

SUCCESS STORY

Investing in Business Linkages: A Lebanese SME Expands into new Markets



Photocredit: Mechaalany

Expanded product lines, such as stuffed grape leaves and stuffed eggplants, from Lebanese food processing company Mechaalany is giving small-scale producers the opportunity to build their capacity to meet the requirements of the growing and increasingly lucrative organic and US Specialty Foods markets.

The **Lebanon Business Linkages Initiative (LBLI)** is an Associate Award under the FIELD-Support LWA. LBLI works with leading firms in agribusiness and tourism to promote sustainable economic growth and poverty reduction in rural Lebanon. LBLI supports the efforts of local industry groups to develop competitiveness strategies, identify solutions that address constraints to growth, establish backward linkages, and encourage increased productivity and coordination.

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Innovations in business practices have given a venerated food manufacturer, and the local farms and businesses that support it, a chance to grow and compete in international markets. Mechaalany, a leading Lebanese fresh fruits and vegetables processor, is one of the country's oldest food companies, with strong brand equity and a large market share of pickled products in local and ethnic food markets in the US and Europe. However, the company has suffered from the seasonality of its product line, last year operating at only 67 percent capacity during the short pickling and jam season, and operating under 30 percent capacity the remainder of the year.

Faced with a continuation of under-productive off-season months, Mechaalany's management sought support from the USAID-funded Lebanon Business Linkages Initiative (LBLI) to create a new product line that would capitalize on the company's brand equity and unused off-season capacity. With guidance from LBLI, Mechaalany is expanding its product line, and is linking with local fruit and vegetable growers to identify export opportunities to improve business practices. LBLI has also provided Mechaalany with technical support to analyze other potential food markets to enter, such as the ready-to-eat market, has identified the need to update labels and packaging practices to meet international consumer standards, and problems in its distribution to local markets.

In addition to developing its new product line, Mechaalany continues to strengthen its core business, and has incorporated organic pickles into its product line. LBLI has also connected the company with local organic farmers to ensure that organic practices and certifications are upheld. One such supplier is Massoud Massoud, a certified organic farmer in Ramlieh-Alley who owns more than 40 dunums (approximately 10 acres) of farmland and has over 10 years experience in organic farming, who will supply Mechaalany with nine varieties of organic fruits and vegetables including tomatoes, cucumbers, figs and strawberries. Working with Mechaalany is also an opportunity for local suppliers to build their capacity to meet the requirements of the growing and increasingly lucrative organic market, and LBLI is also assisting Mechaalany enter into the valuable US specialty foods market. The company currently sells products to the US ethnic market and recognizes the need for a new branding strategy to expand their products to the specialty food market, which generally has a higher price point. In June 2010, LBLI's technical advisor represented the company at the New York "Fancy Food Show" to identify potential distributors and retailers, and facilitated an agreement between Mechaalany and New York-based Sahadi Fine Foods to hold in-store promotional events for Mechaalany products to test their market appeal.

Aided by LBL's technical support, Mechaalany has reported an overall sales increase of 11 percent, and is an important example of how the project is strengthening local capacity and boosting economic growth in Lebanon.