

Current Situation and Limiting Factors of Land Circulation: Case Study of Different Areas in China

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Abstract: In order to improve the efficiency of agricultural production, China is promoting rural land circulation, thereby reducing land fragmentation and promoting large-scale management. This paper attempts to reveal the current situation and limiting factors of land circulation. Considering the regional differences in China, three areas with different economic background are selected for questionnaire and interview research. It is found that there are significant differences in the degree, way and subject of land circulation in the three regions. And there are several common constraints, including the lack of intermediary organisation, low profits in farming and overhigh expectation on land value and limited understanding of policy.

1. Introduction

In the early 1980s, China was still a socialist country dominated by agricultural population. In order to stimulate farmers' enthusiasm for production, China carried out the reform of the household contract responsibility system. The land was contracted to the family, and the ownership still belonged to the rural collective. However, with the rapid development of urbanization, a large number of farmers entered the city to work or live, resulting in many idle agricultural land. Meanwhile, the household contract responsibility system also caused the fragmentation of land management, resulting in low efficiency of agricultural production.

Land circulation is regarded as a critical measure to change this situation and promote large-scale land management [12]. In 2004, the State Council issued "Decision on Deepening Reform and Enforcing the Management on Land", emphasizing that "the right to use the construction land collectively owned by farmers can be transferred according to law." In 2016, the State issued "Opinions on improving the measures for the separation of the right to contract and the right to operate rural land" which clearly defined three rights of rural land-the ownership of land belongs to the farmers' collective, the contracted right of land belongs to the farmers' families, and the land management right can be transferred. This laid the legal foundation for rural land circulation. However, the land circulation is still facing many challenges, especially in lack of professional management institutions and legal service institutions for the process [15]. Also, the social security

function of rural land has been treated as ‘Unemployment Insurance’ for farmers who choose to work in the city without farming [14]. There are complex economic and social problems in the process. It is of far-reaching significance to accurately understand the current situation and limiting factors of land circulation. This paper makes an overall analysis based on the open data and selects three regions in China as cases to carry out fieldwork.

2. Related Work

There has been an extensive discussion of land circulation around the world. Wegren [10] made an investigation on the land trading in Russia, where 42% of land circulation are among the rural land and pointed out the positive impact of land circulation on the rural economy. Joshua’s [4] research on eastern European countries has proved that the privatisation of rural land leads to the fragmentation of land, which increased the cost of land circulation. The land circulation in China also has faced similar changes and challenges, as mentioned above.

2.1. Problem Existing in Land Circulation in China

Any text or material outside the aforementioned margins will not be printed. At the present stage, China’s rural land has not been indeed transferred, and the centralised management of the property in the modern sense is even less frequent, which result in imbalanced land circulation [9]. Huang and Wang [18] argued that the backward social security system had decreased the enthusiasm for land circulation subjects. The obstacles to land circulation mainly lie in three aspects, which are the absence of residual income distribution mechanism, limited transfer period and the tendency to ignore farmers’ interests [3]. Besides, excessive administrative intervention encroached on the benefits of farmers, especially the grass-roots government overuses its administrative power to cancel farmers’ land contracts [7]. Wei [15] pointed out that the market for land circulation is not sound, especially in lack of professional management institutions. Facing more and more disputes in the trading, farmers’ crisis of trust in land circulation increases the difficulties to have more reasonable use of idle land. Especially in recent years, the economic benefit of grain is getting worse and worse, farmers give up farming and prefer to idle the agricultural land rather than transfer it [8].

2.2. Influencing Factors in Land Circulation

In the current research, policy system, transfer market and farmers are considered to be the main influencing factors. Zhang and Qiu [17] pointed that low stability of farmland property rights weakened the long-term investment enthusiasm of landowners and discouraged the circulation of farmland. Lan [13] believed that the motivation of land circulation is the result of the labour force in the rural area from farming to non-agricultural industries. Even though the adjustment in policies has made a breakthrough in solving land fragmentation, farmers remain a vulnerable group in the land market [11]. Luo’s [1] research of farmers in Guangdong province has proved an information asymmetry because farmers have shown an insufficient understanding of the transaction expenses during the land circulation. The unacceptable transaction cost of land circulation would directly reduce the enthusiasm of farmers for circulation, which is not conducive to the development of circulation market [2][16]. Meanwhile, the aging and feminisation of the working population in rural areas has further inhibited farmers’ willingness to transfer their land [5].

2.3. A Brief Review of the Existing Research

The academic articles about China's land circulation are abundant and have provided specific suggestions for further development. However, most of the studies are based on the top-down governance, containing the main body of circulation, the mode of circulation, governance mechanism and governance structure. The four aspects of rural land circulation are mostly in the top-down theoretical background. How does rural land circulation become more efficient through bottom-up governance? It could be answered through a specific investigation on farmers to reveal the main obstacles during the rural land circulation directly.

3. Method

Firstly, the paper makes a specific analysis of the open-source data about the land circulation from the National Bureau of Statistics in China.

Secondly, unlike the traditional way to investigate farmers in one place, the paper selects three different areas with different level of economic development to have an overall view of land circulation in China, They are divided into developed area, sub-developed area and poor area (Table 1). Qualitative methods are used to collect information about the farmer and the situation of rural land circulation, containing a site visit, a semi-structured interview with the local farmers and questionnaire. The data describes the underlying economic situation and people's attitude and further planning towards the rural land circulation.

Table 1: The basic information of the study area.

Type	Location	Description	Valid questionnaires:	Valid interviewees
Developed area	Chongbei village in Nanhai district, Foshan city, Guangdong Province	One of the earliest place to adopt land stockholding system with land circulation	73	14
Sub-developed area	Longtou village in Maliu town, Dazhou city, Sichuan Province	A demonstration base for large-scale agricultural production (products: pomelo)	113	12
Poor area	Yuejin village in Dongyu town, Nanjiang city, Sichuan Province	Typical funding area in China with a massive loss of labour force	50	5

4. Result

4.1. Current Situation of Land Circulation in China

According to the data from National Bureau of Statistics in China [6], the total land circulation area has increased six times in ten years, from 61 million acres in 2007 to 470 million acres in 2016 (Figure 1). Also, the percentage taken in the land used for planting has climbed from 5.2% to 35.1% during the period. Benefited by the land circulation, the number of large-scale farmers is obviously

increasing. But most peasant households (over 80%) still own less than 10 acres farmland, which reflects that the large-scale agricultural operation in China is still at the initial stage (Figure 2).

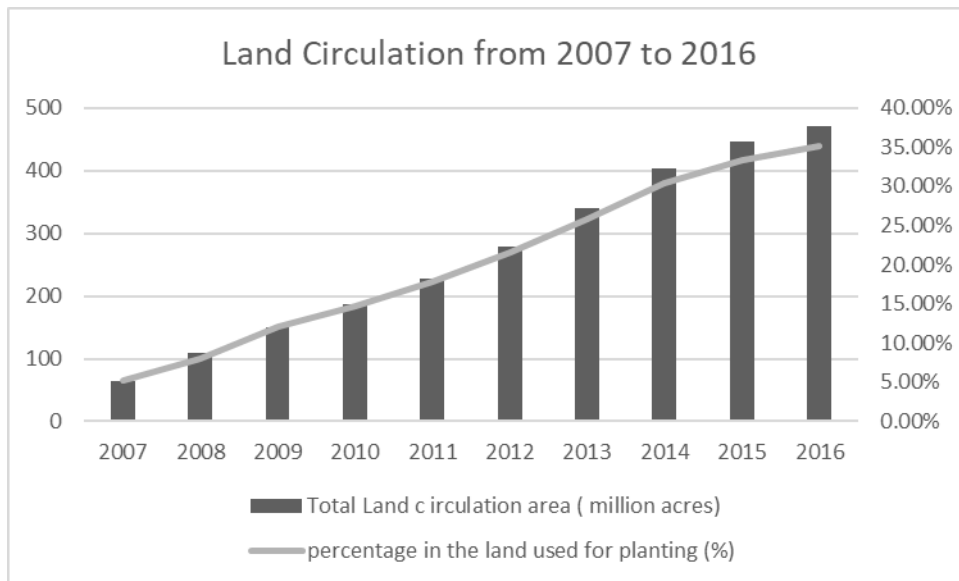


Figure 1: The total land circulation area and percentage in the land used for planting in 2007-2016 (NBS, 2017).

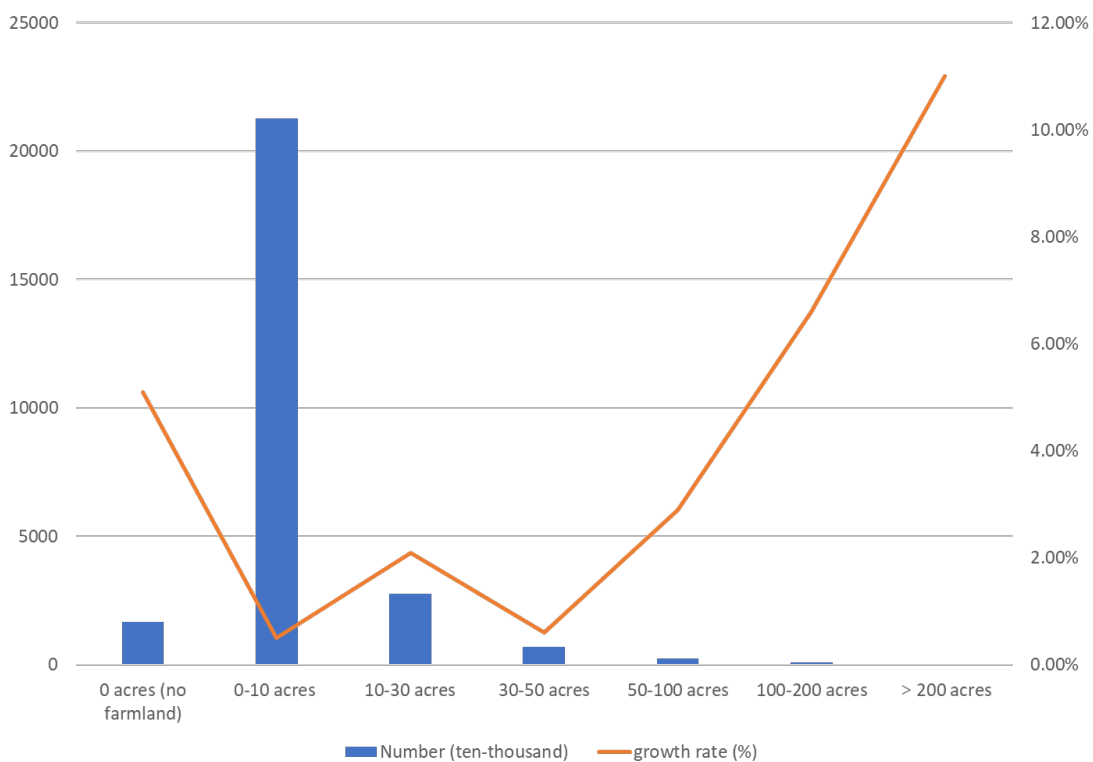


Figure 2: The number and growth of peasant household with farmland in 2015 [6].

As the core issue of land policy, the contract and management right is the main content in land circulation. Sufficient land circulation requires farmers to trade their contract and management right to farming groups (Table 2). In the transferring forms of land circulation, ‘Assign’, ‘Lease’ and ‘Joint-stock’ are the suitable forms for large-scale agricultural operation, but the total percentage of the three forms is only 43% (Figure 3). There are still over 50% of farmers unwilling to give up the contract and management right of their land, which needs a specific investigation in different regions.

Table 2: The explanation of transferring forms in land circulation [6].

Transferring forms	Explanation
Sub-contract	Contract with the third party without changing the land contract between farmers (contractor) and the village collective organisation (Two contracts)
Assign	Farmers (contractor) give/sell the contract and management right of the land to the third party so that the third party sign the contract with the village collective organisation (Only one contract)
Exchange	Farmers (contractor) get the selected members’ land in the same village collective organisation through giving their land to the selected member
Lease	Farmers give the management right to the third party to use their land
Joint-stock	With the permission of farmers, the village collective organisation allocates shares to farmers through the measurement of their land to get the contract and management right from farmers to engage in land circulation

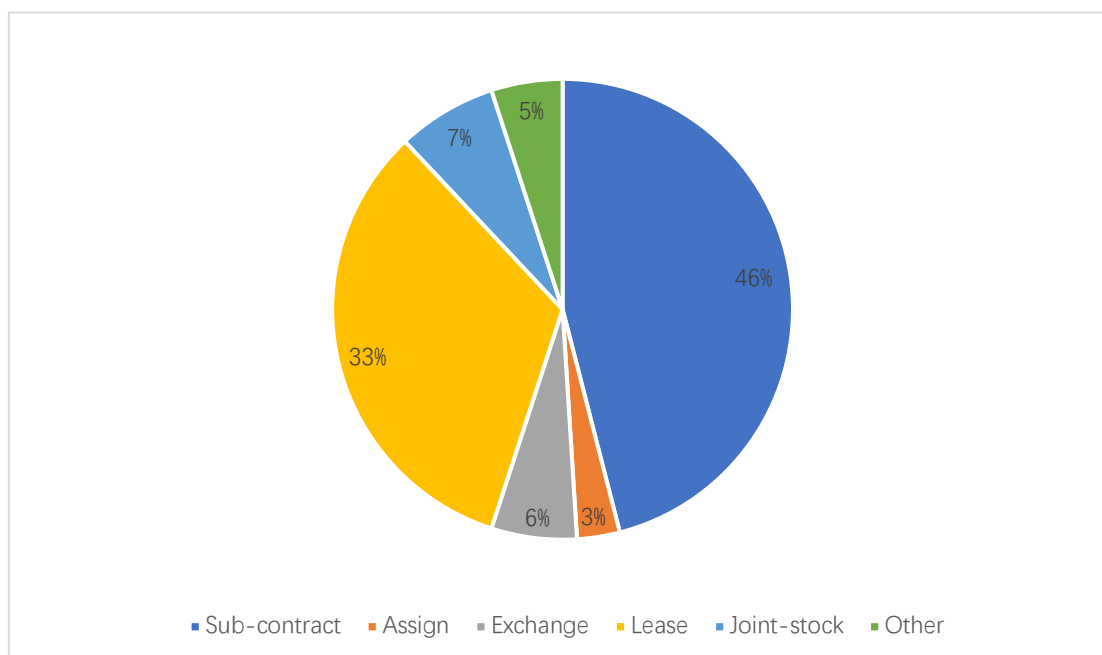


Figure 3: The proportion of the transferring forms of rural land [6].

4.2. Description of the Current Status

4.2.1. Insufficient Land Circulation in the Poor Area

The land circulation of farmland is not sufficient enough, especially in the poor area. As the result of questionnaires shows, both developed areas and sub-developed areas have over 75% of farmers outflowed their farmland to others, while over 50% in poor areas are in favour of inflowing land (Figure 4). People in the poor area is more uncertain about dealing with land circulation. As a result, the land is more fragmented in poor area than in sub-developed and developed area, which has limited the large-scale agricultural operation.

Interview A1 (poor area): I only give my land to the people I trust, because there have been a lot of cases that others deceive farmers during land circulation. I am not willing to give my land to the village cooperative unless the distribution of the benefit is satisfying.'

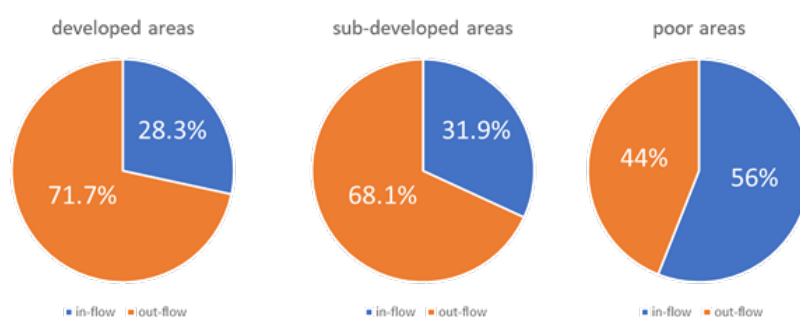


Figure 4: The proportion of in-flow and out-flow land in three areas.

4.2.2. Apparent Difference in Transferring Ways

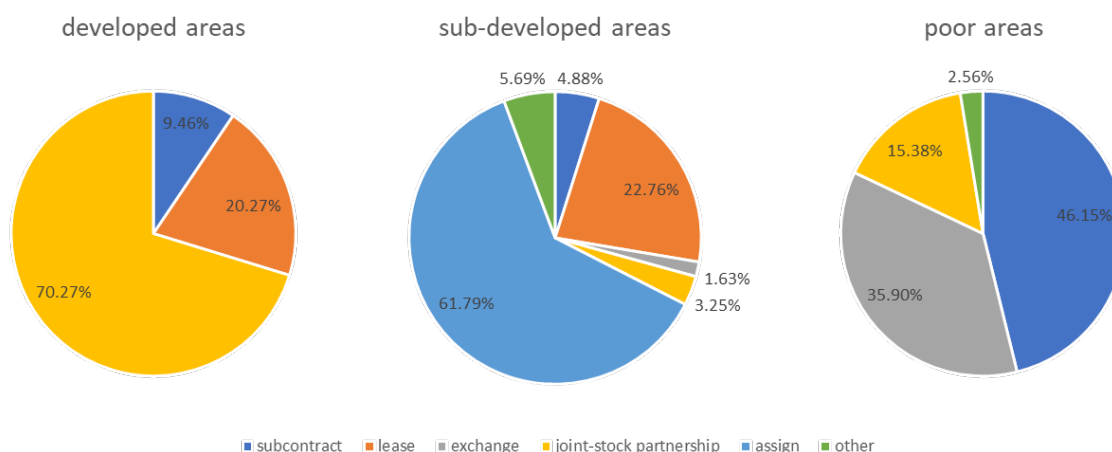


Figure 5: The proof of the land circulation.

The different transferring ways are mainly reflecting in two aspects. On the one hand, the proof of the land circulation shows the difference in legal consciousness. Over 75% of people in developed and sub-developed area would sign a contract as the proof during the land circulation while people in poor area were remaining using oral agreement (Figure 5). On the other hand, the forms of the land circulation varied in regions. There was an extensive use of assign in sub-developed area and joint-stock partnership in developed area, which showed most of farmers had traded their contract and management right of land to others (Figure 6 & Table 2). The main use of sub-contract and exchange

in poor area reflects farmers are unwilling to give up the contract and management right of their land, which is also a signal of insufficient land circulation

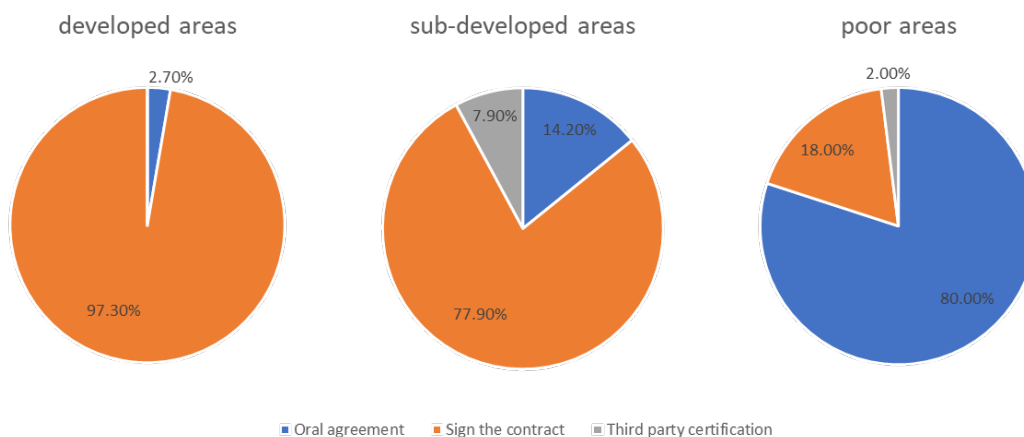


Figure 6: The proportion of transferring forms in different areas.

4.2.3. More Professional Business Entity in the Developed and Sub-Developed Area

With the deepening of land circulation, the professional business entity has been the main participants in the process of land circulation in the developed and sub-developed area (Figure 7). More than 70% of farmers transfer their land to the local agricultural cooperative in these areas, and professional farmers with advanced agricultural technology have emerged in the developed area. However, most people transfer their land to villagers or friends and relatives in the poor area, so the scope of land circulation is limited by the personal relationship of farmers.

Interview B1 (developed area): In our village, there have been many professional farmers who inflowed many farmlands develop featured agriculture. Moreover, many villagers benefit from the land circulation, as labour force rehired to engage in production.'

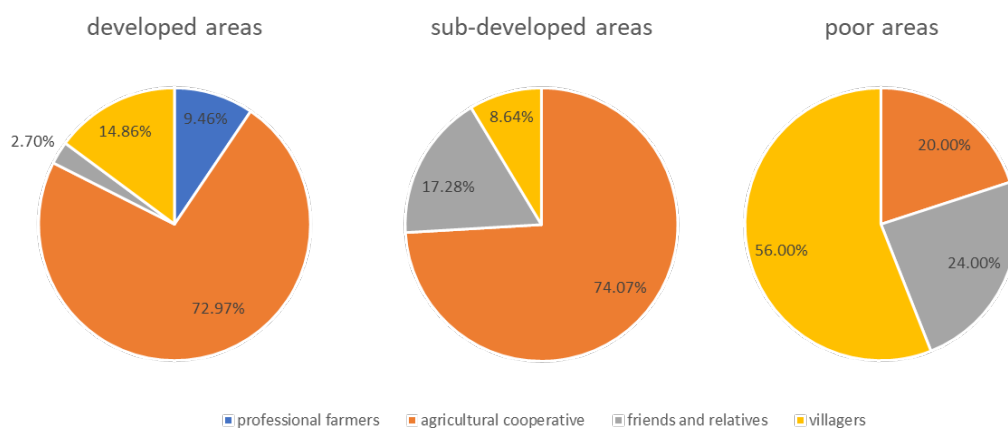


Figure 7: The proportion of transferring objects in different areas.

4.3. Limiting Factors

4.3.1. The Lack of Intermediary Organisation

Conflicts always surround land circulation in every aspect, and farmers believe that intermediary organisations are necessary for negotiating problems, expressing opinions and resolving conflicts

(Figure 8). Nevertheless, there are always no intermediary organisations for them, so nearly 80% people from the three areas have to make it a priority to negotiate with parties or to seek help from the village committee or the government when resolving the conflicts (Figure 8). Meanwhile, most people attach the highest importance to establishing a platform for expressing opinions (Figure 9).

‘Interview C1(sub-developed area): Dealing with disputes is always a thorny issue. Even though we transfer the land to the village co-op, if there is a dispute of interest, we still have to coordinate with the people who use our land first. However, it is always time-consuming, especially having direct contact with the responsible person. So, we long for an intermediary to act as a mediator.’

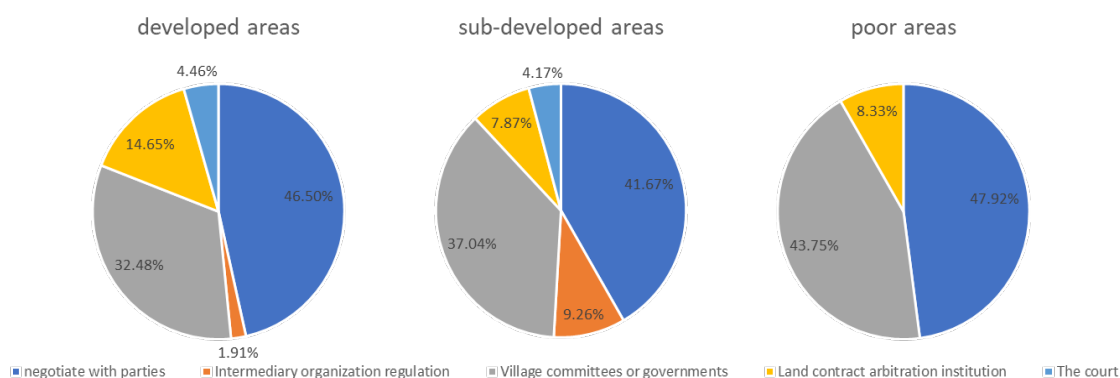


Figure 8: The first choice for dealing conflicts.

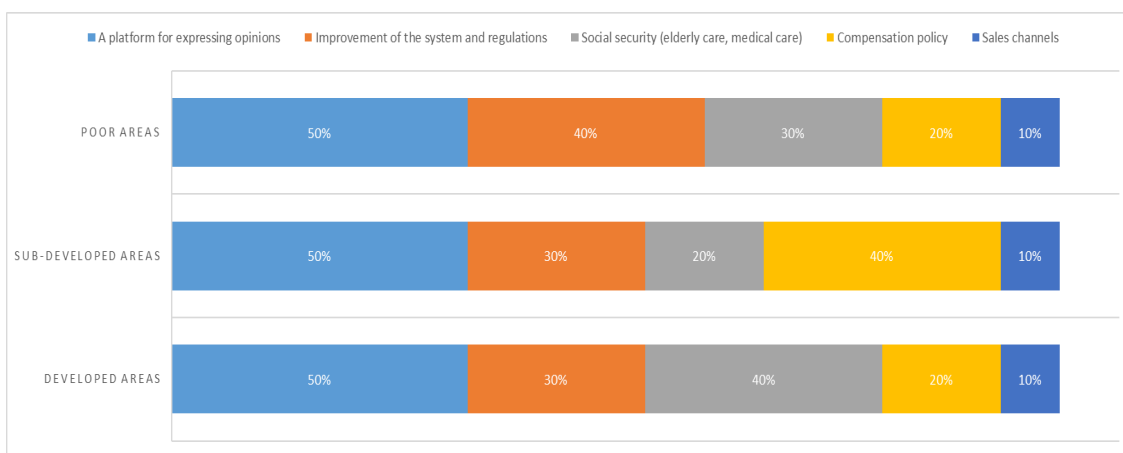


Figure 9: The ranking of improving method in land circulation.

4.3.2. Low Profits in Farming and Overhigh Expectation on Land Value

When talking about the main obstacles in farming, most people complained about the increasing cost in farming and decreasing sell price of agricultural products (Figure 10). This leads to low profits, discouraging people from engaging in farming. Besides, with the process of urbanisation, part of agricultural land may be changed into urban construction, which will dramatically increase land value. Comparing with the profits from farming, many villagers attach over high expectation on their land value through the land expropriation, especially in villages near the city. So, they are unwilling

to have a long lease on their land, which is reflected in the investigated developed and poor area (Figure 11).

Interview B2 (developed area): Many villagers have been a millionaire through the land requisition in Guangdong province. But some long-term contract on land circulation has caused many conflicts on the distribution of profits without a satisfying solvent. As a result, I am expecting a short-term land circulation and waiting for the expanding of urbanisation.'

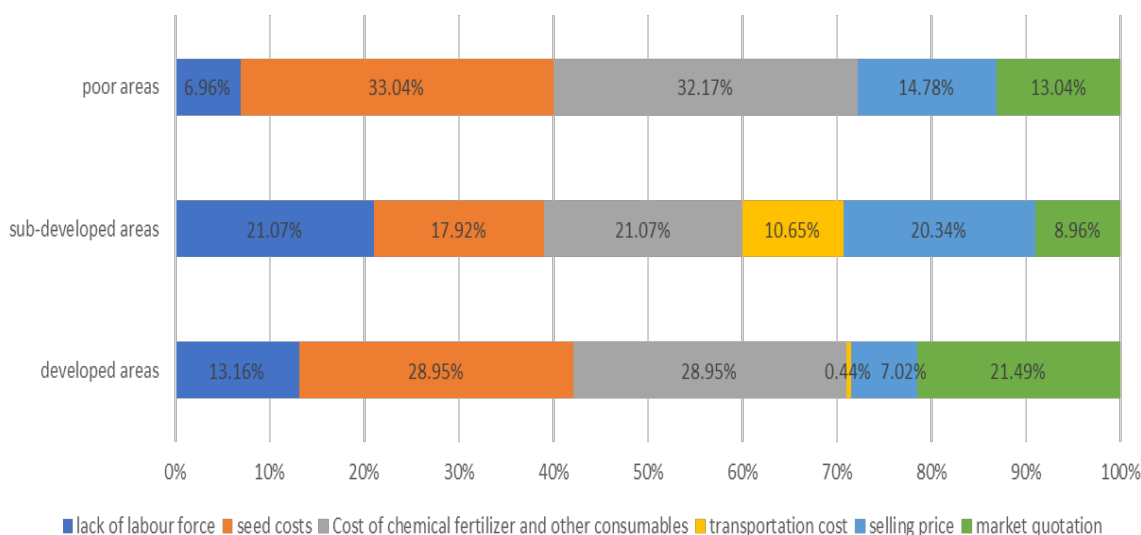


Figure 10: The main obstacles in farming.

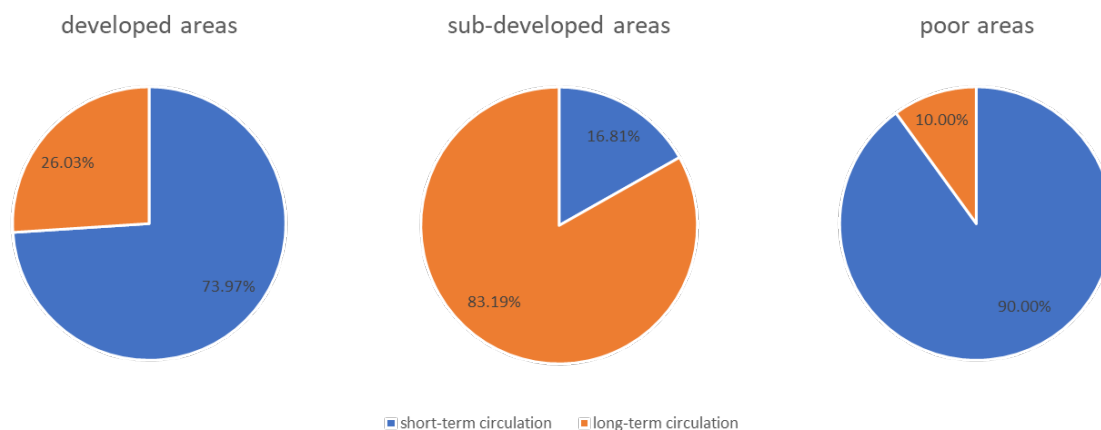


Figure 11: The time expectation of land circulation.

4.3.3. Limited Understanding of Policy

In any region, few people have a clear idea of the current policy. Only about 20% people in the sub-developed and poor area clearly understand the policy while people in developed area is a little better (Figure 12). As the interviews shows, it cost too much time for farmers to understand the policy. Some people even got cheated in signing contract because of the limited knowledge of circulation policy.

‘Interview A2 (poor area): I am inflowing more land for farming. It always takes me a long time to get fully understanding of the new policy. Meanwhile, there is always a conflict on the belonging of state compensation for farming because out-flow sides are unsatisfied with the related policy.’

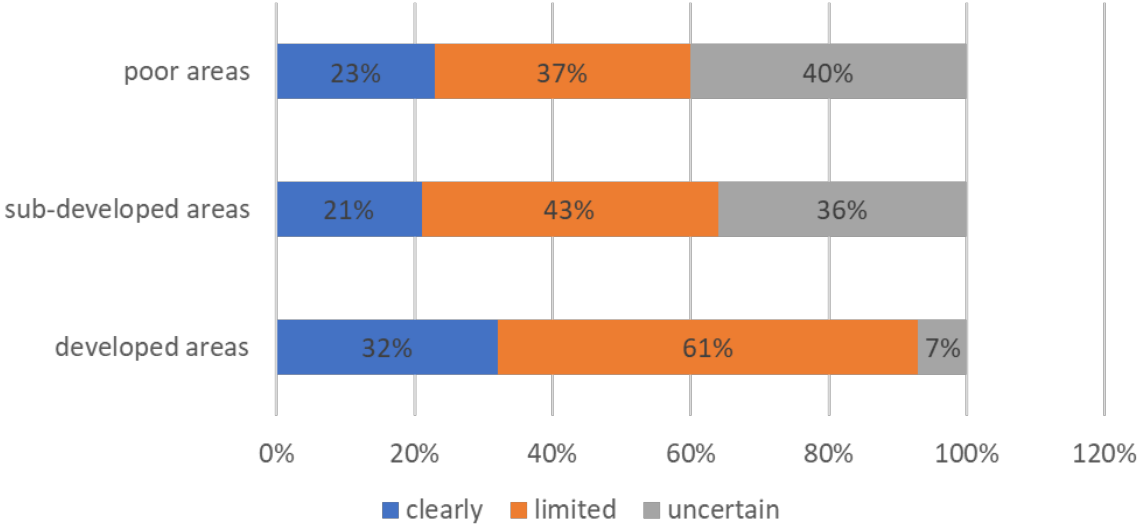


Figure 12: The knowledge of policy.

5. Discussion and Recommendation

In summary, China’s rural land circulation in different regions shows a significant imbalance, and this imbalance is mainly the result of various economic development level in each area. Even though people from developed and sub-developed have shown a positive participation in land circulation, farmers in poor area still remain a conservative attitude during the process. Besides, the conflicts in land circulation has somehow discouraged people from deep participation. These may be solved from the following two aspects.

Firstly, the land circulation mechanism is not sound enough. The land circulation is lack of the scientific guidance and regulation, especially the knowledge of land value. Also, The demand for intermediary organisations and unrealistic expectation on land value reflect the lack of formal evaluation organisations and scientific evaluation standards during the land circulation. The solution is to cultivate mature land transfer intermediary organisations. Intermediary organisations could set up an essential platform for farmers to use the market mechanism with timely and accurate market information for farmers’ land circulation, which is conducive to promoting the rural land circulation in China.

Secondly, farmers are still a vulnerable group during the process. Most farmers have limited knowledge about relevant policies, which has caused unnecessary conflicts, such as price problems. Plenty of farmers are expecting a channel for expressing their voice. Most villagers, who mainly working outside, outflow their farmland to the village cooperative. As the result of the separation from the land, they have few ways to regulate the use of their land. In the process of rectifying the similar issues, the government should continuously improve the relevant regulations and publicity means to help farmers adapt to policy changes and provide feedback of land circulation from them. Only when farmers fully understand the issues of land circulation and have legal channels to participate in and supervise, can land circulation play its due role to the maximum extent.

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