

# NEW TRENDS IN THE CREATION AND MANAGEMENT OF SOCIAL ENTERPRISES CASE STUDIES

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## DELÍCIES DEL BERGUEDÀ: a Replica of La Fageda's Model for People with Co-occurring Disorders

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## **Goals of the Case Study**

The Delícies del Berguedà case study studies if the concept of social enterprise is compatible with profitability. To answer this question, we will analyse the company's strategic, organisational and financial evolution. Delícies del Berguedà was created in 2011 with the aim of offering employment opportunities to young people with co-occurring disorder, e.g. when two disorders, mental and/or physical, coexist at the same time.

The case study shows how Delícies del Berguedà, by applying a social policy based on the consumption of locally-sourced products, is increasing its market share year after year, without this being in any way detrimental to its financial viability.

The objective of this case study is to carry out a financial analysis of the company to draw conclusions regarding its viability. It could be used for students of financial analysis subjects on degrees related with business and economics.

## **Introduction to the Dairy Sector in Spain and Catalonia**

According to the MERCASA report, during 2015 the national market for dairy products continued to register negative results, with little movement and a clear downward trend. MERCASA asserts that the interannual drop in sales was 4.9%. The reduced consumption has been attributed to the economic crisis, both on national and international level, which has caused an increase in unemployment in Spain and a decline in the income per household.

The same source states that if we look at the range of available yoghurts, the most widely sold are the probiotics, as their value accounts for 23.7%. Among the fresh dairy desserts, the different variety of custards account for 32.2% of the sales value. Tables 1 and 2 show the sales details of each type of yoghurt and dairy desserts.

PRODUCT	SALES VOLUME	SALES VALUE
Probiotics	19,70%	23,70%
Flavoured	15,80%	9,60%
Low-fat	14,50%	11%
Natural	11,90%	7,50%
Cassei Fermented milk	10,30%	15%
Ethnic	8,40%	8,90%
Liquid	7,10%	4,40%
Fermented milk for lowering cholesterol	4%	8,80%
Fruit flavours	2,90%	2,30%
100% vegetarian	1,20%	1,70%
Biocompartmentalised	0,90%	1,40%
Bone health	0,90%	1,40%
Enriched	0,90%	1,50%
For babies	0,90%	1,10%
Others	1%	1,70%

Source: Food in Spain 2015 (Mercasa).

**Table 1.** Yoghurt supply in terms of sales volume and sales value 2015

PRODUCT	SALES VOLUME	SALES VALUE
Custards	17,10%	32,20%
Crema caramel	29,70%	27,80%
Pots	10,10%	9%
Rice pudding	5,50%	5,50%
Curd	5,40%	5,80%
Creams	3,40%	4,50%
Jellies	3,10%	4%
Mousses	1,90%	3%
Others	3,80%	8,30%

Source: Food in Spain 2015 (Mercasa).

**Table 2.** Supply of dairy desserts in sales volume and value 2015

In Catalonia, however, it seems there are different behaviour patterns. In this regard “Catalan consumers purchase more fermented milks, cheeses and other dairy products than the Spanish. In figures, Catalans consumed, on average, 7.2% and 6.1% more dairy products than Spanish consumers in 2014 and 2013, respectively” (Department of Agriculture, Livestock, Fisheries and Food. Generalitat de Catalunya, 2015: 4)

The sector is characterised by the concentration and domination of groups that are subsidiaries of international companies. Tables 3 and 4 show the main companies offering fresh dairy desserts and the main yoghurt producers.

COMPANY	SALES (IN TONS)
Danone	798,80
Senoble Espanya	297,00
Lactalis Nestlé Prod. Lácteos Refrig. Iberia	143,00
Grupo Andros	55,00
Corp. Alimentaria Peñasanta	45,00
Kaiku Corp. Alimentaria	35,00
Celgán-José Sánchez Peñate	16,90
Acolat-Clesa	10,00
Grupo Kalise	17,60
Calidad Pascual	8,00
La Fageda	9,40

Source: Food in Spain 2015 (Mercasa). The data correspond to 2013 and the source is Alimarket.

**Table 3.** Main yoghurt producers.

Experts in the sector assert that the power of consumers and suppliers is moderate as there is practically no difference in the raw material. The sector has some entry barriers, as there are strict regulations and in recent years there has been a threat from substitute products, such as products made from soya milk, rice milk or other alternative raw materials.

The Spanish market has reduced its yoghurt imports which has led to an interannual value decrease of 5.5%. Imports are primarily from

France, followed by Germany and Austria. For yoghurts, there is a significant share that comes from Portugal, where the third biggest producer established its production plant in 2013.

COMPANY	SALES (IN TONS)
Grupo Postres Reina	68,000
Senoble España	54,000
Danone	40,000
Lactalis Nestlé Prod. Làc. Refrig. Iberia	29,000
Postres Lácteos Romar	12,000
Grupo Andros-Dhul	12,000
Calidad Pascual	3,000
Kaiku Corp. Alimentaria	2,500
Làcteos Goshua	2,196
Acolat-Clesa	2,000
Grupo Kalise	1,900
Corporación Alimentaria Peñasanta	1,800
Celgán-Jose Sanchez Peñate	1,700

Source: Food in Spain 2015 (Mercasa). The data correspond to 2013 and the source is Alimarket.

**Table 4.** Main producers of fresh dairy desserts.

Exports are less significant in the case of yoghurts. During 2014, there was a 13.5% drop in value as compared to exports in 2013. Portugal is the main target market for all exports of both yoghurts and dairy desserts.

## Delícies del Berguedà

In 2011 Joan Maria Sala, a qualified industrial engineer with a son suffering a co-occurring disorder, set up a company whose main aim was to provide work for young people with this kind of pathology. This company was Delícies del Berguedà, and its business was the production and distribution of yoghurts. Yoghurt production was chosen because people with co-occurring disorders need to see the results of their labour in a short time period. Yoghurt production was ideal for this purpose.

Joan Maria Sala himself states that the production of yoghurt is an excuse to push forward a longer-term project, which is the creation of a life centre dedicated to agriculture, livestock, patient cohabitation and the organisation of their work.

Delícies del Berguedà was created as a work integration enterprise whose main shareholder is the *Fundació Portal* (<http://www.fundacioportal.org/>), which owns 51% of the enterprise. The rest belongs to 10 partners, who contributed capital in May 2015. This contribution was done through a foundation called Ship2b (<http://www.ship2b.org/?lang=ca>).

Work integration enterprises must have a minimum of 30% of staff members on work integration programmes; the maximum period they can work at the company is 2.5 years. Initially, there were two technicians and a worker with co-occurring disorders. In 2016 there were three technicians and three workers with co-occurring disorders.



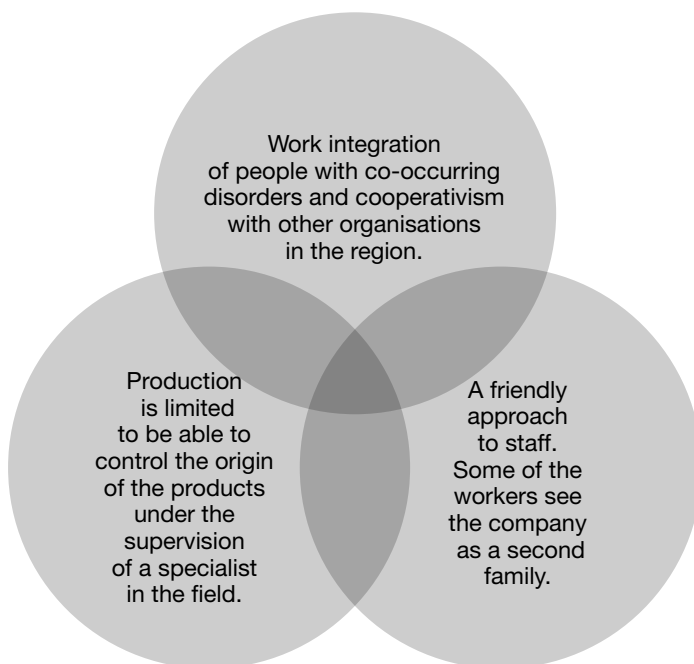
The company's values are: work integration, limited production and a friendly approach to the staff.

In order to carry out his project Joan María Sala contacted Dani Ribas, a specialist in producing homemade yoghurts, and the Cal Gris d'Àvila farm, for the milk supply. They rented a warehouse in Cercs to set up the factory. The company's policy has always been to use locally-sourced products and services.

Their current production stands at 11,000 yoghurts per week. They would like to reach weekly production levels of 35,000 yoghurts. This production can be achieved by working 1.5 shifts. In the last year they have added *mató* (fresh cheese) to their production. Together with the cooperative 2147 mans (<http://www.2147mans.coop/>) they have also begun production of ecological yoghurt.

Right from the beginning, concerns regarding production have revolved around offering a quality product, made from locally-sourced raw materials, without additives or preservatives, and made using milk from just one farm.

Its values include (Figure 1):



**Figure 1.** Values Delícies del Berguedà.

## The Strategy

The company produces whatever it can distribute. Their products cannot be bought in big supermarkets and their target is the gourmet, high-end market.

Workers are initially incorporated under a work placement contract with the idea that they will end up being incorporated into the company's general workforce.

They are aware of La Fageda's model and, in the future, would like to create a place that could serve as a residence particularly for chronic cases.

## **The Product**

As stated on its website: "The company's aim is to offer a locally-sourced, high-quality product, engaging with the region and strengthening the ties with local producers and traditional production techniques".

The product they offer is natural, homemade, without additives or preservatives and with an added social value. This is a high-quality, gourmet product, which is well-positioned in the Horeca chain (chain of Hotels, Restaurants and Catering).

## **The Clients and Production Distribution**

The clients are local distributors, takeaway food chains, fresh food distributors, schools and residences in Berguedà with their own kitchen service, catering firms and restaurants from the region. They have also targeted luxury hotels, because they can distribute a large amount of product at the same cost.

Distribution is done using the company's own van, which delivers to Barcelona and surrounding areas 2 or 3 days a week and one day around the Berguedà region. They have tried to use multi-brand delivery companies, but were not satisfied with the experience due to the specific nature of the product. There is no distribution channel to small shops, where there is a potential to advertise the product.



The company recognises there are problems with the product's distribution and marketing. However, in the future, they hope to open new markets throughout Catalonia.

## The Company's Financial Performance

To undertake a financial-economic analysis and thereby ascertain the company's strengths and weaknesses, below are data from the balance sheet, the profit and loss statement, and the main ratios.

At the end of the case, there are two tables. The first one contains data corresponding to the balance sheet, used for the company's economic-financial analysis. The second table contains data corresponding to the profit and loss statement.

Below are the data of the main ratios in relation to: financial analysis, asset analysis and profitability and growth analysis.

**Financial analysis.** Table 5 contains the ratios used for the company's financial analysis.

RATIOS	2011	2012	2013	2014	2015
<b>Liquidity</b>					
Current ratio (Current assets / Current creditors)	1,11	1,34	3,01	2,51	5,07
Quick ratio (Receivables + Cash / Current creditors)	0,94	1,12	2,80	2,00	4,33
Cash ratio (Cash / Current creditors)	0,23	0,90	2,21	0,85	2,48
Working capital / Sales	1,07	0,20	0,54	0,27	0,57
Working capital / Assets	0,02	0,05	0,21	0,14	0,27
<b>Average periods</b>					
Average inventory period (Inventory) x 365	434	90	53	87	93
Average collection period (Receivables / Sales) x 365	2.579	46	58	74	95
Average payment period (Payables / Expenses) x 365	2.496	132	91	60	50
Commercial creditors / Clients	1,34	1,50	0,60	0,31	0,21

**Table 5.** Ratios corresponding to the financial analysis of Delícies del Berguedà (2011-2015).

**Asset analysis.** Table 6 contains the ratios used for the company's asset analysis.

RATIOS	2011	2012	2013	2014	2015
<b>Debt</b>					
Indebtedness (Liabilities / Total Assets)	0,90	0,90	0,72	0,72	0,55
Debt Quality (Current Liabilities / Liabilities)	0,23	0,17	0,15	0,12	0,12
Ability to repay debt (Income+ Depreciation / Liabilities)	0,00	0,00	0,01	0,03	0,05
Financial leverage (Total Assets/ Equity x Income before taxes / Operating income)	8,01	3,60	0,95	8,41	16,64
<b>Asset management</b>					
Assets rotation (Sales/ Assets)	0,02	0,26	0,39	0,51	0,48
Noncurrent assets rotation (Sales / Non current assets)	0,03	0,32	0,58	0,66	0,73
Current assets rotation (Sales / Current assets)	0,09	1,27	1,24	2,26	1,41
Stocks rotation (Sales / Stocks)	0,61	7,77	17,95	11,14	9,67

**Table 6.** Ratios corresponding to the asset analysis of Delícies del Berguedà (2011-2015).

**Profitability and growth analysis.** Table 7 contains the ratios used for the company's profitability analysis.

RATIOS	2011	2012	2013	2014	2015
<b>Profitability</b>					
Return on assets (Operating income / Assets)	-5,02%	-18,69%	2,34%	-1,11%	-0,19%
Return on equity (Net profit/ Equity)	-40,22%	-67,25%	2,22%	-9,36%	-3,12%
<b>Average growth</b>					
Sales Evolution (Sn / Sn-1 )		1300,66%	178,72%	112,91%	108,15%
Assets evolution (An / An-1 )		106,12%	116,19%	87,39%	114,90%
Debts evolution (Dn / Dn-1)		105,50%	93,95%	87,32%	86,92%
Benefit evolution (Bn / Bn-1)		341,74%	-3,32%	-416,93%	58,46%

**Table 7.** Ratios corresponding to the profitability and growth analysis in the sector of Delícies del Berguedà (2011-2015).

YEAR	2011	%	2012	%	2013	%	2014	%	2015	%
Investments	209,464	76,6%	230,359	79,4%	228,778	67,6%	227,017	76,8%	222,055	65,3%
Deposit and fiances	1,067	0,4%	1,067	0,4%	1,067	0,3%	1,067	0,4%	1,067	0,3%
Other fixed assets	0	0,0%	0	0,0%	1,000	0,3%	1,000	0,3%	1,000	0,3%
<b>Total Fixed Assets</b>	<b>210,531</b>	<b>77,0%</b>	<b>231,426</b>	<b>79,8%</b>	<b>230,845</b>	<b>68,2%</b>	<b>229,084</b>	<b>77,5%</b>	<b>224,122</b>	<b>66,0%</b>
Stock	9,459	3,5%	9,599	3,3%	7,425	2,2%	13,507	4,6%	16,836	5,0%
Debtors/customers	2,923	1,1%	9,403	3,2%	21,060	6,2%	24,396	8,2%	29,425	8,7%
Short-term investments	24	0,0%	24	0,0%	24	0,0%	24	0,0%	24	0,0%
Subvention to receive	0	0,0%	0	0,0%	0	0,0%	6,261	2,1%	11,820	3,5%
Other no current asset	37,578	13,8%	0	0,0%	0	0,0%	0	0,0%	975	0,3%
Cash and banks	12,774	4,7%	39,561	13,6%	79,063	23,4%	22,465	7,6%	56,598	16,7%
<b>Total Current Assets</b>	<b>62,758</b>	<b>23,0%</b>	<b>58,587</b>	<b>20,2%</b>	<b>107,572</b>	<b>31,8%</b>	<b>66,653</b>	<b>22,5%</b>	<b>115,678</b>	<b>34,0%</b>
<b>TOTAL ASSETS</b>	<b>273,289</b>	<b>100,0%</b>	<b>290,013</b>	<b>100,0%</b>	<b>338,417</b>	<b>100,0%</b>	<b>295,737</b>	<b>100,0%</b>	<b>339,800</b>	<b>100,0%</b>
Capital issued	40,000	14,6%	40,000	13,8%	100,000	29,5%	100,000	33,8%	151,390	44,6%
Share premium	0	0,0%	0	0,0%	0	0,0%	0	0,0%	31,610	9,3%
Retained profits	0	0,0%	-17,954	-6,2%	-79,350	-23,4%	-77,313	-26,1%	-85,809	-25,3%
Profit and Lost	-17,954	-6,6%	-61,396	-21,2%	2,037	0,6%	-8,496	-2,9%	-4,968	-1,5%
Capital grant	4,640	1,7%	69,198	23,9%	71,299	21,1%	68,098	23,0%	62,041	18,3%
<b>Total Net Equity</b>	<b>26,686</b>	<b>9,8%</b>	<b>29,848</b>	<b>10,3%</b>	<b>93,986</b>	<b>27,8%</b>	<b>82,289</b>	<b>27,8%</b>	<b>154,264</b>	<b>45,4%</b>
DCurrent liabilities	190,000	69,5%	216,331	74,6%	208,696	61,7%	186,915	63,2%	162,700	47,9%
Other creditors	0	0,0%	0	0,0%	0	0,0%	0	0,0%	0	0,0%
<b>Total Long-term liabilities</b>	<b>190,000</b>	<b>69,5%</b>	<b>216,331</b>	<b>74,6%</b>	<b>208,696</b>	<b>61,7%</b>	<b>186,915</b>	<b>63,2%</b>	<b>162,700</b>	<b>47,9%</b>
Bank loans	0	0,0%	26,900	9,3%	19,375	5,7%	11,875	4,0%	4,375	1,3%
Short-term creditors	54,403	19,9%	14,140	4,9%	12,651	3,7%	9,374	3,2%	9,027	2,7%
Other no commercial debts	2,200	0,8%	2,794	1,0%	3,709	1,1%	5,284	1,8%	9,434	2,8%
Cash contributes	0	0,0%	0	0,0%	0	0,0%	0	0,0%	0	0,0%
<b>TOTAL LIABILITIES</b>	<b>56,603</b>	<b>20,7%</b>	<b>43,834</b>	<b>15,1%</b>	<b>35,735</b>	<b>10,6%</b>	<b>26,553</b>	<b>9,0%</b>	<b>22,836</b>	<b>6,7%</b>
<b>TOTAL LIABILITIES</b>	<b>273,289</b>	<b>100,0%</b>	<b>290,013</b>	<b>100,0%</b>	<b>338,417</b>	<b>100,0%</b>	<b>295,737</b>	<b>100,0%</b>	<b>339,800</b>	<b>100,0%</b>

Balance sheet of Deficits del Berguedà in percentages (2011-2015).

YEAR	2011	%	2012	%	2013	%	2014	%	2015	%
Sales	5.735	100,0%	74.593	100,0%	113.312	100,0%	150.525	100,0%	162.789	100,0%
Cost of goods sold	-7.955	-138,7%	-39.024	-52,3%	-50.957	-38,2%	-56.804	-37,7%	-66.384	-40,8%
<b>Gross margin</b>	<b>-2.220</b>	<b>-38,7%</b>	<b>35.569</b>	<b>47,7%</b>	<b>82.355</b>	<b>61,8%</b>	<b>93.721</b>	<b>62,3%</b>	<b>96.405</b>	<b>59,2%</b>
Variable cost	-1.592	-27,8%	-5.728	-7,7%	-5.302	-4,0%	-6.076	-4,0%	-11.220	-6,9%
Fixed cost	-9.913	-172,9%	-89.620	-120,1%	-71.848	-53,9%	-96.655	-64,2%	-100.118	-61,5%
<b>EBITDA ( without subsidies)</b>	<b>-13.725</b>	<b>-239,3%</b>	<b>-59.779</b>	<b>-80,1%</b>	<b>5.205</b>	<b>3,9%</b>	<b>-9.010</b>	<b>-6,0%</b>	<b>-14.933</b>	<b>-9,2%</b>
Workforce subsidies	0	0,0%	5.578	7,5%	4.291	3,2%	8.919	5,9%	19.258	11,8%
<b>EBITDA (With subsidies)</b>	<b>-13.725</b>	<b>-239,3%</b>	<b>-54.201</b>	<b>-72,7%</b>	<b>9.496</b>	<b>7,1%</b>	<b>-91</b>	<b>-0,1%</b>	<b>4.325</b>	<b>2,7%</b>
DDepreciation	0	0,0%	0	0,0%	-1.580	-1,2%	-6.402	-4,3%	-9.924	-6,1%
Subsidies	0	0,0%	0	0,0%	0,0%	0,0%	3.201	2,1%	4.962	3,0%
<b>EBIT</b>	<b>-13.725</b>	<b>-239,3%</b>	<b>-54.201</b>	<b>-72,7%</b>	<b>7.916</b>	<b>5,9%</b>	<b>-3.292</b>	<b>-2,2%</b>	<b>-637</b>	<b>-0,4%</b>
Financial result	-4.230	-73,8%	-7.159	-9,6%	-5.878	-4,4%	-5.205	-3,5%	-4.330	-2,7%
<b>EBT</b>	<b>-17.955</b>	<b>-313,1%</b>	<b>-61.360</b>	<b>-82,3%</b>	<b>2.038</b>	<b>1,5%</b>	<b>-8.487</b>	<b>-5,6%</b>	<b>-4.967</b>	<b>-3,1%</b>
ICompany tax	0	0,0%	0	0,0%	0	0,0%	0	0,0%	0	0,0%
<b>NET PROFIT</b>	<b>-17.955</b>	<b>-313,1%</b>	<b>-61.360</b>	<b>-82,3%</b>	<b>2.038</b>	<b>1,5%</b>	<b>-8.487</b>	<b>-5,6%</b>	<b>-4.967</b>	<b>-3,1%</b>

Profit and loss statement of Delícies del Berguedà in percentages (2011–2015).

## Questions

1. Using the financial data provided by the company and the ratios, carry out a complete economic-financial analysis.
2. Do you think the company will survive over time?

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### Entitats col·laboradores

