

Study on the path of agricultural value chain finance to help rural revitalization and development

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Abstract: As a key field of agricultural financial service innovation and an important part of inclusive financial system, agricultural value chain finance plays an important role in promoting the rural revitalization strategy. Through in-depth analysis of the connotation of rural revitalization and the development status of agricultural value chain finance and its operation mechanism, this paper aims to reveal how agricultural value chain finance can effectively support the path of rural revitalization, and identify the main development obstacles. Based on the above analysis, this paper will further explore the strategic choice of agricultural value chain finance in helping rural revitalization and development, in order to provide useful reference and inspiration for colleagues in related fields.

Key words: agricultural value chain finance; Rural revitalization; development

I. Key concept analysis

1. Rural revitalization

The rural revitalization strategy was put forward in the report to the 19th CPC National Congress. The report to the 19th CPC National Congress pointed out that issues concerning agriculture, rural areas and farmers are fundamental issues affecting the national economy and people's livelihood. We must always make solving the problems concerning agriculture, rural areas and farmers a top priority in the work of the whole Party and implement the rural revitalization strategy. The CPC Central Committee and The State Council have successively issued the No. 1 Central Document, making overall plans for prioritizing agriculture and rural areas in the new development stage and promoting rural revitalization in an all-round way, charting the course for the current and future work related to agriculture, rural areas and farmers. In April 2021, the Law of the People's Republic of China on the Promotion of Rural Revitalization was promulgated and implemented. The Rural Revitalization Promotion Law systematically expounds the general requirements and basic strategies for the work of agriculture, rural areas and farmers in the new era and new stage, and defines the principles and paths of legal guarantee for the revitalization of rural industries, talents, culture, ecology and organizations. It is an important milestone on the road to the revitalization of China's socialist rural areas with characteristics.

2. Agricultural value chain finance

Agricultural value chain finance refers to providing financing support to all links in the agricultural value chain through financial means, so as to solve financing problems in the agricultural industry chain and promote the sustainable development of the agricultural industry chain. Among them, credit enhancement mechanism is an important mechanism in agricultural value chain finance, which can improve the reliability and sustainability of financing by increasing the credit guarantee of financing subjects.

In the agricultural value chain, there are certain assets and liquidity in each link, which can be pledged or pledged to provide credit enhancement for financing. This mechanism of pledging and increasing credit can improve the credit degree of financing subjects, reduce financing costs, and provide guarantee for financing of agricultural value chain.

In general, agricultural value chain finance is an innovative financial model, which can effectively solve the financing problem in the agricultural industry chain and promote the development of agriculture.

II. Financial development characteristics of agricultural value chain

The development characteristics of agricultural value chain finance are mainly reflected in the following aspects:

1. Based on the integrity of the agricultural value chain: the agricultural value chain finance closely links all subjects in the agricultural value chain, such as farmers, cooperatives, processing enterprises, etc., to form an inseparable whole. This integrity helps to realize information sharing and collaborative cooperation among various subjects, and improve the efficiency and competitiveness of the entire value chain.

2. Specific and non-transferable use of funds: In agricultural value chain finance, funds are specifically used to support the development of agricultural value chain, which is specific and non-transferable. This helps to ensure the effective use of funds and prevent funds from being misappropriated or misused.

3. Innovation of financial services: Agricultural value chain finance meets the financing needs of various entities in the agricultural value chain by introducing new financial products and services, such as supply chain finance and order financing. These innovative financial services help to solve the problems of information asymmetry and difficult mortgage guarantee in traditional financial services, and improve the availability and convenience of financial services.

4. Strengthening of risk management: Agricultural value chain finance pays attention to risk management and control, and reduces the risk level of the whole value chain by establishing a sound risk assessment and management mechanism. This helps to enhance the risk awareness of each subject, improve the risk response ability, and ensure the stable operation of the entire value chain.

5. Establishment of benefit sharing mechanism: Agricultural value chain finance realizes benefit sharing and coordinated development among various entities through the establishment of benefit sharing mechanism. This helps to stimulate the enthusiasm and creativity of all subjects, and promote the sustainable development and upgrading of the entire value chain.

III. Obstacles for agricultural value chain finance to help rural revitalization and development

Agricultural value chain finance faces some obstacles in helping rural vitalization and development. These obstacles mainly include the following:

1. Information asymmetry: Information asymmetry often exists in various links of the agricultural value chain, which makes it difficult for financial institutions to accurately assess the risks and benefits of agricultural projects, thus limiting the input of financial resources.

2. Lack of collateral: Due to the difficulty in assessing the value of agricultural assets (such as land, agricultural machinery, etc.), poor liquidity and other problems, farmers and agricultural enterprises often lack effective collateral, which is difficult to meet the mortgage requirements of financial institutions.

3. Difficulty in risk control: the agricultural industry is faced with multiple risks such as natural risks and market risks, and financial institutions often lack effective means for the characteristics of agriculture in risk control, resulting in more cautious loan approval for agricultural projects.

4. Imperfect service system: The financial service system of the agricultural value chain is not perfect, including problems such as single service subject and homogenization of service products, and it is difficult to meet diversified financial needs.

IV. Ways for agricultural value chain finance to help rural revitalization and development

1. Optimizing financial services to meet the diversified needs of agriculture

As a core component of the modern economic system, financial institutions play a decisive role in promoting the development of rural economy. In order to better meet the characteristics and needs of rural areas, financial institutions should provide diversified and personalized financial services to contribute to the prosperity of rural economy and the well-being of farmers. Financial institutions need to have a deep understanding of the characteristics of the agricultural production cycle, which is the basis for designing loan products and services in line with the rhythm of agricultural production. Agricultural production is cyclical, seasonal and risky, so financial institutions should provide flexible and diverse loan support according to the needs of different stages. For example, in the spring ploughing stage, financial institutions can provide short-term loans to help farmers buy seeds, fertilizers and other means of production; In the summer planting stage, medium-term loans can be provided to support farmers to expand planting area or introduce new technologies. At the autumn harvest stage, long-term loans can be provided to help farmers process and sell their agricultural products. Through such targeted loan products and services, it can ensure that farmers and agricultural enterprises have access to the necessary financial support at critical moments, thus stabilizing agricultural production and raising farmers' income levels.

Financial institutions also need to provide agricultural insurance services to farmers and agribusinesses to help them reduce their losses from natural disasters and market risks. Agricultural production faces many uncertainties, such as natural disasters such as weather changes and pests and diseases, as well as economic risks such as market fluctuations and price fluctuations. Therefore, financial institutions should provide agricultural insurance services to help farmers and agricultural enterprises withstand risks and reduce losses through a risk-sharing mechanism. For example, insurance against loss of crop output can be introduced. After purchasing insurance, farmers can obtain certain compensation from the insurance company if the crop is reduced or lost due to natural disasters, thus reducing economic pressure. At the same time, financial institutions can also introduce insurance against price fluctuations of agricultural products to help farmers cope with market risks and stabilize production returns.

2. Innovate financial products to serve the agricultural value chain

The agricultural value chain is a huge and complex system that covers every link from seed selection, planting, breeding, harvesting, processing, storage, transportation and final sale. These links are interdependent and together form a complete chain of agricultural production. In this chain, finance, as an important supporting force, plays an indispensable role. However, due to the particularity and risk of agricultural production, financial institutions are faced with many challenges in the innovation of financial services in the agricultural field.

Agricultural production has the characteristics of long cycle, large investment and slow return. This makes agricultural enterprises often face the problem of shortage of funds in the production process. In order to solve this problem, financial institutions can launch financial products such as order financing and inventory financing. Through order financing, agricultural enterprises can use the future sales income as a guarantee to obtain short-term financial support. Inventory financing, on the other hand, allows agribusinesses to pledge their stock of agricultural products as collateral for loans. The launch of these financial products will greatly ease the financial pressure of agricultural enterprises in the production process. At the same time, the price fluctuation of agricultural products market is relatively large, which brings greater operational risks to agricultural enterprises. To reduce such risks, financial institutions can explore financial derivatives business such as agricultural futures and options. Through these financial derivatives, agricultural enterprises can carry out hedging operations in the market, thus locking in future sales prices or procurement costs. In this way, agricultural enterprises can maintain stable earnings no matter how the market price fluctuates. At the same time, these financial derivatives can also provide agricultural enterprises with more risk management tools to help them better cope with market risks.

3. Strengthen cooperation with upstream and downstream enterprises in the agricultural industry chain

With economic development and social progress, cooperation between financial institutions and upstream and downstream enterprises in the agricultural industry chain has become increasingly important. Such cooperation not only helps financial institutions gain an in-depth understanding of the needs and pain points of agricultural enterprises and provide precise financial services, but also promotes information sharing and resource integration between financial institutions and agricultural enterprises to achieve mutual benefit and win-win results.

Through close cooperation with upstream and downstream enterprises of the agricultural industry chain, financial institutions can better grasp the development trend and market demand of the agricultural industry. As an important part of the national economy, the development trend and market demand of the agricultural industry are of great significance to financial institutions. Through cooperation with agricultural enterprises, financial institutions can timely understand the latest trends of the agricultural industry, grasp the changes in market demand, and provide more practical financial services for agricultural enterprises. Cooperation between financial institutions and agricultural enterprises can help promote information sharing and resource integration. In the process of cooperation, financial institutions and agricultural enterprises can share their respective advantageous resources and information with each other to achieve optimal allocation and efficient use of resources. This will not only help enhance the competitiveness of financial institutions and agricultural enterprises, but also promote the development of the entire agricultural industry chain. In addition, cooperation between financial institutions and agricultural enterprises can also promote the modernization, transformation and upgrading of the agricultural industry. With the advancement of science and technology and the development of agricultural modernization, agricultural enterprises need more financial support and innovative services to achieve transformation and upgrading. Financial institutions can support agricultural enterprises in technological transformation, industrial upgrading and market expansion by providing innovative financial products and services, and promote the modernization, transformation and upgrading of the agricultural industry.

In short, it is of great significance for financial institutions to strengthen cooperation with upstream and downstream enterprises in the agricultural industry chain. Through cooperation, financial institutions can better understand the needs and pain points of agricultural enterprises and provide precise financial services; At the same time, they can promote information sharing and resource integration to achieve mutual benefit and win-win results; Finally, cooperation can promote the modernization, transformation and upgrading of the agricultural industry and inject new impetus into the development of the agricultural industry chain. Therefore, financial institutions should actively strengthen cooperation with upstream and downstream enterprises of the agricultural industry chain to jointly promote the sustainable development of the agricultural industry.

Summary

To sum up, in order to further enhance the effect of agricultural value chain finance in promoting rural revitalization and development, we can optimize financial services to meet the diversified needs of agriculture; Innovate financial products to serve the agricultural value chain; Strengthen cooperation with upstream and downstream enterprises of the agricultural industry chain and other aspects of analysis, so as to virtually promote the agricultural value chain finance to help rural revitalization and development level to a new height.

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