

**Longitudinal Case Study**  
**Lemberona Handels Gmbh (Lemberona)**



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# Acknowledgements

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## Introduction

Shared Interest annually publishes a selection of longitudinal case studies. Using research carried out over a number of months, the studies follow the customer journey over several years. The objective behind this process is to understand the level of impact Shared Interest finance has on a recipient business and its wider community.

The subject of this case study is Lemberona Handels Gmbh (Lemberona), an organic and Fairtrade food wholesaler and distributor based in Austria. Lemberona first received finance from Shared Interest in 2014 and their Buyer Credit facility limit has been adjusted over the last seven years to meet the evolving needs of their business.

The key objectives are:

1. To understand how Shared Interest finance has impacted Lemberona's business operations and describe the change process that has taken place within the organisation.
2. To examine any impact the business finance has had on employees, suppliers (producers) and the local community.
3. To determine the critical success factors involved in the growth and sustainability of Lemberona.

## Method

In gathering data for the study, we used both quantitative and qualitative methods including a semi-structured interview with the Founder of Lemberona, Elmira Bertagnoli. In addition, we reviewed all available documentation on Lemberona from 2011 to 2020. This included proposals, annual reviews, field visit reports and financial reports. The quantitative data was analysed using a data analysis software known as the Statistical Package for Social Sciences (SPSS).

## Background

A resource-rich country, Uzbekistan is located in the heart of Central Asia, surrounded by five landlocked countries, namely Afghanistan, Turkmenistan, Tajikistan, Kazakhstan, and Kyrgyzstan. This makes Uzbekistan double landlocked and provides the export challenge that two borders must be crossed in order to reach a port.

Uzbekistan did not always have this challenge, previously being one of the republics that made up the Soviet Union. At this time, Uzbekistan's goods and people had direct access to the ocean by way of other republics, such as Russia, Ukraine, Lithuania, Latvia and Estonia. However, when the Soviet Union collapsed in 1991, Uzbekistan became independent and had to find alternative routes for exporting goods.

*'Lack of territorial access to the sea, isolation from world markets and high transit costs continue to impose serious constraints on the overall socio-economic development of Landlocked Developing Countries (LLDCs)'* **The United Nations**

According to the International Fund for Agricultural Development (IFAD), of Uzbekistan's 32.9 million people, 49.5 per cent live in rural areas. Of these, almost two-thirds make their living from agriculture. Subsequently, agriculture plays a crucial role in Uzbekistan's economy, accounting for approximately 28% of GDP and employing about 27% of the overall workforce.

Cotton and wheat are Uzbekistan's main crops, but fruit and vegetable cultivation is growing as farmers recognise the profitability of this sector. However, these new export markets demand more stringent product food quality and safety standards. In December 2018, the government published an Economic Reform Roadmap, in order to accelerate this transition. More recently, the Food and Agriculture Organization (FAO) of the United Nations (UN) signed an agreement with the Uzbekistan Government 'to achieve sustainable food systems along the entire agrifood value chain, in line with the country's Sustainable Development Goals (SDGs).' The official launch of the FAO–Uzbekistan Country Programming Framework (CPF) took place in April covers the period 2021–2025.

Along with the launch of the new framework, the Ministry of Agriculture of Uzbekistan and FAO agreed on new projects such as the recovery and development of the potato sector following the impact of Covid-19, rice production, inclusive agricultural policies, and digital agriculture, all to be implemented over the next two years.

Uzbekistan already has had one of the world's best performing economies in terms of growth, averaging 8% increase for the past ten years. If successful, these trade initiatives will contribute significantly to the protection of the country's natural resources. It is widely known that the high demand for growing cotton and wheat is causing extensive soil degradation. It is hoped that they will also help improve the livelihoods of the 15m people residing in the rural areas of Uzbekistan, who make up 75% of the low-income population. The high birth rate in these areas mean that there is an increasing workforce and more sustainable income sources are needed.

The Embassy of the Republic of Uzbekistan in Italy said in 2020: 'Uzbekistan exports 180 types of agricultural products to more than 80 countries around the world. The five key countries importing Uzbek fruits and vegetables include Russia, China, Kazakhstan, Kyrgyzstan and Afghanistan. Today, exporters of Uzbekistan are increasing the volume of supplies to South Korea, the Baltic States, Persian Gulf countries, and Europe.'

A report published in 2021 by the United Nations Conference on Trade and Development stated: 'Dried fruit constitutes an important part of the agricultural sector of Uzbekistan in terms not only of current production and export, but also potential.

'The fruit sector overall is the sixth largest sector in Uzbekistan's export profile, earning the country 644m US Dollars in 2019. Edible fruits accounted for 4.5 per cent of Uzbekistan's total exports of 14.3 billion US Dollars in 2019 and dried fruit accounted for 1% of the entire export value of Uzbekistan.

'Thus, it is clear that dried fruit exports, and developing appropriate methods to increase them, is important for the development of the Uzbek economy.'

## **Lemberona**

Lemberona is a limited company registered in Vienna, Austria, which distributes a wide range of high quality organic and Fairtrade dried fruits, herbs and nuts in bulk. The company is also a manufacturer of brands such as Bio-Leben sold solely in Austria and Pearls of Samarkand, Treasures of the Silk Road, which involves products exclusively from Uzbekistan.

Lemberona was founded by Elmira Bertagnoli and is a family-owned business, which started to trade in 2010 with the export of organic frozen fruits from Uzbekistan, firstly to Austria and then other European countries. The following year they added further products from Uzbekistan and later from other origin countries.

In addition to a head office, café and shop in Vienna, they have a warehouse and a production facility located in St. Pölten, an hour's drive from the capital.

Elmira's husband, Josef Bertagnoli, was the founder of MARAP, an Austrian organisation established in 1999, which operated its own organic farms in Uzbekistan, Serbia and Mexico. After MARAP closed its operations in 2013, Lemberona started to venture into retail products and acquired 30% of the business.

Lemberona has since then continued to grow and today they offer a range of over 300 organic Fairtrade ingredients to wholesalers and manufacturers as well as retail products such as juices, syrups and coated products. These items are also available in their aforementioned café and shop, which opened in 2017.

Elmira is originally from Samarkand, Uzbekistan and has been living in Austria for over a decade. She has a special relationship with the Uzbek producer groups working with Lemberona, as she helped many of them in their formation and growth. This relationship inspired the 'Pearls of Samarkand, Treasures of the Silk Road' brand in order to facilitate the export of ingredients from Uzbekistan to Europe.

Lemberona is certified organic and Fairtrade, as well as being a registered FLOCERT importer. Their products also carry the IFS (International Food Standard) certification, and are Kosher, gluten free and vegan.

## Business growth and sustainability

Lemberona and Shared Interest met at the Biofach fair, Nuremburg, Germany, in 2014. At this time, Lemberona had experienced difficulties finding suitable financing for crops in countries like Uzbekistan, Sri Lanka, Pakistan or Colombia.

Elmira said: “Political risks associated with these countries have prevented traditional trade finance with Austrian banks, as well as a complete lack of understanding of ‘pre-crop financing’ with Fairtrade farmers, which essentially requires buyers to pay money to the farmers in advance in order to secure supply.”

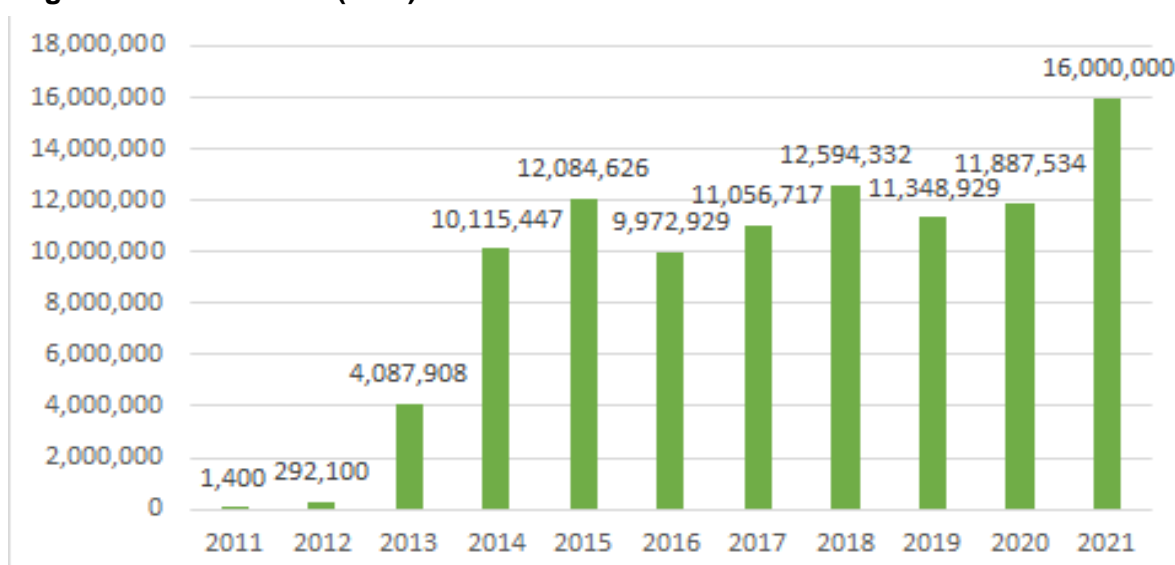
“Shared Interest immediately understood our need to make advance payments to farmers, which in the past was difficult to do.”

Their biggest challenge was having the correct amount of Fairtrade products available to meet the quantity and quality expectations of buyers. Consequently, a Buyer Credit facility of EUR 1m was provided in 2014, which enabled Lemberona to plan ahead and purchase stock strategically as they had sufficient working capital to pay producers in advance if necessary. As Lemberona continued to grow, their Buyer Credit facility was subsequently increased to EUR 2m in 2015. In early 2019, they repaid all loans they initially took out with friends and family to start the business. With this improved cash flow, they had more working capital to make prepayments to their supplier and consequently their Shared Interest facility was adjusted to EUR 1m in 2019.

Lemberona continues to use this reduced facility on a regular basis due to the balance between harvest season and when the products are sold. Most of their farmers start production in May and harvest begins in September. Consequently, bringing the products to market can take between three and nine months. In addition, production slows down during June and July as office staff in Vienna take annual leave. However, their production line does not close for two weeks during the summer as is customary in Austria. According to Elmira, as Lemberona receives orders on a daily basis, it is more efficient to keep the organisation running all year round.

Figure 1 shows how production and sales increased considerably from 2013 to 2014, when Lemberona’s Buyer Credit facility was approved.

**Figure 1 – Sales Value (EUR) of Lemberona**



As is shown in the graph, Lemberona's sales had already increased exponentially from 2012 to 2013 but their difficulties in securing a line of credit meant that their growth had certain limitations. During their first year of their Buyer Credit facility Lemberona again exceeded their forecast and sales subsequently increased by 19% from 2014 to 2015. Following sales levels averaging at EUR 11m between 2014 and 2020, they are predicting a rise to EUR 16m in 2021.

In 2015, Lemberona was able to acquire a solar-operated drying system where energy stored during the day was released to dry products overnight, doubling productivity. This eco-friendly system is CO<sub>2</sub> neutral and has no operating costs. Moreover, the agricultural waste and side products generated during the fruit and nut processing, such as shells of nut and seeds and fruit stones, can be used for other purposes.

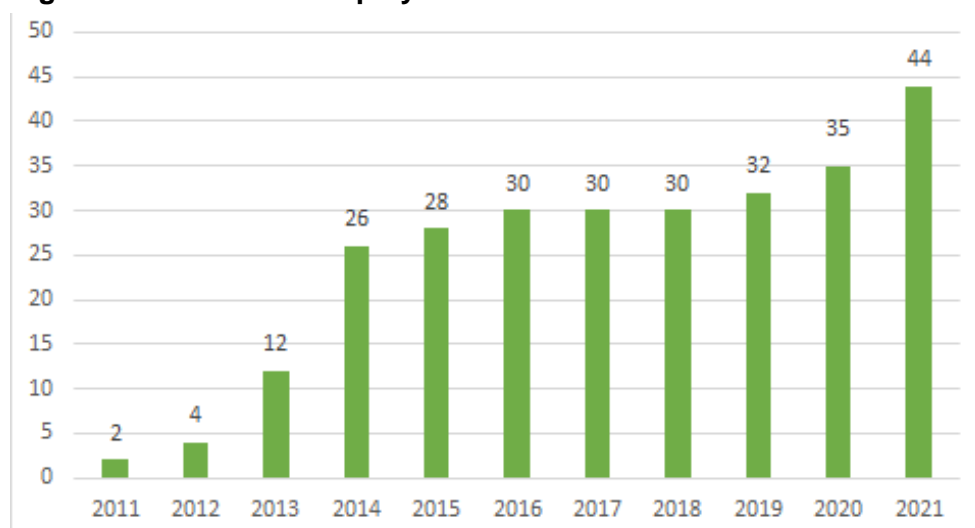
By this time, they were selling their products in three major supermarkets in Austria and Germany, one of which had a section especially reserved for organic and gluten free and close to 60% of the products were made by Lemberona. Lemberona's sales did decrease by 17% from 2015 to 2016 as their largest customer (an Austrian supermarket) stopped selling Fairtrade products. However, sales increased again by 11% from 2016 to 2017, as new opportunities were found. They continued to increase in 2018 to EUR 12.5m, mostly due to increased orders from existing customers but also because more new clients were secured, including a major Austrian retailer. They also established a strong online presence and opened their café and shop in Vienna.

Whilst many organisations recorded lower sales in 2020 due to the pandemic, Lemberona was able to maintain similar levels to 2019. This was mainly due to an increase in their online sales as consumers looked for healthy, high quality food products. This situation compensated for the lack of wholesale sales due Covid-19 restrictions.

More changes came in late 2020 as different shareholders joined the business, followed by the introduction of a new Managing Director and Financial Director. Designed to encourage growth, this new structure allows Elmira to move away from management of the business to focus on areas such as product innovation, farmer support and Fairtrade liaison.

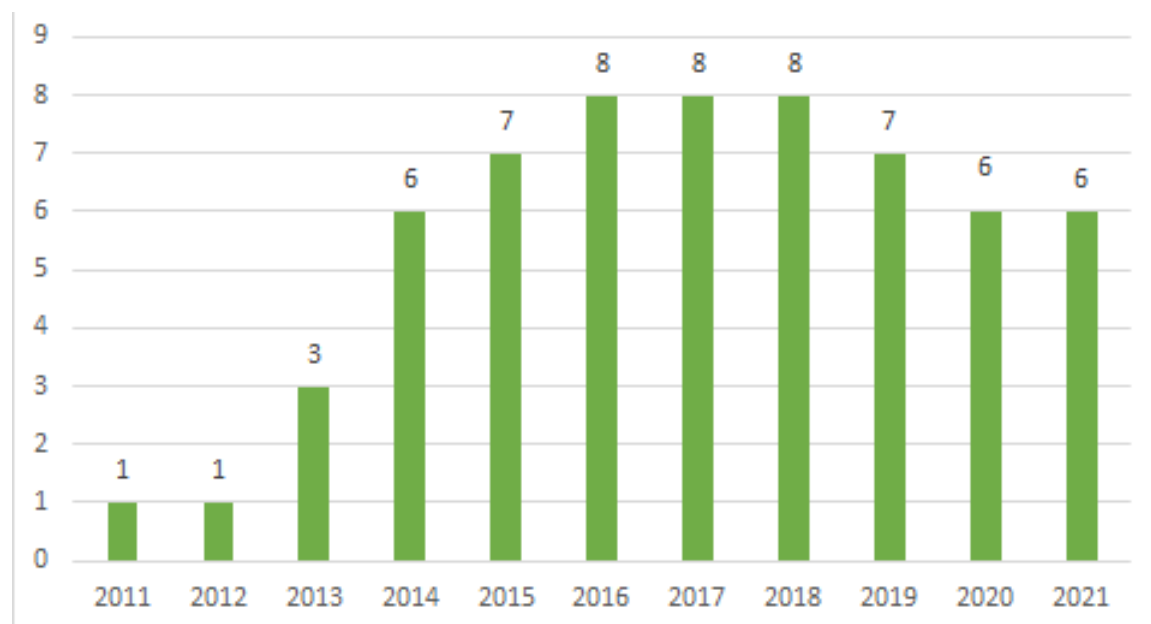
Lemberona started out as a small family company but with increased sales and the introduction of new products, they have seen significant changes in employee numbers, particularly in 2013 and 2014 as seen in Figure 2. Meanwhile, in line with their sales growth, employee numbers remained the same between 2015 and 2019, averaging at 30 individuals.

**Figure 2 – Number of employees at Lemberona**



Lemberona's head office is in Vienna but the majority of their workforce is based in their factory, located in St. Pölten, about an hour outside the capital. During the pandemic, office workers were encouraged to work from home, whilst additional measures were put in place at the factory and employees were recruited in quality control and warehouse management.

**Figure 3 – Number of suppliers at Lemberona**



When first established, Lemberona purchased goods from only one producer group in Uzbekistan. By 2013, they were working closely with three Fairtrade farmer groups through the exporter Silk Road Organik Foods. Elmira said: “As I am originally from Uzbekistan, I know how to overcome many of the obstacles faced by farmers. On the other side, I also know what customers want and can directly translate this for our Uzbek suppliers. Due to their location, some of these groups have little or no access to finance.”

Following the Shared Interest Buyer Credit facility being provided in 2014, Lemberona was able to start purchasing from other origin countries, including Palestine, Bolivia and India as they had sufficient working capital, increasing their number of suppliers to six (Figure 3).

In 2016, Lemberona started purchasing Fairtrade herbs from Egypt and Fairtrade dried fruits from Sri Lanka. The increase in their Buyer Credit facility at that time allowed them to purchase higher volumes from their farmers and sell plenty of Fairtrade products whilst continuing to build up their stock.

A year later, Lemberona became Uzbekistan's biggest exporter of organic and Fairtrade foods. Elmira said: “For many individuals, this relationship provides them with the means to preserve the natural world, work their fields using old traditional methods and to plant fruits and nuts that have been grown in this region for thousands of years.”

Lemberona has continued to maintain this strong relationship with Uzbek farmers throughout the pandemic, purchasing their goods and increasing use of their Buyer Credit Facility accordingly. Many countries closed their borders for several weeks during the height of Covid-19 and, although some restrictions have since been lifted, Lemberona continues to experience delays in supplies and shipments, providing uncertainty with supply and demand. However, they managed to meet farmers in Uzbekistan in April this year, and provide them with a large supply of additional seeds.



Elmira said: “Through Shared Interest, Lemberona can help the small farmers to make an honest living with their own hands and have proud families and communities.”

Lemberona prefers to work directly with the farmers, including when negotiating price, which is always higher than the Fairtrade Minimum. However, some products, such as quinoa, have to be purchased directly from traders or exporters and these are excluded from the total number of suppliers.

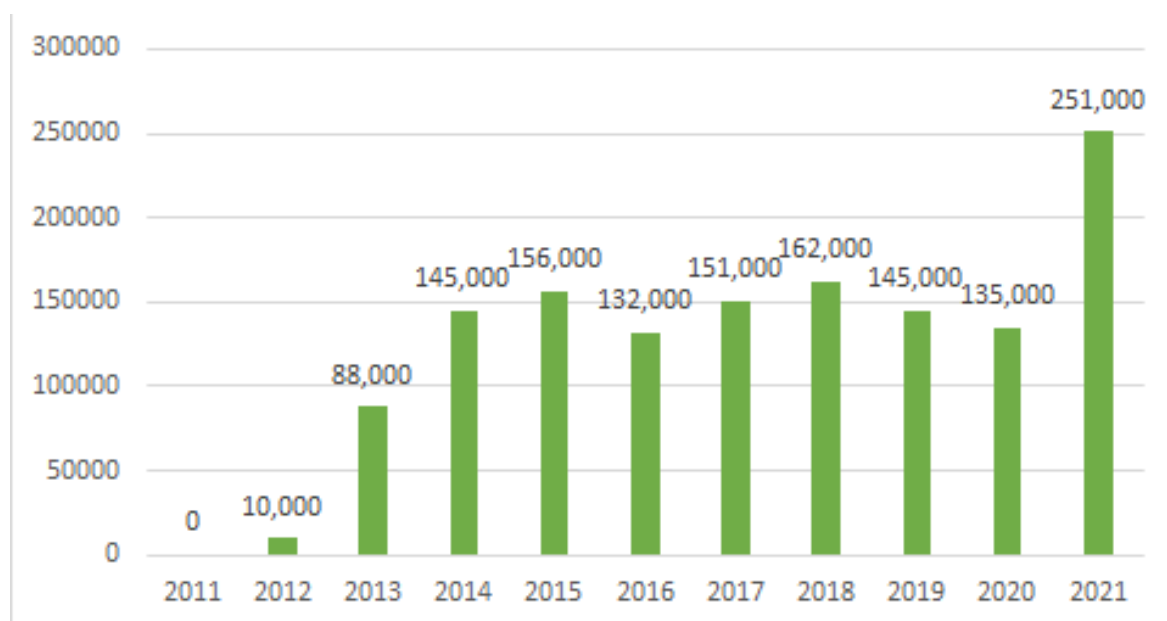
Lemberona works with an increasing number of farmers, with one of the groups in Uzbekistan expanding by 500 since our collaboration, developing into the largest Fairtrade exporter in the country.

Lemberona has a value-added approach to product sourcing to increase opportunities for farmers. For instance, chickpeas are sold as a dried product but also in a can, along with being included in hummus mix, chickpea flour, etc. Some of these products have since been certified Fairtrade, such as apricot kernels.

Elmira said: “Through support from Shared Interest, producers can maximise production, which results in more Fairtrade premium, which in turn impacts the lives of thousands of people in rural Uzbekistan. This equals repaired water systems, heating in the winter, children with a positive outlook and less hunger, and better life goals through improved education.”

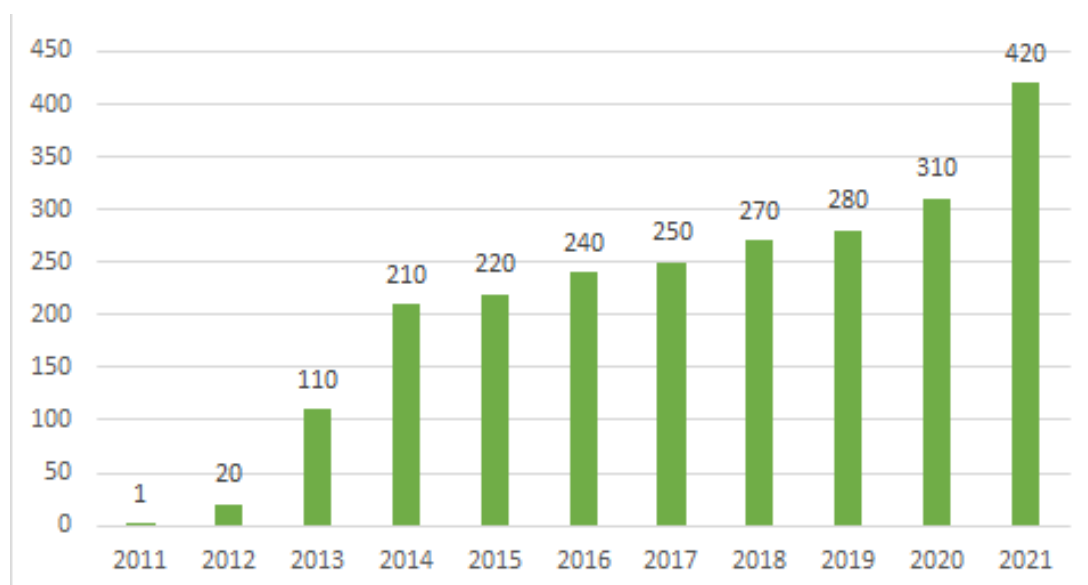
As seen in Figure 4, the Fairtrade Premium has increased in line with sales.

**Figure 4 – Fairtrade premium paid (EUR)**



Elmira says “*after all the financing part is one of the main key factors for any Fairtrade relationship and Fairtrade farmer group to develop successfully.*”

**Figure 5 – Number of customers at Lemberona**



Lemberona's client base is mainly in Europe and North America. They presented healthy growth of number of customers between 2012 and 2014 (fig 5) and explained that it was due to a high demand for Fairtrade food products at this time.

Elmira believes that their key competitive advantage is a broad product range, as well as high product quality and safety. Their goods have a long shelf life and are kept in a warehouse, which has a cold storage facility. In addition, they are a one-stop shop for wholesalers and manufacturers when it comes to Fairtrade dried ingredients (rice, pulses, spices, herbs, nuts and dried fruits, oils).

Currently, the focus is on expanding into selling online directly to the consumer by using third party retailer sites. They have also introduced a new brand called PlantLife, and this year launched an advent calendar introducing different nuts and dried fruits with pictures of farmers.

## **Social Impact**

Lemberona works mostly with Uzbekistan farmers but also provide support to six producer groups in Mexico as well as Sri Lanka and India (mainly for herbs).

Elmira believes that they played a key role in bring Fairtrade to Uzbekistan, subsequently impacting the lives of 10,000 people.

### **2014**

- Lemberona producer organisation Turob Bobo used their Fairtrade Premium to repair the water system and create a deep well. They now have access to water again for the first time in 15 years.

### **2015**

- A partnership project with a German development organisation was completed, which supported Uzbek farmers with Good Agricultural Practices (GAP).

- Installation of a CO2 neutral drying facility (believed to be the first and largest worldwide)

## **2016**

- Lemberona partnered with an Austrian organisation to help build a school in Sri Lanka and provide food for the children.

## **2017**

- Lemberona began working with farmers in Burkina Faso. The Fairtrade Premium has since helped support school projects, and improve water and electricity supplies.

## **2018**

- Lemberona announces that it is impacting over 10,000 individuals by enabling farmers to sell their agricultural products on the international market .

## **2019**

- Following a focus on helping Uzbek producers to streamline their operations and improve efficiency, two groups merged together and can now share export costs.

Lemberona has also planted 300,000 trees in deforested areas of Uzbekistan.

## **Conclusion**

Growing up in Uzbekistan before moving to Austria just over a decade ago, Lemberona Co-Founder Elmira Bertagnoli has an ongoing understanding of the challenges faced by farmers in the region. Her main aim was to bring their traditionally grown products to a European Fairtrade and organic market.

The Bertagnoli family, who initially financed the business, have been involved in the milling and hulling business for generations in Italy and Austria and so are experienced of dealing with supply chains as well as an interest in social impact.

Established in 2010, Lemberona's sales grew exponentially over the following four years. However, further growth was hindered by a lack of working capital, which made it difficult to manage supply and demand. This meant Lemberona was unable to purchase required volumes during relevant harvest seasons.

Their Shared Interest Buyer Facility, approved in 2014, has enabled Lemberona to plan ahead and purchase stock strategically, paying producers in advance if necessary. Within a year of receiving it, Lemberona exceeded their sales forecast by almost 20%.

Elmira said: "Shared Interest was the catalyst during all the process allowing me and Lemberona to move ahead and grow as fast as we did."

One producer group in Uzbekistan has expanded by 500 farmers since 2014, and developed into the largest Fairtrade exporter in the country.

Elmira continued: "Through support from Shared Interest, the small producers can maximise production, which results in more Fairtrade Premium, which in turn impacts the lives of thousands of people in rural Uzbekistan. This equals repaired water systems, heating in the winter, children with a positive outlook and less hunger, and better life goals through improved education.