

# How E-commerce can Accelerate the Promotion of Agricultural Products, and Open New Paths to Poverty Alleviation

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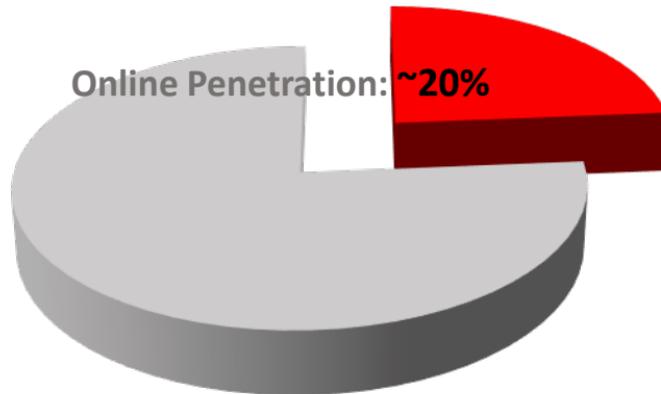
# China – US E-commerce 2018 Comparison



## China

Total retail TAM: ~US\$5.5 trillion

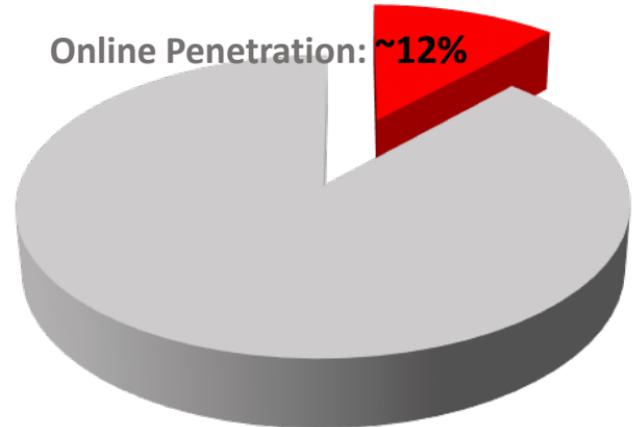
E-Commerce growth ~25% YoY



## US

Total retail TAM: ~US\$6 trillion

E-commerce growth ~15% YoY



## Pinduoduo Introduction



**New e-commerce platform**, providing value-for-money products and fun interactive shopping experiences for all users



Innovative business models & technology applications, **streamline product distribution**, and effectively promote the development of agriculture and manufacturing industries



As of end of June this year, the company has **483 million annual buyers** that transacted **709 billion yuan of gross merchandise value**

## Pinduoduo Introduction



Pinduoduo started out selling agricultural products.

The **“team purchase” model** can aggregate large demand in short amount of time and as a result, quickly digest large quantities of seasonal agricultural products.

As the model evolved, supply and demand information from both ends can **more accurately match** consumer demands with that of the agricultural products' maturation cycle.

It is possible for China's agriculture to break through the constraints of small-scale operations and decentralization and to embark on a new path.



# China's Agricultural Industry Status



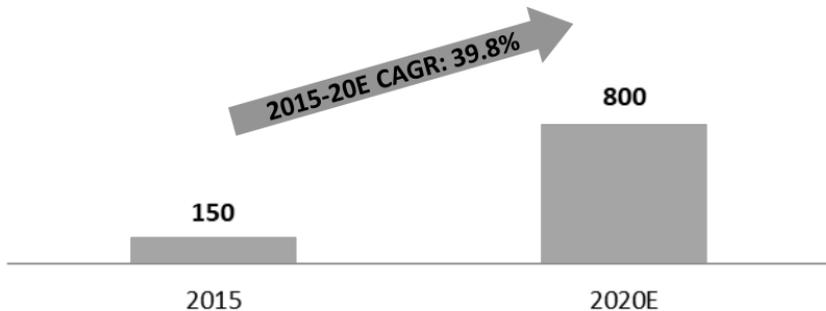
China has a massive agricultural GDP value...



2017  
Agricultural  
GDP in China<sup>(1)</sup>

Online retail can more efficiently serve the need of the agricultural market and is expected to grow at a rapid pace...

Online agriculture products retail sales GMV<sup>(2)</sup> – (RMB bn)



China is big agricultural country + Poverty-stricken population in remote rural areas...

Driving rural area poverty includes:

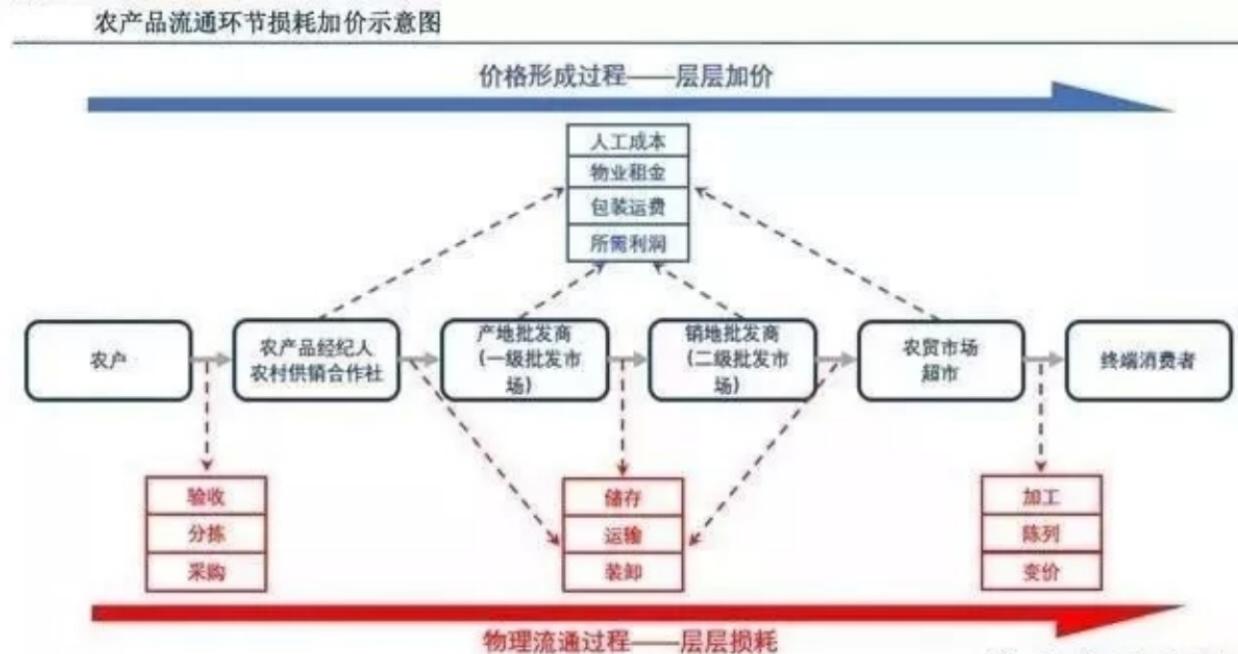
- agricultural production is highly fragmented
- Lack of real-time visibility into consumer demand and preferences
- Complex and long agricultural industrial chain
- Lack of young talents resulting in hollowing out effect

Source: National Bureau of Statistics of China, Ministry of Agriculture of China

(1) Source: National Bureau of Statistics. Represents the GDP of agriculture, hunting, forestry and fishing.

(2) Source: Ministry of Agriculture of China. 2020E online agriculture products sales volume is a target set by the Ministry of Agriculture of China.

# Complex and Long Agricultural Industrial Chain



Many agricultural products, from the farm fields to the hands of consumers, go through **6 ~ 8 distribution layers**. Each layer not only **increases costs** but also **increases wastage** rate.

# How Can E-commerce Platforms Sustainably Promote Poverty Alleviation?



## 拼多多助农数据大屏



**E-Commerce** play important role

Help agricultural households registered in poverty-stricken areas capture MORE economic benefits

- ✓ **Innovative model: Team purchase** can aggregate demand
- ✓ **400+ million consumers: Direct Connect** shorten distribution layers & provide direct access
- ✓ **Technology: AI & Central Processing System** aggregate information and optimize supply and demand matching
- ✓ **Resources: Consolidate local resources & local talents & data**

- **“Ground Network”**: New generation farmers; improve supply network with improved infrastructure & product uplink
- **“Skynet”**: "Central Processing System for Agricultural Products" for major production areas to enable information transparency and achieve precise matching

## Localizing Talents Equates to Sustainability



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Launched **62,000** **new generation farmers** to return home, to established a **distribution centers** for sorting, packaging and logistics in all corners of China, which will enable small farmers to directly connect with end consumer market.



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The integration of **fast-track channels** to directly link the supply side farmers from poverty-stricken counties across the country to the demand side office buildings and communities across the country to establish a **sustainable** poverty alleviation and support mechanism.

## New Model for Poverty Alleviation – DuoDuo Farms



April 2019, Pinduoduo launched **DuoDuo Farms**

Enabled poor households to become **“new farmer business”** mechanism and ensure they **capture larger part of agricultural economic value chain** sustainably.

Aim to create **1,000 DuoDuo Farms** in next 5 years to cover all major agricultural product categories.

Cooperate with universities such as China Agricultural University to **localize talents** through training rural area talents and encouraging young talents in higher tier cities to return home.

## New Application for Poverty Alleviation – DuoDuo Orchard



“**DuoDuo Orchard**”, through virtual and interactive games, plant virtual fruit trees and win real fruits.

Most fruits come from poor areas of China. Today, DuoDuo Orchard delivered **over 1.2 million kilograms** of fruits per day.

Through this kind of innovative poverty alleviation and agricultural application, users have become a part of poverty alleviation while harvesting happiness.



## Pinduoduo Poverty Alleviation Efforts



In 2018, transacted **65.3 billion yuan of agricultural products** & agricultural related products, making Pinduoduo one of China's largest agricultural products platforms.

The number of merchants registered in state-level poverty-stricken counties exceeds **140,000**.

E-commerce platforms account for a small proportion of total agricultural product transactions, and **there is large room for growth**.





## Case Study: Yacon Fruit – a story of how it was discovered and became popular



**Yacon Fruit**, ( 雪莲果 ) native to the South American Andes, is homologous to potatoes.

Due to the **low cost** of planting and maintenance, **good production yield**, Yacon became popular among farmers especially in Yunnan region.

However, there is **no big market demand** for Yacon. Majority of consumers from Guangdong, Guangxi and Fujian use it as a soup ingredient.





## Case Study (Yacon Fruit): How Aggregate and Drive Demand?



End of 2016, Pinduoduo went to **Wenshan, Yunnan** province to help Yacon farmers

In 2018, **~22 million kilograms** of Yacon were sold; **>20%** of Yunnan's overall output

Yacon fruit became one of the most popular fruits online



## Case Study (Yacon Fruit): How to Improve Production & Distribution Efficiency?



On June 14, 2019, implemented 2<sup>nd</sup> **“Duoduo Farm” project** in Wenshan, Yunnan Province. Focused on **households registered in poverty-stricken regions.**



Cooperated with **Industrial Crops Institute of YAAS** (Yunnan Academy of Agricultural Sciences) and **10 agriculture experts.**



With help from Industrial Crops Institute of YAAS (Yunnan Academy of Agricultural Sciences), **formalized national level industry standards** for Yacon fruit production.



## Case Study (Yacon Fruit): How to Create Sustainability & Localized Talents?



The “**new generation farmer**” mechanism was launched to promote the establishment of new rural commercial enterprises with farmers as the mainstay, especially **households registered in poverty-stricken regions**, so farmers can **capture more economic benefits** from the agricultural value chain

## In Conclusion...



Crucial period for China's **poverty alleviation initiative**. China aims to achieve comprehensive poverty alleviation by 2020.



With the development and application of innovative technologies and models, China's agriculture industry will usher in major changes, will further promote **"rural area revitalization"** initiative and drive up the living standards of farmers.



Pinduoduo will also move forward, contributing more innovative **technologies** and **models**, and continue to create more value for consumers and farmers!

# Thank You



[www.pinduoduo.com](http://www.pinduoduo.com)