements might merge in the areas of product differentiation and chefs' price setting power.

First, foods prepared by MEHKO operators are differentiated in terms of cuisine types, taste, price, and convenience (location and distance of the MEHKO). Driven by their own culinary cultures or backgrounds, home chefs have the flexibility and autonomy to sell meals of unique creation. It is worth noting that MEHKO food is not bound by ethnic or cultural foods, allowing them to compete with food offered in conventional restaurants. Moreover, some MEHKO operators further differentiate themselves by offering dine-in experiences in their residences or creating backyard spaces for an outdoor dining option (County of San Diego 2023). As implied by the emerging "experience economy," this is in line with the growing consumer interest in a holistic food experience, which shifted from focusing on the basic tangible attributes of food (Morgan, Watson, and Hemmington 2008). Evidence shows that the demand for personal chefs to provide high-end dining service from one's home kitchen was booming during the COVID-19 pandemic (Lucas 2020; Furniss 2021).

Second, through product differentiation and interpersonal connections established from direct interactions with consumers, chefs gain the power to determine their own prices and promotion strategies. Relevant studies show that consumers are willing to pay a premium for locally sourced food (e.g., Feldmann and Hamm 2015; Aprile, Caputo, and Nayga 2016; Printezis, Grebitus, and Hirsch 2019) and value interpersonal exchange in the economic decision-making (Chen et al. 2019). Unlike chain restaurants, MEHKO operators' brands are built on chefs' personal stories and cultural backgrounds, fostering trust and relatability among consumers. MEHKO allows consumers to socially interact with locals and have unique experiences aligning with the concept of a sharing economy that has been largely neglected in the food sector, as it has been focused mainly on accommodation and ride-sharing context

(Puram and Gurumurthy 2023). This also differentiates MEHKO from traditional restaurants while adding social, environmental, and economic value. While further economic research needs to be conducted to rigorously evaluate consumers' price sensitivity to food offered by MEHKO in comparison to traditional restaurants, recent studies in consumer valuation of locally grown foods provide a basis for the hypothesis that consumers may be less price sensitive to MEHKO operators compared to traditional restaurants. This reduced price sensitivity could be attributed to strong consumer affinity developed through interpersonal connections and willingness to support local chefs and local communities. This potentially explains the premium pricing strategy adopted by chefs, which is why the current MEHKO foods are priced similarly to traditional restaurants despite significantly lower operational costs.

3.3 Information Structure

The information structure in an economic system includes mechanisms and channels for the collection, processing, storage, and dissemination of decision-relevant information (Neuberger and Duffy 1976). This structure supports stakeholders' decision-making by providing two key types of information: macroenvironmental information and decisions of other decision-makers (Enderle 2017). In the context of HCM, the transparency, accessibility, and interpretability of information and data is pivotal to the efficacy of the system (see Davis and Serrano 2016 for a discussion on the local food system). For example, establishing transparent regulations and rules about home kitchen practices improves compliance among chefs and increases consumer confidence in food safety and quality. The HCM food system's information structure serves to inform stakeholders to make decisions and enhances the motivations for engagement. This section discusses how information forms and flows between chefs, consumers, advocacy groups, and policymakers.

3.3.1 Information Channel Between Chefs and Consumers

Social media has been one of the fastest-growing technologies of modern times and a powerful marketing tool that has a large and active audience (Zenith Optimedia 2019; Appel et al. 2020). Evidence shows that social media marketing is effective in building and fostering trust among consumers and expanding the base of the targeted audience (Valerio, William, and Noémier 2019), especially in the restaurant industry, where customer engagement and social sharing are critical (Li, Kim, and Choi 2021). The use of social media marketing enables home chefs to connect with consumers directly and promote their brands and stories, share their culinary practices in the kitchen, and encourage word-of-mouth recommendations among the local community.

Third-party food delivery services serve as an effective intermediary for transmitting information between suppliers and buyers in the FAFH sector, allowing consumers to place orders through mobile apps and allowing chefs to access a wider consumer base (Xu and Huang 2019). These Online-to-Offline (O2O) services, such as Uber Eats, GrubHub, and DoorDash, have become increasingly popular, offering consumers convenient and fast access to a wide collection of restaurant choices (Puram and Gurumurthy 2023). These services also offer restaurants new opportunities to increase revenue without the need to expand their physical locations or provide seating (Xu and Huang 2019). In the United States, the O2O food delivery market reached $26 billion in 2022 (IMARC Group 2022). This significant growth in the market highlights the increasing adoption of O2O services and the potential opportunities they provide for MEHKO operators. The marketing benefits of using O2O services include decreased marketing costs, increased reach to consumers, and additional services such as menu development (Ram and Sun 2020).

Consumers nowadays tend to rely more on recommendations, past experiences, and customer reviews when making restaurant choices (Valerio et al. 2019). Various food marketing channels such as Foodnome and Shef.com serve as online platforms for both consumers and home-kitchen operators to market their food and brand themselves, and allow consumers access to place online orders and directly pick up their meals from the home kitchens (Foodnome 2023; Shef 2023). These intermediaries acting as facilitators in reducing transaction costs and effectively benefiting both parties in line with the theory of

the firm, play a vital role in connecting consumers with chefs. Since HCM is linked with the local economy, word of mouth is also an effective means of promotion (Dougherty and Green 2011). Overall, social media and online services have built an information structure of the HCM, allowing consumers to make food purchases and have transparent information about the individual home kitchen. This also grants chefs greater visibility and the freedom to introduce new services and processes. In essence, the market structure of HCM empowers chefs to make their own decisions regarding pricing and food offerings.

3.3.2 Advocacy and Corporate Social Responsibility

Non-profit advocacy organizations have been playing a crucial role in spurring the HCM, managing and disseminating information among consumers, chefs, and policymakers. These organizations have helped to advance the legislation, build strong advocacy for the HCM in the local communities, and provide financial and technological support to MEHKO operators. For example, the COOK Alliance has been leading advocacy efforts, engaging in policy leadership activities on behalf of the chef community, and facilitating effective communication with various stakeholders. One of their effective communication tools is the HomeCOOKed virtual conference, connecting legislators, operators, consumers, advocates, and academics (COOK Alliance 2022b). Other organizations have supported the HCM via different approaches. For instance, the Institute of Justice continues liberating its National Food Freedom Initiative to reduce or eliminate restrictions on home-based food businesses (Institute for Justice 2022); and CAMEO, California's statewide micro-enterprise development network, is partnering with COOK Alliance to create an entrepreneurial ecosystem for the growth of the MEHKO system in California (CAMEO 2023).

While studies show that advocacy organizations play an important role in reducing negative externalities such as the health effects of corporate practices (Biglan 2009), it is unclear how HCM's advocacy influences externalities caused by the progression of this movement. With the increased criticism of the negative societal and environmental impacts of the sharing economy and the support of digital platforms (Etter, Fieseler, and Whelan 2019; Mosaad et al. 2023), it is critical to examine whether the advocacy efforts and information are socially responsible. Hartmann (2011) argued that while issues such as the environmental impact of food production and food safety have been a central topic in agricultural economics, Corporate Social Responsibility (CSR) remains a challenging agenda in the food sector due to the multifaceted nature of the food supply chain. Houghtaling et al. (2020) found that only 21 percent of Supplemental Nutrition Assistance Program (SNAP) authorized retailers provided relevant CRS information, revealing a substantial need to enhance the commitments of SNAP-authorized retailers to promote healthy eating. Built on Hartmann's (2011) discussion of the economic theories on which CSR is based, the CSR of MEHKO operators, third-party ordering platforms, and advocacy organizations (either for-profit or non-profit) lies in "*the provision (reduction) of a good (bad) with at least some public good characteristic or of a positive (negative) externality.*" These "good" characteristics in the food system could be the provision of healthy food options or nutritional information (Ye, Cronin, and Peloza 2015), ensuring an inclusive and diverse working culture, and incorporating women, people of color, and underrepresented populations (Darden 2023).

The HCM has been fundamentally designed to create opportunities for underrepresented groups, including women, people of color, and migrants, to participate and thrive within the food industry. Like other businesses, the food business also relies on the shareholder theory and is focused on maximizing profit and its shareholder value (Friedman 1970). HCM is rooted in the local communities and implements community-driven CSR, thus asserting stakeholder theory in some ways (Freeman 2001). HCM contributes to the expansion of local business, promotes efficient use of resources, and encourages economic development at the local level, thus aligning with the concept of CSR.

4 Challenges of the HCM

Despite the growth momentum since the pandemic, home-based food businesses remain small-scale economic activities facing significant challenges. To obtain a comprehensive understanding of factors influencing the economic viability and long-term resilience of HCM, we use the Theory of Diffusion of Innovation to analyze factors—relative advantage, compatibility, complexity, trialability, and observability—that hinder the adoption of the HCM among consumers, chefs, and policymakers (Rogers 2003).

4.1 Regulatory Challenges

The United States does not have a federal law that regulates and legalizes the HCM, and the state government is mainly responsible for maintaining the regulation of home kitchen operations. For example, in California, counties must opt into the MEHKO legislation and require permits for residents to operate home kitchens (Assembly Bill No. 626 2018). The fact that only 9 out of 54 counties have chosen to participate in MEHKO legislation indicates a limited level of *trialability*, as per the principles of the diffusion of innovation. This has resulted in a sluggish diffusion process for MEHKO within the state of California. Further, there is a varying perception of policymakers toward the HCM across different states. In states such as Utah and Iowa, all residents are eligible to operate home kitchens irrespective of the county (House Bill 94 2021; House Bill 2431 2022). In states such as Florida, House Bill 707 was rejected by the Agriculture and Natural Resources Appropriations Subcommittee of the Florida Senate, outlawing sales of homemade perishable goods (House Bill 707 2022). Last, there is no clear regulation regarding the sales of homecooked food across state lines, especially for businesses that are located near state borders, limiting *observability* of home kitchen operations between states and adding risks for unregulated sales of homecooked meals.

All these varying policies, even within a state, create confusion and administrative burdens for young entrepreneurs, suggesting a potential need for a more unified set of guidelines. Administrative burden, referred to as *sludge*, has a significant effect on the outcome of an individual, affecting their access to benefits and the rights to which they are entitled (Herd and Moynihan 2019; Sunstein 2022). These burdens affect groups that have a low level of human capital, particularly cognitive resources, making them less likely to access public services (Christensen et al. 2020). Such administrative burden could discourage potential home kitchen entrepreneurs, who are more likely to come from low-income, immigrant, and single-parent households, from entering the food business and impede the democratization of economic opportunity (COOK Alliance 2022a). All these factors add to the *complexity* of home kitchen operations and impose barriers to entry for potential chefs, further hindering the expansion of the HCM.

MEHKO also encounters another regulatory challenge in its ability to operate both full- and limited-services for its consumers. Limited-service restaurants and full-service restaurants are some of the greatest contributors to FAFH expenses. Limited-service restaurants are places where consumers order and then pay before consumption, while in full-service FAFH restaurants, patrons are served after being seated (Okrent and Alston 2012). Figure 5 shows the growing expenditure in limited-service restaurants and full-service restaurants. Between full-service and limited-service FAFH, full-service FAFH has a much more responsive demand to changes in price compared to limited-service FAFH (Okrent and Alston 2012). This indicates that small price changes for full-service FAFH have a more significant impact on consumer demand as compared to changes in the price of limited-service options. This information could allow MEHKO operators to understand consumer behavior and attract dine-in customers. However, the current ununified regulatory landscape shows that California is the only state allowing for dine-in MEHKO operators. Without the dine-in option, MEHKO operators cannot fully address the growing consumer demand for full-service FAFH consumption.

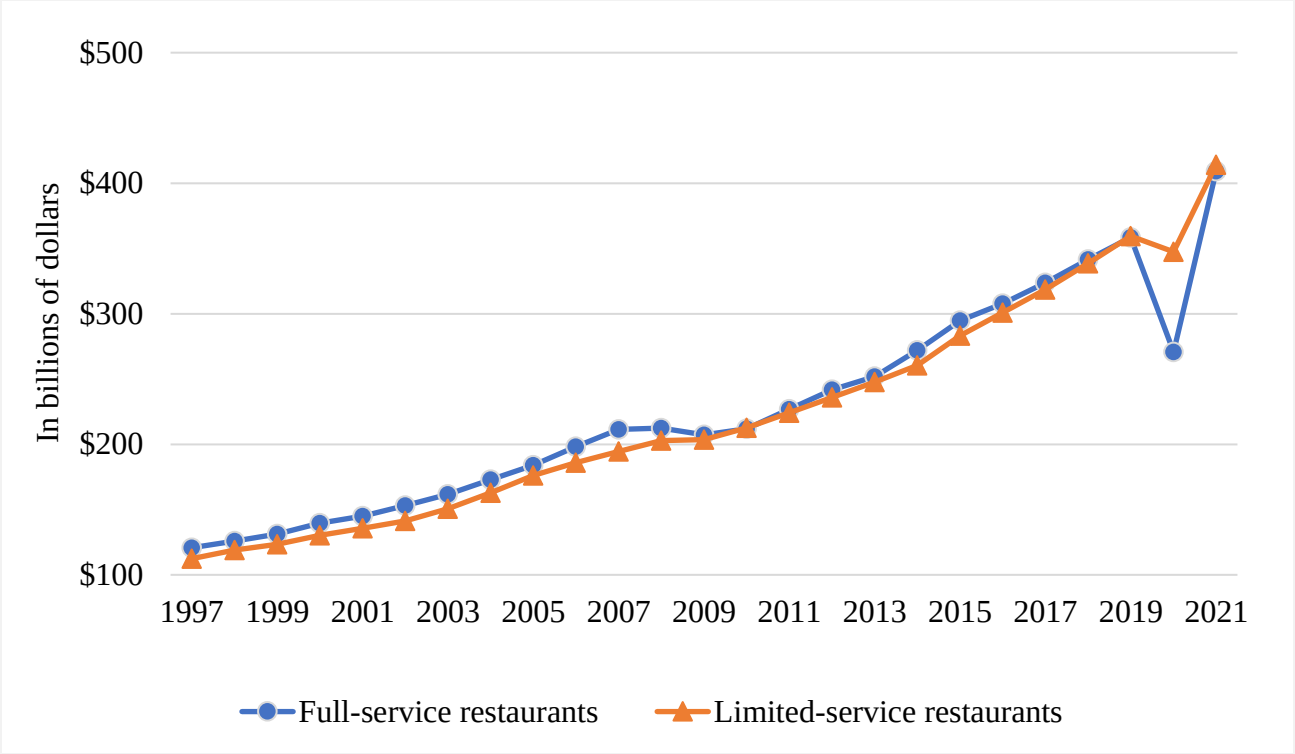

Figure 5: Full-Service Restaurants and Limited-Service Restaurants Expenditures in Nominal Dollars, 1997–2021

Source: U.S. Department of Agriculture, Economic Research Service (2023a)

MEHKO also has an annual sales limit in terms of total revenue and number of sales per week. In Iowa, the annual sales limit is $50,000, which is lower than the median household income in Iowa of $65,429 in 2021 (U.S. Census Bureau 2021; House Bill 2431 2022). Such a constrained annual sales threshold put MEHKO operators in a disadvantaged position in terms of the opportunity cost of time and entrepreneurial capital. Further, the sales limit sets chefs in a position of diseconomy of scale, limiting profit margin or even making home kitchens hard to stay afloat despite lower operational costs compared to brick-and-mortar restaurants. Therefore, the sales limit diminished the *relative advantage* of MEHKO operators in the competition with other FAFH outlets (such as food trucks), further hindering the growth potential of MEHKO operators.

4.2 Operational Challenges

A core motivation for chefs to start a home kitchen is to test out culinary ideas and business plans and have full flexibility and autonomy in the menu designs and food offering choices. Home chefs take pride in providing creative, trendy, and seasonal foods to consumers and use this approach to keep their customers loyal. However, the reality is current regulations require home operators to obtain approval from the health department if they want to change their menu (Chang 2022). Moreover, in addition to following health department regulations and policies, MEHKO operators often find themselves struggling with other business challenges such as professional food menu selection and design, financial management, and difficulty in finding helpers (unless they are certified as well). These challenges add significant difficulties to chefs' day-to-day practices and limit flexibility for innovation, diminishing the *relative advantage* of MEHKO operators amid competition with traditional restaurants.

Another operational challenge is associated with negative externalities brought by home-based businesses, including unintended environmental and social consequences. For example, without the

knowledge and equipment of commercial practice of waste management, there have been concerns about inappropriate disposal of fats, oils, and grease from the home kitchen causing blockages and sewage backups in residential septic systems with limited capacity, as well as littering and illegal dumping by customers or even chefs. In addition, smoke and odor in the home kitchen can affect neighborhood air quality and the well-being of residents. Negative social consequences include concerns about unexpected traffic of customers picking up food in the neighborhood, undermining neighborhood safety and property value. These challenges threaten the *compatibility* between home kitchen operations and the societal environment, drawing criticism from various bodies of audiences, such as the Homeowners' Association and Restaurant Association.

4.3 Marketing Challenges

The HCM sector is grappling with a host of marketing challenges, particularly in attempting to improve the visibility among potential consumers. Unlike established food chains, such as Chick-fil-A, Domino's, Taco Bell, and Olive Garden, with significant marketing investment in the continuous improvement of brand recognition and consumer loyalty, home kitchens have a very low level of visibility due to their limited geographical presence and consumer awareness. Home kitchen operators also lack knowledge and training in how to recruit customers, increase market share and market penetration, and obtain timely feedback from customers. Last, although there are a few startups serving as information channels between chefs and consumers, they are not as established as online food ordering platforms targeting traditional commercial restaurants, such as Uber Eats and DoorDash. The limited feedback loops between supply and demand make it very challenging for chefs to understand the needs and wants of contemporary consumers who tend to rely on others' reviews when making decisions on where to shop or dine at a restaurant (Dixon 2022). These factors altogether could decrease the *trialability* and *observability* of homecooked meals among prospective consumers and add additional hurdles to the proliferation of home cooking businesses and the improvement of consumer acceptance.

As per current regulation, California prohibits MEHKO operators from partnering with other O2O services such as DoorDash and Uber Eats. This policy deprives MEHKO operators of opportunities to reach a broader customer base, raise consumer awareness about the HCM, and promote home-cooked foods among consumers through online platforms. It gives traditional restaurants a *relative advantage,* given the increasing share of the online food delivery market in the current FAFH sector.

4.4 Food Quality and Safety Issues

Food influencers have been using social media platforms, such as TikTok, to promote and sell food products. Despite the growing popularity of social media in food marketing, some home chefs and food influencers have faced criticism for their improper handling, packaging of the food, quality control, and inconsistent nutritional information (Kaur 2022; NBC News 2022). There have been several cases of legal issues and penalties associated with the violation of food safety measures. For example, in 2015, a couple from Nebraska won approximately $11 million against a buffet restaurant after an infection of Salmonella bacteria that led to severe health damage (Flynn 2015). Additionally, numerous food companies, such as Dunkin' Donuts, prefer disposing of unsold foods rather than donating them to those in need due to due to concerns about potential food safety lawsuits if individuals fall ill after consuming donated items (Fowler 2021; Greenwald 2022). This begs the question of whether home kitchens, which are not as established and resourceful as big companies, could uphold food safety standards and regulations. Despite the growing popularity of home kitchens, food safety concerns among consumers and industry stakeholders have not been alleviated.

Moreover, home-based cooking practices are prone to foodborne illnesses and other negative health impacts. The National Outbreak Reporting System of the U.S. Centers for Disease Control and Prevention has shared data that between 2010 and 2021, there were 1,266 foodborne illness outbreaks,

24,068 illnesses, 3,443 hospitalizations, and 101 deaths associated with consumption of food prepared from a private residence (Centers for Disease Control and Prevention 2023b). This demonstrates that home kitchen operations are not free from health risks and food safety concerns. Moreover, MEHKO takes place within private residences, limiting consumer access to observe kitchen activities and the environment. In contrast, traditional restaurants usually offer consumers an open view of their kitchens or bar areas, allowing them to personally assess and make informed decisions regarding the food preparation process.

Unlike traditional restaurants, which are mandated to have liability insurance, there is a notable absence of clear guidelines or requirements for individual MEHKO operators to secure similar coverage. In California, for instance, the Internet Food Service Intermediaries—an entity that facilitates the sale of homecooked meals via online platforms or mobile applications such as Foodnome—are required to clearly post if individual MEHKO operators have liability insurance "*that covers any incidences arising from the sale or consumption of food listed or promoted*" (California Department of Public Health 2019). However, it is not a legal requirement to obtain such insurance for MEHKO operators (California Department of Public Health 2019). In other states such as Utah and Iowa, there is no explicit mandate for MEHKO operators to have liability insurance. The absence of a mandatory liability insurance requirement for individual MEHKO operators has multiple ramifications, including, for example, raising concerns about their accountability in ensuring food safety and managing potential health risks for consumers, posing significant risks and potential financial liabilities for the MEHKO owners in the event of safety-related incidents originating from their kitchens, and undermining consumer confidence in the quality and safety of homecooked food, thereby impeding the development of the market for MEHKO operators. Another regulatory ambiguity associated with MEHKO is the lack of clarity in regular on-site inspections. Though the procedure may vary across states, the standard practice of inspecting restaurants is at least twice annually (Hasan 2023). In contrast, California requires MEHKO operators to undergo only an initial inspection followed by annual checks (Assembly Bill No. 626 2018). States such as Utah and Iowa also fall short of providing clear guidelines on the frequency and process of required inspections, if any. All of these above-mentioned aspects could impede the *compatibility* between HCM and health-conscious consumers, placing MEHKO operators at a *relative disadvantage* compared to traditional restaurants, which are generally well-known for their adherence to safety and health standards and the high level of transparency that consumers trust.

5 Conclusion

The HCM remains an emerging market in its early stages of development. California's legislation model has provided a regulatory foundation for the establishment of HCM in other states. Combined with the support from the broader reach of the National Food Freedom Initiative, the HCM has evolved into an innovative food system and market with great growth potential.

This case study provides an in-depth examination of the regulatory landscape, economic structure, and growth challenges of the HCM. By applying the theoretical frameworks, such as economic systems and underlying structures, as well as the Diffusion of Innovation Theory, to analyze economic drivers and barriers in the HCM food system, this case study provides a unique opportunity for various learners. Policymakers, consumers, industry advocates, and opponents, as well as students majoring in agribusinesses and food economics, can gain valuable insights into evaluating innovative market development. The accompanying teaching note provides detailed guidance on using this case to facilitate critical thinking, improve analytical skills, and develop educational and training materials targeting various stakeholders. This case analysis will engage learners in the new developments and trends of the food industry by creating an interactive learning community. This community will, in turn, develop constructive feedback on improving the existing regulatory landscape and facilitating the market growth of HCM.

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Acknowledgements: This work was supported by the USDA National Institute of Food and Agriculture, Hatch Projects FLA-FRE-006374 and FLA-FRE-006037.

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