

# Food service industry development and its effect to distribution of fresh agri-products in Vietnamese suburban area

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## Abstract

This research answers the following questions: 1) What are the general characteristics of these catering companies; 2) How do they procure fresh agri-products as ingredients; and 3) How does the development or modernization of the food service industry affect agricultural production and distribution in the surrounding areas of the industrial zone? The study points out the effects of the expansion of industrial parks in rural areas and the accompanying development of food service (catering) companies, the concentration of agri-product distribution in urban wholesale markets, and the increase in relay transactions from local distribution in the cities

## Background and Objective

Food systems in developing countries are getting modernized. Although global retail chains are the main stakeholders in its development, the food service industry could be another driver to strengthen this movement. This research aims to show the current state of fresh agri-product (fruits and vegetables) procurement of food service (catering) companies in industrial parks, and to consider how expanding the food service industry impacts agricultural production and distribution in rural and suburban areas in Vietnam.

## Methodology

A semi-structured interview was conducted with 15 local and international companies, which supply meals to local labourers at factories within the industrial zone in northern and southern Vietnam, particularly in Hanoi City, Hai Duong Province, Ho Chi Minh City, and Tien Giang Province.

## Results

This table shows summary of filed survey.

	L1	L2	L3	L4	M1	M2	M3	M4	M5	M6	S1	S2	S3	S4	S5
Location	HN	TG	HCM	HCM	HD	HCM	HCM	HC M	TG	TG	TG	HD	TG	HD	TG
Year established	2013	2011	1998	2011	2008	2017	2003	2015	2004	N.A.	2007	2014	2009	2014	2011
Num. of branches	2	16	5	4	5	7	2	8	4	5	2	1	20	1	1
Background			Wholesaler	Wholesaler	N.A.	split out from a catering	food processor	split out from a catering	N.A.	N.A.	restaurant	Restaurant	N.A.	Restaurant	bunch of catering
Num. of employees	600	N.A.	350	55	400	130	2500	70	N.A.	N.A.	N.A.	21	N.A.	22	N.A.
Num. of meals/day	60,000	13,000	20,000	20,000	15000	13000	11,000	9000	6000~11000	5000	1900	1500	1000	600	200
note	ISO2200		HACCP, ISO2000	ISO2000			ISO9001, BR C, HACCP								
num. of customer	N.A.	N.A.	50	35	N.A.	7	N.A.	8	4	5	1	3	1	1	1
unit price	18~20	自社	15-40	20-35	12~15	15-30	20-30	14-20	20	16.5	15	14~17	15	13~20	15
vege. supplier	producer	wholesaler	Wholesaler	Whole+pro	producer	agri. Coop.	wholesaler	wholesaler	agri.coop.	wholesaler	wholesaler	agri.coop.	wholesaler	wholesaler	producer

\*with orange color: surveyed in north

\*\*HN= hanoi, TG=Tien Gian, HCM=Ho Chi Minh, HD= Hai Duong

Source: field research in 2014-2019

It was found that offering catering services to factories in the industrial zone is competitive but not stable. It used to be dominated by small local individuals; however, foreign companies have already entered and outsourced their operations to local companies. Further, catering contracts are usually short-term, on a yearly basis, and on a low-price orientation. In the northern part where industrial parks are scattered, catering companies are more dispersed, and it is difficult to expand the scale. In the southern area, their businesses are relatively widespread and the companies are doing business in several provinces. With regard to the procurement of fresh agri-products as ingredients, direct transactions with local producers and purchases from local wholesale companies are observed in the northern part, while centralized collection at the HCM head office is common in the southern part. Finally, there is a tendency for distribution of fruits and vegetables to be concentrated and geographically extended, especially in the south. The parcels collected at the wholesale market in HCM city are distributed to the kitchens of each province via the warehouses of wholesalers or catering companies.

## Discussion and Conclusion

The study points out the effects of the expansion of industrial parks in rural areas and the accompanying development of food service (catering) companies, the concentration of agri-product distribution in urban wholesale markets, and the increase in relay transactions from local distribution in the cities.