

Thoughts on the Competitiveness of Hainan Tea Industry under the Background of Free Trade Port Construction

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Abstract—This paper studied the competitiveness of Hainan tea against the backdrop of Hainan free trade port construction. Through the evaluation of Hainan tea competitiveness with the diamond mode, it concluded that reform needs to be carried out in development system, tea bases, production and processing, marketing, quality and safety management. Concepts and requirements like ecology, health and keep in good health are also raised in production. In the rural revitalization strategy, it is required to adhere targeted poverty alleviation by tea industry and proposed the measures to enhance the competitiveness of Hainan tea industry.

Keywords—Hainan free trade port construction; Hainan tea; industrial competitiveness; diamond model

I. INTRODUCTION

On April 13, 2018, General Secretary Xi Jinping pointed out that the central committee of the communist party of China (CPC) had decided to support the construction of a pilot free trade zone with Chinese characteristics in Hainan Island. It also stressed that Hainan should fully practice the idea that clear waters and green mountains are as good as mountains of gold and silver, take the initiative in the reform of ecological civilization system for the construction of ecological civilization nationwide.

To become the free port with Chinese characteristics, Hainan needs to work hard to develop its competitive agricultural industry which plays a significant role in the provincial economy. As the Chinese government calls for us to resolutely safeguard the ecological environment, how will Hainan province do to realize the agricultural upgrading while maintaining ecological balance? It is worthy of discussion by people inside and outside the industry.

II. EVALUATION OF HAINAN TEA INDUSTRY COMPETITIVENESS WITH DIAMOND MODE

A. Analysis of production elements

This paper analyzes the factors influencing the competitiveness of Hainan tea industry from the aspects of natural and human resources.

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1) Strengths

(1) Hainan boasts favorable climate and geological resources. Located in the northern margin of the tropics, Hainan belongs to a tropical monsoon climate with 1750-to-2650-hour annual sunshine durations. The average temperature on the island falls within 22 to 26 degrees centigrade, enjoying the reputation of natural greenhouse. The average annual rainfall is above 1600 mm, and the soil is slightly acidic, suitable for the growth of tea trees and conducive to the high yield and quality of tea. The mountain area is full of clouds and fog all the year round with big air humidity and great temperature difference between day and night, which makes it the ideal place for nurturing famous tea. Moreover, Hainan is the only region in China where tea can be picked in four seasons. As the tea matures early, it is praised as the Chinese best spring tea. The harvest period is as long as 10 months, and the yield per unit area is about 30%, higher than that of tea plantations across the mainland.

(2) Hainan entails competitive tea germplasm resources. Hainan tea belongs to big leaf kind of tea. The tea is thick with mellow taste. Dry tea is resistant to brewing and rich in contents. The black tea processed has the aroma of flower and fruit, milk and honey, and some characteristics of high-quality tea. It can be comparable to the first-class black tea from India, Sri Lanka, Kenya and other countries in terms of quality. It enjoys high popularity and reputation among tea traders and has great potential for development. [1]

(3) Hainan is rich in selenium resources. As selenium is one of the indispensable trace elements in human body, consumers hanker for selenium-rich agricultural products. The soil in the tea-growing area of Hainan is rich in selenium, and the agricultural products are abundant with organic selenium. Therefore, the selenium has become one of the competitive features of Hainan tea.

2) Weaknesses

Hainan tea is mainly represented by the green tea with relatively simple product structure, high labor production cost, and low comprehensive utilization of resources. It can be observed from the following aspects.

(1) Compared with other regions of the country, tea plantation output in Hainan is low. In 2017, the average yield

per mu of Hainan tea plantations was 50.28 kg, 10.52 kg lower than the national average yield of 60.8 kg per mu.

(2) Single variety and low popularization rate of improved varieties. Hainan elite tea plantations only account for 50% of the total tea cultivation field. What's worse, the germplasm resources have not been effectively developed.

(3) The comprehensive utilization level of resources is low. First, the tea plantation infrastructure is backward with poor management, and the picking method is primitive, with low mechanization degree, so the picking efficiency is low. For example, the picking rate of fresh tea leaves is less than 30%, failing to meet economic output. In addition, the technological innovation of the tea industry has not been paid attention to. Therefore, Tea product lacks competitiveness as it has few types and is not cost-effective.

(4) The production and processing are extensive. There is a serious shortage of technical force, advanced production facilities, new processes and technologies. The production is not intensive with low level of industrialization.

(5) Tea product structure is simple. The products are mainly based on the traditional production mode which remains at the rough processing of raw materials. The relatively extensive operation results in the low proportion of refined tea and few derivative products. The comprehensive utilization level of tea is also low, and the added value of the products is not high.

(6) High-quality talents are scarce. There is a shortage of research and development talents, tea culture promotion and modern service talents. The current practitioners' quality is generally low. The colleges and universities in the province haven't done well in the cultivation of tea industry professionals.

B. Demand analysis

The development of economy pushes people to pursue a healthier life. Tea, as a kind of green food, is deeply loved by people because of its inherent trace elements and health care effects. Therefore, there is a huge potential market for the tea industry.

1) Domestic market demand

It is estimated that the consumption of tea in China was about 1.93 million tons in 2017. And that figure in Hainan province was 7,310 tons, with a total sales volume of 800 million Yuan. However, Hainan's self-yield tea is only 870 tons, accounting for about 12% of the circulation. Current data shows that the productiveness fails to meet its market needs which rely on imports from Fujian and Yunnan provinces.[2]

2) Foreign market demand

In recent years, the global tea market demand continues to grow. The world produced about 5.57 million tons of tea in 2017 and consumed about 5.44 million tons. It is expected that the global consumption of tea will exceed 6 million tons by 2020.

C. Supporting industries analysis

The supporting industries related to the tea industry include mechanical working industry, packaging printing industry, cultural tourism, logistics and transportation, etc. Hainan tea circulation is relatively backward in mechanical working industry and promotion, and the packaging printing industry also relies on Guangdong and Fujian to a large extent. What plays a positive role is the tourism and logistics.[3]

1) Tourism industry

In 2018, alongside the construction of free trade port, Hainan has realized total tourism revenue of 95.16 billion Yuan and received 76.2739 million domestic and foreign tourists. Tea and tourism rely on each other, generating the "tea culture tourism". For example, Shuiman town in Wuzhishan and Maoan town in Baoting, relying on tea planting bases and local scenery resources, attract tourists from all over the country to pick tea, enjoy tea gardens, enjoy tea parties, buy tea and visit tea plants, etc. The tea tourism combined with cultural tourism opens up a new path for the development of local tea industry.

2) Logistics industry

The smooth traffic and rapid development of logistics industry can not only guarantee the transportation and storage of tea products, but also provide rapid and convenient services for the development of tea industry.

At present, Hainan has direct access to Southeast Asia, the Middle East, Africa, Europe and other regions. Domestically, it reaches out to Guangdong and Guangxi provinces and to east, north and northeast coast through the Taiwan strait. Internally, the "three-vertical and four-horizontal" grid covers to each city, county and port and even town and scenic spots. The "Three Hours Circle of Railway Transportation" provides a superior spatial layout for Hainan tea import and export trade.

In addition, there are more than 800 logistics related enterprises in Hainan province, involving traditional transportation services, warehousing services, transportation agents and professional logistics services. In 2017, Hainan has reaped a total of 695.8 billion Yuan of social logistics, including 152.2 billion Yuan for agricultural products, accounting for 21.87 percent of the total.

D. Analysis of enterprise strategy, structure and industrial competition

Enterprise strategy, structure and horizontal competition refer to the pull of international market demand and the push of domestic competitors.

1) Hainan tea industry organization status

Hainan tea plantations are mainly distributed in state-owned farms. In 2017, Hainan tea plantation covers an area of 14,457 mu, accounting for 66.32% of the total area of the province and 56.32% of its output.¹ In recent years, with the efforts of provincial party committee, provincial government and municipal and county governments, tea production has developed rapidly under the policy of benefiting farmers. At present, Hainan tea industry is mainly organized in four forms,

¹ Source: provided by Haiken Group Co. LTD, Aug. 13, 2018.

that is farmers + farmers, tea plants + farmers, companies + farmers, companies + cooperatives + farmers.

2) *Basic information of production enterprises*

The scale of tea enterprises in Hainan is uneven. Most companies are newly established and small in scale with narrow sales channels, weak management and low market share. Few innovations and technologies are applied in product development, brand and sales. The sales platforms and e-commerce technologies are relatively backward and government allocates few financial resources.

In terms of corporate competitiveness, state-owned enterprises dominate the market, while private enterprises operate independently.

3) *Tea industry competition*

Hainan tea production and processing technology is relatively backward. The research and development on product and brand are insufficient, resulting in the lack of hit products. The horizontal competition is mainly manifested in the following aspects. Consumers pay little attention to Hainan tea brand. Common brand value is low. It does not have large influence. Brand promotion is not strong enough and brand is poorly managed. Tea circulation system is not perfect, so the marketing channel transformation is difficult. Product homogenization is also a serious problem.

E. Government and opportunity influence

Government policies can also provide opportunities for industrial development, and force changes in industrial competitiveness. Since the reform and opening up, great development has been made in China's tea industry. In places that are suitable to grow tea, local governments at all levels support the tea industry as the key industry to promote rural economic and social development.

In April 2018, the CPC central committee and the state council issued the Guideline on Supporting Hainan to Comprehensively Deepen Reform and Opening-up, supporting the construction of pilot free trade zone across the Hainan island. Therefore, Hainan will embrace new opportunities for reform. In the process of corresponding industrial reform, the central government and Hainan local government will give different policy support. The tea industry will also usher in prosperous development.

III. COUNTERMEASURES AND SUGGESTIONS TO ENHANCE THE COMPETITIVENESS OF HAINAN TEA INDUSTRY

According to the analysis and evaluation, here puts forward the measures to improve the competitiveness of Hainan tea industry.

A. Promote institutional transformation and upgrading

1. Establish input mechanisms. We can set up a leading group for tea industry development research and promotion, and a special tea industry development fund. Support the development of the tea industry in the province by giving more incentives to key bases, leading enterprises, scientific research institutions and important talents. We should improve the

ability to guarantee funds, establish a sound system for investment and financing in the tea industry, leverage government input, and stimulate bank loans and social funds to support the large-scale, standardized, scientific and intensive development of the tea industry.

2. Improve the management of the tea industry. We can complete the organization and institution to coordinate the tea industry in the province, set up tea industry management offices at all levels, and clarifies their responsibilities. According to the industrial development characteristics and objectives of each city and county, invite tea professional technical personnel and office professionals can be hired to actively explore management methods to promote the rational flow of talents, capital, technology and information.

3. Strengthening cooperation. We can invite experts and scholars in related fields of tea industry to form an expert group to provide effective services for local governments, enterprises and tea farmers in the development of tea industry. Enhance the cooperation among cities, counties and regions, and the collaboration among tea institutions, enterprises, associations and research institutions inside and outside the province. Promote technology, market, talent, brand integration.

B. Promote the transformation and upgrading of tea planting base

1. Expand tea plantation area. Make full use of Hainan's ecological resources, give full play to the advantages of Hainan's mountains and forests, introduce tea planting experience, and expand the tea plantation area.

2. Scientifically arrange the layout of the tea bases. In addition to the production of Hainan black and green tea, other types of tea can be cultivated to create differentiated product ideas.

3. Build high standard plantations. In the era of "comprehensive health", with the keywords "green food", "ecological tea" and "organic tea", we can improve the application level of science and technology in tea industry and build tea garden base with high standards. We should make full use of the land transfer policy, innovate the land development model, and increase the scale of plantations. Address the investment problem on development, increase the input of scientific and technological investment in tea gardens, and improve the comprehensive yield and utilization rate of tea plantations.

4. Select an excellent tea variety for system construction. Take excellent tea variety as high-quality raw materials for Hainan specialty tea, and scale up the planting, which can be the core competitiveness of Hainan tea. We can actively promote the tea variety, increase the breeding, and establish a unified breeding base with production standards.

C. Promote the transformation and upgrading of tea production and processing

First, we can establish a green and ecological industrial plantation, optimize the layout of tea processing enterprises, focus on the research and development of Hainan tea processing technology, and improve the output and

comprehensive utilization level of tea products processing. Second, foster leading enterprises to set the benchmark and strengthen their leading role. Third, comprehensively improve the quality of tea products, improve tea production efficiency. Improve the productivity and technical equipment level of processing enterprises. We can promote the division of primary processing and refining, and form the standardization of processing, refining, data-based blending and intelligent processing, and achieve clean production in all processing enterprises. [4]

D. Promote brand and market construction transformation and upgrading

Bearing in mind the goal to improve brand awareness and market share of products, we need to publicize public tea brands in Hainan with highlights and differentiated support, through network, new media, exhibitions, various events and other promotional methods. With Hainan ecological resources and tea healthcare function, we can expand the public recognition of Hainan tea, and create a synonym for the health of Hainan tea. [5]

We can make more efforts in exploring the tea market in an all-round way. Introduce consumption concept like “high quality tea” “healthy tea”, “ecological tea” “green food” concept of and the health care to the massive consumers so as to guide the purchasing. To transit from traditional to modern sales mode, the trade platform can be built to enhance the level of tea e-commerce in Hainan.

E. Promote the transformation and upgrading of tea quality and safety management

We should strengthen the quality and safety training for enterprises, tea plantations, farmers, wholesale and retail markets and relevant technical personnel, and improve the tea quality inspection and certification system. Establish standardized production pattern, and the quality safety monitoring and management in the production and product traceability system, so as to Hainan tea stands above the crowd with quality and safety credibility. What’s more, a supervision and reporting system can be set up to maintain the brand image of Hainan. By cracking down on illegal operations and unqualified production, strictly regulating the tea industry

evaluation and consultation, we can effectively ensure the sustainable and sound development of the tea industry. [6]

IV. CONCLUSION

At present, Hainan is carrying out the construction of free trade port in full swing. Hainan tea, with excellent quality, used to be the main source of foreign exchange generated by China’s exports and one of the pillar industries of Hainan agricultural economic development. By analyzing the Hainan tea industry competitiveness with the “diamond model”, we have concluded that the industry needs to be reformed in the development systems and mechanisms, tea base, production and processing, marketing, quality and safety management. Given this, it is put forward to adhere to the concept of “ecology, health, keeping in good health” and unswervingly take tea industry as the leading role for poverty alleviation in the implementation of the strategy of “rural revitalization”. Measures are proposed to promote tea industry structure adjustment and transformation. Under the background of Hainan free trade port construction, this paper provides a reference for solving the problems of Hainan tea industry at the present stage, and plays a positive role in developing the twelve key industries of Hainan

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