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### ADDING VALUE TO MILK -

(so the value added goes to dairy farm families and their communities)

Who's Jim Amory:

In 1987 I started managing LeRaysville Cheese Factory or "LCF" which had been designed and built by a small Amish community in '76 to make 6,000 pounds a day of milk into raw milk Cheddar. I was the last of some 4 or 5 non-Amish managers, none of whom made money. I had had no cheesemaking, factory management or mass marketing experience, and it took me five years to make a profit. Since that painful time, we have won two blue ribbons and other awards in American Cheese Society national competitions, were able to floor our farmer's milk price at or above cost-of-production during the last three milk price "crises," and set our average factory wage for our three full-time Amish cheesemakers and our part-time packing crew at \$16.50/hour, and have made profit on sales from 5% to 13%. These three numbers: milk price, wage price and profit DEFINE success for this type of operation.

### A PROSPECTUS FOR A PENNSYLVANIA LOW-DOLLAR INDUSTRY

"Artisan Cheesemaking" has grown like dandelions in June over the last 20 years, while "commercial" family dairy farming has been in one price crisis after another. But the technical, high capital and processing costs of artisan processing have limited its growth among average family dairies; As the economists say, there doesn't appear to be any "Ease of Entry." How can we make it easier to enter this challenging mini-industry?? Let's look at the roadblocks, one by one, and I'll try to explain how they can be overcome.

## PROBLEMS and SOLUTIONS

FIRST: even simple cheeses are not simple to make of consistent quality, as the milk varies during lactation, and with winter and summer feeds. I can train you in your kitchen, using a simple kit that can process 4 to 5 gallons of milk into basic cheeses, how to make simple cheeses, and how to vary the recipe to control moisture, acidity, salt and butterfat with your own milk. With a few experimental vats, you will learn the basics and make some 4 or 5 one pound samples per vat, samples that you can test on your neighbors and neighboring stores. You will get a feeling for the demand that may exist for what you make, and most important, you can decide if this is something you may want to be doing three to five times a week. More, we will get a good estimate of the YIELD in pounds of cheese per hundredweight of milk, the most important factor in your cost of production, and therefore in deciding a fair wholesale and retail price. I can provide lab analysis of moisture, acidity and salt for the samples you make on your own, that will guide you in getting control of those critical variables: mail me the samples and we will discuss them by phone or email. Your cost at that point is only my time and travel. I will leave you with recipes and written material to study explaining the cheesemaking process, and the ancient craft methods to control that process while I research markets in your area, hopefully with somebody from your family or friends that is interested in marketing. As your business grows, you will need reliable, enthusiastic help.

SECOND: money is the scary obstacle to the artisan cheese business: big investment; high processing costs; slow market & cash flow development.

Capital costs: a full scale operation like LCF, 6,000 pounds of milk a day, "turnkey," and built from scratch, we're talking maybe \$220,000; with 6 months working capital and 6.25% interest, another \$135,000 for \$355,000 altogether. On the other hand, I know a man who put together a working plant, doing building construction himself, with a makeshift 2,000 pound vat and a homemade (stainless steel!) cheese press for \$28,000 ten years ago, everything legal, raw milk only. You can't do it for less than that!

Processing costs: LCF's variable cost for Cheddar comes to around \$1.50, not including milk; Kraft's cost is around 20 cents. Converting to one pound pieces, sealed, labeled and priced adds 25 cents/pound, and milk at

\$18.00/ cwt, or \$1.80/pound of cheese, gives a variable cost of \$3.55/#. To cover fixed costs (utilities, insurance, interest, etc.) and delivery cost and profit, LCF has a wholesale price to its customer stores of \$5.85. The store marks it up 30% to a retail price of \$6.34. LCF is maybe \$1.39 above Kraft, but LCF's cheese is the real thing, so it sells.

Cash flow: this is the key to your survival: you have to ramp up your sales fast enough to cover your fixed costs, which really start on the day you take out a loan.

But we're starting to explore and build your market with samples from your kitchen, well before you GET a loan, and you shouldn't even get a loan OR build the factory until and if you have a promising market. You can even start selling LCF cheeses with your label (so called "private labeling") to develop your market and start cash flowing BEFORE you build the factory.

Finally, there are a host of strategic decisions to be made as to timing, choice of products, whether pasteurized or raw milk, building a "partial" factory that can easily be expanded, locating reliable niche products and markets - a lot of education of yourselves and the people that you hire.

I am especially interested in "ethnic" markets for recent immigrant groups that have flooded into the U.S. over the last 20 years: recently enough so that they remember the farmer-type cheeses from their home town. Such groups should be concentrated enough to have developed their own specialty stores, but not so large as to attract big business. Eastern Europeans, Latin and Central Americans are concentrated in large cities especially in the Eastern U.S. High moisture, high cheese yield, short shelf life cheeses are common to all these peoples, many of them quite similar, simple and cheap to make, and sheltered from competition from their native countries because of their short shelf life, typically 4 to 5 weeks: they have to be flown in. This is a monopoly market: win, win, win. LCF is shipping 2,000 pounds a week to one distributor in New Jersey.

Although "simple," there are no recipes: I've managed to develop 3 very successful recipes for LCF: I can work up more for you, but it will take time to locate the groups, and work up recipes.

Jim Amory



