THE IMPORTANCE OF THE SMALL ENTERPRISES IN THE PORTUGUESE FOOD PRODUCING INDUSTRY

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ABSTRACT

The present work represents an initial effort to perceive the entrepreneurial structure of Food Processing Industry in Portugal. In the present context it is urgent to analyse methods for insertion of these enterprises within the territory and discuss the ability of the environment to support the increasing need of innovation in the companies management. We discuss simultaneously three components: the dimension of the enterprises (classified as Small and Medium Enterprises and Large Enterprises), the sub-sectors of industrial activity and their regional localisation (considering the regional disagregation level as being their NUTs II). We also try to measure the impact of the productive effort of these groups of enterprises analysing the regional incomes for all the national territory.

RÉSUMÉ

Ce texte présente le premier travail entrepris pour comprendre les structures de l'Industrie Alimentaire au Portugal en fonction des dimensions des entreprises. Il est urgent actuellement d'analyser des moyens d'insertion pour les enterprises à l'intérieur du territoire et de discuter la capacité du milieu à soutenir leurs besoins croissants de gestion de l'innovation. Nous discutons parallèlement trois composantes structurelles: la dimension des entreprises (petites et moyennes, et grandes), les sous-secteurs de l'activité industrielle, et leur localisation régionale (le niveau de désagrégation étant celui des NUTS 2). Nous tentons aussi de mesurer l'impact de l'effort productif de ces catégories d'entreprise en analysant des revenues régionaux sur l'ensemble du territoire national.

Independently from all the structural funds that Portugal has been afforded during the last decade, there are still various regions in the country that are by far beyond the level of convergence required amongst the member states of the European Union. This situation is rather common to several regions in the Union whose levels of GDP/per capita have grown apart.

The most significant decreases have been observed in Greece, the United Kingdom, Portugal and Italy, which partly justifies the enlargement based on a new form of different integration, the principle of variable geometry.

Simultaneously, like in all European countries, the globalisation and consequent recent political and financial approaches are reducing territorial specificities and consumer choices.

The combination of these two phenomena requires dynamic procedures for new adjustments, which should not happen exclusively at the macroeconomic level but also by forms of articulated territorial procedures, at the level of meso-economy.

An adequate integration of the actors at micro level of production, consumption and distribution is required too.

As a result from this scenario the proposals for the rural areas development must be supported by the productive structures, which, especially with regard to the periphery, are mainly dependent on the small and medium enterprises (SMEs).

Generally and as a result from strong budget restrictions, these enterprises are responsible for a high percentage of employment and may be used as important motors of creativity in the region, as long as they keep up with reasonable rentability and creation of new products and procedures.

DETERMINANTS IN THE AGRO FOOD SECTOR (AFS)

In addition to the worsening conditions of a number of endogenous regional variables (Thirlwall, 1999), we can observe an insufficient technical structure of the economy in several countries (Pavitt, 1984; Dosi,1988). In the case of Portugal, the structure of the AFS exempts not only an inadequacy to the present consumption patterns (Noronha Vaz, 1996) but also some rigidity in the production processes.

Several factors can explain it: predominance of traditional processes (Gugliemi, 1996), reduced number of distribution channels, weak co-ordination on the part of the few producing groups and lack of innovation and supporting technologies or of the "multi-nodal" integration of transports and communication and absence of dynamic networks for information transfer.

Other macroeconomic factors are affecting the structure, either beneficially or detrimentally, creating important changes therein.

As an example, we can appoint the foreign investments, the concentration of various enterprises in view of the markets globalisation, the advent of new intermediary agents for distribution and the diversification of various groups of investors (Noronha Vaz, 1995a; 1995b).

Due to the difficulties the Portuguese food enterprises are faced with to better compete with groups from abroad (the majority being small and medium enterprises with a reduced capacity to organise themselves and having little innovation potential) the major strategic method that is being suggested indicates the necessity of a sound capacity to make use of the advances in

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technology and a strong implantation of the organisational image.
It is of the upmost importance to mention here that the possibility to incorporate such strategies in the enterprises depends fundamentally on the structure regarding both regional organisation and on the used methods for institutional co-operation and integration (vertical or horizontal).
In macroeconomic terms, the Food Producing Industry (FPI) in Portugal can be represented by the following values (INE, 1996):
– 12% of the total of enterprises for the recycling industries;
– 21% of the volume of businesses;
– 14% of the gross added value;
– 12% of the employment;
– 6% of the GDP;
– 6% of the imports.
Based on **table 1** (INE, 1996) it can be noticed that the sectors of food and beverage, textiles and clothing, paper and graphics show the highest values of production.
The Food Producing Industry (FPI), through its sub-sector of Food and Beverages, reveals in the total of the manufacturing industry a weight of approximately:
– 12% of enterprises in the manufacturing industry, comparing with the 23% of textiles/clothing and leather, followed by 22% of wood/cork;
– 10% of the gross added value from the manufacturing industries, comparing with the 21% for chemicals/petroleum sub-products, followed by the 19% of the textiles/clothing and leather. These values have been decreasing generally in the sub-sectors, with the exception of chemicals/petroleum sub-products and in the paper/printing and editing;
– 17% of the gross value from the processing industry are compared with the 19% of the textiles/clothing and leather and followed by the 17% of chemicals/petroleum sub-products. Such values have been decreasing, generally in the sub-sectors, excepting the chemicals petroleum sub-products and paper/printing and editing. It is to be taken into account that the gross value of production in such cases has been decreasing at a higher rate than that of the gross added value.
As regards the related work productivity involved, the sub-sector of food and beverages is the one that shows the most significant values, after the following sectors: chemicals/petroleum sub-products and paper/printing and editing.
Considering the importance of FPI and its adequacy to easily incorporate innovation increments, most of the European countries have integrated in their agricultural policies industrial and commercial decisions, benefiting directly the manufacturing industry and the distribution channels and also improving the agricultural activity as a consequence.

Structure of the food producing sector in Portugal

The production specificity in the regions

According to the Delphi study regarding the structure of the Portuguese AFS, prepared for the Andersen Consulting (Alves, 1995), a rather weak competitiveness is noticed amongst the enterprises of the sector and in comparison with their European competitors. This is mainly due to the small dimension and the low profes-

Table 1 ***Activity Indicators and Production Indexes of the processing industry.***

Classification of Economic Activities (CEA)	Sectorial desagregation	Years	Numb. of enterprises	Personnel	Productivity (10^3 Esc.)	Production index	Added value (10^6 Esc.)	Sales (10^6 Esc.)
	Total	93/95	–1.4%	–3%	20.6%	14.2%	18.2%	16.8%
		1995	65098	948781	3260	134.8	3093480	10213434
Sectorial desagregation	311/2/3 - Food and Beverages	93/95	1.8%	–2.6%	17.8%	–1.9%	8.5%	11.5%
		1995	7682	112484	7306	133.5	312780	1785162
	32 - Textiles and leather	93/95	–6.3%	–6.3%	14.0%	19.9%	8.6%	8.7%
		1995	14702	333941	1745	153.6	582621	1906020
	33 -Wood and cork	93/95	0.44%	0.2%	14.6%	11.0%	14.8%	15.4%
		1995	14168	91633	1751	111.8	160460	608763
	34 - Paper and edition	93/95	1.06%	–7.5%	46.1%	27.3%	42.1%	26.8%
		1995	3401	48918	5845	159.1	285929	757094
	35 - Chemicals and petrol products	93/95	–0.61%	–5.1%	26.9%	13.4%	23.2%	20.6%
		1995	1966	54257	12197	114.4	661796	1695701
	37 - Metallurgy	93/95	–14.3%	–25.7%	28.0%	14.6%	9.5%	25.7%
		1995	606	14040	3334	110.6	46813	219259

Source: Anuário Estatístico de Portugal (INE, 1996).

sional level of the labour force of the Portuguese SMEs. This small dimension has been a considerable constraint in relation to various critical aspects of the development of the industry, namely the low negotiational power as well as the low financial capacity for implementation of new investment and R&D programs.
Adding to such constrains there is an insufficient preparation and professional formation of the human resources, giving origin to low productivity results and deficient management techniques of many enterprises in the sector (Alves, 1995). The factors pointed out also give origin to the supply of less competitive products, in terms of price and quality. On the other hand, the globalisation phenomenon occurring in the sector and progressing in Europe, increases the gap that separates the Portuguese industry from European medium standards as it allows the companies that operate at a European dimension to reinforce their competitiveness.
The Portuguese entrepreneurial structure, particularly in the AFS, is characterised by the predominance of small and medium enterprises (SMEs), generally with reduced management capacity and lack of innovative potential, resulting in a very low aggressiveness towards the foreign markets. However, when there is some potential management aptitude or innovative skill, it is generally noticed that the strategy adopted by the enterprises tend to concentrate on internationalisation strategies. The participation of foreign investment and/or the exportation of specific quality products, sometimes promote increased concentration of certain sub-sectors (Noronha Vaz, 1995b). However, those strategies are not sufficient to face up to a context of economic globalisation whereby competitiveness and dynamic capacity are required in permanence. According to Porter (1990), the fundamental idea implied in the global competitiveness is that the major potential the enterprises should develop is their own endogenous specificity, as a means of differentiation in the competitive scene, as well as a defence from new competitors. Even if this situation might be susceptible to discussion it is at this point that the SMEs reveal a substantial contribute. Adding its structural flexibility (Vizcaino, 1999) to its local specificities (Camagni, 1991), they may become an important instrument of innovation and development at the regional level (Freeman, 1994).
Thus, it is not surprising to foresee an increase of the concentration of the sector through the absorption of SMEs by large European multinationals (MEPAT, 1999). Such initiatives of concentration are conducted through enterprises closed to the food-processing sector. So, the sector tends to change to a progressive specialisation, which may well act as a barrier against new incoming groups that may attempt to diversify their risks investing in the food sector. Moreover, the Portuguese enterprises of the FPS are faced with a reduction on their market

quotas, owing to their weak tendency to establish themselves abroad as against the high rate of importation of European products whose flows were much facilitated after the elimination of the customs barriers.
The productive specialisation referred to can easily be identified by indicators of the macro economic activity, desagregated by regions - NUTs II. In the present work we shall start to consider the indicators of activity that seem to better support the analysis, i.e.: the number of workers, the volume of business and the gross added value.
In an attempt to analyse the weight of the SMEs within the FPI in general, the referenced indicators of activity are applied in percentages of SMEs, separated by the principal sub-sectors considered by the FPI – Food Producing Industry – (see **table 2**). Henceforth it is necessary to distinguish the importance of smaller firms for the AF industry. In general terms the results are as follows:
1. Of all the companies of the Food Producing Industry, 66,8% are SMEs;
2. Of all the labour force employed in the FPI, 55,4% are working in SMEs;
3. Out of the total volume of business generated in the FPI, 45,8% are generated by SMEs;
4. Out of the total of the Gross Added Value generated in this industry, 40,6% are generated by the SMEs.
In an effort to compare the dimension and structure of the FPI – Food Producing Industry – with its dynamic

Table 2 ***Regional weight of SMEs of the Food Processing Industry.***

CEA and % SMEs	Number of enterprises					Number of workers					Added value (mp)				
	Norte	Centro	Lx Vale Tejo	Alentejo	Algarve	Norte	Centro	Lx Vale Tejo	Alentejo	Algarve	Norte	Centro	LxVale Tejo	Alentejo	Algarve
	0.94	...	0.897	...	1	0.666	...	0.36	...	1	0.639	...	0.283	...	1
152 - Industry and transformation of fishing and aquiculture	0.62	...	...	...	...	0.293	...	...	...	...	0.43	...	...	...	...
153 - Industry and preservation of fruits and horticultural	1	...	0.855	...	1	1	...	0.21	...	1	1	...	0.077	...	1
154 - Production of oils and animal and vegetable fat	...	1	0.968	1	1	...	1	0.378	1	1	...	1	0.157	1	1
155 - Dairy industry	0.82	...	0.902	...	1	0.117	...	0.294	...	1	0.032	...	0.04	...	1
156 - Processing of cereals and production of flour	...	...	...	1	1	...	...	...	1	1	...	...	...	1	1
157 - Production of animal food	...	...	0.889	...	...	...	...	0.46	...	...	...	...	0.378	...	...
158 - Production of other food product	1	...	0.989	...	1	0.892	...	0.692	...	1	0.781	...	0.413	...	1
159 - Beverage industry	0.92	...	0.895	1	1	0.376	...	0.339	1	1	0.32	...	0.271	1	1

Source: Own calculations

efforts at the regional level, three indicators are tested and desagregated by the same sub-sectors considered by the FPI (see **table 3**).
These indicators are designed as "Average Dimension of Firms", "Work Productivity of SMEs" and " Participation of FPI in Regional Income".

The Enterprise Dimension and the Productivity of the SMEs

In the table 3, the indicators of regional dynamics show the following:
1. It is up North and in Lisbon/Vale do Tejo that prevails the largest firm dimension, particularly in the industries of fishing, meat and dairy products in the North and animal food, beverage and oils in Lisbon/Vale do Tejo. Considerable lack of information must be pointed out, especially in the Centre and Alentejo regions;
2. The labour productivity of the SMEs shows significant values in the sub-sectors where the large dimension prevails. Examples of this situation are shown on the sub-sectors of cereals and dairy products in the region of Algarve; oils in the Centre and Algarve and of other food products at a general level;
3. It is in the Algarve that the small entrepreneurial dimension prevails and it is also there that more examples can be seen to confirm the relative importance of the SMEs in the productivity.

The Enterprise Dimension and the Weight of the Regional Income

Still, based on table 3 and regarding the relation of the indicator of the FPI weight in the regional income with the average dimension of the firms at the sub-sectors level of the FPI in analysis by NUTs II, it is noticed that:
1. The sub-sectors of beverage, cereals, meats, rations and other food products prevail, as being those that represent the highest weight within the economic dynamism of the portuguese regions;
2. These sub-sectors that weigh the most in the regional wealth (excepting other food products in the Algarve) are shown as better related with larger dimension of firms, especially at the level of the Regions up North (in the case of beverages and fishing); Lisbon/Vale do Tejo (in the case of meats and rations) and Alentejo (in the case of cereals and oils);
3. It is also in the Algarve that in most of the considered sub sectors the small firms dimension is compared with a relative importance for the dynamic results of the region, as in the cases of beverages, dairy products and other food products. An exception is the situation of the

Table 3 ***SMEs of the Food Processing Industry: Indicators for regional dynamics.***

CEA and SMEs	Medium Dimension of the Enterprises[1]					Work Productivity of SMEs[2]					Weight of SMEs in the Regional production[3]				
	Norte	Centro	Lx Vale Tejo	Alentejo	Algarve	Norte	Centro	Lx Vale Tejo	Alentejo	Algarve	Norte	Centro	Lx Vale Tejo	Alentejo	Algarve
151 - Slaughtering, and preserving meats	458.0	...	380.2	...	433.0	2.172	...	2.400	...	1.500	0.0025	...	0.0034	...	0.0019
152 - Transformation of fishing and aquiculture	609.2	...	...	...	...	2.228	...	...	...	...	0.0006	...	...	...	...
153 - Processing fruits and horticultural	114.8	...	221.4	...	274.0	1.714	...	1.284	...	2.740	0.0001	...	0.0004	...	0.0030
154 - Oils and animal or vegetable fat	...	55.5	361.3	121.2	37.7	...	1.313	2.952	1.073	1.866	...	0.0012	0.0009	0.0025	0.0014
155 - Dairy industry	284.1	...	188.5	...	56.1	1.100	...	0.854	...	1.343	0.0002	...	0.0002	...	0.0027
156 - Cereals and production of flour	...	...	...	369.6	37.4	...	...	...	3.233	2.227	...	...	...	0.0044	0.0006
157 - Animal food	...	...	1010.2	...	-	....	...	20.464	...	-	...	...	0.0029	...	-
158 - Other food products	38.8	...	32.6	...	26.6	1.368	...	1.811	...	1.238	0.0099	...	0.0132	...	0.0366
159 - Beverage industry	439.0	...	509.2	788.0	91.8	7.398	...	4.685	-14.243	1.678	0.0077	...	0.0047	-0.0214	0.0033

[1] Turn over/Number of enterprises
[2] Added value_smes/Number of workers_ smes
[3] Added value_smes/Total regional added value_Industry

Source: Own calculations.

sub-sector of fruits and horticultural products, which, even being the one that mostly contributes to the regional income, is also closely related with the larger dimension of firms.

Comparing the three indicators chosen, it can generally be concluded, that the sectors of beverage and other food products are the most contributive towards the regional wealth. And it is especially the North and Lisbon/Vale do Tejo regions that largely benefit from these sectors due to producing a higher added value, thus requiring higher investments as well as professional expertise.

Their location can be justified by higher requirements at such levels and also by a prevailing larger dimension of the firms. Curiously, we have detected higher levels of productivity in the SMEs located nearby larger dimension firms. We justify the phenomena by the competitive impositions that are then evident or by the technological regional demands this type of enterprises may require.

The weight of the Large Enterprises in the Regional Specialization

Grouping the available data related to the largest enterprises of FPI on **table 4** that follows, we can realise that the big companies of the food producing sector are situated preferably up North and in Lisbon/ Vale do Tejo, being clearly larger their support to the development of those regions.

It is likewise obvious the relative importance of the food processing industry in the North and in Lisbon/ Vale do Tejo owing, amongst other factors, to the high level of the industrial concentration on those areas. However, the weight in the participation of the big companies in the Central region is far beyond those two regions. In the South, the participation of the big companies of the food industry within the regional income is practically non- existent.

Table 4 shows the indicators of Labour Productivity and of the participation of the largest companies of the FPI in the regional wealth, grouped by NUTs II and sector. Such allows also a comparison of productivity in the regional wealth the related weights of the SMEs and large enterprises of the AFI, shown in **table 5**.

The Dimension of the Enterprises and The Work Productivity

An analyses of the supplied data demonstrates that it is

Table 4 ***Big enterprises of the Food Processing Industry: indicators for regional dynamics.***

CEA	Region	NUTs II	Data	Total	Productivity[1]	Weight in Regional Income[2]
151	Lx e Vale Tejo		Added value	8941		
			Workers	2084	4,290	0.0044
153	Centro		Added value	3512		
			Workers	497	7,066	0.0036
154	Lx e Vale Tejo		Added value	8792		
			Workers	467	18,827	0.0043
155	Centro		Added value	3596		
			Workers	290	12,400	0.0037
	Lx e Vale Tejo		Added value	1371		
			Workers	253	5,419	0.0007
	Norte		Added value	19732		
			Workers	3251	6,070	0.0083
157	Centro		Added value	1366		
			Workers	159	8,591	0.0014
	Lx e Vale Tejo		Added value	1985		
			Workers	249	7,972	0.0010
158	Alentejo		Added value	2613		
			Workers	325	8,040	0.0105
	Lx e Vale Tejo		Added value	29685		
			Workers	2461	12,062	0.0146
	Norte		Added value	3629		
			Workers	395	9,187	0.0015
159	Lx e Vale Tejo		Added value	22684		
			Workers	2640	8,592	0.0112
	Norte		Added value	24106		
			Workers	1659	14,530	0.0101

[1]Added value_Big Ent/Number of workers_Big Ent
[2]Added value_Big Ent/ Total regional added value_Industry

Source: Own calculations.

Table 5 ***Indicators for regional dynamics: SMEs vs big enterprises in of the Food Processing Industry.***

Classification of economic activities	Relative Productivity of AFI[1]					Weight of AFI in the regional wealth[2]				
	Norte	Centro	Lx V Tj	Alentejo	Algarve	Norte	Centro	Lx V Tj	Alentejo	Algarve
151 - Slaughtering, and preserving meats	2,172	...	2,400	...	1,500	0.0025	...	0.0034	...	0.0019
			4,290					*0.0044*		
152 - Industry and transformation of fishing and aquiculture	2,228	...	...	...	...	0.0006	...	...	...	...
153 - Industry and preservation of fruits and horticultural	1,714	...	1,284	...	2,740	0.0001	...	0.0004	...	0.0030
		7,066					*0.0036*			
154 - Production of oils and animal and vegetable fat	...	1,313	2,952	1,073	1,866	...	0.0012	0.0009	0.0025	0.0014
			18,827					*0.0043*		
155 - Dairy industry	1,100	...	0,854	...	1,343	0.0002	...	0.0002	...	0.0027
	6,070	*12,400*	*5,419*			*0.0083*	*0.0037*	*0.0007*		
156 - Processing of cereals and production of flour	...	...	...	3,233	2,227	...	...	...	0.0044	0.0006
157 - Production of animal food	....	...	20,464	...	-	...	...	0.0029	...	-
		8,591	*7,972*				*0.0014*	*0.0010*		
158 - Production of other food products	1,368	...	1,811	...	1,238	0.0099	...	0.0132	...	0.0366
	9,187		*12,062*	*8,040*		*0.0015*		*0.0146*	*0.0105*	
159 - Beverage industry	7,398	...	4,685	−14,243	1,678	0.0077	...	0.0047	−0,0214	0.0033
	14,530		*8,592*			*0.0101*		*0.0112*		

[1]Added value_SMEs/Number of workers_SMEs vs. Added value_BigE/Number of workers_BigE
[2] Added value_SMEs /Total regional added value_Industry vs. Added value_BigE / Total regional added value_Industry

Source: Own calculations.

clearly noticed that the big companies, owing to their possibility of creating economies of scale and of a better management capacity, present in fact an indication of productivity by sector in advance to those of the SMEs.

In this way, we are left to realise that to reform the local SMEs specific attention to technological and organisational innovation should be kept, so that such enterprises may establish themselves in the markets and, at the same time, be competitive with regard to their product and prices.

The Dimension of the Enterprise and the Weight in Regional Wealth

A comparison of the SMEs weight in the regional income (table 3) versus the one of the large enterprises,

at the level of sub-sectors of the AFI allows the following conclusion:

1. As regards the Central region, due to the non-availability of much of the information, it is difficult for us to conclude about the SMEs weight in relation to the largest enterprises. We could conclude that they seem to be located in the Central region when they have a close relation to the agricultural sector. So, we can conclude that in this case, location is being oriented by the supply of raw materials.
2. In the sectors with a higher level of specialisation, for instance in the sectors of beverage and other food products, it is ascertained that either in Lisbon/Vale do Tejo, or in the North, where the larger dimension enterprises are predominant, the large enterprises do not affect as much the market quotas of the SMEs;
3. Not necessarily does the existence of large enterprises represent a competitive factor against the subsistence of the small enterprises. In fact, based on tables 4 and 5, the latter have been prepared with a view to compare the indicators relative to the SMEs with that of the large enterprises (table 4). It can be ascertained that, at AFI level, with the exception of the dairy products, wherein it is doubtful, if it could be some sort of co-existence between the SMEs and the large enterprises in the same region, it is quite possible to conceive a measure of complementing between enterprises of different dimensions, as in the case of the sectors of: slaughtering; oils/fats; beverages and other food products.

Conclusion

In general terms, we can verify that there is a larger grade of dispersion of FPI when this is an activity originated in the SMEs. It is therefore necessary to pay attention to such enterprises which, in global terms, contribute both for the growth and for the regional employment. Therefore, they represent a potential instrument of excellence to support the development of the food producing activities in various regions, in this instance, the regional development in general. The options of economic policies in Portugal, having not paid much attention to the development of the Agro Food Industry (AFI) have generated, in our opinion, deplorable consequences. On one hand, the opportunities for restructuring and innovating productive processes were lost, these being profoundly involved not only with agriculture but also in the modernisation of distribution. On the other hand, the modernisation of the AFI would have created positive impacts over productivity gains of the Processing Industry in general and agricultural incomes with repercussion over the regional development. In Portugal it is noticed that the increases of Added Value in the AFS are, along with the textile industry, far behind the rest of the other activities. As opposed to this, countries like France, Germany or England are using that sector to improve the regional redistribution of investments as well as that of income. The fact that the AFS in Portugal is so far still mostly dependent on the SMEs does not contribute to increase substantially the productivity of the sector. A greater effort is required in this regard. Nevertheless, the circumstances involving the stable development of the sector could be considered as promising, should the dispersion existing in the producing activities be regarded as a mean of formation, employment and the wealth of the regions. After comparing the analysed indicators – productivity and the weight in the regional income – we believe to have made it quite clear that while the SMEs present a greater relative possibility of dispersion, they also greatly favour the regional development, an aspect that could be used to revitalise the regions. However, pursuing objectives of higher regional equilibrium imposes that the SMEs solve their low ratio of productivity within the context of the global markets. Regarding the difficulties that the Portuguese SMEs, with a reduced capacity of organisation and a lack of potential for innovation, have to join in co-operative forms, there is no doubt whatsoever that the competition with large enterprises is a very hard problem to solve. The small dimension has been an hindrance in view of several critical aspects of the industrial development, namely in terms of: a weaker negotiating power, minor capacity for implementation of R&D programs and new products and minor financial capacity to overcome delays in terms of infrastructures and technologies. Such factors are generally responsible for the marketing of products. Within the global sphere of the European AFS, one of the greatest objectives is to face up the opportunities that the rapid variations in the consumption patterns of such countries like Portugal, Spain and Greece may offer to the large enterprises and to multinational distribution systems. In this context Portugal is faced with the serious gap between the slowly developing structure of agricultural production and its industrial structure, and the global system of distribution and marketing which has easily been adopted by consumers (Noronha Vaz, 1997). Seeing that these are all components that belong to only one productive system, various fragile situations occur, giving origin to the generally risky financial situation of many enterprises of the sector and an increasing deficit in the Portuguese trade balance of agro-food products.

The economic agents involved in the Portuguese AFS must be well aware of the fact that the organisational and technological innovation of the SMEs of the sector has now to be considered as an urgent imperative. Bearing in mind that there exists some sort of inter connection between organisation, technology and social regulations (Conti, 1996), it is not to be expected that the small dimension enterprises may obtain an easy access to the innovations which they urgently require, without the necessary and adequate assistance. This

should happen in a local context where they operate. To create the adequate environment for SMEs, will be from the responsibility of groups of interested partners and also from the public sector, essentially if peripheral zones are in question. The State intervention is responsible for the creation of adequate means for the training and clarification of human resources as well as the distribution of the investment in equipment and infrastructures of common uses. ●

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