Study on the Vertical Integration of Agricultural Industry in Hubei Province Under the Background of Internet

Zhang Yun¹, Zhou Ling¹ and Yuan Hua²*

Abstract

According to the theory of modern industrial organization, effective agricultural industrial organization innovation is the key to improve the competitiveness of China's agricultural industry. At present, China's agricultural industry organization is not perfect there are some problems in the micro levels. Therefore, in order to promote the development of China's agriculture, the key is to carry out effective agricultural industrial organization innovation, cultivate and improve China's agricultural industrial organization system, improve the competitiveness of China's agricultural market. In the "Internet+" under the background of China's rural finance is undergoing rapid change, the subject of rural finance, financial factors, financial institutions continue to restructure. The traditional rural financial institutions must have a clear understanding of the "Internet+" brings opportunities and challenges, objective analysis of its advantages and disadvantages, do market positioning and strategic transformation.

Keywords: Internet, Hubei Province, agricultural industry, development

Introduction

Big data integration, cloud computing, networking and other technical information, breaking the constraints of traditional financial model in the aspects of time, space and cost, it is of positive significance to financial innovation mode, improve the financial market and promote financial structural reform. Under the background of the Internet, the rural financial model has been reconstructed and integrated, and the operation mechanism and running track are undergoing profound changes.

With the industry ushered in the golden age of the Internet, the Internet has gradually penetrated into various areas of the agricultural thinking. The depth of integration of the agricultural industry and the Internet has become an essential weapon for the transformation and upgrading of the agricultural modernization. Agricultural and rural agricultural electricity providers Internet, Internet financial new formats of agricultural information guidance improve the overall efficiency of the agricultural industry chain, to promote the integration of agriculture and modern technology, become the development agriculture downstream consumption, update sales channels, an important means to open up the capital chain, logistics chain.

The development of Internet technology, focus and breakthrough of industrial capital, national policy support, showing the age of the Internet industry is facing great changes in agriculture, agricultural industry a new round of reform tide is coming.

The agriculture of our country, from the horizontal aspect, including the relationship between agriculture and forestry, animal husbandry, fishery and between them; from the

¹Wuhan Donghu University, Wuhan, Hubei, China, 430212
²Wuhan University of Technology, Wuhan, Hubei, China, 430070 *Corresponding Author: Yuan Hua
longitudinal perspective, three aspects, including the main agricultural products of prenatal package and after the production process, and these three aspects should be closely linked to the formation of an effective agricultural industry chain as a whole. Now, with the mutual penetration and integration of domestic and foreign market, continuous formation and perfection of market system, China's agriculture is facing the domestic and foreign market competition will become more intense, in order to survive in the fierce market competition and development, the key lies in China's agriculture itself has strong market competitiveness. Only with strong market competitiveness, China's agriculture and to competitors, especially foreign competition and cooperation of equality with strong competitors armed with modern technology and organization, to grow and grow in the market practice.

In the real economic life, there are many factors that affect an industry competitiveness, such as natural resources, geographical conditions, technical level, management ability, policy measures and cultural factors have different degree of direct or indirect influence on the industrial competitiveness in the market, but the industry market competitiveness after all is the problem of industrial organization, industrial organization form efficient structure is the fundamental way and decisive condition to cultivate and enhance the market competitiveness of the industry.

Figure 1. Vertical integration of agricultural industry.

The Proposed Methodology

Agricultural organization. Industrial organization refers to the structure of the main body of the industrial market and the structure of monopolistic competition in the market. Usually, there are contradictions between any industry monopoly and competition in two, which is a monopoly on the one hand will stifle competition, but on the other hand, it can bring economies of scale; on the other hand, excessive competition can bring the vitality of the market, but cannot achieve economies of scale. Therefore, how to solve the one between intra industry competition energy and scale economy, or how to find, can avoid the disadvantages of monopoly and make the market conditions of the effective competition of economies of scale,
the industry showed a strong market competition force in the whole, has become a core proposition to the exploration of modern industrial organization theory.

In the short term, the market structure of industrial organization structure determines the condition of industrial organization system is established, the specific market structure determines the market behavior and market behavior and the market performance further decided. But from a long-term and dynamic perspective, the three are changing, and reciprocal causation, market behavior change is the main reason for the changes of market structure, market structure and change and further affect the whole market performance, there is a positive relationship between these two, which improve the market structure, or that can take into account the monopolistic competition market structure competition vigor and scale economy improvement, or both, gradually formed a monopoly competitive market structure competition vigor and scale economy, will effectively enhance the market competitiveness of the industry, so as to promote the industry to obtain better market performance; in turn, sometimes the market performance also led directly to the market or behavior the market structure changes. At the same time, according to the actual situation of the country, the country will formulate the corresponding public policy, coordinate the relationship between the three, and further strengthen the overall market competitiveness of the industry.

**The problems of agricultural industry organization.** Since the reform and opening up, China's agricultural industry organizations have been greatly developed. In early 1980s the implementation of the household contract responsibility system, make the farmers become the agricultural development and operation of the main organization foundation, greatly activated the rural vitality, promote the rapid increase in the efficiency of agricultural production. In early 90s the rise of agricultural industrialization, expanded rapidly across the country, so far, there are about 60,000,000 households have been included into the agricultural industrialization organizations, which can further improve the efficiency of agricultural production, agricultural development and the emergence of a new climax. But at this stage, China's agricultural industry organization also has many problems, with the deepening of market reform and globalization, these problems are becoming increasingly prominent, has seriously affected and restricted the development of agriculture in our country.

The agricultural industrial organization, especially all kinds of effective cooperative economic organizations, are scarce, lack of supply, and the development of agricultural industry is seriously restricted. From the point of view, at present, China's agricultural industry organization form is mainly agricultural industrialization management, and the basic form of agricultural industrialization can be divided into two categories: vertical integration and horizontal integration. The so-called vertical integration refers to the relevant enterprises of agricultural producers with the prenatal and postnatal departments through the "non market arrangement" in economy and organization or loose or tight unity, combined with some form of collaboration to achieve. Horizontal integration refers to a large number of scattered small-scale agricultural production on the basis of maintaining their independence or loose or tight directly into one body, Coordinating the supply of raw materials, product processing and sales.

Now, the management of agricultural industrialization in China is dominated by vertical integration and horizontal integration management mode, management lag, lack of effective cooperative economic organization, the dispersed farmers directly organized.

**The change of agricultural industry under the background of Internet.** Under the background of the Internet, commercial banks broke through the limitations of time and space, the Internet extends to where, financial services to expand to where. At the same time, the low cost of online financial services also stimulate the nerves of the market, some Internet predators began to use the Internet to get involved in financial services.
With the diversification of the main body of the rural financial market, the competition of financial institutions is becoming more and more intense. State owned banks, especially agricultural banks, rural credit cooperatives began to rely on online banking to provide agricultural credit business. Rural financial institutions have the advantages of taking root in rural areas, serving agriculture, rural areas, and close to the people, but also have a small scale of funds, low level of science and technology, poor quality of staff and other congenital disadvantages.

![Figure 2. Internet background.](image.png)

**Major advantages.** First, over a broad area, close to the farmers. Rural financial institutions outlets all over the city and countryside, deep into the countryside, close to the local, in the information synchronization and symmetry has a natural advantage. At the same time, the rural financial institutions rooted in rural areas for a long time to accumulate trust and specific experience and knowledge, is the core competitiveness of sustainable development. In the context of the Internet, many rural financial institutions to adapt to the needs of farmers, have launched online business, providing online financial services, and achieved good results.

Second, flexible operation, policy tilt. Rural financial institutions are mostly small and micro financial institutions, as the "three rural" main force in the country, the deposit reserve ratio, business scope, business tax and other aspects are given certain inclination of rural financial institutions. In this context, the rural financial institutions in the pricing of interest rates have a greater autonomy, in terms of credit approval and decision-making process with greater flexibility. This feature is particularly important in the context of Internet banking, is conducive to the rural financial institutions, with flexible operation, win the relative competitive advantage in the internet.

Third, a large number of customers, great potential. Rural financial institutions and their service to rural customers are very close, with a high degree of awareness and loyalty of the huge customer base. In the process of economic and social development, has gradually emerged with better economic benefits and broad market prospects, focusing on social credibility of the high-end customer groups, this group is readily converted to the rural financial institution customers. Under the internet background, these potential customer base will become a valuable resource for rural financial institutions to expand their business and become the core competitiveness of rural financial institutions to cultivate the internet.

**Deficiency.** First, the technology is relatively backward. Under the background of the Internet, the development of the financial business mainly depends on the network, the financial business needs the support of the information system and the financial equipment. At present, subject to the financial strength, China's rural financial institutions information system is relatively backward, is still one of the information islands, there is no unified national information network system. Information system is not unified, affecting the customer experience and cross regional customer development, but also is not conducive to real-time data
analysis. In addition, the use of technology in the field of rural financial institutions in terms of hardware configuration, settlement means to be strengthened.

Second, the customer level is relatively low. Under the background of the Internet, many of the financial institutions will be carried out in the form of online internet. At present, due to the cultural education level is relatively low, the majority of farmers in emerging electronic product awareness and master degree is low, unable to understand and operate complex software programs, restricting the relevant business through the Internet banking for farmers. In many areas, a large number of rural financial institutions have a large number of customer groups is the next line of customers, residents of the acceptance of the passbook is better than bank cards, but also limits the rural financial institutions to carry out Internet banking business.

Third, product innovation ability is weak. Online financial services in the Internet mode, pay more attention to the convenience of operation, often only a simple verification can be completed compared with other financial institutions, the current rural financial institutions in the form of management, financial products and other aspects of the relative lack of innovation. Rural financial institutions to launch financial products still use traditional means of risk control and prevention, the need for customers to provide a variety of credit certificates, affecting the customer experience.

Conclusion

Economic growth is the key to effective economic organizations. In China, the microlevels of agricultural industry organization, through each other between the effective division of labor and cooperation, coordination and interaction, forming an organic unity, the organic unity is bound to promote the rapid development of China's agricultural economy and effective organization system. In the context of the Internet, rural financial institutions must accelerate the promotion of information technology, the use of large data, cloud computing and other technologies to improve operational efficiency and management level.

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Reference