

Land System and Fluidization of Land in Rural China

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1. Introduction

Rural areas in China are undergoing rapid urbanization as a result of an active land development that accompanied a remarkable economic development after the Chinese economic reform. An outflow of the rural labor force to cities increased as a result, and many rural communities started to face labor shortages. At the same time, in terms of farm management, farms needed to optimize production and to expand operation scale. Liquidity of rural lands became an unavoidable demand under the economic development and advancement of urbanization. In light of these circumstances, this article provides an overview of the land system in rural China and explains the current state of land liquidity and policies for promotion.

2. Land system in rural China - land contracting system -

After the Chinese economic reform in 1978, contract agricultural production became common in rural China, where farms were managed uniformly by production teams under the people's commune system. Among the several types of contracts available at the time, farmer contract management was the type that spread across the country by the end of 1983. Farmer contract management is a contract in which a farmer can keep all the remaining produce once he or she fulfills the public obligation, such as the payment of contract fees, which essentially enabled farm management by individual farmers.

Once the role of production teams disappeared due to the spread of farmer contract management, people's communes that managed administrative matters and agricultural production in unison were dismantled and replaced by 72,153 township (town) governments across the country by 1985. Production teams were converted into villager groups, and land ownership changed from production teams to farmer groups (village or sub-village). Therefore, rural China today follows a land contracting system in which a farmer is in contract for land management under the ownership of farmer groups.

Since the farmer contract management became popular, rural policies in China have treated the stabilization of farmer contract management as an issue of the greatest importance. For this reason, in 1984, the Chinese government uniformly set the land contracting period, which had remained undefined, as 15 years, and again, in 1993, extended the contracting period by 30 years. Along with this policy, legal protection of land contract management rights was gradually strengthened, and the Rural Land Contracting Law was enacted in 2002. The comprehensive law provides regulations on the rights and obligations of the lender and the contractor, procedures for concluding contracts, and transfer of land management contract rights, but amendments to the law are being discussed to foster appropriate fluidization of rural lands.

3. Fluidization of land in rural China

(1) System for fluidization of land

Table 1 shows the method of transfer of land management contract rights under the current Rural Land Contracting Law. In the table, "lender" is the farmer group that owns the land. Based on whether there were any changes in the contracting parties, the table also classifies the method into "transfer method" and "sublease method."

In the table, "transfer" is an approach in which land management contract rights are passed on wholly and collectively, and accompanies a change in the contractor among the contracting parties. For this reason, this method requires the agreement of the lender. "Exchange" is a trade of the contracted land among farmers in the same village (sub-village) for reasons such as convenience in cultivation, and accompanies changes in the land contractor, but a submission of a notice to the lender suffices since it is a mutual transfer among farmers in the same village (sub-village). "Sublease" is a method in

Table 1. Transfer method for land management contract rights

Name of the transfer method group	Transfer method	Changes in contracting parties	Requirements	Articles under the Rural Land Contracting Law
Transfer method	Transfer	Yes	Agreement of the lender	Article 37, Article 41
	Exchange	Yes	Notification to the lender	Article 37, Article 40
Sublease method	Sublease	No	Notification to the lender	Article 37, Article 39
	Lease	No	Notification to the lender	Article 37, Article 39
	Contract farming	No	Notification to the lender for a period of over a year	Article 39
Land investment		Depends on investment method	Joint production by several contractors	Article 42

Material: developed by the author

which land is managed and obligations to the lender are fulfilled by a sublessee without changing contracting parties. "Lease" is a method in which a sublessee pays a leasing fee to a contractor (sublessor) and manages a farm on the land, and "contract farming" is exactly as the words suggest. "Sublease," "lease," and "contract farming" do not involve a change in the contractor and do not require the agreement of the lender. Under the Rural Land Contracting Law, a method called land investment is allowed in order to enable multiple contract farmers to operate jointly.

(2) Three branches of rights - the addition of the "management rights" -

Land liquidity in rural China up to this point was based on the concept of "two branches of rights" in which rights over rural lands were divided into ownership rights and land management contract rights.

As shown in Figure 1, land management contract rights can be further divided into contracting rights and management rights. In the policy document of 2014, the Chinese government declared a policy in which contracting rights and management rights are separated to allow the distribution of management rights alone in 2014 in order to promote the fluidization of rural lands. As a replacement for the "two branches of rights," this idea is referred to as the "three branches of rights." Legislation of management rights will be performed in the future, but details, such as the conversion of management rights into real rights that can be subjected to collateral, are being discussed today.

(3) Land liquidity promotion project and a new type of management actor

To promote land liquidity in rural areas, the Chinese government is working on a "land management contract rights registration project" as a measure of the highest priority. Land management contract rights become valid by concluding a contract, but because the land ledger is underdeveloped in reality, among other factors, the range of land under the contract and other details of the contract are often ambiguous and the ensuing troubles never cease. For this reason, and to organize fundamental conditions for land liquidity, the project aims to conduct on-site surveys, determine the details of the contract of land management rights, register them to a public institution, and deliver a certificate to the farmer. This project started in 2013 and is expected to be completed by 2018.

Along with the project, the "Land Management Contract Rights Information Platform Development Project" is underway to convert management rights into a market product after land management contract rights are determined. This project constructs a platform by developing a database of information on land management contract rights at the national, provincial, city, and county levels, thereby providing necessary information.

Needless to say, the fluidization of rural lands is meant to enable efficient use of the land and achieve efficient and highly productive farm management by concentrating land to certain farm management actors. In China, four types of new management bodies have been identified as management that should be developed in the future owing to land liquidity: (1) family farms (approximately 6 to 7 ha family-managed farms), (2) full-time large farmers (large-scale management farmers for specific crops), (3) farmers' cooperatives (cooperatives that jointly operate agricultural production), and (4) crown companies (large-scale agricultural production companies).

As a result of these efforts, the fluidized area of rural lands in China has reached up to one-third of all contract land areas today.

4. Conclusion - future challenges -

Land system in rural China today is based on contract management by farmers, but in such a system, a farmer group that owns the land leases the land and collects contract fees from the farmers, which is an important source of revenue. Given that revenue for a farmer group needs to be secured from the land even if management rights are separated and distributed, how this problem should be positioned within the "three branches of rights" system is a difficult challenge in terms of policymaking. Details of the farmer contract management rights are determined by a contract, and even if land management contract rights are determined, generality on the details of the rights can be compromised and troubles are unavoidable. Land liquidity is an urgent issue in rural China, but the framework of the farmer contract management system is also an important factor that constrains fluidization.

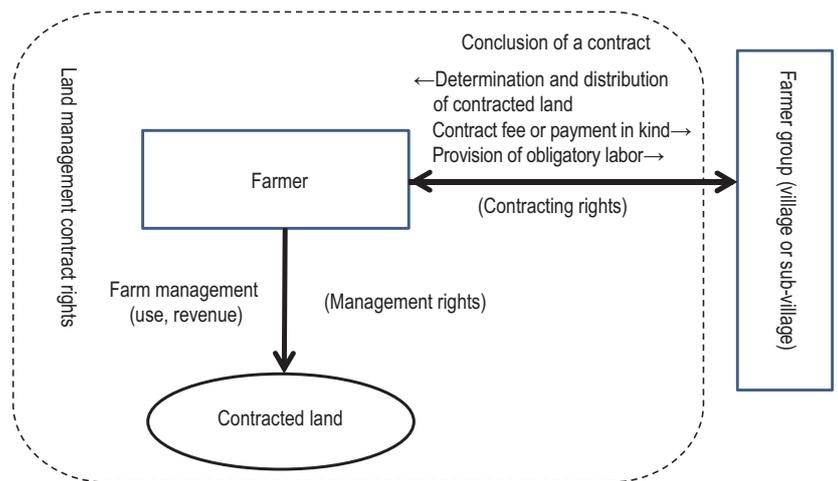


Figure 1. Details of land management contract rights

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