Application of Agricultural Crowd Funding Model in Tea industry - Take CF2C Tea Crowd Funding Model as an Example

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Abstract. Agricultural Crowd Funding is an emerging product of the combination of traditional agriculture and Crowd Funding business model. Under the background of "Internet +", Agricultural Crowd Funding projects have flourished in many places in China. This paper analyzes the development status of Agricultural Crowd Funding model at home and abroad, analyzes the necessity of applying the Agricultural Crowd Funding model to the tea industry, and conducts research on the application of tea crowd funding consumption model.

Introduction

Agriculture Crowd Funding refers to producers releasing agricultural product financing information through online crowd funding platform, attracting people to invest in their newly launched projects and returning them in the form of physical or equity products after successful financing. Applying this new business model to the tea industry is undoubtedly an innovation that risks and opportunities coexist. How to truly solve the problem of funds, eliminate information asymmetry, improve the status quo of tea circulation, and how to make tea products take the "Internet +" express train is a question worth exploring.

The Development Status of Agricultural Crowd Funding Mode

Foreign Agricultural Crowd Funding model. The model of Agricultural Crowd Funding originated in the United States, and the two representative models are Fsquare and Agfunder. The Fsquare model is to establish a vertical land transfer platform. Investors can indirectly own the land by participating in farm land crowd funding, Purchase a land lease in a selected area that indirectly owns the land. When the investor purchases the land, the platform will act as an intermediary, the land is then rented to neighboring farmers for farming, and investors collect land rent. But the Agfunder model acts as a network service platform, building a network platform for investors and farmers, providing crowd funding services for agricultural production projects and agricultural technology projects. After the success of crowd funding, Agfunder will charge a certain amount of financing to the financing companies, but does not charge any fees to investors.

Domestic Agricultural Crowd Funding development. The development of domestic Agricultural Crowd Funding originated in 2014 and is still in the development stage, the current mode is mainly divided into four categories: agricultural product crowd funding, agricultural technology crowd funding, farm crowd funding and public welfare crowd funding. The more representative Agricultural Crowd Funding platforms are “Everyone grows” and “Organic Advantage”, representing two different models. The “Everyone grows” platform pioneered the concept of F2F (family to farm), advocating urbanites to go out of the city and return to nature. It is positioned as a platform to connect families and farms, and to establish a direct link between farms and families. The “Organic Advantage” platform is a partner of Taobao Eco-Agriculture Channel. It is positioned as a life service platform focusing on the eco-industry. At present, it mainly undertakes two projects of return-oriented agricultural commodity crowd funding and investment-type agricultural equity crowd funding.
The Necessity of Applying the Agricultural Crowd Funding Model to the Tea Industry

**Solving financial problems.** The development of tea enterprises depends not only on natural resources and processing enterprises, but also on long-term and stable capital investment. Capital injection allows companies to build on existing developments, increase scientific research personnel and increase research and development efforts, expand the scale of plant and enterprise construction, and promote tea quality reform and innovation and high-end packaging, increase corporate publicity to start the brand effect. The Agricultural Crowd Funding model can not only provide financial financing for tea companies, but also raise funds for booking through the platform. This kind of agricultural development model similar to the pre-sale of tea products can provide financial support for small and medium-sized tea enterprises and tea farmers. To a certain extent it can solve the problem of funds for tea companies.

**Eliminate information asymmetry.** In the field of tea production in China, the phenomenon of information asymmetry is very serious. Supply and demand information and transaction information between consumers and producers cannot be equal. It often brings some negative effects, such as slow sales of tea. In the process of tea circulation, tea enterprises are vulnerable groups. Not only must we face the risks of natural disasters, but also the risks brought by the market economy and the risks caused by information asymmetry. The Agricultural Crowd Funding platform serves as a platform for cooperation between buyers and sellers to eliminate information asymmetry and enable both parties to achieve a win-win situation. For tea companies, through direct interaction with consumers, understand consumer preferences and needs, customized production on demand, it can not only ensure the sales of tea, but also reduce inventory and consumption; As far as consumers are concerned, fresh tea products are obtained directly from tea companies, it not only ensures food safety, but also reduces additional expenses from the distribution and retail sectors.

**Improve the status of tea circulation.** The traditional tea industry circulation model is more complicated, as shown in Fig. 1, from the production of raw materials to the consumption link, we must go through many intermediate links such as processing, distribution and retail. These links not only increase the cost of circulation, but also reduce the efficiency of circulation, and the time lag of the intermediate links makes it difficult to guarantee the quality of tea products when they reach the consumption chain.

![Figure 1: Current situation of traditional tea circulation with increasing cost](image)

Applying the Agricultural Crowd Funding model to the tea industry, while solving the problem of the sales channels of tea enterprises, directly realize the two-way interaction between producers and consumers, allowing tea producers to have more say in the selection and pricing of tea varieties, and the reduction of intermediate links will reduce the cost per step and increase profits, as shown in Fig. 2.

![Figure 2: Two-way Interaction under tea crowd funding mode](image)
Application Research of Cf2c Tea Crowd Funding Mode

At present, China's Agricultural Crowd Funding platform basically adopts the consumption mode of returning in kind and service, which is similar to the model of “pre-sale of fresh products”. To build a tea crowd funding model with CF2C (circulation to farm to consumer) as the core, Exploring the influence of the community through social networks, using the open and transparent mechanism of the Internet to build trust between consumers and production through targeted crowd funding, lock in demand ahead of time, sell sales to the front, and drive sales through sales, thus realizing the restructuring of the tea industry chain, it will form a new idea for the development of the tea industry that is conducive to the cycle of e-commerce under the Internet development process, as shown in Fig. 3.

![Figure. 3 Based on CF2C tea crowd funding consumption model system](image)

**Business design.** Based on tea product crowd funding services, to provide tea companies with one-stop tea industry crowd funding solutions and tea product network promotion services, the business system can cover the following two aspects in Table 1.

<table>
<thead>
<tr>
<th>Business Categories</th>
<th>Business content</th>
<th>Business description</th>
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<tbody>
<tr>
<td>Main business</td>
<td>Tea product crowd funding service</td>
<td>Relying on the crowd funding platform, it provides tea product crowd funding planning and crowd funding services for tea farmers and tea companies.</td>
</tr>
<tr>
<td>Value-added services</td>
<td>Tea crowd funding value-added services</td>
<td>It includes basic value-added services such as visual design and marketing promotion, which are matched with crowd funding services. Meet the multi-channel promotion requirements of users, including website + WeChat + app and other networking and promotion services as well as e-commerce solutions.</td>
</tr>
</tbody>
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**Business model.** The tea company is the project sponsor, providing consumers with crowd funding projects to book tea products of a certain price and realize project financing, then the tea company carries out tea planting according to the demand of the order, and distributes the mature tea product to the consumer according to the contract. The platform will be transparent and the planting process will be transparent, the main profit model of the platform itself has the following two parts:

Value-added services and commission profits. The tea crowd funding platform provides crowd funding value-added services such as visual design and marketing for tea crowd funding projects, as well as the income generated by tea companies to initiate project payment commissions.

Capital deposit profit. Before the tea company completes the cultivation of tea products, get the consumption order funds in advance, after the consumer gets the return of the tea product, the funds are then put into the producer account, during the period, the funds were deposited and the profit was owned by the crowd funding platform.

**Risk Analysis.** Although the CF2C tea crowd funding model can solve the financial problems to a certain extent, eliminate information asymmetry and improve the status of tea circulation. However, like the traditional Agricultural Crowd Funding model, it still faces risks from market recognition, operating costs, and food safety. Tea companies and tea crowd funding platform operators must fully understand the opportunities and risks of tea crowd funding models, Explore tea crowd funding models, reduce operating costs, and cultivate tea crowd funding markets.

**Summary**

This paper believes that the tea crowd funding model will become an important promoter of the modernization of the tea industry, taking the unique commercial value of the crowd funding consumption model, effectively reducing the intermediate links and driving the development of the tea industry. Its development focus can be designed around two-way interaction between tea enterprises and consumers, tea industry chain restructuring, and social network marketing.

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**References**


