

Discussion on the Implementation of Order Terms of Agricultural Foreign Trade Products under the Development of New Cross-border E-commerce Format

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Abstract

Cross-border E-commerce brought 1.69 trillion yuan of trade volume to China in 2021, prompting the import and export trade to gradually glow with new vitality under the development of new formats. As a big exporter of agricultural products, China's export of agricultural products is bound to be restricted by natural disasters, competition, politics and other factors under the background of an era of urgent economic recovery. This paper will analyze the new opportunities of agricultural products export trade by comparing the traditional order business with the new format of Cross-border E-commerce, and explore the advantages and disadvantages of exporters' application of Cross-border E-commerce to the implementation of order terms.

Keywords

Agricultural Products; Cross-border E-commerce; Order Terms.

1. Introduction

As a major grain producer, the export of agricultural products plays a very important role in the domestic economy. Taking the research on the international operation of special agricultural products in Jilin Province as an example [1], small and medium-sized enterprises (SMEs) in the traditional order business of export trade may face a huge bill issuance cost and trade transportation risk, which may cause a business crisis for SMEs. However, Hebei's agricultural products [2] were successfully exported to earn foreign exchange through the "order business" of export trade. He Youlin mentioned in the article [3] that "China is the world's largest producer and consumer of agricultural products and one of the world's major exporters of agricultural products." When there is a financing problem for the agricultural products export enterprises, the exporters in Yunnan province put forward "using export credit insurance" as a solution. To sum up, under different trade forms of agricultural foreign trade products, the terms that the orders need to be executed all have key points and changes. In order to improve the execution of terms of orders for raw materials of agricultural products, Cixi City in Zhejiang Province adopted a new model of weighted assessment [4] to formulate price terms in order to promote trade. In addition, from the analysis of Liaodong Mountain specialty export trade [5], it can also be seen that as an important channel for economic development, the export of agricultural products urgently needs to deepen reform, accelerate innovation, strengthen the mastery of information on the implementation of order terms, expand export channels and occupy the international trade market.

2. The Status Quo of Agricultural Products Order Terms in Traditional Export Trade

2.1. The Matters Needing Attention in Order Signing are Complicated

When signing a foreign trade order for the export of agricultural products, we should not only pay attention to the quantity, price and delivery time of the subject matter, but also consider the freshness and quality standard of the products. China's exports of agricultural products are basically raw materials after production, which are directly exported after rough machining. There is a lack of technological updates. As a result, many small and medium-sized enterprises in China have to give up orders or face compensation when importers in orders put forward technical requirements for the production and supply of agricultural products.

In addition, the export of agricultural products is very different from that of apparel products. The description of the goods in the sales contract of apparel products shall be specified as follows: style, shell and lining of clothing, as well as size table, size and color matching table and specification table; The description of the goods of agricultural products should include the name, specification, quantity, price and variety of the goods. The most important parts in the contract are the quality and technical standards and the terms of the product packaging (for example, the importer will specify the time for each harvest by the exporter to ensure that the purchased agricultural products are clean and fresh, free from soil and silt, free from pollution such as pesticides and fertilizers, in line with the standards of green food, and suitable for storage and long-distance transportation).

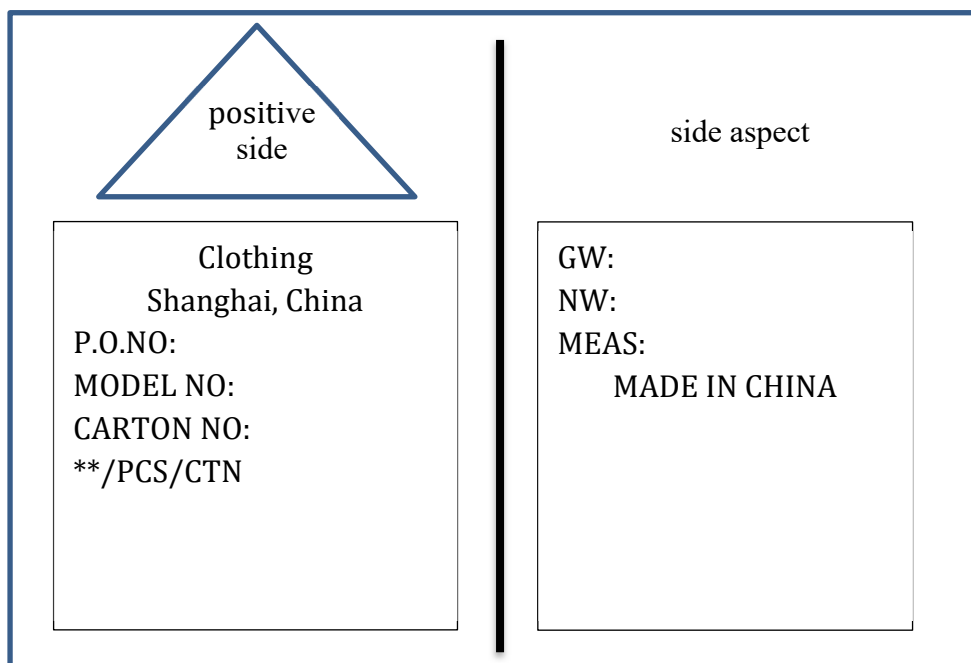


Figure 1. Two or more references

Relatively speaking, the packaging of agricultural products is simpler than that of apparel products. The packaging terms of apparel products sometimes require solid color and size, while the packaging of agricultural products is determined by both parties according to different product varieties and transportation requirements.

It is worth mentioning that the insurance clauses of agricultural products are often the most troublesome for exporters. Because the shelf life of agricultural products is shorter than that of other major products, some special products (such as tea, cotton, etc.) also need to consider

special insurance clauses such as water retention insurance and smoke insurance, which not only increase the trade cost of exporters, but also cause greater losses due to the negligence of foreign trade salesmen in examining documents.

2.2. The Weakening Trend of Agricultural Exports

Judging from the statistics of export volume in the past 10 years, although agricultural products and apparel products are the main commodities in China's export trade, the total export volume of apparel products is obviously more than that of all kinds of agricultural products, and is increasing year by year. (see table below).

Table 1. Annual Data of Exports of Some Agricultural Products and Apparel Products from 2015 to 2019

index	2019	2018	2017	2016	2015
Wholesale commodity exports of agricultural, forestry and animal husbandry products (billion yuan)	186.11	166.8	162.19	135.67	166.19
Wholesale commodity exports of rice, flour products and edible oil (RMB100 million)	193.64	218.6	219.25	226.1	268.26
Wholesale exports of textiles, clothing and daily necessities (RMB100 million)	8664.69	7804	7313.29	6684.5	7123.22

Through the histogram, the difference between the two can be seen more intuitively. (As shown in Figure 2)

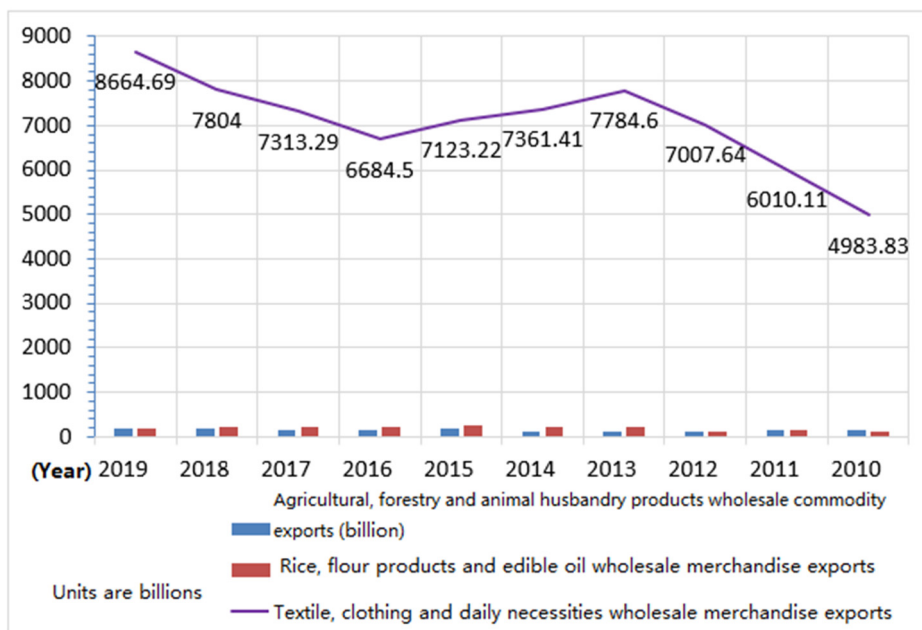


Figure 2. Comparison of Export Value of Some Agricultural Products and Clothing Products

3. Changes in Terms of Agricultural Products Orders under Cross-border E-commerce

3.1. Influence of Cross-border E-commerce on Foreign Trade Industry

Depending on our country's advantages of vast territory and abundant resources, the number of varieties of agricultural products has always been among the highest in the world. More output means that the sales volume must keep up with it. The connection between production and sales depends on the order form. Export of agricultural products by way of signing a contract is the way most traditional foreign trade enterprises trade. However, with the development of Internet technology and the emergence of Cross-border E-commerce business, many foreign trade enterprises have begun to explore new trade routes, or will complement each other. On the one hand, Cross-border E-commerce has greatly lowered the threshold for international trade. On the other hand, it has also revealed the impact of new foreign trade methods on the implementation of order terms.

3.1.1. Benefits of Cross-border E-commerce to Order Business

In recent years, Guangdong Province has continuously given play to its own advantages in industry and E-commerce, continuously improved the cooperation and exchange mechanism, and improved the level of Cross-border E-commerce facilitation [6], which is an advantage for Guangdong Province to realize the integration of new business development. From 2016 to 2020, the import and export volume of Cross-border E-commerce in Guangdong increased from 22.796 billion yuan to 172.646 billion yuan, with an average annual growth rate of 65.9%, ranking first in the country for seven consecutive years. At the same time, on the basis of continuously expanding the new foreign trade model, Guangdong Province is also actively promoting the signing of trade orders, leveraging the new format to stimulate the vitality of the traditional trade mode, not only enabling the foreign trade industry to hold on in the process of preventing and controlling the epidemic, but also making indelible contribution to the country's economic recovery after experiencing the difficulties of the epidemic.

3.1.2. Disadvantages of Cross-border E-commerce to Order-making Business

Although Cross-border E-commerce has a lot of benefits and help to order business, due to its own outstanding advantages, it is very likely to reverse absorb a lot of order business, resulting in a decrease in the order volume of traditional foreign trade exporters and a decrease in the ability to execute the order terms.

3.2. The Impact of Cross-border E-commerce on the Terms of Agricultural Products Orders

Logistics has always been one of the points of dispute between importers and exporters in the process of foreign trade transactions—freight, storage, insurance and who should charter the ship and book the space. In Cross-border E-commerce transactions, the industry has basically formed a "Cross-border E-commerce+overseas warehouse" model, i.e., small and medium-sized exporters aiming at quick selling and quick selling have chosen to cooperate with third-party overseas warehouses [7]. Under this model, the third party stores the goods overseas, which improves the selling rate of the exporters' inventories and also provides diversified distribution channels for the exporters.

Therefore, it can be concluded that the order terms of agricultural products under the Cross-border E-commerce model will be affected by the following three points:

(1) Considering that agricultural products are not easy to store, exporters are in urgent need of improving clearance efficiency. Therefore, choosing Cross-border E-commerce to trade agricultural products will not be without the blessing of "overseas warehouse". In this case, regardless of whether the importer chooses the FOB trade term or the CIF trade term, i.e.,

regardless of whether the exporter bears the freight and storage charges, the interests of the exporting enterprise will not be damaged, and the execution of the order terms will be improved, which is beneficial to the further cooperation in trade between the two parties.

(2) As a necessity of life, the price of agricultural products has a direct impact on the volume of trade. In the traditional way of trade, the exporter and the importer repeatedly communicate to determine the price. As mentioned above, the exporters in Cixi City, Zhejiang Province use the weighted assessment pricing method to determine the price terms. However, in the final analysis, the reason why the price of the traditional foreign trade model is difficult to determine is the information asymmetry. Today, the circulation of price information of agricultural products under the Cross-border E-commerce model is faster and easier to collect. Exporters become more confident in setting price terms in their orders, thus facilitating the implementation of the order terms.

(3) Under the Cross-border E-commerce model, issues such as promotion of agricultural products and demonstration of samples were solved. Compared with the traditional way of sending samples by mail or visiting factories, under the new model, exporters can optimize the promotion platform of products through a diversified and comprehensive trading model, coupled with the strong support of the government, which enables small and medium-sized enterprises to actively join the ranks of international trade and increase the learning rate and utilization rate of order terms. The motivation of small and medium-sized enterprises to actively explore the market also increases the implementation rate of order terms.

4. The Development Strategy of Cross-border E-commerce Order Business of Agricultural Products

In recent years, China's balance of payments has continued to improve. In the first three quarters of 2021, the trade surplus in goods increased by 23.7% year-on-year, and the import and export of Cross-border E-commerce increased by 20.1%. Levin, deputy minister of agriculture of Russia, pointed out that the scale of global E-commerce trade in agricultural products increased by 40% year on year in 2020. At present, China's E-commerce market is developed and consumer demand is strong, which plays a huge role in promoting the E-commerce import and export business of agricultural products. Domestic large, medium and small exporters should continuously improve the quality of agricultural products and optimize the business process to adapt to the high competition in the E-commerce market and the rules of online trade orders.

The scale of agricultural trade depends on the communication effect of trade volume and price [8]. In 2021, due to the impact of floods, the production of agricultural products in some parts of the country dropped sharply. How to quickly adapt to the new business format of Cross-border E-commerce and occupy the international market (in the post-epidemic era) are the urgent problems that the agricultural product exporters want to solve. Based on the above analysis, this paper lists the following suggestions:

(1) to stabilize the existing foreign trade order business of agricultural products, small and medium-sized enterprises can be good at highlighting the characteristics of agricultural products (special agricultural products, special mountain products, etc.), grasp the market situation, increase the export channels of products.

(2) Actively seek government assistance, overcome technical barriers and green barriers, accelerate the export momentum of agricultural products, and form a stable trade model.

(3) Combined with the experience of the new model and the local reform pilot, the agricultural product exporters need to take advantage of the Cross-border E-commerce to avoid the negative impact of Cross-border E-commerce on the traditional order business.

(4) Expand the scope of influence of Cross-border E-commerce in trade and actively publicize and promote agricultural products, so as to seize the international market and expand the scale of enterprise trade.

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