

Demand and Agricultural Products Standard of Accommodation and Restaurant Business Entrepreneurs

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ABSTRACT:

This research is aimed to study the demand and agricultural products standard of accommodation and restaurant business entrepreneurs and identify the quality and standards of agricultural products in accordance with the demand of entrepreneurs in accommodation and restaurant businesses of Chiang Rai Province. The study followed qualitative approaches, collected data from in-depth interviews with 50 accommodation and restaurant entrepreneurs in Muang District, Chiang Rai Province, together with a focus group. Content analysis was used to draw conclusions. The results showed that entrepreneurs had a high demand for carrots, tomatoes, cabbage, cucumber, and salad, respectively. The problems encountered in purchasing agricultural products were price, quality, and transportation problems. The model of quality and standard of agricultural products that are consistent with the demand of entrepreneurs comprise the quality and standards of agricultural products in terms of freshness, safety, aesthetics of appearance, and cleanliness. The factors that contribute to the decision of purchasing agricultural products are fixed price, trust, and delivery services respectively.

Keywords: Demand, Agricultural products, Standard of agricultural products, Accommodation business, Restaurant business

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Introduction

Agriculture has been a key sector in the world's economy over the past several decades and remains a major sector today, generally providing employment opportunities for a growing population, eradicating poverty and contributing to economic growth (Izuchukwu, 2011). Economic history is clear evidence that the agricultural revolution is a fundamental precondition for economic growth, especially in developing countries (Allen, 1999). Food markets in developing countries are undergoing profound changes that are fueled by rapid urbanization, diet diversification, trade integration, and the liberalization of foreign direct investment in the food sector (Pingali, 2007). The most commonly observed changes are: rising food imports; vertical integration of the food supply chain; and commercialization and diversification of domestic production systems (Dries et al, 2004). Moreover Pingali (2007) also identified that developing

countries are undergoing tremendous changes in food markets and demand for food and agricultural products resulting from the rapid urbanization. Food distribution trade combination and the liberalization of foreign direct investment in the food sector. The most frequently observed changes were the increase in food imports. Expanding the food supply chain and the trade and distribution of domestic production systems. The above demand-side data shows that the agricultural industry can continue to grow. However, from the synthesis of problems related to the agricultural industry, especially in Asia and Southeast Asia. For example, the persistent and misuse of excessive use of agricultural pesticides is characteristic of crop production in parts of Southeast Asia as well as in China (Xu et al., 2008 ; Schreinemachers et al., 2012). As well as the limited access to the market information, literacy level among the farmers is low, limited channels

of distribution (Vadivelu & Kiran, 2013; Firmenich, 2019; Kim et al., 2019; Celik, 2019).

In Thailand, the agricultural industry is the cornerstone in driving the economy and enhancing the basic life of the country's population. From the past to the present, more than half of the Thai population has a career in agriculture, resulting in Thailand having at least thirty million people in the agricultural sector. Revenue from the agricultural sector is equal to 6.2 percent of gross domestic product (Office of the National Economic and Social Development Board, 2017) and it is a sector that accounts for 40% of the total workforce or the number is 17,993,000 people (Information and Communication Technology Center Department of Agricultural Extension, 2016). However, the agricultural industry still faces many problems especially marketing (product, price, place, and promotion). This is consistent with India that are trying to fix the pricing is fair. Controlling the market system to be balanced Distribution of produce evenly, etc (Vadivelu & Kiran, 2013) which is related to the situation of agricultural products in Chiang Rai province, where agricultural products at present do not meet the standards and quality that consumers or entrepreneurs want.

Chiang Rai has continued to develop agriculture and trade due to the terrain is suitable for arable including bordering with neighboring countries, the Republic of the Union of Myanmar and Lao People's Democratic Republic (National Statistical Office, 2019). According to the report of the Office of Agricultural Economics (2019), it was found that the major problems and obstacles in the development of the Thai agricultural sector are marketing, problems resulting from farmers producing agricultural products regardless of the needs of entrepreneurs. There was a continuous oversupply of agricultural products. From the survey of the problem, it was found that farmers lacked a mechanism to purchase agricultural produce, including the harvested agricultural

products that did not meet the consumer's desired standards. Chiang Rai Province has an average of 2-3% growth in accommodation and restaurant businesses per year, with the demand for agricultural products as raw materials for cooking to serve customers (Thongchai, 2019). Therefore, this research aimed to study the demand for agricultural products of entrepreneurs in accommodation and restaurant businesses in Chiang Rai Province and to find models of quality and standards of agricultural products that are in line with the demand of entrepreneurs in the accommodation and restaurant businesses. Hoping that the results of this research will lead to creating a mechanism to link farmers with good and quality agricultural products to entrepreneurs in the accommodation and restaurant sectors in Chiang Rai Province.

Literature Review

The agricultural market extends through the entire food system, from raw material procurement to farm production, collection, processing, packaging, transportation and to the final consumption of retail food products. Transactions in the local market to the contract to the full integrated verticals are possible for non-competitive behavior and for collective action to counter agricultural market activity over time by linked trade and storage between regions. Several authors have studied agriculture and the marketing of agricultural products in various dimensions. Myers et al.(2010) has compiled research on the agricultural market in term of analyzed the agricultural market, meeting increasingly diverse consumer needs, changing the landscape in which participants of the food supply chain, and Trends of integration in the marketing sector. Which supports the study of Barrett & Mutambatsere (2008) who presented the micro-realities of agricultural markets in most developing countries include poor communication and transportation infrastructure, limited rule of law, and limited

access to commercial finance. This represents the strong variance in commodity prices in areas and seasons in developing countries. There are several empirical tests on market consolidation that point to a significant arbitrage opportunity and a significant barrier to entry and movement and significant personal exchange. The widespread inefficiency is the result of incomplete or vague property rights, incomplete contract audits and enforcement, high transaction costs and binding liquidity restrictions. Such failures often spark government intervention in the market (Platteau, 2000). Tilman et al (2011) study global food demand and the sustainable intensification of agriculture, it conclude that the demand for food around the world is growing rapidly. Most of the world's arable land today is under-yielding, and the current world agricultural expansions have serious long-term effects on the environment. The environmental impact of the growing demand for crops will depend on the evolving trajectory of agriculture around the world. Maintaining the world's biodiversity and reducing GHG impacts from agriculture may have positive effects on this pathway. A path that adapts and transfers technology to countries that are not giving up, increasing soil fertility, utilizing more efficient nutrients around the world and minimizing land clearing are promising routes to increase fertility. More environmentally sustainable agriculture and more equal global food supplies. In addition, Rapsomanikis et al (2006) showed that complete market consolidation and price transmission can be officially tested over the long term. The extent to which the price signal is sent from one market to another is a vague idea. The definition of price pass covers cases of market consolidation, inherent dynamic market correlation arising due to trade inertia or discontinuity, as well as the nonlinearity that may occur due to distortion. In speculation more importantly, it represents a hypothesis through testable components within the error correction framework. The testing

framework is applied to many cash and food crops markets in developing countries. In general, the assessment of the scope of market consolidation and price transmission should be in accordance with the ECM, which is both symmetric and asymmetric. Sudawan Somjai et al (2019) was conducted on the effects of agricultural extension services, government agricultural expenditure, agricultural credit and AL have on real agricultural GDP. This study focuses on ASEAN countries. It has been reported that the long-term and short-term effects of government agricultural expenditure and agricultural extension services on real agricultural GDPs were significant. While the effects of agricultural credit were significant and long-term negative of real agricultural GDP and were insignificant in the short term, the AL control variant significantly affected real agricultural GDP in the long term and was not significant in the short term. The corresponding research is the study of Kittisak Jernsittiparsert (2019) showed the agricultural investments in extension, subsidies and irrigation and impact on poverty reduction and agricultural output: a panel data analysis of ASEAN countries that agricultural investment in promoting irrigation and agricultural subsidies has had a profound effect on long-term poverty reduction. The subsidy has a statistically significant short-term effect on poverty reduction.

In Thailand, Chamnian (2008) study on consumer behavior and demand towards products of organic producer network in Chiang Mai Province, it was found that the behavior of most consumers buy products once a week. Most of them travel to buy only one product. Making it possible to decide to buy by yourself. It costs about 10 - 100 baht to make food or to eat. The market demand of the sample group towards the products of most organic producer networks, they want to have the safety standard from toxic substances. The price is suitable for the quality. There are distribution locations that are easy to find and

easy to travel. And want to have a campaign and publicity about organic products to the general consumers. The level of problems and obstacles in product, price, distribution channel and marketing promotion. In addition, Prida and Phusanisa (2009) studied the development of the market management model of organic farmers in order to strengthen the sustainable community enterprise, found that the products must go through a chemical-free process at all stages. Should have a meeting with members to set prices together. Distribute products directly to consumers and distribute processed products through intermediaries that distribute chemical-free products. Marketing problems include: lack of product variety, lack of continuity in production and more importantly, lack of joint planning between the production department and the marketing department. Finally, Ratchanikorn (2010) studied the distribution channels of organic vegetables for farmers in Saraphi District, Chiang Mai Province. The results of the study were most farmers did not have direct distribution channels to consumers. No pre-orders and no contracts. Factors affecting the selection of distribution channels of farmers groups are: organic vegetable, transport distance, convenience payment, selling prices of organic vegetables, the risks of the trading channel, the ability to change distribution channels, and obtaining information from consumers.

Methodology

This research is a qualitative research with the following research methods. Conduct 30 in-depth interviews with accommodation and restaurant entrepreneurs in Mueang District, Chiang Rai Province and network partners and related parties for promoting agricultural products by purposive sampling technic. The research instruments used in this study consisted of: semi-structured interview form to survey agricultural product demand of accommodation and restaurant

entrepreneurs, and discussion issues to find ways to develop quality and standards of agricultural products that are in line with the demand of entrepreneurs in accommodation and restaurant businesses in Chiang Rai. Data validation is performed by triangulation. The data obtained from interviews, group discussions and small group meetings were analyzed by using content analysis.

Research Results

Part 1 Demand for agricultural products of entrepreneurs in accommodation and restaurant businesses

Most entrepreneurs demand agricultural products in descending order such as carrots, tomatoes, cabbage, cucumber, and lettuce respectively. However the amount of agricultural product usage varies with the tourist season. Traveling between October and February of each year, entrepreneurs will have 1 - 2 times more demand for agricultural produce than normal period, while most entrepreneurs buy agricultural products from the fresh markets in Muang District. Some entrepreneurs already have regular stores to deliver agricultural products. The problems encountered in the purchase of agricultural products were divided into 3 main issues: firstly, price that fluctuated with seasonal variations. Secondly, the quality of the product that does not meet the requirements and does not meet the standard. Thirdly, transportation which most operators will have to be responsible for the transportation of products by themselves, resulting in time consuming. Entrepreneurs commented that agricultural produce needs to be GAP-certified or certified by an agency to guarantee an acceptable and reliable agricultural production standard. This is to guarantee that consumers will receive fresh and clean agricultural produce without any harmful contaminants. In addition, some entrepreneurs are interested in purchasing agricultural products directly from farmers.

Provided that there must be an agreement on the quality of the output, exact pricing, and can deliver the required quantity of produce throughout the year which if farmers are able to meet the specified conditions would be great.

Part 2 Model of quality and standards of agricultural products in accordance with the needs of entrepreneurs in accommodation and restaurant businesses

The entrepreneurs commented on the agricultural standards that agricultural products do not need to be GAP certified as they understand that it is difficult and may affect the high price of agricultural products. By the way, they focus on fresh, beautiful, non-residue products, and cleanliness. This is because it affects the image and appetizing of food served to their customers. Moreover, the researcher asked about the factors that support entrepreneurs to buy agricultural products from farmers to link the demand and supply of agricultural products. The results show that entrepreneurs pay fully attention to the price of agricultural products. This is because the price of agricultural products purchased for cooking has a direct effect on the pricing of their food. Therefore, entrepreneurs want to set prices of agricultural products to be constant throughout the year. This can be done by negotiating between entrepreneurs and farmers to set reasonable prices in accordance with the quality of the produce. Transport is another factor that affects entrepreneurs' decision to buy agricultural products. Due to the past problems of

entrepreneurs, especially small and medium entrepreneurs, they have to recruit employees to purchase agricultural products and raw materials in the market where some products are distributed as a source of selling products in various markets in Chiang Rai Province. Causing waste of time in purchasing agricultural products. The entrepreneurs suggested that the quantity of purchasing each type of agricultural commodity should be determined on a daily basis for each establishment in order to enable the agricultural products to be produced and delivered on a regular basis. Which benefits both entrepreneurs who do not have to waste time in procuring raw materials and agriculture also has a market to support certain agricultural products and affect stable income over the long term. The last factor that will support entrepreneurs' decision to purchase agricultural products is reliability and building trust. Agriculture needs to create credibility for entrepreneurs to be assured that entrepreneurs will receive quality agricultural products meet the needs, reasonable price, and has the quantity that is as specified

Based on the above data, the researcher and entrepreneurs jointly created a model of quality and standard of agricultural products that are in line with the needs of accommodation and restaurant operators in Chiang Rai Province and received the approval of the entrepreneurs who participated in the group chat as shown in Figure 1.

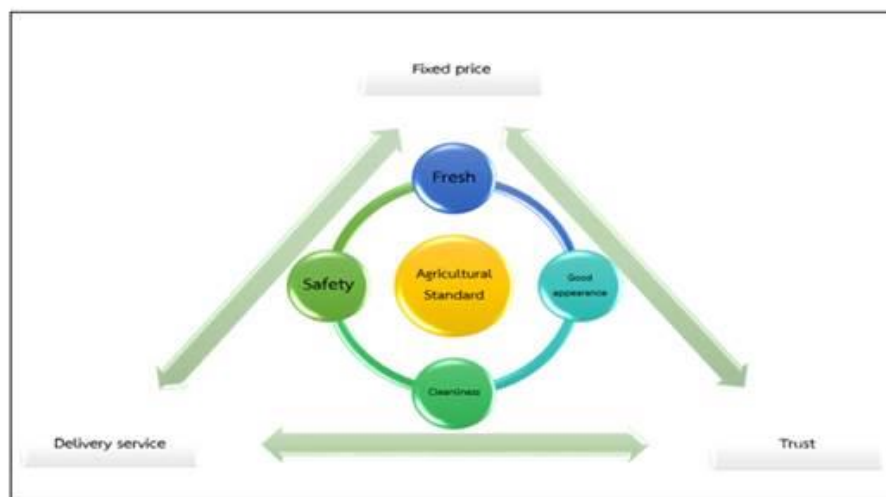


Figure 1 The model of quality and standard of agricultural products that correspond to the needs of the entrepreneurs

Discussions and Conclusion

This study aimed to study know the demand and agricultural products standard of accommodation and restaurant business entrepreneurs and propose the model of quality and standards of agricultural products in accordance with the demand of entrepreneurs in accommodation and restaurant businesses. These results will be discussed in three issues. Firstly, it is accepted that reasonable price and chemical safety are important agricultural product features. This conclusion has been confirmed by Jamnian (2008), Thanut (2006) and Rapsomanikis et al (2006), consumers will choose to buy agricultural products that are cost-effective and need to be certified as toxic safety standards. Secondly, the issue of transport restrictions is an ongoing problem in the development and bridging of demand and supply for agricultural products, which is confirmed by the results of a study by Jamnian (2008) and Ratchanikorn (2010). Thirdly, the results of this study show that agriculture should improve the quality and standard of their own agricultural products to meet the market demand in order to link the demand and supply of agricultural products. Moreover, the link or trade

match between the demand and supply of agricultural products should be studied in order to reduce the agricultural oversupply problem. In addition, from the study of Sudawan Somjai et al (2019) reflects the problem of agricultural production that has limitations in quality and quantity of product, which need to be solved by using high technology in conjunction with product quality research and development.

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