

Analysis of Muyuan Foods Co. Ltds Integration Strategy Based on Industry Structure

Juanjuan Du

Beijing Information Science and Technology University, Beijing 100192, China.

Abstract: China's State Council revised the regulations on pig slaughtering in order to emphasize the supervision standards of pig slaughtering and strengthen the responsibility system for pig slaughtering. In the same year, the International Food Forum held in Shenzhen, advocating the development of modern scale agriculture. Because of China as a big country in pig production and pork consumption, this paper selects Muyuan Foods Co. Ltd as a case study that is the leading enterprise in the pig industry, then analyzes the integration strategy of Mu Yuan in the past 29 years from the industrial structure, and objectively describes its strategic course. Combining the static and dynamic perspectives in practice, this paper analyzes the general strategy of pig enterprises' development integration with its own characteristics.

Keywords: Integration Strategy; Industry Structure; Industry Attractive

1. Introduction

1.1 Research background

In 2021, China's Ministry of Agriculture and Rural Affairs issued the Opinions of the Ministry of Agriculture and Rural Affairs, the National Development and Reform Commission, the Ministry of Finance, the Ministry of Ecology and Environment, the Ministry of Commerce and the China Insurance Regulatory Commission on Promoting the Sustainable and Healthy Development of Pig Industry, which required that the domestic pork self-sufficiency rate should reach 95%^[1]. In the same year, the 136th executive meeting of China's State Council on May 19th, 2021 revised and promulgated the Regulations on the Management of Pig Slaughtering, which will come into effect on August 1st, 2021^[2]. On April 22, 2021, the "International Summit Forum on the Development of Large Food Industry Clusters" was held in Shenzhen, and China's food industry showed a rapid development trend. According to the data of the National Bureau of Statistics and the Statistical Yearbook, Figure 1. 1 shows that in China's meat production structure, pork accounted for about 60% in the past ten years, and the annual output of pork was about 50 million tons, so the overall demand of live pigs was relatively stable.

Meat Production, Pork Production and Proportion in China in Recent Ten Years



Figure 1. Domestic meat production, pork production and pork proportion in recent ten years

At present, the characteristics of China's pig industry are obvious, and they can be classified into two categories: I The pig industry is huge, and it is called a big industry and a small company, and now the large-scale breeding is accelerating; II The industry needs both hard and soft advantages, and the rise of head enterprises is conducive to low-cost and rapid expansion.

1.2 Research significance

As we all know, in the pig industry, there are always many uncertain factors in the development environment of enterprises, especially the influence of African swine fever, coupled with the national environmental protection policy, food safety, land use policy and so on. Many uncertain factors bring great challenges to the survival and development of enterprises. The technology, capital, manpower, etc. existing in enterprises are also restricted correspondingly. Domestic meat enterprises are threatened by imported food and even meat substitutes. After 29 years' development, Mu Yuan Stock Company has its own unique breeding mode, and its business involves the upper and lower reaches of the hog industry. As a typical leading enterprise in the hog industry, this paper studies its integrated development strategy. For the enterprises in the hog industry and those in other industries that have the same integrated development experience as Mu Yuan Stock Company, this paper has corresponding strategic management theoretical significance and reference practical value.

2. Literature review

Although the word "strategy" comes from the military, with the development of enterprise management theory and the continuous combination of enterprise management practice, ten schools of strategic theories have emerged^[3]. Among them, Michael Porter's school of industrial structure is classified as positioning school, that is the correct strategy matches in the existing conditions. The prerequisite is that the market environment is profitable and full of competition, and the market structure determines the strategic positioning of enterprises, which determines the organizational structure of enterprises^[3]. Professor Michael Porter mentioned the general model of industrial analysis in his book "Competitive Strategy". The industrial analysis is based on the most classic SCP model in industrial organization theory, the structure-conduct-performance model, that is, the industry determines the competitive state of enterprises within the industry or within the industry, and at the same time determines the behavior and strategy of enterprises, which ultimately affects the performance of enterprises. Michael Porter believes that successful enterprises interact with each other by two factors, the industrial attractiveness of enterprises participating in competition and the relative number of enterprises in this industry. The success of an enterprise consists of two major parts, namely, the corresponding industrial effect and potential effect, and the two major effects constitute the rate of return of the enterprise. The attractiveness of an industry determines its competitive situation and structure. At the same time, the internal competitive situation of an industry consists of five competitive forces. Michael Porter's five competitive force analysis model (five-force model), namely, entrance threat, substitution threat, supplier's bargaining power, buyer's bargaining power and the competition of existing competitors, plays a key role in promoting the formation of enterprise strategies. The relative number of enterprises in this industry is defined in this paper as the position of enterprises in the industry. With a good position, enterprises will gain low cost and high profit in the industrial structure^[4].

3. Brief introduction of Mu Yuan shares

Mu Yuan Food Co., Ltd., a subsidiary of Mu Yuan Group. Mu Yuan Group was founded in Nanyang City, Henan Province in 1992, and has experienced 29 years of development since 2021. By August 2021, it had total assets of 190 billion yuan, more than 150,000 employees and more than 300 subsidiaries, covering 24 provinces (regions), 103 cities and 215 counties (regions) in China.

Mu Yuan shares were listed on Shenzhen Stock Exchange in 2014. From 2014 to 2021, it has been listed for seven years. In the past seven years, it has established a development model with Mu Yuan characteristics integrating scientific research, feed processing, pig breeding, breeding and breeding, commercial pig breeding, slaughter and sales. According to the data in the financial annual report in recent years, the amount of fixed assets, operating income and net profit of Mu Yuan shares are constantly rising. In Table 3. 1, the fixed assets of Mu Yuan shares have been increasing, and the operating income and profits have been increasing year after year. By 2021, it has become a leading enterprise in China's pig industry.

Table 1 Summary of fixed assets, operating income and net profit of Mu Yuan shares (Hundred million RMB) Data source:annual

report of the company

Year	Total fixed assets	Operating income	Net profit
2012	8.4	14.9	3.3
2013	12.9	20.4	3.0
2014	14.8	26.0	0.8
2015	29.7	30.0	6.0
2016	64.9	56.0	23.2
2017	105.9	100.4	23.6
2018	135.4	133.8	5.2
2019	188.6	202.2	61.1
2020	585.3	562.7	274.5

4. Mu Yuan stock integration strategy

According to the definition of the business scope of China's pig industry chain, China's pig industry chain is generally divided into upstream, midstream and downstream, and the upstream is mainly feed, vaccine and breeding industries; The middle reaches focus on pig breeding industry, which is generally of two types: self-breeding and self-supporting, and outsourcing piglets; Including downstream slaughtering, meat processing, cold chain logistics and transportation, market circulation links such as supermarkets, consumer purchasing links and other industries.

Since 2009, Mu Yuan Co., Ltd. has built itself into a development model with Mu Yuan characteristics, which integrates scientific research, feed processing, pig breeding, breeding pig breeding, commercial pig breeding, slaughter and sales. Combined with the current relevant policies, according to the characteristics of the industry, through qualitative and quantitative analysis of the key factors, the attraction of the pig industry in 2021 is determined to be 3.04. The analysis content is as shown in Table 4.1. According to the calculation, the comprehensive weighted evaluation value of the hog industry is 3.04 points. At present, the hog industry is above the middle level, and its attraction to capital is relatively average.

Table 2. Evaluation table of attractiveness of pig industry in 2021

Evaluation Table of Attractiveness of Pig Industry in 2021			
Key industry characteristic factors	Weight score	Self-evaluation value	Weighted value
Domestic pork market potential	0.17	4	0.68
Pork product sales growth rate	0.17	4	0.68
Domestic pig production scale	0.09	3	0.27
Scale competition structure of enterprises	0.05	2	0.1
Industry profit level of pigs	0.21	3	0.63
Government policies on breeding, environmental protection and land	0.12	3	0.36
Development Trend of Pig Industry Chain Related Science and Technology	0.04	2	0.08
Relevant national laws and regulations	0.09	2	0.18
Social restriction	0.05	1	0.05
Inflation tolerance	0.01	1	0.01
Comprehensive evaluation value	1		3.04

The strategic positioning choice of Mu Yuan's vertical integration of shares comes from the constantly adjusted industrial

structure, but also from the constant changes of the five forces of the industry. Combined with static and dynamic, the influence of five basic forces during the 29-year development of Mu Yuan shares will be assigned, and the overall strategy and stage strategy of the enterprise will be objectively presented by combining different stages of enterprise development.

5. Conclusion

Mu Yuan is based on the pig industry, based on the two major factors of industrial structure, combined with its own advantages in the current pig industry. In the process of enterprise development, the long-term development can't be separated from the strategic layout, and the correct cognitive positioning of the industry structure is conducive to the strategic positioning of the enterprise itself. The integrated strategic advantage of Mu Yuan shares has been fully reflected in the pig breeding industry. At present, the pig breeding industry of Mu Yuan shares has been laid out all over the country. By 2020, there will be 15 standardized slaughter plants in the country with more than 1500 sales outlets. The downstream of the integration strategy of Mu Yuan shares will stabilize the market demand.

References

- [1] Harrigan KR. (1985). Vertical integration and corporate strategy. *Academy of Management journal*, 28(2), 397-425.
- [2] Zhi QF & Zhen T. (2014). Innovation in HeNan Province Food Group Enterprise Strategic Management Research. *Advanced Materials Research*(926-930).
- [3] Liu YM, Chen JY & Xu X. (2020). An Analysis of the Research Hotspots and Trends of Enterprise Strategic Management in Domestic. (eds.) *Proceedings of the 2020 4th International Seminar on Education, Management and Social Sciences (ISEMSS 2020)*(pp.). Atlantis Press.
- [4] Bracker J. (1980). The historical development of the strategic management concept. *Academy of management review*, 5(2), 219-224.