



**RESEARCH ON MULTINATIONAL CORPORATIONS'  
INVESTMENT STRATEGIES IN CHINA'S AGRICULTURE:A  
CASE STUDY OF THAILAND'S CP GROUP**

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TO  
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## Abstract

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China and Thailand are two countries focused on cooperation in agriculture, and their collaboration is relatively close. In the context of China's entry into the WTO, the 2015 "Central No. 1 Document" clearly stated that domestic enterprises are encouraged to "go out" and foreign enterprises were to "bring in." By implementing this strategy, China would provide policy support for open agriculture, increasing in the new era. The document also recommended to improve the level of foreign investment in agriculture and expand the export of superior agricultural products. Compared with other major agricultural countries, China's agriculture is marginally behind capital and technology. Foreign agricultural investment has become a crucial driving force for China's agricultural modernization and rural economic development. Especially since the reform and accept foreign business. Foreign business people have invested more and more in China's agricultural sector, and many successful companies have emerged. CP Group of Thailand had begun investing in China's agriculture in 1979 and is still one of China's largest foreign-funded agricultural enterprises. Its investment practices and successful experience are worthy of our investigation and study.

Based on a brief analysis of the status quo of foreign investment in China's agricultural industry and its main constraints, this paper conducted a detailed study and summarized the various stages of development, results achieved, existing problems, and main lessons of the CP Group's investment in China's agricultural sector. This paper also proposed corresponding strategic measures. This research found that CP Group's acquisition had comprised of four stages careful placement, rapid replication, horizontal expansion, and vertical expansion. These stages created enormous benefits for the company created conditions for diversified operations and promoted China's agriculture. This success presented references for other foreign companies to invest in; however, CP Group faced problems that needed resolve, such as their investment structure had to be optimized, their product quality required to strengthen their investment philosophy had to be changed, and their investment area required adjustment. With further research concerning China's agricultural investment's future expansion, CP Group will actively respond to China's agrarian policy reforms for the new era. This action would be in-line with their process of agricultural investment internationalization, the pursuit of sound economic relations, social and ecological benefits, and other motivations. These would create a guiding ideology of mutual benefit and a win-win situation, enhancing core competitiveness, regard China's "three rural" construction philosophy while continuously enhancing core competitiveness, and optimizing investment areas and the regional layout of enterprises'

investment strategies.

Foreign investment in agriculture is vital to China's agricultural modernization and rural economic and social development. Through in-depth research, analysis, and a summary of the development history and successful experience of CP Group's agricultural investment in China, we analyzed existing problems and proposed investment strategies for future development and growth. This article also proposed to broaden the introduction of foreign investment in China's agricultural investment countermeasures and suggestions, such as improving the investment environment, strengthening cooperation between domestic and foreign enterprises, and strengthening the guarantee of preferential systems. In conclusion, this study provides a reference for Chinese local agricultural enterprises to grow bigger and stronger with the possibility to enter the international market and carry out future agrarian investments.

**Keywords:** China, CP Group, Agriculture, Investment, Strategy



## 摘要

题目： 跨国公司在中国农业投资策略的研究-以泰国正大集团为例

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中国和泰国是世界上典型的农业大国。两国在农业方面有很多合作，并且合作比较密切。在中国已经加入WTO的背景下，2015年“中央一号文件”明确指出：鼓励国内企业“走出去”与国外企业“引进来”相结合，新时期要加大对开放型农业的政策扶持，提高农业利用外资水平，扩大优势农产品出口。与主要农业大国相比，中国农业在资金、技术等方面的条件稍显落后，外商农业投资成为中国农业现代化和农村经济发展的重要推力。特别是改革开放以来，外商在中国农业领域的投资越来越多，涌现出了许多成功企业。正大集团从1979年开始投资中国农业，直到今天仍是中国最大的农业外资企业之一，它的投资实践与成功经验值得我们进行调查研究。

本文在简要分析外商在中国农业投资的现状及其主要制约因素的基础上，比较详细的研究、总结了正大集团在中国农业领域投资的各个发展阶段、取得成效及其存在问题和主要经验教训，提出相应的策略措施。研究认为正大集团在中国农业投资经历了谨慎布点、快速复制、横向扩张、纵向扩张等四个阶段，为企业创造了巨大效益，也为多元化经营创造了条件，促进了中国农业的发展，也为其他外企提供了借鉴等。但正大集团同时也存在着投资结构有待优化、产品质量有待加强、投资理念有待转变、投资区域有待调整等需要解决的问题。进一步研究认为，正大集团在未来扩大中国农业投资当中，会在自身农业投资国际化进程中，积极响应新时期的中国农业政策改革，追求良好经济、社会与生态效益等动因的推动下，以坚持互利共赢、增强核心竞争力、优化投资布局的指导思想，把服务中国“三农”建设、持续增强核心竞争力、优化投资领域与区域布局作为企业的投资策略。

外商农业投资对中国农业现代化和农村经济社会发展至关重要。我们通过深入研究、分析和总结正大集团在中国农业投资的发展历程和成功经验，分析其存在的问题，并提出其未来进一步发展壮大的投资策略，本文还对中国农业吸引外资提出了拓宽外资引入渠道、改善投资环境、加强国内外企业合作、强化优惠制度的保障等对策建议。可以为中国本土的农业企业做大做强，乃至步入国际市场开展农业投资提供了良好的借鉴。

关键字：中国 正大集团 农业 投资 策略

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Due to my limited knowledge and errors and omissions in the article, I sincerely ask all the experts for your comments, criticisms and corrections.

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# CHAPTER 1 INTRODUCTION

## 1.1 Research Background

The "Decision on Several Major Issues of Comprehensively Deepening Reform" approved by the Third Plenary Session of the Eighteenth Central Committee of the Chinese Communist Party clearly stated: "We must adhere to the path of new industrialization, informatization, urbanization, and agricultural modernization with Chinese characteristics." Relevant research also shows that in view of China's low level of agricultural industrialization, slow development of large-scale agriculture, and insufficient funds for attracting agriculture, how to better introduce and utilize foreign agricultural capital in the future has become China's agricultural modernization and the "synchronization of the four modernizations". "An important strategic move. The 2015 "Central Document No. 1" further clearly pointed out that in the new period, "we must increase policy support for open agriculture, increase the level of foreign investment in agriculture, and expand the export of superior agricultural products", and encourage domestic enterprises to "go global" and foreign enterprises to "bring in" combined.

Since the reform and opening up, China's economy has developed rapidly. It has grown from "bringing in" to "going out." China has already seen results in attracting foreign investment, and a large number of dynamic multinational companies have displayed their style on the Chinese stage. Especially for developing countries (Southeast Asian countries), I think there is a most typical case: CP Group. As we all know, CP Group is the first Thai company to invest in China. It has accumulated rich capital and experience in decades of development. CP Group's investment strategy model is a representative model of multinational companies' foreign investment. The case analysis of the successful company of Zhengda Group is helpful to Chinese local enterprises, and it is also meaningful to enhance the competitiveness of multinational enterprises.

### 1.1.1 China's agricultural use of foreign capital is increasing

The globalization of the economy has made the economic ties of countries in the world become increasingly close, and the flow of capital between countries has become very frequent. In particular, the investment of multinational companies has exerted a huge influence and effect on the economic development of various countries. China is a country based on the agricultural economy, and the development of agriculture plays a vital role in the development of the national economy. Since the 1990s, the use of foreign capital in China's agriculture has continued to grow and the field has continued to expand. It has played a huge role in promoting the country's rural economic development, agricultural modernization and industrial restructuring, and has made up for the central and local governments and domestic enterprises' Involved in the lack of investment in agriculture. During this period, foreign-funded enterprises investing in agriculture have sprung up all over China. At the same time, we can see that the agricultural production structure, national environment, production

technology, region, and government-related policies have more or less restricted the level of foreign investment, and have also had a certain impact on regional development.

Since the reform and opening up, China's agricultural policy has been continuously adjusted, and the support for agriculture has been continuously increased. China has successively promulgated the "Decisions of the Central Committee of the Communist Party of China on Several Issues Concerning Accelerating Agricultural Development", "Several Issues Concerning Current Rural Economic Policies", "Ten Policies on Further Energizing the Rural Economy", etc. These policies have actively promoted agriculture and rural development. The reform paved the way for the introduction of foreign capital, ensured the smooth development of agriculture, and increased support for foreign-funded enterprises investing in agriculture in China. At present, there are more than 300 foreign-funded enterprises investing in agriculture in China. The larger ones are CP Group, DuPont, Bunge, Cargill, Louis Group, etc., which have made great contributions to the development of China's agriculture.

### **1.1.2 Opportunities and Challenges Facing Foreign Investment in China's Agriculture**

China's "Decision of the Central Committee of the Communist Party of China on Several Major Issues of Comprehensively Deepening Reform" clearly pointed out that it is necessary to accelerate the reform of the agricultural system, grant more property rights to agriculture, and promote the equal exchange of urban and rural elements. This embodies China's firm determination to break the dual structure of urban and rural areas, loosen the constraints on rural development, and build a new type of industrial-agricultural-urban-rural relationship that promotes agriculture through industry, leads rural areas through cities, mutual benefits between workers and farmers, and integrates urban and rural areas. This also provides greater opportunities for the development of agriculture and rural areas, and the development of rural areas requires a lot of capital and technology, which is a rare opportunity for foreign businessmen. China's 18th National Congress also clearly stated: "Persist in taking the path of new industrialization, informatization, urbanization, and agricultural modernization with Chinese characteristics" and "promoting the simultaneous development of industrialization, informatization, urbanization and modernization", which is also the "three rural areas". Future development points the way. The state's support for agriculture provides huge opportunities for foreign companies.

However, China's agricultural modernization is relatively low. This is mainly due to factors such as low technological development and scattered arable land, which have affected the development of agriculture, and foreign-invested enterprises are also facing huge challenges.

### **1.1.3 CP Group has made great progress in China's agricultural investment**

After China's reform and opening up, the CP Group started to invest in China's agriculture in 1979 and was one of the first foreign companies to invest in China. The CP

Group started to invest in feed production enterprises and gradually extended forward and backward and expanded its investment fields. Vertically build large-scale breeding farms, slaughtering and processing and food production enterprises, and at the same time, expand horizontally to the fields of finance, retail, pharmaceuticals, mechanical and electrical and real estate. At present, CP Group has become a leading company with the widest geographical coverage, diversified industries and the highest brand awareness among foreign-invested companies in China. The success of CP Group's investment in China's agriculture depends on the group's investment philosophy. It better adapts to China's national conditions and government policies, and maximizes its investment advantages. CP Group is pursuing the maximization of its own interests while at the same time. It has also promoted the economic development of China's agriculture and cultivated a large number of agricultural talents. It has become one of China's largest agricultural foreign-funded enterprises.

Thailand's modern agriculture is relatively developed, and CP Group is an important leading force in modern agriculture. This article takes CP Group as a case study and analyzes and studies CP Group's investment strategies in China's agriculture. Brings some enlightenment and is of greater representative significance.

## **1.2 Research Significance**

Since 2004, the "Central No. 1 Document" and the continuous focus on the "three rural" issues, the introduction and use of foreign capital is an important measure to improve and solve the lack of investment in China's modern agricultural construction, and play a vital role in China's agricultural modernization. However, in the process of foreign investment in China's agriculture, restrictive factors such as obvious regional resource differences and unsatisfactory investment environment appeared, which affected the enthusiasm of foreign investment. This article analyzes the history of CP Group's investment in China's agriculture and proposes development strategies by taking the leading foreign-funded enterprise investing in China's agriculture-CP Group as an example. The main research significance is as follows:

### **1.2.1 Provide reference for foreign investment in Chinese agriculture**

CP Group is one of the largest foreign-funded agricultural enterprises in China, and also the agricultural enterprise with the longest investment period in China. The many agricultural technology levels of the CP Group are still leaders in the industry standards, so the history and experience of CP Group's agricultural investment in China is an example that many foreign-funded enterprises need to learn from. In particular, the four stages of CP Group China's agricultural experience are all interlocking, step by step to stabilize CP Group's leading position in the Chinese agricultural market. In addition, CP Group is also one of China's largest foreign-funded charitable enterprises. The guiding ideology of pursuing the common development of ecological, economic and social benefits is also an important

experience that other foreign-funded enterprises must learn from to gain a firm foothold in the Chinese market.

### **1.2.2 Provide practical reference for China's agricultural and rural modernization**

China's small scale of agricultural planting, low technology, substandard quality of agricultural products, and insufficient processing levels have seriously disrupted the rational allocation of agricultural resources. As an international agricultural giant that started from agriculture, CP Group has been deeply involved in the Chinese market for 40 years and has conducted thorough research on Chinese agricultural issues. In addition, CP Group owns the agricultural production funds that are currently extremely lacking in rural China, the production, planting, and processing technologies urgently needed by modern agriculture, and a comprehensive marketing network. Therefore, the effectiveness of CP Group's investment in China's agriculture and the vision of China's agricultural policies studied in this article provide practical significance for the Chinese government to formulate agricultural modernization policies.

### **1.2.3 Provide guidance for CP Group to further expand and stabilize the Chinese market**

There are currently more than 300 foreign companies investing in agriculture in China, and competition is fierce. Among them, international agricultural giants such as DuPont and Bunge have formed a strong threat to CP Group. In addition, in response to the call of the central government, many domestic business giants have also switched to join the agricultural industry, and continue to share the Zhengda Group's market share in China. This article studies the CP Group's investment in China's agriculture to summarize the current problems of CP Group, enhance its core competitiveness, and clarify the future development direction, so as to lay a solid foundation for CP Group's evergreen foundation in China.

## **1.3 Research Problem**

This article reviews and sorts out the history and status quo of China's agricultural investment by CP Group through literature research and data analysis. On the basis of obtaining relevant information, this article focuses on the following issues:

- (1) Study the effectiveness and problem analysis of CP Group's investment in China's agriculture?
- (2) Study the motivation and strategy analysis of CP Group's expansion of China's agricultural investment?
- (3) Study the prospects and suggestions of CP Group's agricultural investment?

## **1.4 Research Objective**

It took more than 20 years for CP Group to enter the Chinese market to become

well-known in China. It is still one of China's largest foreign-funded agricultural enterprises and its business has expanded to other countries. The development strategy of CP Group is closely integrated with the development of China. Its investment practice, successful experience, and investment strategy are worthy of our study.

Following the development of CP Group in China's agricultural sector, this article starts a systematic and in-depth study with investment strategies as the starting point. The main objectives are as follows:

(1) On the basis of studying the development process and stages of China's agricultural investment of CP Group, analyze the results and experience of CP Group in each stage, especially the impact on the agricultural field. Some problems will inevitably arise at each stage. Some problems have been transformed into the driving force for the next stage of development and growth through continuous summary and analysis. However, some problems are limited by China's national conditions and the investment strategy of enterprises and have been waiting to be resolved. Therefore, the purpose of this article is to focus on the analysis of the problems that have not yet been resolved and seriously hinder the next development of CP Group.

(2) On the basis of the previous research questions, this paper analyzes in detail the motivations of CP Group to further expand China's agricultural investment. Studying how CP Group's investment strategy should be implemented in the future can better fit the CP Group's long-term development strategy and China's national conditions that attach great importance to agricultural modernization.

(3) Put forward suggestions on the investment prospects and further development of CP Group in China's agricultural sector.

(4) Take the case of Zhengda Group as a typical example to provide reference for other foreign-funded enterprises and serve as a reference for investment strategies in domestic and foreign markets.

## CHAPTER2 LITERATURE REVIEW

### 2.1 An Overview of Related Theories of Foreign Investment in Agriculture

#### 2.1.1 FDI and industrial structure

(Zhang,C.X.&Xiao,W.X.2014) indicated that the industrial structure, market openness and market specialization of a region are important factors affecting the foreign investment environment. The level of foreign investment in a region is restricted by these factors. Japanese scholar (Kojima,K.1987) systematically expounded the theory of foreign direct investment "the theory of marginal industrial expansion" in his masterpiece "Foreign Direct Investment". He believes that foreign direct investment should start from the marginal industry, which is already or will be at a relatively disadvantaged position in the country, and proceed in sequence. The transfer of disadvantaged industries in the exporting country to other countries is an optimization of the industrial structure of the exporting country. The investing country made up the capital and technology gaps for the host country, thereby promoting the economic development of the host country, and also optimizing the industrial structure of the host country. According to (Hirschman,A.O.1958) , the "double gap" model was revised and a "technical gap" was also proposed. From a technical point of view, we will study the impact of FDI on the economic development and industrial structure upgrading of developing countries. He believes that the technological gap is not something that underdeveloped countries can make up through domestic resources. By introducing advanced foreign technology, breaking through technological bottlenecks, so as to adjust the economic structure of the host country and develop the host country's economy.

#### 2.1.2 FDI and economic growth

(Chenery,H.B.&Strout,A.M.1966) devoted themselves to the study of the impact of FDI on the economic development of the host country, and they proposed the famous "double gap model". To develop the economy, we must properly handle the relationship between investment and savings, and imports and exports. If savings are less than investment, there will be a "savings gap"; if exports are less than imports, there will be a "foreign exchange gap". If there is a gap, it will affect the country's economic development. The host country can break through the bottleneck by introducing FDI, thereby developing its own economy. (Yang,W.2009) studied the problem from the perspective of the agricultural industry chain and the price transmission of agricultural products, and pointed out that large-scale foreign investment into agriculture will have an impact on agricultural security and promote my country's economy as a whole. Sustained development has a negative impact. (Reis,A.2001) analyzes from the perspective of the economic welfare of the host country, and believes that from a dynamic perspective, FDI means the entry of products with higher competitive advantages, which will make the host country's domestic enterprises unprofitable or make

domestic capital reluctant to invest.

### **2.1.3 FDI and host country technology diffusion**

Chinese scholars use China's agricultural data to verify the effects of FDI and agricultural technology. (Fu,Y.H.&Zhang,D.2010) examined the spillover effect of foreign direct investment in China's agricultural output, proving that FDI improves agricultural production efficiency. There is a significant positive correlation between agricultural investment and farmers' income. Insufficient agricultural investment will seriously affect agricultural economic development and farmers' income. According to (Lin,J.&Liao, S.S.2014), technology spillover effects can promote the improvement of comprehensive factor productivity in the national economy.

## **2.2 Research on the Benefits of Foreign Investment in Agriculture**

Chinese scholars have drawn the following conclusions through empirical analysis on the development of foreign investment and the agricultural industry: First, (Lv,L.C.&Huang, Z.H.2005) proposed that foreign investment has positive significance for China's agricultural growth, rural development, and farmers' income, and is conducive to the "The solution of the problem. Second, (Li,Y.2006) proposed that foreign capital can improve agricultural production efficiency and have obvious technology transfer effects on China's overall agricultural product processing industry. China's "market for technology" policy has achieved certain results. Third, (Lv,L.C.2006) proposed that foreign investment and China's agricultural and food trade are complementary, so foreign direct investment can promote China's agricultural and food exports. Fourth, (Yang,W.2009) proposed that the entry of foreign capital is a driving force for the marketization of China's agricultural monopoly industries, and it has a potentially positive effect on promoting competition, stabilizing prices, and improving resource utilization. At the same time, there are some practical problems in the process of using foreign investment in agriculture in China. Therefore, we must seek advantages and avoid disadvantages and maximize the net effect of foreign investment.

(Balasubramanyan,V.N.1986) indicated that foreign investment is more effective in countries with agricultural export-oriented policies. In summary, according to (Hui,E.C.2010), foreign investment in agriculture will not only bring about the healthy development of the host country's agricultural industry, rapid innovation in product planting and processing technology, but also long-term sustainable returns to foreign businessmen.

## **2.3 Research on Influencing Factors of Foreign Investment in Agriculture**

Chinese and foreign scholars started early to study the influencing factors of foreign investment in agriculture, and the scope of the research is also very broad. The comprehensive summary is three points:

### **2.3.1 From the perspective of agriculture itself**

(Ren,J.H.2009&Tang,L.X.2007) indicated that, agricultural enterprises are restricted by the characteristics of agriculture and are not suitable for large-scale foreign investment. The uncertainty of climatic conditions is also an important reason that restricts foreign investment in slowing down the scale and speed of investment. Foreign capital's investment in capital and technology such as agricultural planting area, processing equipment, auxiliary infrastructure, etc. is a problem that can be adjusted slowly by capital and time, but climate change is a problem that foreign capital cannot accurately predict.

### **2.3.2 From the perspective of investment suppliers**

(Reis,A.2001&Ma,Y.2007) indicated that, the investment outflow environment lacks impetus for direct agricultural investment. Agriculture is a sensitive industry of various countries. At present, some powerful agricultural countries are particularly sensitive to their own capital and technology investing in other countries' agricultural development in order to ensure their own food security and the interests of farmers. Strict censorship has greatly weakened the enthusiasm of investment suppliers. There is insufficient impetus for agricultural investment in the host country.

### **2.3.3 From the perspective of investment demand**

(Vernon,R.1966&Zhang,M.2008) indicated that, the biggest difference in attracting foreign investment between agriculture, industry and service industry is that agricultural development is limited to the geographical environment, so the conditions constituted by the determinants of agricultural natural resources and innate advantages have become The primary potential or restrictive factor of the investment demand side.

## **2.4 Brief comment**

The above documents use national macro statistics and cross-sectional data of foreign investment in agriculture over the years. From the perspectives of investment supply and demand, agricultural technology, and agricultural natural characteristics, some mathematical models are used to deduce the economic benefits of foreign investment in agriculture and the attraction of foreign investment in agriculture. The influencing factors have achieved great results. At the same time, scholars have also conducted detailed studies on the negative effects of large-scale foreign investment into agriculture. However, scholars at a lesser level mentioned the conditions of agricultural natural resources and innate advantages in the host country and proposed foreign investment in agriculture. In addition, they did not propose to consider the issues that foreign companies need to pay attention to when investing in my country's agriculture from the micro-enterprise level.

This article takes CP Group's investment in China as a case, and analyzes the four stages of CP Group's agricultural investment in China, including careful deployment, rapid



replication, horizontal expansion, and vertical expansion. These four stages are not only in line with CP Group's investment plan, but also in the past 40 years, it is closely linked to China's agricultural development direction, agricultural foreign investment and agricultural structure policies. During this period, CP Group established different types of agricultural enterprises in different regions of China, gradually built a complete agricultural industry chain and a sound sales network, and gave full play to the natural resources and innate advantages of each region. The investment environment of each region, fully summarize the market demand and other conditions in each region, and examine the effectiveness of foreign-funded enterprises in China since China's reform and opening up, and the problems that have occurred during the integration with the Chinese market. Count on the policies that China needs to introduce in the future to encourage foreign capital to invest in agricultural modernization and realize the blueprint for the win-win development of foreign capital and China's agriculture. Provide practical experience in addition to investment theory and transnational theory for foreign-funded enterprises entering China's agriculture in the future.



## **CHAPTER3 METHODOLOGY**

The research method used in this article is mainly qualitative analysis. The data sources of qualitative analysis are mainly from relevant academic forums, summit meetings, and the "2013 China Foreign Investment Report", "CP Group Annual Statistical Report", and "China Investment Guide". On the basis of obtaining first-hand information, through literature research, comparative research methods, correlation analysis and other research methods, in-depth research and summary of the development process and successful experience of CP Group's agricultural investment in China, analyze its existing problems, and Put forward its investment strategies for further development and growth in the future, and put forward countermeasures and suggestions for attracting foreign investment in China's agriculture. It provides a good reference for China's local agricultural enterprises to grow bigger and stronger, and even enter the international market.

### **3.1 Research methods and analysis**

#### **3.1.1 Literature research**

The literature research method mainly refers to the method of collecting, identifying and collating literature, and forming a scientific understanding of facts through the research of the literature. The literature method is an ancient and vital scientific research method. The general process of the document method includes five basic links, namely: proposing topics or hypotheses, research design, collecting documents, collating documents and conducting literature reviews.

This article finds out what needs to be used for reference through the research of similar subjects. Read a lot of previous research documents to understand the current situation and influencing factors of China's agricultural FDI. Have a basic understanding of the positive benefits of China's agricultural FDI, and use indirect FDI theory and agricultural economic theory to discuss the choice of research strategy in this article. At the same time, search for the CP Group's magazine "CP China" to gain a deep understanding of the details of CP Group's agricultural investment in China. Through the collection and sorting of domestic and foreign theoretical foundations and literature related to this research, and obtain theories and research methods for reference, in order to better study this article.

#### **3.1.2 Comparative analysis**

The contrast method, also called the comparative analysis method or the comparative analysis method, is an analysis method that prompts the difference between the actual number and the base number through the comparison of the actual number and the base number, and understands the performance and problems of economic activities. Comparative analysis is a

method of reflecting the differences and changes in the quantity of things through the comparison of relevant indicators. The comparative analysis method in this article is mainly used to compare the CP Group with the Chinese local company-New Hope Group, and other foreign companies-Wal-MART (WAL-MART) and Carrefour (CARREFOUR), and analyze the core competition of CP Group's investment in China. It also pointed out that in the process of further development, the core competitiveness needs to be continuously enhanced to stabilize the CP Group's market position and share in China.

Take CP Group and New Hope Group as an example for comparative analysis: New Hope Group's investment fields are mainly divided into four sectors: food and modern agriculture, dairy and fast-moving consumer goods, real estate and infrastructure, chemical industry and resources, and a new hope for the aquaculture industry. Although the group started more than 60 years late, it has striking similarities with CP Group in terms of industrial layout, industrial chain integration strategies, and global development.

The gross profit margin of Zhengda Foods has been significantly higher than that of New Hope Liuhe in recent years. From the perspective of the gross profit margin of the New Hope sub-sector, the gross profit margin of its breeding is affected by market conditions and fluctuates greatly, while the gross profit margin of the slaughter and meat products segment is always lower than that of the feed segment. Although it has increased in recent years, it is still only 5% about. The gross profit space is now compressed, and the ability to create a premium for terminal products is the core competitiveness of agricultural and animal husbandry enterprises. New Hope currently has a small proportion of its food and deep-processing business, resulting in the failure of the terminal products to achieve the due premium, which is the main reason why its gross profit margin is lower than Zhengda Foods.

## **3.2 Innovation**

### **3.2.1 Research on the development process of foreign investment in China's agriculture at the micro level**

There are many articles studying the positive impact of foreign investment in China's agriculture on China's "three rural" issues, but these results are basically summarizing the changes brought about by investment, and the constraints on foreign investment in China's agriculture are objective and There are fewer articles to analyze scientific methods. The innovation of this article is that the CP Group is selected as the research target, not only because CP Group is one of the largest foreign-funded enterprises in China's agriculture at the moment, and it is widely known to the Chinese people, but also because CP Group's investment in China's agriculture has witnessed all of China's reform and opening up. During the process, no matter how big crises and challenges arise, CP Group has unswervingly adjusted its investment concepts and strategies in accordance with the time, local conditions, and conditions, ensuring the evergreen foundation of CP Group in the Chinese agricultural

market. Therefore, studying the current situation and history of CP Group's investment in China's agriculture will help to fully understand the situation of China's foreign investment in agriculture.

### **3.2.2 Call for urgently needed policies for China's agricultural modernization from the corporate level**

The CP Group has a wealth of practical significance for the development of China's agricultural modernization and has experience in agricultural investment across the country. CP Group has a deep understanding of the different agricultural policies required for agricultural modernization in various regions of China. Therefore, this article calls on the Chinese government to avoid introducing a one-size-fits-all policy to develop agricultural modernization.



## **CHAPTER4 RESEARCH PROCESS AND RESULTS**

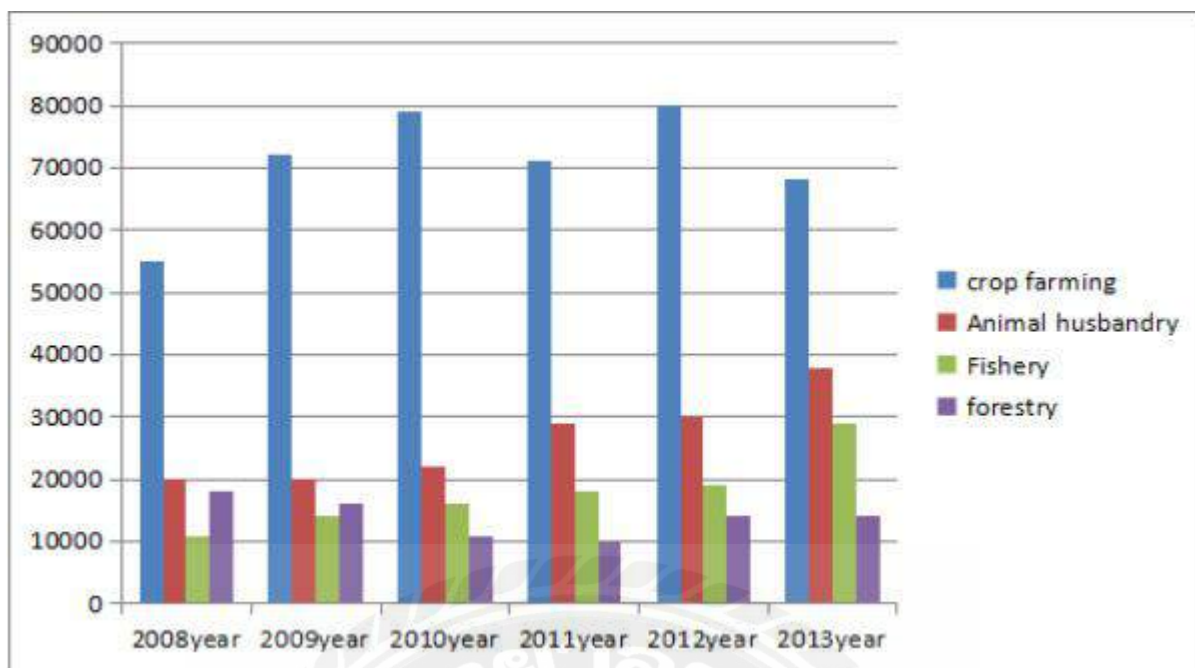
### **4.1 Analysis on the Status Quo and Restrictive Factors of Foreign Investment in China's Agriculture**

#### **4.1.1 The status quo of foreign investment in China's agriculture**

##### **(1) Investment areas**

From foreign investment in agriculture, we find that there are many projects and amounts of investment in plantation and breeding, and these projects are mainly concentrated in those projects with short cycles and quick results, such as aquatic products, flowers, and cash crops. For those projects that are cycled and have low returns, few foreign investors are involved, such as fruit tree planting, sand prevention and greening. For these projects, there is no guarantee for a long period, and more costs are required for maintenance. Some infrastructures are still difficult to meet the needs of production. Therefore, foreign businessmen are unwilling to invest in these projects. In addition, investment in basic agricultural projects is also very small. According to the statistics of the Ministry of Agriculture from 1978 to 1999, the number of projects that used foreign investment in agriculture during this period was 466, and the total amount of foreign investment used in agriculture was US\$320 million. The amount of foreign investment used in the industry and animal husbandry is the highest, with US\$140 million and US\$38.4 million respectively. These two items accounted for nearly 60% of the total foreign investment used in agriculture. Education and research only accounted for 6.6% of the total. In order to make more reasonable use of foreign capital and guide them to invest in areas that require capital, after 1990, the Chinese government's preferential policies began to tilt toward those areas where foreign businessmen were unwilling to invest in order to attract more foreign businessmen to invest.

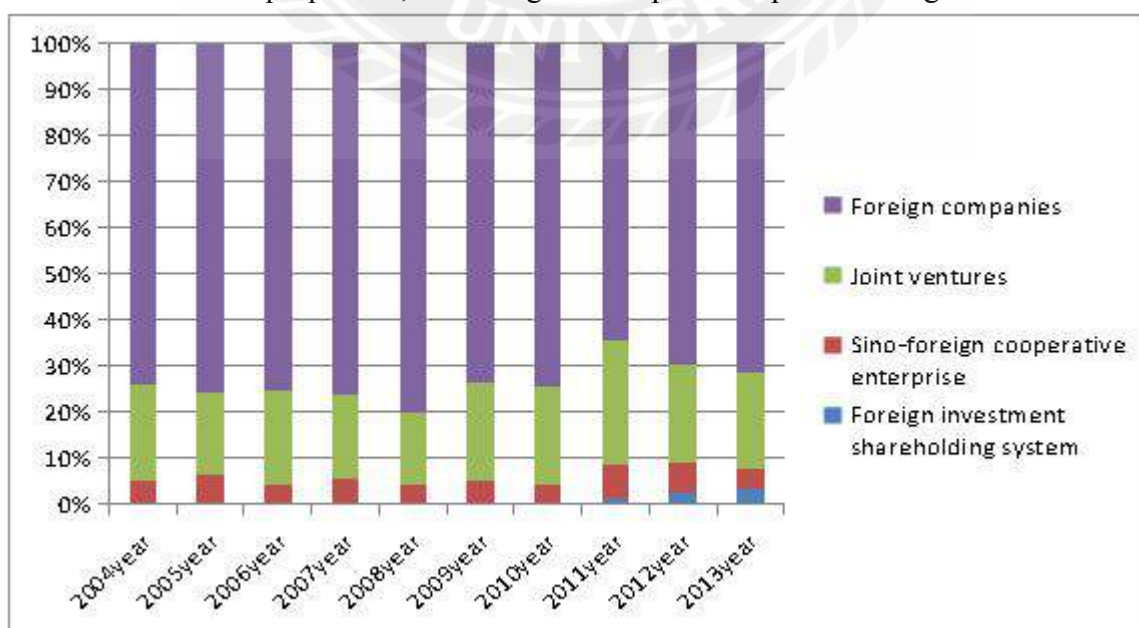
After 2008, under the guidance of national policies, the use of foreign investment in agriculture has basically remained stable, and the amount of foreign investment used in animal husbandry and fishery has risen steadily, showing an overall coordinated development trend as a whole.



**Figure 4.1** Statistics on the amount of foreign capital used in agriculture

(2) Investment method

my country's agricultural utilization of foreign capital is mainly direct investment by foreign companies. From 2004 to 2013, both the number of investment projects and the amount of foreign capital invested by foreign companies exceeded 60% of the total agricultural utilization of foreign capital. From the perspective of development trends, the method of wholly foreign investment has shown an upward trend. The amount of investment increased from 67% in 2004 to 89% in 2013. The method of sole investment has always been the main method of foreign investment. In addition to the method of sole foreign investment, cooperation between my country and foreign businessmen and the use of World Bank loans also account for a certain proportion, becoming an indispensable part of foreign businessmen.



**Figure 4.2** Comparison of Agricultural Utilization of Foreign Capital

### (3) Regional layout

From the perspective of the layout of foreign investment in China's agriculture, it is mainly concentrated in the eastern region, showing a very unbalanced state. Among them, the proportion of foreign investment in the eastern region accounted for more than 90% of the total foreign investment, while the central and western regions accounted for less than 10%. In the east, it is also mainly concentrated in the coastal areas. During the 10 years from 2003 to 2013, Jiangsu, Guangdong and Fujian were the three provinces that used the most foreign capital, accounting for more than half of the country's total foreign capital utilization. On the other hand, the cumulative use of foreign capital in the western region over the past 10 years is only about 6%, far lower than that in the eastern region. It can also be seen from the data that the inflow of foreign capital is strongly oriented, reflecting the profit-seeking nature of capital. For foreign-funded enterprises in poor areas in the west, investment risks are too great. However, most foreign businessmen are still unwilling to invest their money in these areas. In the economically developed eastern region, the investment returns will be greater.

<b>Province</b>	<b>The cumulative proportion of foreign investment projects in China in the past 10 years</b>	<b>The cumulative proportion of foreign investment in China's agricultural investment in 10 years</b>
<b>Jiangsu</b>	17.4	28.4
<b>Fujian</b>	12.1	11.3
<b>Zhejiang</b>	5.1	2.8
<b>Shanghai</b>	2.2	3.9
<b>Jiangxi</b>	6.8	3.2
<b>Guangdong</b>	17.3	14.2
<b>Shandong</b>	9.2	10.7
<b>Neimenggu</b>	0.8	0.5
<b>Hainan</b>	2.2	1.8
<b>Hunan</b>	3.4	2.4
<b>Hebei</b>	2.1	2.1
<b>Liaoning</b>	4.8	6.1
<b>Yunnan</b>	2.4	6.4
<b>Sichuan</b>	1.1	0.6
<b>Hubei</b>	1.4	1.5

**Figure 4.3** Regional distribution of agricultural FDI

#### 4.1.2 The Restrictive Factors of Foreign Investment in China's Agriculture

##### (1) Regional differences in resource endowments

Agricultural resource endowment refers to the pattern of specialized agricultural production formed due to differences in geographic location, land resources, water resources,

climatic conditions, and natural resource reserves. Agricultural natural resources are the foundation of agricultural development. Different regions have certain differences in the nature, quantity, and quality of agricultural natural resources. The distribution of arable land resources in China is quite different. The country has a large land area. The land area of Northeast, North China, and Central South accounts for about 45% of the country, but the area of arable land accounts for 86% of the country; the forest area accounts for 65% and the grassland area accounts for 33%. Of the 55% of the land in the west, arable land accounts for only 14% of the country's total, and pasture land accounts for 67%. There is also a big gap between the arable land in the eastern and western regions. The eastern region is mostly paddy or irrigated, with fertile soil, warm and humid climate, suitable for the growth of a variety of crops; while the western region is mostly dry land with arid climate and serious soil desertification. . There are great differences in natural conditions and land resource conditions in different regions. The eastern plain has fertile soil and suitable climate, and agricultural investment is easy to succeed. However, the natural climate conditions in the western region are poor, and foreign capital does not want to bear too much market risk. They are more willing to invest their money in the eastern region, but as the development of the eastern region increases, its development potential has been very limited. Although the climatic conditions in the western region are not ideal and are not suitable for the growth of many crops, the grassland area in the western region is vast, and animal husbandry and breeding can be developed. This is also an issue that foreign investment should consider in the new era.

(2) The investment environment needs to be improved

A good investment environment is an important factor in attracting foreign investment. Only when foreign businessmen see potential huge commercial benefits, will they invest funds in the agricultural industry. However, China's agricultural investment environment has many deficiencies and cannot meet the conditions for foreign investment. In the eastern part of our country, due to the relatively developed economy, the connection between agriculture and the market is relatively good. However, in the vast central and western regions, the decentralized small-scale peasant economy is dominated, and the degree of marketization of agriculture is very low. When foreign investors choose to invest, they still have to choose eastern regions with low income risks and superior conditions. The West rarely cares. This is mainly because the agricultural industry distribution and regional distribution are not very reasonable. The business scope of the central and western regions is relatively simple, mainly based on production, and the degree of marketization and industrialization is very low. These have affected the foreign business's Investment enthusiasm.

(3) There is a deviation between China's industrial policy and foreign investment philosophy, which makes foreign businessmen unwilling to invest in China's agriculture. The "Catalogue for the Guidance of Foreign Investment Industries" issued by the Chinese government clarifies the areas where foreign investors can invest and encourages foreign investment in China's agriculture, but the effect is not obvious. This is mainly because China's industrial policies are inconsistent with foreign investment plans. my country's agricultural business practices prevent foreign businessmen from investing in agriculture. Sometimes it's not



realistic to apply the experience of one region to another, all of which make foreign investment. The cost is greatly increased. In addition, China's low level of marketization has increased the operating costs of foreign businessmen, and the cost of communication between foreign businessmen and the government has also continued to increase, which restricts foreign businessmen's investment in China's agriculture.

## 4.2 Analysis of the history and current situation of CP Group's investment in China's agriculture

### 4.2.1 Development Overview of CP Group

In recent years, the Chinese market has attracted more and more foreign investment from all over the world. Below we take Thailand-CP Group as a case to analyze the investment situation of multinational companies in China.

Thailand-Charoen Pokphand Group (Charoen Pokphand Group) was founded in 1921 by Thai Chinese industrialists Xie Yichu and Xie Shaofei in Bangkok, Thailand. With the development of the company, Chia Tai has its own farm and began to cultivate rapeseeds. In 1953, Chia Tai Zhuang Rapeseed Branch was registered as Chia Tai Group and began to enter the planting and breeding industry. So far, Chia Tai Group's agricultural products and breeding The industry's market share is the highest in Thailand, and its market share in other Southeast Asian countries and regions is also among the best. CP Group has a wide range of business, focusing on the three core businesses of agriculture, animal husbandry, food, telecommunications, and commercial retail. At the same time, it involves more than 10 industry sectors such as biopharmaceuticals, finance, automobiles and motorcycles, and real estate. Its business covers nearly 20 countries and regions. With more than 300,000 employees and annual sales of more than 40 billion US dollars. After more than 80 years of continuous and steady development, it has become an internationally renowned large-scale multinational enterprise group, which has achieved diversified development and has huge development potential.



Figure 4.2 Logo of CP group

#### **4.2.2 China's agricultural investment history of CP Group**

The CP Group is well-known to almost every family in China, mainly due to its great contribution to the development of China's agriculture and rural economy. As a Chinese enterprise group, Xie Yichu and Xie Shaofei, the founders of CP Group, have always had a heart to serve the motherland. They have returned to China to set up seed companies since the establishment of New China. Improved investment in China. CP Group's investment in China's agriculture is mainly divided into the following stages:

##### **(1) The cautious deployment phase (1979-1989).**

In 1979, CP Group took the lead in entering the Chinese market and invested 15 million US dollars to establish a feed production enterprise in Shenzhen and obtained the No. 001 business license of the Shenzhen Industrial and Commercial Bureau. This became the beginning of investment in China's agriculture. In the following 10 years, 12 agriculture-related companies were established in Beijing, Shanghai, Kaifeng, Fuzhou, Yueyang, Quanzhou, Xiamen, Qingdao and other places to carefully invest in pilot projects in various regions of China and explore types of agriculture-related enterprises.

At this stage, CP Group has created a number of "first" records in investing in China's agriculture. First, it was the first foreign company to invest in China after the reform and opening up. Secondly, it was the first foreign-funded enterprise to introduce the concept of industrialized feed production to China, which promoted the birth of Chinese local feed companies. Thirdly, it is the first foreign company to introduce the concept of animal nutrition to China. Fourth, the first company to establish a primary breeder farm in China ended the history of China's introduction of breeder chickens from abroad, and at the same time greatly improved the quality of China's chicken meat. These "firsts" have broken the traditional breeding methods of China, opened up new horizons for China's agricultural modernization, and greatly promoted the development of China's agriculture and animal husbandry.

##### **(2) The rapid replication stage (1990-1996).**

In 1990, Comrade Deng Xiaoping, the Chinese leader, met with Xie Guomin, Chairman of CP Group, and fully affirmed CP Group's investment in China and its role in promoting China's agriculture and animal husbandry. He hoped CP Group would further increase its contribution to Chinese agriculture Investment intensity, become the representative of foreign businessmen.

Since then, CP Group has continued to expand investment in agriculture-related fields and regional distribution. From 1990 to 1996, it invested in nearly 70 feed companies and deployed them in most provinces and regions in China at a rate of "one new every month", adding 12 million tons of feed production capacity each year, disseminating feed industrialization technology It has gone to all parts of the country and promoted the animal husbandry breeding methods in most areas of China, realizing the transformation from traditional to modern. At the same time, investing in the production and manufacturing of

feed and breeding machinery not only met the needs of maintenance and transformation of its own feed production equipment, but also strongly supported the standardization and modern development of China's agriculture and animal husbandry.

According to data from the "Foreign Investment Yearbook", among the 500 largest foreign-invested enterprises in the country in 1997, CP Group had 22, with sales of 18.76 billion yuan, which greatly promoted the development of China's agriculture.

### (3) The horizontal expansion stage (1997-2010).

While continuing to serve China's agriculture, CP Group has successively entered pharmaceutical, commercial retail, finance, industry, real estate and other fields, becoming an auxiliary and supplement to agricultural investment.

On June 23, 1997, the first store of Yichu Lotus (later changed to CP Lotus) supermarket chain opened in Pudong, Shanghai, marking the beginning of CP Group's horizontal expansion in the Chinese market. At present, Bufeng Lotus has become one of the largest foreign-invested large shopping malls in China after 18 years of development. It has 77 stores and 4 distribution centers. Its sales are growing at a rate of more than 20% every year, making it a group The second major business.

In the field of biopharmaceuticals, CP Group has successively invested in Guizhou, Henan, Jiangsu, Fujian and other places to establish pharmaceutical factories and biochemical factories, and its production scale is also one of the few in the industry. In the field of machinery manufacturing, CP Group is also involved in the manufacture of automobile and motorcycle parts. Its controlling subsidiary Luoyang North Yichu Motorcycle Company has two motorcycle production bases in Luoyang and Huadu. In addition, the real estate, finance and other fields are also active in the capital of the CP Group, which can inject a stable capital flow for agricultural investment.

### (4) The stage of vertical expansion (2011-present).

After entering the new century, with my country's entry into the WTO, more foreign-funded enterprises have entered the Chinese agricultural market, and domestic agricultural enterprises have also developed rapidly. Competition in the Chinese market has become increasingly fierce. CP Group's investment has shifted to vertical and deep expansion, starting from feed Production and breeding extend to food production, and an industrial chain of "from breeding to table" is being built.

Chia Tai Foods Enterprise (Qinhuangdao) Co., Ltd. was established in Qinhuangdao in 2011 with the aim of building the country's largest halal food research and development center. It is the first food deep processing wholly-owned enterprise invested by Chia Tai Group in China, and it is also important for Chia Tai Group to build a new industrial chain. Benchmarking. The project has a total investment of 1.8 billion yuan. The first phase of the project has been put into production, with an annual output of 64,000 tons of food; the second phase of the project is about to start construction. After full production, it can achieve an

annual output of 105,600 tons of food. The annual turnover is expected to reach 5.065 billion yuan, achieving annual profits and taxes of 300 million yuan, and at the same time, it can provide employment for more than 700 people. This project is a landmark project of the complete industrial chain of CP Group from feed production, breeder breeding, incubation, broiler breeding, meat and cooked food processing and presentation to the table, and it is also a transformative project for CP Group to achieve investment transformation in China's agricultural sector. project.

At the same time, in the non-agricultural sector, CP Group has achieved corporate cooperation and mergers through capital operations: through the acquisition of equity, it became the largest shareholder of Ping An of China; it achieved cross-share swaps with ITOCHU and invested in CITIC; through the acquisition of Makro, Expand the retail market and strengthen the management of sales channels of agricultural products produced by CP Group.

No matter how the market changes, CP Group has always adhered to the concept of diversified development based on agriculture. So far, CP Group has invested more than 110 billion yuan in China and established more than 300 enterprises in 29 provinces, cities, and autonomous regions across the country. With the exception of Qinghai and Tibet, other provinces have companies of CP Group.

### **4.3 The effectiveness and successful experience of CP Group's investment in China's agriculture**

#### **4.3.1 The results achieved by CP Group**

First, it has created huge benefits for the enterprise. The CP Group's investment in China's agriculture has promoted the development of China's agriculture and improved the living standards of farmers. It has also created tremendous economic value and social benefits for the CP Group, which is a win-win result.

(1) In terms of economic benefits.

Since its investment in China's agriculture, CP Group has rapidly expanded into a diversified enterprise centered on the agricultural industry and supplemented by other emerging industries, and has provided ready-made experience for investment in other fields. CP Group has been deeply involved in the Chinese market for many years and has a thorough understanding of China's regional culture, market demand structure, and business opportunities. The management talents, technical advantages, and capital advantages cultivated over the years are directly applied to the emerging agriculture-related industries, making the group have always been in a leading position in agriculture-related foreign investment. The investment in mainland China exceeds 110 billion yuan, with annual sales exceeding 50 billion yuan. It has created huge economic benefits for the company and has

become one of the world's top 500 companies and an influential multinational corporation.

**Table 4.3** CP Group's agricultural project statistics

years	Number of items (number)	Investment amount (100 million yuan)	Revenue (100 million yuan)
2008	97	87.1	249.7
2009	121	95.1	220.2
2010	279	127.6	304.7
2011	347	159.7	321.4
2012	371	207.8	364.4
2013	418	252.7	401.4
total	1633	930	1861.8

As can be seen from the above table, from 2008 to 2013, the overall trend of the number of agricultural investment projects and investment amount of CP Group has gradually increased. In 6 years, the investment quota has increased by nearly 300%, and the economic income has increased by 170%. In view of the fact that agricultural projects require a long period of time to generate benefits, the current investment quota growth rate faster than the income growth rate is conducive to the long-term benefits of enterprises, which reflects the positive trend of CP Group's optimism about China's agricultural development.

(2) In terms of social benefits.

The CP Group has not only achieved huge economic benefits, but also obtained good social benefits. Especially in the hearts of farmers, CP Group has become synonymous with technology and integrity. When purchasing agricultural products, especially feed, farmers recognize CP Group's products. In 1994, among the "Top 200 Asian Companies" selected by the world-renowned journal "Far East Economic Review", CP Group ranked first 6 times and second place 3 times. In 2003, Xie Guomin, chairman of CP Group, was named one of the 50 most influential business leaders in the world by Fortune magazine. In 2009, the ranking of the "Top 500 Overseas Chinese Merchants in the Chinese Market (Mainland)" was announced, and Chia Tai Group ranked first. These praises reflect the market's recognition of CP Group. While benefiting from the dividends of China's reform and opening-up policy, CP Group has also made great contributions to the development of China's public welfare undertakings. In the 2003 "SARS" and 2008 "Wenchuan Earthquake" disasters, the CP Group A large amount of assistance has been provided, and many domestic universities and other education and research institutions have been donated free of charge, which has brought a good reputation and social benefits to the group.

Second, it has promoted the development of China's agriculture.

(1) Promote rural economic development and improve farmers' living standards. The entry of Zhengda Group has changed the extensive breeding methods and business philosophy of some farmers, and they have begun the transition to marketization. The main manifestation is the transformation from the original backward breeding method to the advanced and scientific breeding method; the breakthrough from the small-scale operation method of each household to the large-scale and intensive operation method; the transformation from the sale of agricultural raw materials and rough processed products to the sale of deep-processed agricultural products; the original limited sales channels are upgraded to contract agricultural production, etc. The changes brought by CP Group to China's agriculture are the embryonic form of agricultural modernization, which has increased the added value of agricultural products and agricultural production efficiency, and has also accumulated more wealth for farmers, which is conducive to the vigorous development of my country's rural economy.

(2) Introduce modern feed production technology and innovate business management methods. Before the reform and opening up, China's feed processing was controlled by subordinate enterprises of the grain sector and adopted extensive management methods, which was far from the requirements of the development of the feed industry. After the reform and opening up, CP Group took the lead in establishing a feed processing enterprise in China's feed market, using advanced production technology, professional production equipment and mature management experience to bring the concept of feed industrialization to the Chinese market and guide the breeding industry's breeding model. Reform and innovation have set an example for Chinese agricultural enterprises. Zhengda Group has always adhered to the quality-oriented business philosophy, established a sound quality assurance system, and actively developed new products to promote the adjustment of the feed industry structure.

(3) Introduce the concept of animal nutrition and cultivate professional breeding farmers. At the beginning of reform and opening up, my country's aquaculture industry was dominated by farmers' scattered aquaculture, with little income. After entering China, CP Group has attached great importance to the cultivation of farmers' breeding technology, so that the majority of farmers realize the importance of scientific feeding, and at the same time brought the concept of animal nutrition to feed livestock and poultry with comprehensive nutritional feed. The comprehensive upgrade of breeding technology, feed formulation and manufacturing technology has made it possible for my country's breeding industry to scale up, and while saving food, it has greatly increased the income of breeding and promoted the rapid development of China's agriculture and animal husbandry.

Finally, it provides a reference for other foreign companies. CP Group has achieved great success in investing in China and achieved good results in a win-win situation. It has become an example for other foreign companies and provided them with reference. Driven by the CP Group, many multinational companies and foreign companies have begun to invest in China's agriculture. The amount of foreign investment used in China's agriculture is constantly

increasing, and the contribution of foreign capital to agriculture is also increasing. These enterprises have promoted the development of China's agriculture to varying degrees, and also led to the continuous growth of the rural economy.

#### **4.3.2 CP Group's successful investment experience**

##### **(1) Focus on agriculture and stick to the main business.**

Since the CP Group began investing in China's agriculture in 1979, it has established more than 300 enterprises, of which 80% are agriculture-related enterprises, and it has brought 90% of the total profits to CP Group. Take feed companies as an example. From 1990 to 1996, Chia Tai Group established nearly 70 feed companies nationwide at a rate of "new one every month". Similar investment models, similar staffing, similar production lines, similar investment scales, and fixed models for talent training and operation and management have quickly occupied the feed market in various provinces and regions in China, and ranked among the best in feed sales in each province. According to the statistics report of CP Group, in recent years, the number and amount of investment in agriculture-related projects have been continuously increasing. Therefore, the investment field is mainly agriculture, and sticking to its main business is one of CP Group's successful investment experiences.

##### **(2) Cultivate new advantages and lead standards.**

In the 40 years since Chia Tai Group has invested in China, it has mainly invested in joint ventures with Chinese companies in the early stage and solely owned by Chia Tai in the later stage. Regardless of whether it is a sole proprietorship or a joint venture, every new project invested by CP Group in different industries always introduces the world's most advanced technology and equipment into China at the time, giving new enterprises a unique competitive advantage in the market. For example: investing in feed companies, bringing the world's most advanced feed processing production lines, extruded technology, and pelletizing technology to China; investing in breeder factories and breeding pig factories to bring the world's best broiler breeders, layer breeders, and breeder breeds Introduce; invest in shrimp nursery farms to bring the world's most advanced white shrimp breeding technology; invest in food factories to introduce the world's most advanced food production lines to China. In short, make sure that the established company is at the forefront of the industry from the beginning. It is precisely because of such a wealth of world advanced technology that CP Group has been able to become a benchmark in various industries in China's agricultural field.

##### **(3) Extend the industrial chain and expand the market.**

After the great success of CP Group's investment in the feed industry, it has developed livestock and poultry breeding and livestock breeding in the forward industry chain, and developed livestock and poultry breeding and recovery, slaughtering and processing, food production, food sales and commercial retail to the backward industry chain, gradually establishing a complete The industry chain of China, the market has been unprecedentedly expanded. In 2011, on the basis of Qinhuangdao Zhengda Co., Ltd.'s existing integrated industry of breeding, feed and meat food processing, Chia Tai Group invested an additional

1.8 billion yuan to continue to extend the industrial chain and complete the development of the entire industrial chain from breeding, processing and sales. In such an industrial chain, information sharing, quality assurance, technical interoperability, and mutual benefit in cooperation are achieved in each link, and at the same time, the transaction costs of each link are reduced and the overall value chain is increased.

(4) Enthusiastic for public welfare and giving back to the society.

Since its investment in China, CP Group has been particularly enthusiastic about participating in public welfare undertakings. It has successively donated more than 500 million yuan to support social public welfare undertakings. These funds cover scientific research, education, health care, culture, and environmental protection.

In terms of education, Xie Guomin donated to build Xie Yichu Middle School in Shantou, Guangdong; invested 30 million yuan to build the Fudan University Zhengda Gymnasium; donated more than 15 million yuan to build a broiler development research center in China Agricultural University, South China Agricultural University and Zhejiang Agricultural University; Donated 201.1 million yuan to Nanjing University of Technology to jointly build Pujiang College; donated 40 million yuan to support Tsinghua University in establishing the "China Rural Research Institute", and set up scholarships in Peking University and Fudan University to support education. Regarding cultural and sports undertakings, CP Group often makes supportive donations to Chaozhou opera troupes; from 2006 to 2010, it provided 14 million yuan in cash and in kind to the Training Bureau of the State Sports General Administration. For some sudden disasters and emergencies, CP Group also extended a helping hand in time: donated 10 million yuan during the SARS period, 30 million yuan for the "Wenchuan" earthquake, and 20 million yuan for the "Ya'an" earthquake.

Paying attention to public welfare is the corporate culture of CP Group, and it is also one of CP Group's successful experiences in agricultural investment in China.

#### **4.4 Analysis of Problems Existing in CP Group**

Although CP Group has achieved remarkable results in China's agriculture-related fields, as China's agricultural modernization in the new era has new requirements for agricultural products and technologies, at the same time, more powerful foreign-funded enterprises have begun to share the development potential of China's agriculture-related fields , Making CP Group face huge challenges.

##### **4.4.1 Product development needs to be strengthened**

Products and technology have always been the core advantages of CP Group, and CP Group has also achieved great success by relying on this advantage. However, with the development of society and the diversification of market demand, the market's demand for products is constantly changing. If you cannot fully consider the market demand and actively research and develop new products, you will easily be bent by other companies in the



ever-changing business competition. Tao beyond. In recent years, CP Group has been lacking in the development of new products, and competitors have a tendency to catch up. For example, since Chia Tai Group invested in China's agriculture, the production process of feed has changed from pelleting to extruding to superfine grinding, and there has been no more progress since then. There are only three product upgrades. When CP Group first entered China, it introduced full-price pellet series feeds represented by 551 and 510; in the mid-1990s, it launched extruded series feeds represented by 751S; from 2008 to 2010, "Bao" series feeds have been launched one after another. So far, no upgraded new products have been launched, and the progress in research and development needs to be strengthened.

#### **4.4.2 The investment structure needs to be improved**

The CP Group started as an investment in agriculture, but with the rapid development of the company, its strength has become stronger and stronger. With the continuous improvement of China's investment environment, CP Group has begun to invest in other areas, such as: industry, retail, and media. , Financial services, etc. The expansion of the investment field has enhanced the influence of enterprises, but it has also affected the concentration of investment. The investment structure is too loose, and the development of agricultural technology and models lacks specificity. In particular, some enterprises in fields unrelated to agriculture have little profit. CP Group entered the period of cautious deployment and rapid replication of Chinese investment. 100% of its funds were invested in the agricultural sector. After the horizontal and vertical expansion stages, the investment in the non-agricultural sector has accounted for 60% of the cumulative total investment. %the above. In future investments, CP Group should improve its structure, increase the concentration of investment in the agricultural sector, and build itself into an aircraft carrier enterprise in the agricultural sector.

#### **4.4.3 Investment area needs to be optimized**

my country is in a transitional period of economic development, and the investment environment is constantly changing. The initial investment of CP Group's agriculture-related industries is based on the economic level of different regions, planting advantages, and agricultural breeding. However, after decades of market development and regional optimization, the previous best investment areas have changed. First of all, CP Group's investment projects have been mainly concentrated in the coastal economically developed areas, but in view of the environmental impact of the aquaculture industry and the requirements of the planting industry on arable land, the development prospects of the CP Group's planting, feed, and breeding industries in coastal areas are limited. . Secondly, some provinces in eastern China have shown a tendency to restrict investment in the aquaculture industry, and have implemented stricter requirements or restrictive measures in environmental protection and land use. In this way, CP Group must adjust and adjust the existing investment areas in a timely manner. To optimize, we must use a development perspective to grasp the choice of future investment areas. At the same time, the central and western regions have proposed more favorable investment policies and supporting measures

in order to undertake the transfer of land-intensive and labor-intensive industries in the east. Therefore, if the CP Group transfers its rich capital and technological advantages to the central and western regions, it will not only meet the development requirements of the agriculture-related industries, but also be able to rationally allocate various advantageous resources.

#### **4.4.4 Investment concept needs to be innovated**

In the early stage of investment in China, CP Group, in order to obtain strong support from the Chinese government and obtain investment security, it mostly cooperated with state-owned enterprises to hold joint ventures and implemented a safe and stable investment philosophy. Later, seeing the stability and progress of China's investment environment, he rapidly expanded investment and was mainly solely owned. One of its purposes is to improve the efficiency of business management, and the other is to control the core technology not to leak, and the investment philosophy of CP has become a fast return; but with the three-dimensional expansion of CP's investment field and the rapid progress of Chinese society With the rapid economic development, there has been a gap between the investment philosophy of the CP Group and the needs of the development of the times and the needs of operation and management, and further development and innovation are needed. For example, the exploration of suitable equity incentives for the CP Group and the senior management's investment and equity participation methods.

### **4.5 The Strategic Choice of CP Group to Expand China's Agricultural Investment**

Since the “No. 1 Document” of China’s central government focused on “agriculture, rural areas and farmers” in 2004, CP Group has always adjusted its business strategy and investment direction in accordance with the situation and new tasks of China’s agricultural and rural economic development. The fundamental starting point is to make self-adjustment under the premise of continuously responding to China's "three rural" policies, to achieve mutual benefit and win-win results, and to practice the values of "benefiting the country, the people, and the enterprise".

#### **4.5.1 Serving China's "San Nong" construction**

Since the beginning of the 21st century, the Chinese government’s economic work conference at the beginning of each year has focused on “agriculture, rural areas and farmers”, and has continuously increased its support for agriculture. It has introduced many preferential policies for the development of agriculture, rural areas and farmers, attracting more and more people. Foreign investment in China's agriculture-related fields has made agriculture a new growth point for the national economy. CP Group has been deeply involved in China's agricultural field for many years, and has multiple advantages such as familiarity with the market and extensive layout. Therefore, CP Group must strengthen cooperation with the

government, make good use of these preferential policies, and seize opportunities for corporate development in an effort to seek advantages and avoid disadvantages. It is necessary to adjust the investment strategy and key areas on the basis of grasping the existing market shares in the advantageous agriculture-related fields. At the same time, based on the resource advantages and cultural characteristics of each region, we will explore more suitable cooperation models with local governments, agricultural enterprises and farmers, share good benefits fairly, and add color to China's "San Nong" construction.

#### **4.5.2 Optimize investment layout**

When expanding investment in the industrial chain, CP Group must grasp the choice of investment area with a development perspective. Foreign businessmen's investment in China's agriculture is mainly concentrated in the coastal areas. However, the coastal areas have more people and less land, and the increasingly tight environmental protection requirements are not conducive to the development of modern agriculture, especially land-intensive industries. Combined with the development strategy of "long-term development of the western region and revitalization of the central region" put forward by the Chinese government, the traffic inconvenience in the central and western regions will soon be alleviated, and it will take a long time for agricultural investment to start to profit. Therefore, CP Group should further expand the proportion of agricultural investment projects and amounts in the central and western regions, take advantage of the long-term close cooperation with the Chinese government, and advance the layout in the central and western regions, leasing large areas of land, and breeding or planting regional special agricultural animals. Products, establish a special agricultural and livestock product deep processing enterprise, and establish a new complete industrial chain. In view of the fact that the development of agricultural enterprises needs to follow the characteristics of long production cycles and long payback periods, during this period, the level of infrastructure such as transportation in the central and western regions will be greatly improved due to government policies. The CP Group will be deployed in the central and western regions ahead of schedule, which can seize the opportunity. Foreign-funded enterprises that re-enter later will enjoy more preferential policies from the local government. Today, China is at a critical time of development, and various environments are also undergoing constant changes. This is also a challenge for CP Group. Therefore, CP Group must fully and systematically grasp China's investment environment, optimize the regional layout, and ensure the success of investment choices.

#### **4.5.3 Deepen the investment field**

According to the requirements of agricultural modernization, CP Group should continue to optimize and deepen investment areas in accordance with local government policies and market environment. The future "blue ocean" of China's agriculture-related fields lies in the construction of agricultural product traceability system, agricultural product safety monitoring and control, agricultural product storage and transportation, introduction and breeding of improved varieties, agricultural insurance and agricultural financial services. CP Group can use the ongoing "from breeding to table" model to establish a benchmark for the traceability system of agricultural products; use existing outlets across the country to establish a nationwide dynamic monitoring system; use existing financial companies to serve

China Agricultural Insurance And rural finance. In general, CP Group can effectively combine its own advantages in agriculture-related industries with the lack of development of China's agricultural modernization. In future investments, CP Group should expand investment areas, extend the industrial chain, achieve investment diversification, and guide And promote the development of backward areas of China's agriculture, and provide systematic services for China's agricultural modernization.

#### **4.5.4 Speed up the development process**

In the context of the substantial increase in the economic level and the accelerated improvement of food production technology, the Chinese people's demand for food has risen from subsistence to a healthy level, and their attention to food safety has gradually increased. Zhengda Feed has only experienced three product upgrades in China, and the research and development process is relatively backward. At present, in light of the scarcity of high-quality meat in the Chinese market, CP Group should focus on speeding up the research and development process and launch feeds that can improve the quality of livestock and poultry meat as soon as possible. At the same time, more efforts will be made in the deep processing methods of livestock and poultry products and the research and development of food categories to introduce more diversified food and eating methods. This not only meets the diversified market demand of the Chinese market, but also meets the health and environmental protection requirements of the people.

#### **4.5.5 Innovative investment and management concepts**

At present, with the rapid development of China's economy, rapid social progress, and the three-dimensional expansion of CP Group's investment field, CP Group needs to continuously innovate investment concepts. According to different scale projects and different fields, it can boldly try joint ventures, sole proprietorships and cooperation. And many other forms. Within the enterprise, you can try to use equity incentives, implement a reform plan for the shareholding of senior executives and outstanding key employees, inject activities into the investment enterprise in the management system, firmly grasp the talents, and fully affirm and stimulate their creativity. For example: Let senior executives participate in a certain proportion of shares, and you can also implement an employee stock ownership plan; you can participate in management or not directly, and only enjoy investment dividends; investment in certain industries can require rapid profitability, but Investment in certain regions or certain industries is a long-term return process, and there is no need to require all companies to achieve rapid profitability according to the same standard.

## CHAPTER5 CONCLUSION AND SUGGESTION

### 5.1 Research conclusion

This article makes a more detailed analysis and summary of China's agricultural investment by CP Group. Chia Tai Group is the first foreign investment enterprise in China to invest in agriculture, with the largest investment amount, the widest investment area, and the most successful investment in agriculture. For investment in China's agriculture, CP Group has its own series of successful experiences, but there are also some problems. For future expansion of agricultural investment in China, CP Group has its own guiding ideology and strategic choices; for CP Group's future agricultural investment in China And development, you can have a clear judgment.

China's investment environment is becoming more and more perfect, the development of Chinese local agricultural enterprises, and more and more foreign-funded enterprises, have brought severe challenges to the CP Group. CP Group can only maintain its leading position in China's agricultural market only if it assesses the situation, closely follows the pace of China's market demand and agricultural policies, integrates existing core advantages, and chooses strategies such as deepening investment fields and expanding investment directions. In terms of industry, we will comprehensively promote the integration of planting, breeding, and enrichment, the integrated development of primary, secondary, and tertiary industries, promote the intensive processing of agricultural products, promote the construction of agriculture-related industrial chains and value chains, and improve the overall benefits of enterprises. In terms of technology, we will continue to actively introduce and use the world's advanced technologies and equipment, cultivate and reserve high-level scientific research talents, and enhance the technological innovation capabilities of enterprises.

In general, CP Group's investment in China's agriculture for more than 40 years can be divided into four stages: careful placement, rapid replication, horizontal expansion, and vertical expansion; CP Group's investment has created huge benefits for itself and created a diversified development. Conditions have also promoted the development of China's agriculture; its successful investment experience is mainly to stick to the main business, extend the industrial chain and expand the market on this basis; enter every industry to cultivate new advantages and lead the industry's standards; It is also enthusiastic about public welfare undertakings and giving back to the society; but there are also some problems, such as investment areas to be optimized, product research and development to be strengthened, investment concepts to be innovated, investment structure to be improved, etc.; Regarding how to expand agricultural investment in China in the future, CP Group will Strengthen core competitiveness, optimize investment layout, adhere to the guidance of mutual benefit and win-win, adhere to serve China's "three rural" construction, adjust and optimize investment areas and regional layout, and innovate investment concepts to continue to enhance their core competitiveness. In short, CP Group should use collaborative innovation strategic thinking

and far-sighted strategic vision to achieve the organic unity of profit growth and the development of China's agricultural modernization.

## **5.2 Research recommendations**

CP Group is one of the first foreign companies to invest after China's reform and opening up. With the development of China's economy, CP Group has become a leading company with the widest range of foreign investment in China, diversified industries, and the highest brand awareness. Therefore, the successful experience of CP Group in China's agricultural investment has a certain inspiration for how China's agriculture can increase its attractiveness to foreign capital. To increase the attractiveness of Chinese agriculture to foreign investment, there are the following suggestions:

### **5.2.1 Improve investment environment**

Specific measures to improve the investment environment include: the government must transform the infrastructure in the central and western regions to meet the satisfaction of foreign businessmen and attract them to invest in the central and western regions; the government needs to reduce the approval process for foreign agricultural investment and disclose the government's operating procedures ; Accelerate the reform of the establishment and registration system of agricultural land in my country, clarify the property division boundaries of ownership, management and contracting rights, and provide land vehicles for large-scale foreign investment in China's agricultural planting industry. The government should raise the level of compulsory education and expand the number of students enrolled in agricultural colleges and universities so that more people can receive agricultural higher education and improve the quality of farmers.

### **5.2.2 Broaden the channels for foreign investment**

From the perspective of the source of foreign investment in agriculture, increase investment in developed countries and regions such as the European Union and the United States. At the same time, it is necessary to open the door widely, attract investment, hold and promote investment seminars, promote business through business, and visit some countries and regions to attract investment, and at the same time invite interested foreign businessmen to visit China. We should actively explore new ways to utilize foreign capital. For some projects with high technological content and high added value, we should try to use new methods such as financial means and equity transfer to introduce foreign capital.

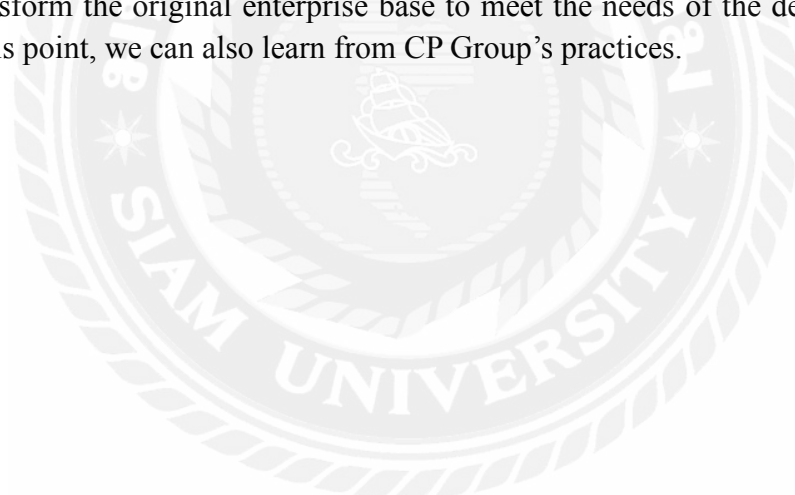
### **5.2.3 Strengthen the protection of the preferential system**

In recent years, my country has gradually cancelled its preferential policies for foreign investment, but cancellation of preferential policies cannot cover all industries. Due to the particularity of agriculture, we should still give preferential treatment to foreign investors

who invest in agriculture. Minimize related taxes, such as reducing the income tax of agricultural enterprises, exempting import tariffs on imported agricultural machinery, and granting tax exemptions to projects that encourage investment. Not only that, but it can also reward foreign businessmen who invest in agriculture-related fields, and use preferential policies to make up for the disadvantaged position of agriculture in industrial comparison, so that more high-quality foreign investment can enter agriculture and promote the development of agriculture. The experience of Thailand's CP Group Tell us this is feasible.

#### **5.2.4 Strengthen cooperation between foreign capital and Chinese companies**

Most of the projects involving the use of foreign investment in agriculture are small township and village enterprises, which puts China at a disadvantage in the negotiation of cooperative projects. Therefore, it is necessary to develop and cultivate a number of large agricultural enterprise groups as soon as possible. They are the bridge connecting scattered families and large markets at home and abroad. With these large enterprises as carriers, they can attract more foreign capital and improve their ability to cooperate with foreign businessmen. . For example: starting from state-owned enterprises, establishing large-scale agricultural products companies with the participation of the state, collectives, and farmers. The advantage of this approach is to use the capital and policy advantages of state-owned enterprises to transform the original enterprise base to meet the needs of the development of the situation At this point, we can also learn from CP Group's practices.



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