

## STARTING A SMALL BUSINESS – EXPERIENCES OF A NEW CHEESE WORKSHOP

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**Abstract:** Small businesses play an important role in the Hungarian food production, as besides the products of the well-known multinational food producers, consumers are interested in small-scale products, produced by local producers and small businesses. The short supply chain is very important in the milk and milk product industry; the products of local manufacturers are welcomed by the consumers at different places like small shops, local markets, and direct sales from the producers etc.

Our research describes the experiences of a small producer, who is a young entrepreneur and started her business a year ago. After the first few months, the shop started to develop, the revenue in started to grow. The basic products are the milk, cottage cheese and cheese, which became the most popular product. At the start 5 types of cheese were produced, but based on the customer's claims and suggestions now there are 14 types including smoked cheese products.

**Key words:** small business, local producer, entrepreneurship, cheese production

### Introduction

Today, there is a renewed focus on artisanal products produced by small farms, as opposed to mass-produced goods. Many consumers prefer small-scale food products which may be bought directly from the producers or at producers' markets, as the taste, smell and aroma of food products clearly show the difference between large-scale and small-scale production. Small-scale food production is a typical example of short food supply chains, which bring many advantages for local communities (Kneafsey et al. 2013; Benedek, Fertő 2015)

Food production is a highly regulated activity, with a number of requirements to be met in order to obtain an official licence to produce food. A number of conditions have to be met, in terms of both the premises and equipment used for cheese production, from a technological and hygiene point of view, and in terms of animal-related factors. Of course, in addition to the above, the person carrying out the activity must also meet the requirements and shall undergone an aptitude test before starting the activity.

This article summarizes the experiences of a small-scale cheese workshop which started its production approximately a year ago.

### Requirements of starting a small-scale food producing enterprise

The conditions for the production, production and sale of food by small farmers are laid down in Ministry of Agriculture (FVM) Decree 52/2010 (IV.30.) (FVM 2010). In addition, the entrepreneur receives the regulation of the activity from the Food Safety and Animal Health Department of the responsible Government Office in the form of a decision. The production of foodstuffs and their subsequent sale are also strictly controlled.

Small farmers may sell raw milk and milk products produced on their own farm through direct sales. As regards the territorial scope of the sale, it may take place by direct sales on the own farm or at any market, fair, event or authorised temporary sales outlet for the final consumer, as well as at any retail or catering establishment within Hungary, including home delivery at the request of the purchaser (Benedek, Fertő 2015; Szabó 2014).

The main forms of direct sales are summarized by *Table 1*.

**Table 1. Forms of direct sales based on the venue of producers and consumers**

Individual direct sales			Collective direct sales		
<i>Producers do not move</i>	<i>Producers &amp; consumers meet</i>	<i>Consumers do not move</i>	<i>Producers are concentrated</i>	<i>Consumers are concentrated</i>	<i>Producers &amp; consumers are concentrated</i>
<ul style="list-style-type: none"> <li>- Farm sales</li> <li>- Pick-your-own</li> <li>- Agri-tourism</li> </ul>	<ul style="list-style-type: none"> <li>- Farmers' market</li> <li>- Roadside stands</li> </ul>	<ul style="list-style-type: none"> <li>- Home delivery</li> <li>- Mobile shop</li> <li>- E-commerce</li> </ul>	<ul style="list-style-type: none"> <li>- Cooperative shop</li> <li>- PO's shop or delivery</li> </ul>	<ul style="list-style-type: none"> <li>- Direct purchase by associations</li> <li>- Ordering by subscription</li> <li>- Buying groups</li> </ul>	<ul style="list-style-type: none"> <li>- Local or regional producers' markets</li> <li>- Festivals &amp; local traditional events</li> <li>- Thematic events</li> </ul>

Legend: PO = Producers' Organization

Source: own interpretation based on Lehota, Csíkné Mácsai (2012)

Small producers with small scale production prefer direct sales mostly in the individual way, i.e. farm sales, local farmers' markets or home delivery (Dunay et al. 2018). Venn et al. (2006) draw attention to short supply chains, particularly direct sales in 'resocializing' food through closer and more authentic relationships between producers, consumers and their food. Ubrežiová et al. (2015) underlined the importance of direct sales in activating local human potential and local sources, and they may support strengthening of local social ties. In sustainability aspects, the wider community may also benefit from short food supply chains due to the positive ecological impacts caused by reduced food miles (Tudisca et al., 2014).

In addition to the above, small dairy cattle farmers must meet a number of additional, animal and human health-related criteria. They are primarily responsible for the safety and quality of the food they place on the market and for ensuring and documenting traceability. They must have a valid official veterinary certificate attesting that the livestock from which the products are derived are certified free from tuberculosis and brucellosis. The official veterinary certificate or a certified copy thereof must be kept at all points of sale (NÉBIH s.d.).

The small producer is required to draw up a data sheet for foodstuffs produced from raw materials, which must include at least the name and address of the small producer, the place of production, the name of the foodstuff, the ingredients in descending order, the use-by date and the date of minimum durability and the storage temperature.

Throughout the entire production, processing and distribution process, small producers must ensure that the foodstuffs comply with the standards applicable to the activity carried out and must verify compliance with these requirements by means of self-monitoring (Ghadge et al. 2021). All materials used in the production of foodstuffs must be in an unobjectionable condition as regards food safety and quality. In addition, the traceability of the products used and of the adjuvants added, i.e. spices, must be ensured. Invoices or receipts for the raw materials and auxiliary materials purchased and used must be kept for 2 years by the small producer to prove their origin (Bognár, 2017).

## Starting the new cheese workshop

In April 2022 year, the small-scale cheese workshop opened its doors in the Southern Great Plain of Hungary. Initially, sales were very slow and it was difficult for new enterprise to prove that they had a place in the market as new entrants. The customers had a well-established, familiar place to buy the milk and dairy products they needed. Many people are distrustful of new things, they insist on the good old habits and afraid of new. For a young entrepreneur, it is difficult to promote and sell a completely unknown range of products. The owner of the cheese dairy is a young graduate of a higher education course in agriculture. She did not use any subsidies to set up the livestock and the cheese dairy, but was able to do so with family support.

Large proportion of the cows was bought at calf age, so there was no one major investment cost of the livestock, but calves were reared over a number of years, as the longest payback period for cattle is when the new-born animal turns into a producer. The enterprise is located in the town of Orosháza, with a population of 28 000 people. Previously there was only one local small-scale cheese workshop in the settlement and this new dairy and cheese workshop is the second one.

### Requirements of production

However, when designing a cheese workshop, there are a number of criteria that the premises must meet. First and perhaps most importantly, you need two rooms: one in which to filter the fresh milk and wash the cheese and a second is where the milk is processed, the cheeses are made and stored. However, if you do not have two separate rooms for this activity, you can easily do it by separating one. The problem was solved by installing a parapet wall made of polycarbonate and accordion doors. The advantage is that it is space-saving, easy to disinfect and keep clean. It is advisable to tile the walls, as this is the most convenient way of disinfecting and keeping them clean, but tiling is not compulsory, only to ensure that the hygiene conditions are right and that they can be cleaned.

As regards water and sanitation, both parts require the provision of hot and cold water and the construction of a central drain, which is practical during the work to drain off any spillages. A showerhead faucet is the best way to wash the press barrel, making it easier to clean the press barrel and the waste water automatically drains out through the central drain.

In the workshop section, a separate hand-washing sink and a separate double-bowl sink are needed. As far as the electricity part of the room is concerned, we definitely need electricity, a few sockets – to run electrical appliances such as the fridge, electric hob – and at least one radiator to heat the room in winter. You can use the fridge to chill both milk and cheese, but in the long run it is better to store milk and cheese in separate fridges. For cheese making and storing the tools used in the process, it is most practical to place a kitchen cabinet element in the workshop so that it can function as both a cupboard and a workbench.

When processing milk, you will need a variety of tools such as strainers, pots, wooden spoons, spoons, small plastic containers, measuring cups, and cheese moulds for moulding and pressing the prepared cheese bases.

### Results of the first year

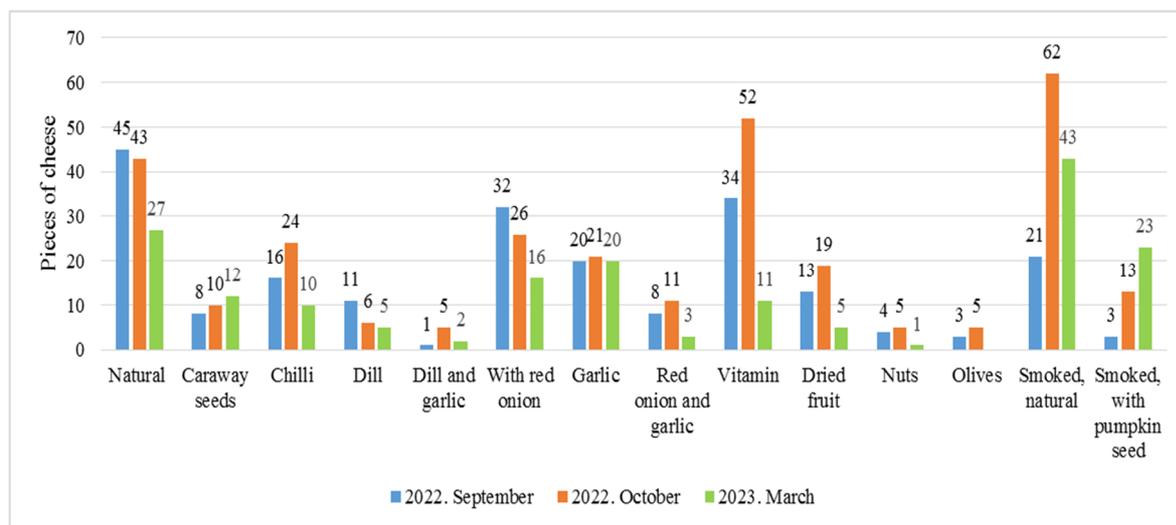
The cheese workshop started to sell small-scale milk and milk products in April, 2022. The most important task was to get customers, as a new business needs time to become known, accepted, trusted and regularly purchased by consumers. People are initially wary of novelty, especially when it comes to a private food business. Nevertheless, there is an attraction to this type of business, as small-scale, premium quality artisanal products are more attractive than mass-produced products. Consumers like to see the real "farm to table" short supply chain, and focus on good quality and healthy food and not only on the price level.

The cheese workshop started with selling raw milk cottage cheese and five types of cheese (natural, caraway, chilli pepper, garlic and red onion). The cheese is made using a simple technique – adding only vinegar and salt to the milk. The range of products is wide: there are 14 flavours, natural, caraway seed, chilli pepper, dill, dill and garlic, red onion, garlic, red onion and garlic, vitamin (dill, parsley, garlic, red onion, paprika and a pinch of crushed chilli pepper), dried fruit (apricot, plum and pineapple), walnut, olive, smoked (natural) and smoked (with pumpkin seed). The product range is constantly expanded in according to the customers' needs and suggestions, often based on their ideas.

Cottage cheese production was stopped for economic reasons, as 1 kg of traditional cottage cheese can be produced by using on average at least 8 litres of milk. Thus, if the selling price of the milk is taken into account, the unit cost of the raw material is about twice the price per kilogram of cottage

cheese available in shops. Consumers are not willing to pay so much for artisanal cottage cheese from small producers, so it is impossible to sell it to the public at such a high price. Small producers are unable to produce cottage cheese at the shop price, so it is economically more profitable to sell raw milk.

Fig. 1 shows the sales data in September and October of 2022, and data for March, 2023. The differences in sales are due to the seasonal changes of milk production and the problems of insemination, which caused changes in the plans. After a period of unsuccessful inseminations, more calves were born in the later period and the produced milk was used for feeding them. It was the decision of the owner, as the focus is on quality and healthy animals, so milk is preferred for feeding the calves.



**Figure 1. Sales of different cheese types in September and October, 2022 and March, 2023 (1 piece of cheese is approx. 0.5 kg)**

Source: own research

As it is seen from Fig. 1, smoked cheese is one of the favourites: smoked cheeses both pumpkin seed and natural accounted for almost a quarter of all cheeses sold. Smoked cheeses are very popular among the consumers. Smoking is carried out by the entrepreneur through contract smoking, and as smoking is not possible during the hot summer season, smoked cheese can only be sold during the cooler period from autumn to spring.

## Conclusions

To start a new business and creating a preferably new value is a very complex process, which starts with making lots of plans. The paper summarized the first year of a small producer who started a cheese workshop based on the existing small-scale dairy farm. For a young entrepreneur working in the food industry, it was clear to work in a short supply chain system, by selling the product directly to the customers, which helps to get a quick and direct feedback about the products, customer satisfaction and the customers' ideas and requests. One year of operation raised many problems and success, but in the first year the entrepreneur could realize that a strict planning should be implemented with better risk management measures. Based on the results, consumers are interested in the products, they are open for new products, and new taste and they are attracted by the personal atmosphere.

In the next stage of the research, the financial data and production process will be discussed in sustainability point of view, where not only the economic but also the environmental, social and practical aspects of sustainability will be analysed and summarized.

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