Contracted Management Marketization of Farmland and Ways of Dissolving Abandoned Farmland

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Abstract
Along with the rapid advance process of comprehensive deepening reform and building “a new type of integration relationship between urban and rural areas” in our country society, the marginal benefit of “Household Contract Responsibility System” which has been running for more than 30 years is reducing gradually yet “involution effect” is obvious. With much of young labor force in rural swarming into cities, it is difficult to produce a higher economic value by scattered farming agricultural production and farmland pastureland phenomenon is also increasingly prominent. Therefore, it has become the core of the strategic task of “promoting the coordination process of urbanization and new rural construction” since the Third Plenary Session of the 18th Central Committee of the CPC that accelerating the market-based transfer of agricultural land contracted management, improving the efficiency of farmland use and developing the scale operation of agricultural production.

Key words: Right to the contracted management of land; Market-based circulation; The land use
Introduction:

The third plenary session of the 17th Central Committee of the CPC has put forward “strengthening circulation management and service of the right to the contracted management of land, establishing perfect land circulation market of right to the contracted management of land, allow farmers to circulate the right to the contracted management of land by different means such as sub-contracting, leasing, exchanging, transferring and stock cooperation based on voluntary and compensatory principle and developing various forms of moderate scale management”. Yet concrete operational scheme has not been formed since then and only pilot work has once been done in some places. The Third Plenary Session of the 18th Central Committee of the CPC has put forward again that “taking upholding and improving the strictest arable land protection system as the prerequisite, giving farmers’ rights of possession, using, income, circulation, mortgage of the contracted management and Guarantee on contracted land and allowing them to use the contracted management to invest in the development of agricultural industrialization”. It also emphasized “circulation on the open market”. Thus, the Central has pointed out the clear direction for the right to the contracted management of land circulation towards “marketization”.

1. Market circulation of right to the contracted management of farmland and its necessity

1.1 The connotation of the land contracted management right and marketization circulation

“The rural land contracting law” regulates, “rural land refers to the collective and state-owned land collectively used by peasants including arable land, forest land, grassland, and other land used in agriculture by law”. Right to the contracted management of land refers to the contractor’s of the rural land rights to the land contracted by them with the law such as possession, utilization, profit and limited disposing right. Right to the contracted management of land circulation refers to “the farmers’ right to the contracted management of land gotten through contracting can be circulated by sub-contracting, leasing, exchanging, transferring or other ways in accordance with law”.

The concept “right to the contracted management of land circulation” is not new content actually referred in “decision” of the third plenary session of the 18th Central Committee of the CPC. Early in no. 7 files of 1995 issued by the state has clearly put forward “setting up circulation mechanism of a right to the contracted management of land”. In 2008, the third plenary session of the 18th Central Committee of the CPC passed “several major issue decisions of the central committee of the communist party of China on promoting rural reform and development” which also requests clearly of “allowing farmers to circulate right to the contracted management of land by many means such as sub-contracting, leasing, exchanging, transferring and stock cooperation and developing various forms of moderate scale management according to voluntary and compensated principle by law”. However, the decisive role of “marketization” is not highlighted.

The so-called “marketization” means that in the open market, achieving the full and rational allocation of resources and elements and the efficiency of the maximum should take the market demand as the guide taking implementing the competitive mechanism of the survival of the fittest as the means.

From the current situation of China’s rural land transferring, although many farmers also have the operation of land transferring and the transfer market has already started, most of the farmers transfer their lands with free or low-cost way to their relatives, neighbors or friends. In fact, this is a disorderly
“non-market transfer” which needs neither formal written contract nor application, registration and nor filing from functional departments. Yet “marketization circulation” emphasizes on taking clear definition of farmers’ land contracted management right as premise that and insists “a kind of more normative land circulation which lets the interested parties determine freely if transfer land by their wills and transfer price of the land is fully determined by market supply and demand, the market utility and the market mechanism” (7).

1.2 The necessity of market circulation of right to the farmland contracted management

From the experience of the rural land reform in the last 30 years, it is the inevitable trend of China’s rural land system changes that right to the farmland contracted management circulates in market. Since the beginning of founding new China, the rural land institutional changes in China has experienced a development process from the land reform, agricultural cooperation, people’s commune to family contract responsibility system. The system and economic performance of household contract responsibility system started in 1978 are significant at the initial stage which makes farmers become the real masters of agriculture and makes the development of rural economy has a qualitative leap. But as a system innovation, the limitations exposed in its development process make it can not solve all the problems of agricultural growth. After 30 years of trial, economic performance of land use has shown the effect of “involution”. Therefore, the marketization of rural land circulation has become an objective trend.

At present, there are some serious problems in farmland transfer which weaken market such as supply and demand imbalance, disorderly operation, and the mutual infringement and so on. The reasons that weaken market of farmland transfer come from the bottleneck of existing system such as the government’s limitations to the top-floor design of on land market, mechanism barrier such as local government as the role of “profit broker” in land finance, and many factor barriers from the external environment. Therefore, it has important practical significance for improving the land utilization rate, promoting agricultural industrialization development, increasing farmers’ income, improving farmers’ production conditions and living standards, promoting rural economic development and labor transfer to construct market transfer mechanism of agricultural land contract management rights, regulate and develop the market circulation of agricultural land contract and management rights on the basis of system changes in the state, make up for the existing institutional supply and demand gap so as to make the system supply and demand structure reach equilibrium once again.

2. Marketization of farmland contracted management rights and agricultural “involution” effect

Concept of “involution” originates from American anthropologist Chifford Geertz’s “Agricultural Involution” which refers to the phenomenon that a social or cultural pattern in a certain stage of development reached a definite form and then it stagnates or cannot be transferred to another advanced mode. Mr. Huang Zongzhi used the concept of “involution” for the study of China’s economic development and he calls the growth means of obtaining total output by putting a lot of labor into the limited land, namely the way of diminishing marginal benefit, “involution” without development(8). At present, the development of agriculture in our country has been in the laws of “Involution” effect.

China’s rural land reform began in 1978. From 1978 to 1988 in the 11 years, the rural society came into
the rapid development period and farmers living quality is improved greatly because of the yielding grain and economic income. From 1988 to 2002, China’s GDP reached 2 digit growths for many years, yet the agricultural has failed to continue the growth miracle created by the last 11 year. In some areas there has been stagnation or even backward. From 2002 until now, “involution” effect is obvious whether by implicit or explicit methods. From the view of economic rationality of farmers themselves, idle land and the low efficiency of agricultural land use, is mainly due to the difference of economic income between agricultural planting, industrial production and commercial business which produce a large gap leading to a higher and higher increase in the rate of unused rural land and a lower and lower decrease in land use rate.

2.1 Low profits of agricultural production and agricultural production pressure prompting abandoned farmland

From the general law of social development, human unremitting pursuit of interests is the core of the social development driving force and especially in the society dominated by the market economy, the people’s calculating on interests is more rational. Rapid growth of the production cost is now the main reason that let farmers can’t earn a lot of money by farming. The early period of reform and opening up, buying a bag of fertilizer only costs several yuan, half kilogram of seeds only costs several fen and a bottle of pesticide only coats several yuan; Thus, total cost including all kinds of input in an acre of land is only from 10 yuan to several dozens yuan, yet the returns from the grain is several times than the input. Because it is profitable, the farmers’ activity in planting is very high; yet, to the late 1990s, it couldn’t not only earn but also lose money by planting grain, so phenomenon of abandoned land is increasingly serious. National statistics show that from 1990 to now, food prices rose by 6 times, but the means of production prices rose by more than 20 times at the same time. It’s obvious that the farmers’ costs of planting land are increasing, yet the profits from planting grain have been swallowed by agricultural materials dealer.

At the same time, the grain trade is conditioned by circulation. Farmers in China are scattered and weak individual and also he faces the vagaries of the market, therefore, it’s hard for them to grasp market trends in food prices and also they cannot rely on personal power to sell grain to markets all over the country, only relying on middlemen to engage in business. Thus, the middlemen buy food at a low price on the one hand; on the other hand they push up market prices to seek profits. As a result, farmers cannot not only get large profits by planting, and at the same time they also suffer the pain of buying means of production of high price which made them gradually lost the confidence “to get rich by agriculture”. “Abandoning agriculture and going into business” a necessary choice conforming to the law of market economy selection and farmland abandoned becomes natural that. Especially in the mountainous countryside, agricultural production depends on “weather” looking up to heaven, good weather for good work pay, serious natural disasters for nothing. Thus, the low benefits of agricultural production and the big agricultural production pressure form reversed transmission mechanism which spawned a massive farmland abandoned.

2.2 Youth labor missing forming “shell” countryside

Before reform and opening up, the country’s restricting in doing business or work into the city, the farmers can only as ecru farmers farm for a living in the countryside. After the reform and opening, with the transformation of state controlling policy of the floating population, gradually getting farmers to give up
farming and choose to do business or work in the city, the number of real pure farmers began to decrease. The national bureau of statistics data show that from 2000 to 2010, the urban population increased from 460 million to 460 million in our country and the urbanization level increased from 36.22% to 49.95% whose rate was 51.27% in 2011. Calculation based on the data, at present our country farmer population accounts for only about 50% of the total population. One point should be mentioned is that the third generation of the rural youth farmers who has neither interest and enthusiasm, nor experience and technology is largely out of rural. Due to a large number of youth labor leaving rural, “three left-behind” problems including the left-behind elderly, left-behind children and left-behind women appear and a large number of “shell” villages have been presented.

The reasons that farmers leave rural are various, “there are both economic driving factors, and factors of life force; both the desired affects, and passive pressure; both looking up at the unfamiliar city, and helpless farewell to rural” (10). Although we can’t take this kind of phenomenon as the absolute reasons that explain a farmer's abandonment of agriculture, in the relative degree it illustrates that the agriculture attracts little for the farmers. Even in the situation of the national policy incentives to increase direct subsidies to grain producers, the number of real arable farmers still rapidly reduced. From the social status quo, it is near to the end of the demographic dividend in China with the rural appeal to the third generation of farmers is decreasing more and more. Therefore, even with the implementation of the national food subsidies policy, farmers still put the individual business, migrant workers as the main source of family income.

2.3 Diminishing effect of direct grain subsidies policy with little effect

The first article in “The opinions of some policies to promote farmers to increase income” issued on February 8, 2004 pointed out that “because of the low efficiency in current grain planting and the prominent problems of peasants’ difficult in increasing income, practical and effective measures must be taken to cope with as soon as possible.... certain subsidy ought to be offered to individual farmers, farm workers, farm machinery profession, and agricultural machinery service organization directly engaged in agricultural production to purchase and update large agricultural machinery.” (11) The article 17 required “to establish a system of direct subsidies to farmers to protect the interests of grain farmers. In 2004, the state will take out some money from the grain risk fund, used for direct subsidies to grain farmers in main producing areas” (12). Thus, the resolution of “direct subsidies to grain producers” was established by means of national policy for the first time. Later, in some policies such as “opinions on some policies of further strengthening rural work and improving agricultural comprehensive production capacity” in 2005, “several opinions on the promotion of the construction of new socialist countryside” in 2006, “several opinions on the positive development of modern agriculture to advance new rural construction of the socialism” in 2007, “several opinions about strengthening the agricultural infrastructure construction to further promote the agriculture development and the farmers’ income” in 2008 and “several opinions about promoting agriculture steady development and the continuous increase in rural incomes” in 2009, all these gave an exposition to direct grain subsidies policies, and advocated “consolidating, improving and strengthening favorable policies, sticking to and improve the system of agricultural subsidies and constantly strengthening support for agriculture protection according to the long-term principle of being suitable for national conditions, increasing gradually and improving the mechanism.” (13) Under the support of favorable policies, farmers'
production enthusiasm has got a certain degree of improvement. Planting area is increasing rapidly, food production is increased evidently and the quantity of purchasing agricultural machinery has rapid growth, however, direct subsidies to grain policy brought only “short-term effect” which is characterized by:

**Table 1** From 2004 to 2010, the increasing range of grain planting area declines:

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<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grain Area (km²)</td>
<td>2000</td>
<td>1500</td>
<td>2000</td>
<td>1500</td>
<td>2000</td>
<td>1500</td>
<td>2000</td>
</tr>
</tbody>
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Source: settle it according to the China statistical yearbook 2011

**Table 2** the proportion of grain planting area to the total area of crops declines:

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<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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<tr>
<td>Percentage</td>
<td>5000</td>
<td>4000</td>
<td>3000</td>
<td>2000</td>
<td>1000</td>
<td>0</td>
<td>-1000</td>
<td></td>
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</tbody>
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Source: settle it according to the China statistical yearbook 2011

**Table 3** Food production growth declines:

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<thead>
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<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grain Year</td>
<td>5000</td>
<td>4000</td>
<td>3000</td>
<td>2000</td>
<td>1000</td>
<td>0</td>
<td>-1000</td>
<td></td>
</tr>
</tbody>
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Source: settle it according to the China statistical yearbook 2011

The reasons can be summarized into three aspects:

First, the direct grain subsidy policy is changed in the specific implementation. From the policies and regulations, the objects of direct grain subsidy are “farmers”, but in the implementation of the policy, it is often that the farmers who have not planted grain enjoy the state subsidies, yet actual grain farmers can not receive subsidies. Because many farmers with right of contracted land have abandoned agriculture going into business and they did not do farming themselves yet leased their lands to other farmers or large grain family. Thus, the actual farmers farming land are other farmers or large grain family yet the farmers enjoying food subsidies the original contractor of land. Second, subsidy standard for the farmers is different...
in different regions bringing different degree of benefit for farmers which cause the negative effect in the region of low subsidy. For example, the subsidy per acre is 50 yuan in Shanghai and Beijing and 90 yuan in Jiangsu, but only 10 yuan in some other places. Third, the scope of subsidies is not been covered wholly which influence the farmers’ enthusiasm for growing grain. On the one hand, the “unregistered lands” cannot receive subsidies; that is, the lands have once been hidden by the original production team in order to pay less agricultural tax being cultivated by the farmers for long term although unregistered. In 2005, the Ministry of Finance issued the policy to require of “unregistered lands” into the food direct subsidy range, but so far, there are still a part of the land has not been resolved. One the other hand, the village and township public land whose income for the township funds yet rented by the farmers can not also get subsidies because they have once not been included in the agricultural tax area. Moreover, the new lands cannot get direct grain subsidy policy. Once barren marsh these lands have become the new farmland after years of reclamation yet it is also not included in subsidy policy. In addition, new land formed by land consolidation and the rehabilitation cannot enjoy direct grain subsidy policy. Therefore, the two policy of different treatment for farmers’ cultivation affect their enthusiasm of grain growing and even simply abandon cultivating.

3. Transfer of the land contractual right under the framework of “the market” and the resolving ways to abandoned land

In order to change the present situation of agricultural land, and improve its utilization efficiency, we should do the following work.

3.1 Making the “market oriented” direction as the decisive role on the circulation of rural land contractual management right

It will be a sustained and difficult process to marketilize circulation of the contracted management right of rural land, but it is also a necessary and sufficient condition ”to create agricultural operational efficiency, let agriculture become a promising, let a farmer become a decent career and the countryside become a beautiful home for living at.” (14) Yet, to truly achieve the marketilization of agricultural land transfer, three aspects of the work should be done.

Firstly, clarifying the relationship of the land property rights should be taken as a precondition. At present, the reasons that China’s agricultural land use efficiency is low and part of the land was abandoned which leads to inefficient allocation of resources lie in that the farmland property rights relationship is indistinct and the subject is unclear. Moreover, the marketization circulation of rural land caused further land property rights of decomposition which results the formation of the multiple stakeholders of land owners, contractors, and users. If the existing land property rights relationship is not clear, the ownership relationship will be more blurred and the responsibility and right relationship of the interest body is more unclear. So the rational allocation of land resources, efficient utilization, and the utmost protection all rely on the established exclusive property rights system and the formation of clear property rights subjects. Clearing the property rights of rural land will help to define the trading community, develop the effective and fair trading rules, regulate and restrain the people’s trading behavior, and also help to make the people form a stable expectation in trade with each other so as to maximize the savings of transaction costs.
Secondly, forming the agricultural land market price should be taken as the core. Taking transferring, subcontracting, leasing, exchanging and shares cooperation and other means as land circulation forms will inevitably involve the price positioning. With the price basis of land contract and management right, based on which the two sides of circulation can be free to bargain according to the relationship between supply and demand. Only running by market mechanism, the price of agricultural land market circulation is reasonable and fair and by which, the land rights and interests of farmers can be protected, the farmland formal circulation can be formed and agricultural land resources can be optimized in a large scale.

Thirdly, optimizing the intermediary service should be taken as the basic guarantee. The marketilization of rural land cannot escape from the agricultural market intermediary, the organization and service mechanism, which is the key to protect the market supply and demand, especially the demand of agricultural land. The market is difficult to effectively run if the intermediary organization of the rural land transfer is not perfect and transfer in–and-out of the agricultural land need to pay high transaction costs. At the same time, due to the notary system, supervision system and dispute settlement mechanism of land circulation also need to further improve which make the composition of household defaults is very large, and if can not be better resolved, the cost of new default will be increased. If all the consequences are added to the operating costs of the operators and the earn less, they will lose the power of turning into the scale of agricultural land operation. On the contrary, if there are official or semi official agricultural land transfer intermediary, of which the information platform, price assessment dispute settlement and other services are more comprehensive, then the transaction costs mentioned above can be saved or reduced, operators can get a considerable profit, and agricultural land circulation will be active.

3.2 To ensure the national treatment status of the social welfare and security after the farmers becoming citizen

For farmers, with assets, employment, welfare and other functions, accordingly the land interests ought to include the interests of assets, employment and welfare benefits. At present, China’s household registration system has become the shackles of economic and social development and the strict control of the household registration has resulted in inequality between the farmers and the public in social security. Therefore, it is the main task of social management innovation in our country to promote the reform of household registration system, establish the people's citizen identity, and effectively get rid of the barriers preventing the farmers to be citizen. The household registration system in our country is directly related to the land, and it adapts population management means taking the family, family and clan as the standard. While the modern household registration system is acquired through the succession of generations and the household registration matches with a civil rights and obligations. So on the one hand, due to historical reasons, in advancing the process of the reform of the household registration system, many farmers worry about losing their original contract land after turning into urban household and do not want to hastily transfer their household; on the other hand, the social welfare and security walls built by modern “dual household registration system” between urban and rural areas form the unfair situations such as different treatment and unequal responsibility, profit and rights between farmers and the citizens.

Since 2011, the Chinese government is accelerating the process of reform of the household registration system and issued “Several opinions about deepening the reform of the income and distribution system”, and
put forward several policies to make an effort to achieve a complete coverage of urban basic public service in the population of permanent residents such as “the unity of the nation's social security card system”, “national unified system of taxpayer identification number”, “universal health care system” and “agricultural transfer of population urbanization mechanism” and so on. Specifically, the 18th Central Committee of the CPC puts forward clearly “speeding up the reform of the household registration system, promoting transfer of agricultural population of urbanization and making efforts to achieve a complete coverage of urban basic public service in the population of permanent residents.” (15) Along with the advancement of urbanization, a large number of farmers have gone away from farmland, and completed citizenship transfer from the external form. But in essence, the core task is to ensure their national treatment, especially their household registration. Only make farmers have equal social welfare by household registration system reform, they can relieve their worries and make marketization of farmland advance orderly.

3.3 Constructing food subsidies policy system of favoring farmers with strong pertinence

It is necessary to refine the policy of direct grain subsidies scientifically and with pertinence to solve the “diminishing effect” of the policy of direct grain subsidies.

First of all, the general benefit of direct grain subsidies should be eliminated to cancel the subsidies for the farmers who don’t plant grain and make sure security funds subsidies offered for the real and good grain farmers. Subsidies can make use of two means. On the one hand, grain subsidies can be implemented according to the actual planting area; the other hand, grain subsidies can be implemented according to the output of grain. Although by the former, only the fairness can be realized between grain farmers and farmers who do not plant grain, it is not helpful to realize the fairness between the farmers who grow more or less. Therefore, after accurately grasping the objective data of planting area, the subsidy policy can be implemented to protect the farmers’ enthusiasm according to the grain yield, and aims at letting the farmers who planting get support, more area more support.

Second, the subsidies should match the cost of grain. To improve and maintain the farmers’ planting enthusiasm, it needs to further improve the standard of direct grain subsidies, make the subsidy standard connected with the price of agricultural materials according to the rising extent of agricultural production materials, establish a subsidy mechanism floating along with the market price, make the cost increasing as a regular variable be put into the subsidy policy goals to make the number increasing of subsidies and cost change connected together in order to make up for the rising part of agricultural production materials as much as possible.

Third, the gap around the grain subsidy standard between different regions should be reduced. Our countries need to develop the highest standard subsidy standards for the provincial reference and implementation. In particular, the standards gap between the major grain producing areas and the main market sale areas should be narrowed. The standard in the main producing areas is difficult to improve due to the lack of money, therefore, the central finance should bear a part of burdens, and at the same time, horizontal transfer payment should be established between the main the main producing areas and the main selling areas. It is not to limit government’s support to grain farmers in the developed area, but to take care of the overall effect of the policy to prevent the decay of the farmers’ enthusiasm in major grain producing areas.
In addition, the scope of agricultural subsidies should be expanded and adhere to the principle the grain subsidies will be offered if grows. On one hand, the direct subsidies to grain should cover all the land, namely include the original concealed unregistered land, villages and towns public land, the newly reclaimed land and the land formed through the land transfer income and so on. On the other hand, the subsidy scope of farm machinery purchasing objects should be enlarged and make all the farmers of purchasing agricultural machinery receive subsidies in order to fully encourage the most farmers’ enthusiasm of mechanized production and make agricultural mechanization go into the tens of thousands of households. Moreover, the range of subsidy to well-bred crop seed should further expanded including small grains, to enrich market varieties of food supply in order to avoid the dislocation of supply and demand. Certainly, implementation scope of testing soil should not only be limited to the project area and subsidies should also be given to areas outside the project which is conducive to scientific farming.

Finally, agricultural price regulation mechanism should be established. Due to the direct impact of the market price of agricultural materials on the direct grain subsidy policy, improving farmers’ enthusiasm can not blindly raise the subsidy standards and we must perfect the mechanism of regulation and control of agricultural prices to control the excessive rise in prices of agricultural means of production, and stabilize agricultural production costs, or no matter how much the subsidies is, it can’t deduct the cost of grain and the farmers’ enthusiasm will not be improved.

Notes:
(3) “Rural land contract law” (2002), Second item, Chapter one.
(4) “Land contract management right transfer”. http://baike.baidu.com/link
(11)(12) “The opinions of some policies to promote farmers to increase income”. Item1 & item17, 2004-02-08.
(13) “Some suggestions on strengthening the agricultural foundation construction and promoting the increase of farmers’ income” (2008).
(14) “Making the farmers a decent job and making agriculture a profitable industry”. New countryside, 2013-12-26.