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China, Land Circulation

Land Circulation System and Optimal Utilization

-- A Case Study of Enterprise Contracting in
Yingzhuang Village

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Abstract

In order to better optimize the use of land resources, China has put forward the mode of separation of three rights, including land ownership, contract right and management right. The management right can be transferred, thus it improves the land utilization rate and arouses the enthusiasm of farmers. This paper conducted a field survey of Yingzhuang Village in Baoding to explore the advantages of land transfer and enterprise contracting.

Key words: separation of three rights, land transfer, enterprise contract

I . Introduction

Food is the paramount necessity of the people. The food shortage has been one of the important issues in human history since ancient times. All the reforms in Chinese history have provided diversified exploration for solving the land problem in China. On the basis of the household contract responsibility system which greatly stimulates the enthusiasm of farmers in production, China has creatively opened up a new road to optimize land use by land transfer and separation of three rights.

Land circulation is defined as to collect the idle land of farmers, thus by enterprises, cooperatives or management of large unified scale of use. The separation of the three rights means that the ownership, contracting right and management right are divided into three subjects. The ownership belongs to the state and the collective, the contracting right belongs to the farmers and the management right belongs to the subject of the contracted land, so as to distribute the rights reasonably and inject new vitality into the land utilization in China.

This paper will explore the land circulation mode in China. Through the reference of policy documents, and survey of typical villages, we will also excavate the achievements and bright prospects of China's land transfer, the separation of three rights management mode.

II . The formation of separation of land right in China

1. The change of China's land policy

Since 1978, the household contract responsibility system has liberated the majority of farmers from the production team system, and the enthusiasm of farmers in production has been greatly improved. Nowadays, except for a few areas where there is still a commune system, contract production to households has become the mainstream of agricultural land. With the development and progress of social economy, decentralized management has been difficult to meet the needs of the development of productivity; land transfer policy came into being in China at the end of the 20th century.

In 1988, the land administration law of the People's Republic of China are corrected, admit the legality of land rent, from 1993 to 1996, by the central committee of the communist party of China, The General Office of the State Council has issued "the central committee of the communist party of China about building system of socialist market economy to some

issues of," about the opinion of stabilize and improve land contract relations, and other important documents, proposed the land policy of land transfer and the separation of ownership, contract and management rights for the first time, and provides a solid theoretical basis for it. In 2008, the Third Plenary Session of the Seventeenth Central Committee of the Communist Party of China proposed to "establish and improve the market for the transfer of land contract and management rights" and "develop diversified forms of appropriately sized operation" ^[1].

At present, China's land transfer policy has been improved. As of December 31, 2017, the land transfer rate was about 40% nationwide, and 60% in some provinces such as Jiangsu and Shanghai.

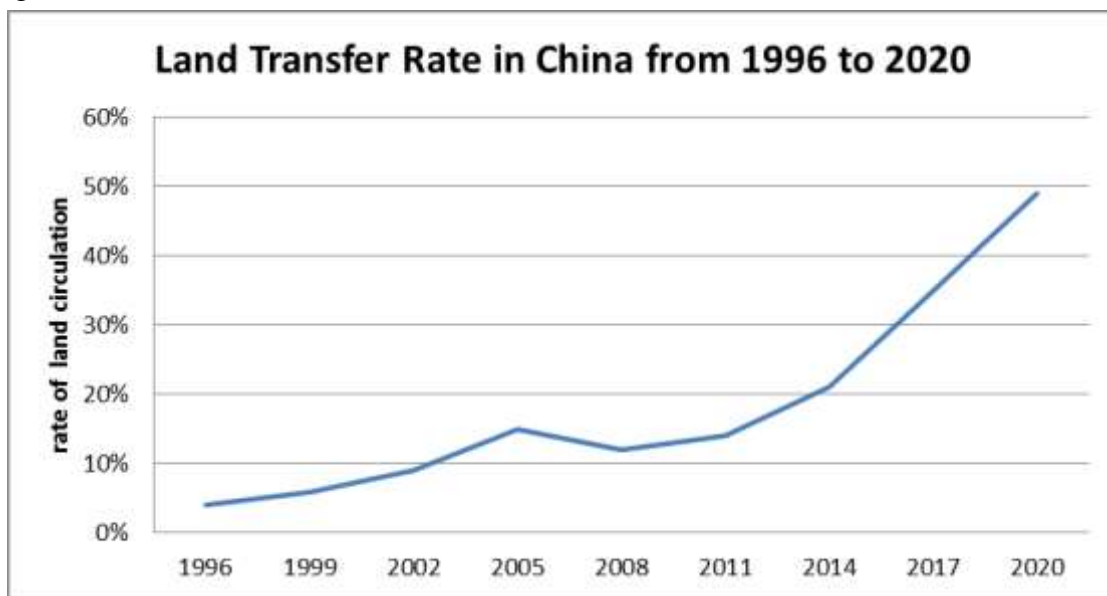


Figure 1 Land Transfer Rate in China from 1996 to 2020 ^{[2][3][4]}

2. The current operation mode of land transfer in North China

There are three main directions of land transfer nationwide, namely, farmers, enterprises and professional cooperatives(Organized by the basic-level government and the Communist Party Committee). Currently, the management mode of farmers in land transfer occupies a dominant position and occupies an absolute advantage in the amount of land transferred. Relatively speaking, however, peasant household management has not completely changed the essence of China's rural small-scale peasant economy, but has only patched and improved on the original basis. It is still in the primary stage of land transfer, and there is still a long way to go to further develop the land use value.

Enterprises and specialized cooperatives are relatively mature land transfer modes. Enterprise operation enables more advanced agricultural technologies to be practiced in the

^[1]The Third Plenary Session of the 17th Central Committee of the Communist Party of China2008 《Decision of the CPC Central Committee on Several Major Issues Concerning the Promotion of Rural Reform and Development》

^[2]Insight & Info Consulting Ltd 《2018-2023 A report on the current situation of market operation and investment prospect planning of land transfer industry in China》

^[3]New Policies on Rural Land Circulation in 2020 by www.hualv.com

^[4]www.tuliu.com

production process, and has the potential to open up innovative development paths such as rural tourism and fruit and vegetable picking without harming agricultural development. Professional cooperatives are conducive to the large-scale operation of land. According to the local natural environment and human conditions, the most suitable industries are developed and vigorously promoted, so as to realize the liberation of agricultural labor force and the rapid realization of rural revitalization in poor villages through the development of pillar industries. At present, professional cooperatives and enterprises still occupy less land by contract, but they have made remarkable achievements in development, especially in poverty alleviation. Meanwhile, they have provided constructive reference for development in terms of organization level, technology adoption and enterprise integration.

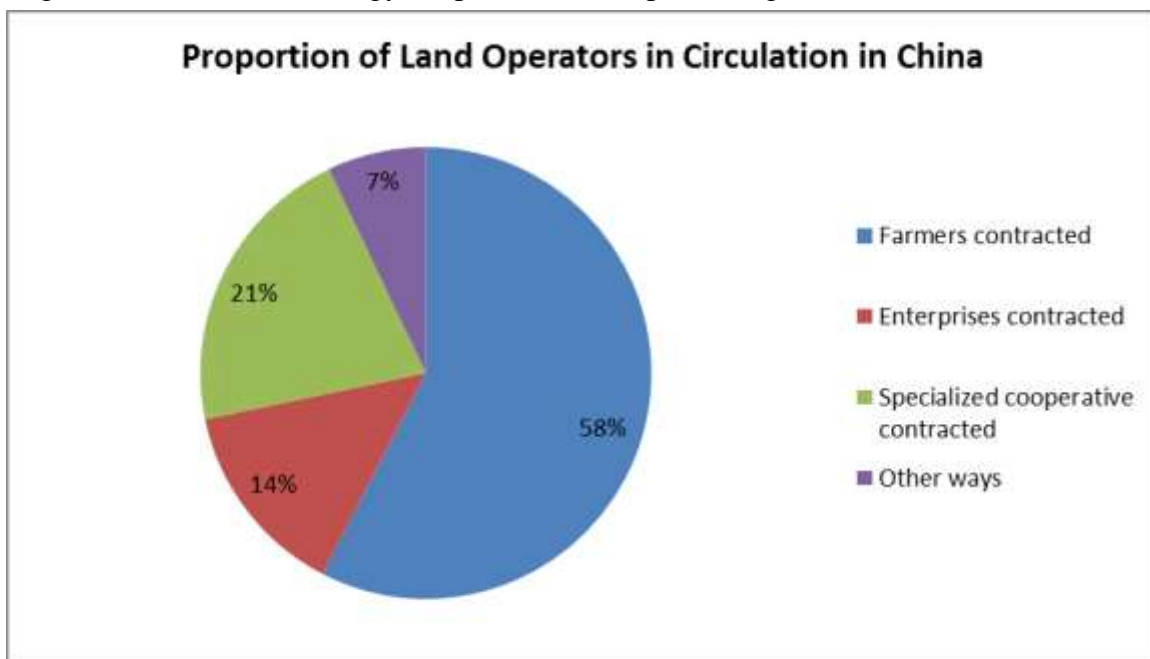


Figure 2 Proportion of Land Operators in Circulation in China ^{[5][6]}

3. The current role of the government in land circulation

Currently, China’s State Council proposed the “Rural Revitalization” strategy, demonstrably points to consolidate and improve the basic rural operation system, enlarge the new agricultural management main body, develop new types of rural collective economy, promote pequeno agricultors to produce organic link with high-technology agriculture in order to establish modern agriculture development management system^[7]. Chinese government publicly supports for the work of land circulation, but due to the farmers’ related rights, it also declares that the contract relationship will be stable and permanent which reflects the full respect for the right of individual business.

The basic-level governments and the Communist Party Committees of villages are important enablers of land circulation policy, with a certain range of flexibility to adjust the policy in some ways. Although the vast majority of areas carry out the land circulation in the government's encouragement and under the leadership of the Communist Party, minority regions such as Zhoujiazhuang still maintain the original people's commune system, while some other villages are still in the stage of household contract

^[5]Institute of Rural Development, Chinese Academy of Social Sciences, Zhongzhou Academic Journal, No. 2, 2018

^[6]www.tuliu.com

^[7]CPC Central Committee and The State Council <<The Strategic Plan for Rural Revitalization (2018-2022)>>

responsibility system. However, no matter what the current land system in the region is, most of the systems match the local situation and belong to the direct or indirect decision-making results of the majority of villagers, and to a certain extent, they are developing towards the direction of collectivization and scalization.

However, there are still some problems in the implementation of basic-level governments, such as illegal appropriation of funds, illegal occupation of farmland, money and power transactions, and unequal opportunities for enterprises. The clean construction of basic-level governments will effectively guarantee the healthy operation of land circulation. Besides, the proportion of land contracted by professional cooperatives is still low. As an important part of this policy, basic-level governments and Communist Party Committees of different areas are duty-bound to promote the high-quality development of land circulation.

Since the land is the state-owned assets, land circulation is mainly presided over by the state organs and Communist Party Committees at all levels to carry out the work. Almost no relevant or international organizations are involved in the decision-making of land circulation system. This policy, to some extent, limits the land circulation mode of innovation, but effectively maintains the state control of the land, which ensures the legality of land use and furtherly play an important role in keeping social stability.

III. Yingzhuang Village: a newly formed village contracted by enterprises

Yingzhuang Village, Baoding, is located in the hinterland of the North China Plain. Its main agricultural operation mode is a kind of dry farming of wheats in winter and of corns in summer. North China is located in the temperate monsoon climate zone in the east of China, with abundant sunshine, moderate precipitation and the same period of rain and heat. It is an important grain producing area in China. In 2020, the annual output of grain will reach 142.04 million tons, accounting for 26% of China's total grain output, making it an important grain producing region in China.

1. Current land development and main operation mode ^[8]

The land transfer of Yingzhuang Village in Baoding City started in 2017. At that time, the idle rate of land in Yingzhuang Village was high, and the grain harvest was low, so the production could only basically meet the living needs of residents in the village. In addition, a large number of young people like Baoding City and Shijiazhuang City made a living, and the problem of empty nesters in the village was serious. The atmosphere in the village is relatively conservative. After the official release of land transfer in 1996, the work of land transfer has not been carried out.

In 2017, under the appeal of the village party branch, land transfer has been gradually implemented and developed rapidly, and has provided great help to farmers and injected new vitality into the development of township enterprises. The latest statistics and analysis are shown as Figure 3.

^[8]Party Branch of Yingzhuang, Qingyuan District, Baoding, Hebei Province of the Communist Party of China



Figure 3 Land utilization type in Yingzhuang village

The current land transfer rate reaches 50%, which means a high transfer rate. In North China, 23% of land contracted by enterprises is already at a high level. Most of the abandoned land is located in remote areas and difficult to farm.

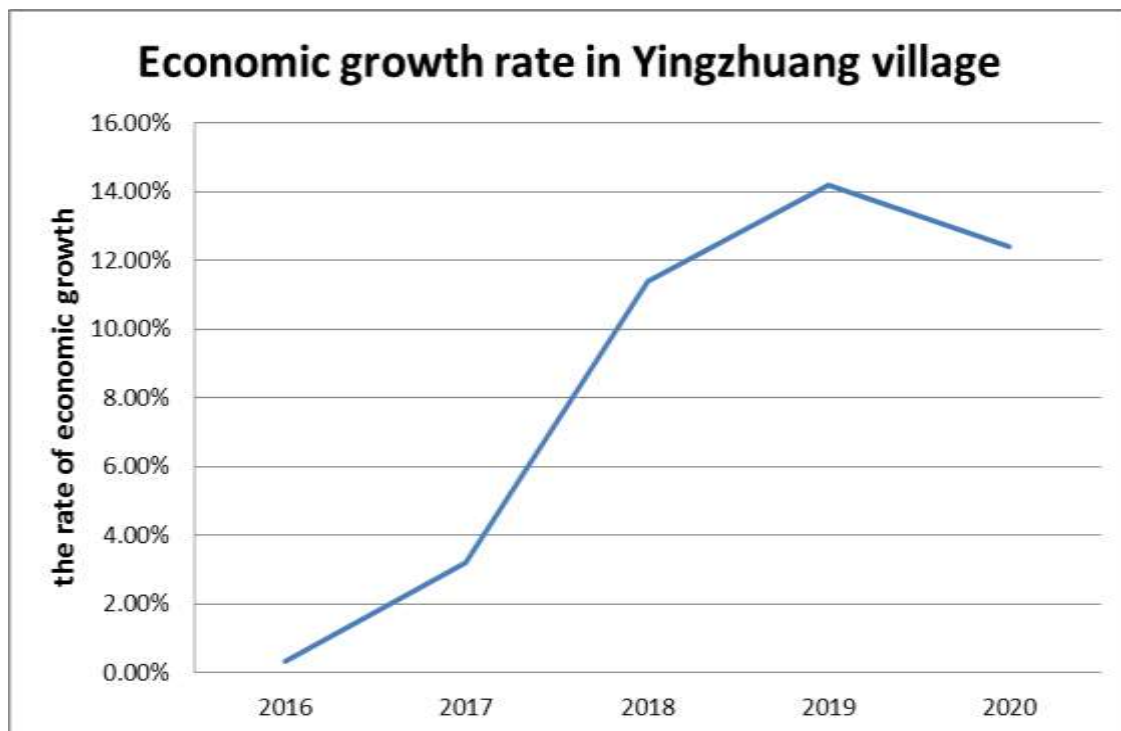


Figure 4 The rate of economic growth in Yingzhuang village

Before 2017, the economy of Yingzhuang Village maintained a low growth rate, but the growth rate increased sharply after land transfer. In 2020, a larger pig breeding enterprise in the village was shut down due to illegal occupation of cultivated land, and the growth slowed

down.

2. Farmers' consent and their profit sharing

Most of the young and middle-aged people in rural areas have moved to cities to work. In villages, the elderly are the majority (about 50% of the population over 55 years old), and manual labor is inefficient. Therefore, it is urgent for enterprises or individuals with more advanced production technologies to help manage the land and ensure their living standards do not decline. Before 2017, the vast majority of left-behind old people mainly rely on their children who work in cities to send their living expenses back to rural areas, and agricultural production is basically limited to vegetable and fruit courtyard planting economy, which has little effect on the overall economic growth of rural areas.

According to the local survey, basically, all of Yingzhuang residents should be bullish on subleasing the land usage patterns and their willing to participate in it, while a small number of related patterns don't know much about subleasing the land usage. Only a tiny part disagree to push the subleasing work as they claim that they don't want to have the landlord's control of land, which means they don't understand contemporary land circulation patterns. In general, land transfer work has been supported by the majority of farmers, but relevant knowledge still needs to be popularized in time to facilitate the in-depth development of land transfer work.

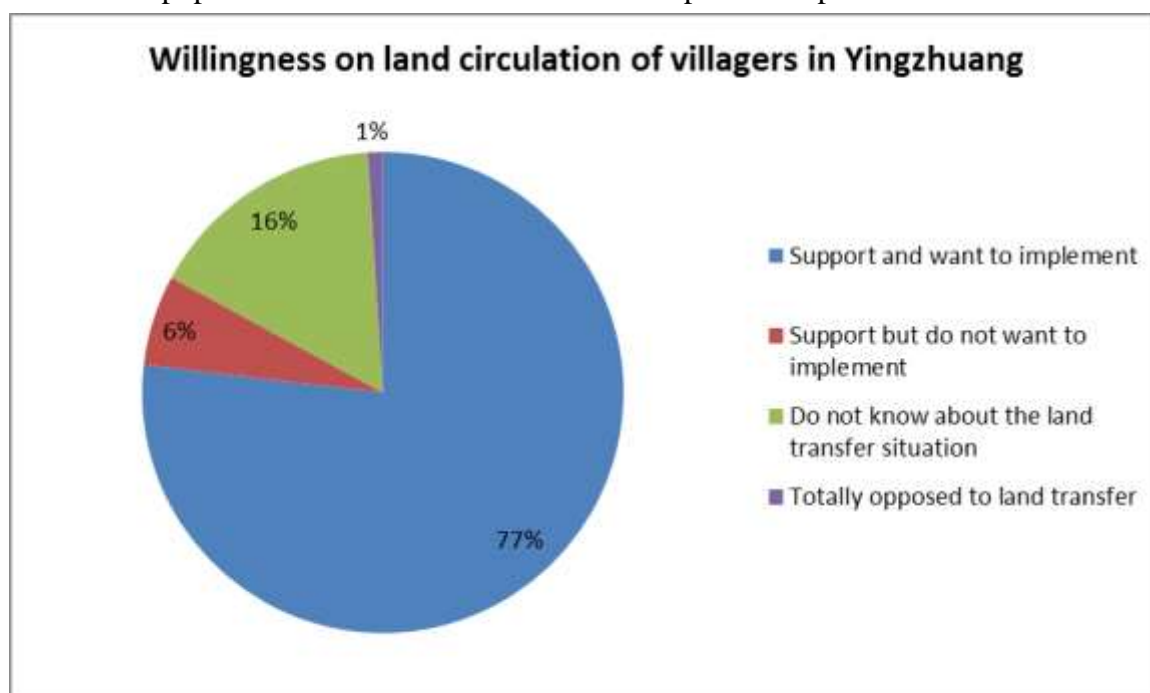


Figure 5 Willingness on land circulation of villagers in Yingzhuang

At present, the average land rent price in Yingzhuang village is 350 yuan/(mu * year), slightly lower than the national average land transfer price of 400 yuan/(mu * year). Generally speaking, each household has 3-5 mu of land, and through land contract, it can get 1050-1750 yuan per year. However, the original winter wheat-summer maize interplanting mode has an annual output value of 1800 yuan/(mu * year) without any cost, with an annual gross income of 5400-9000 yuan for each household, and an annual net income of 1800-3000 yuan after seeds, irrigation, pesticides, fertilizers and other maintenance costs are removed. Contracted

land is statistically less profitable than direct farming, but farmers freed from the fields have more flexible employment options. As a hired hand in a local agricultural enterprise, the annual income can be at least 30,000 yuan, and the maximum can reach 70,000 yuan (the current Yingzhuang enterprise has not reached a sufficient scale), while the annual income can be up to 120,000 yuan when working on construction sites in the city, and the overall income level will be far higher than that of direct land management.

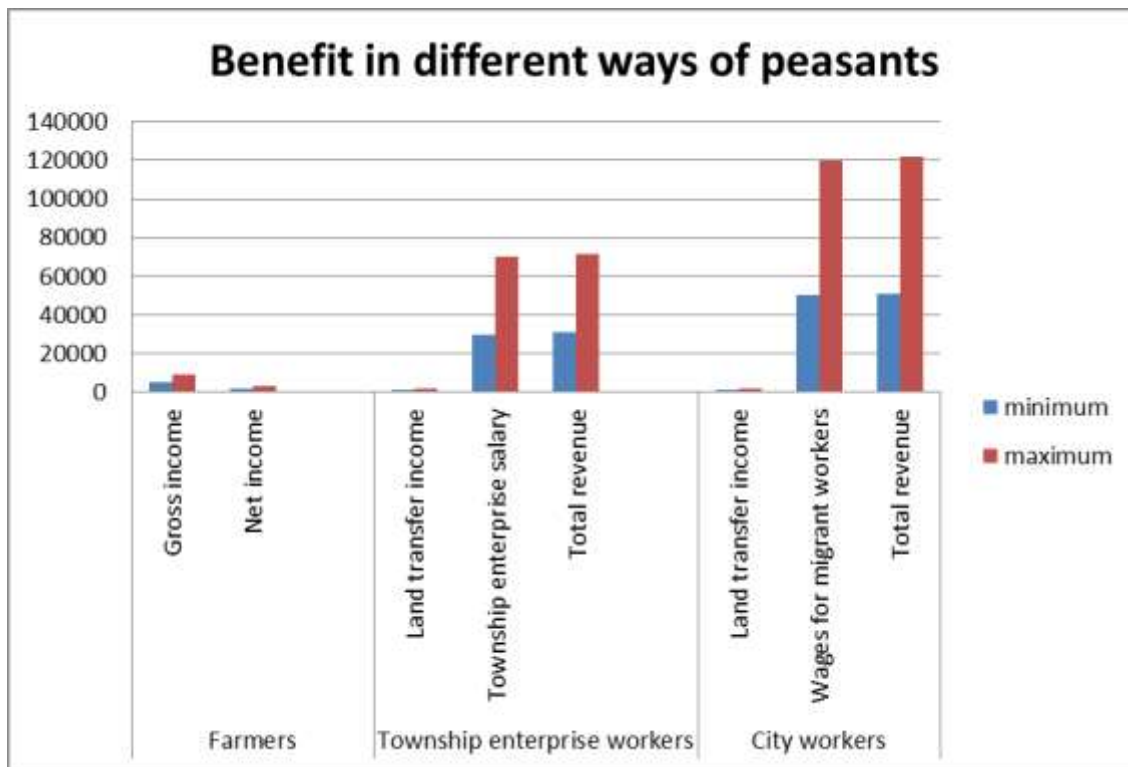


Figure 6 Benefit in different ways of peasants

The high income of land transfer and the release of labor force greatly attract the choice of farmers, which makes the new rural land management model achieve considerable development and progress without damaging the interests of farmers themselves.

3. Enterprise operation models and their profits

At present, there are four large-scale agricultural township enterprises in Yingzhuang Village, among which one is engaged in pig breeding, one is engaged in greenhouse fruit and vegetable planting, and the other two are engaged in mechanized wheats in winter and corns in summer planting. In addition, there are a number of micro-enterprises engaged in fruit tree planting, economic tree planting, freshwater edible fish breeding and so on. The vast majority of enterprises have good relations with farmers and adopt modern operation modes, which has been making great contributions to the implementation of rural revitalization strategies.

Take the local greenhouses fruit and vegetable planting enterprise as an example (the name of the enterprise does not want to be disclosed). According to the survey, in the early 2018, initially for small-scale family industry, two farmers contracted land for a total of about 5 mu, constructing 3 planting greenhouses, each covering an area of 1 mu. It cost about

190000 yuan in total including the greenhouse construction and the land rental fee. First of all, off-season strawberry planting in greenhouses is the main business area, and local vegetables such as eggplant and tomato are planted in spare areas, which will basically complete the work of returning to capital and start to make profits in 2018. At the beginning of 2019, three greenhouses will be built again. In view of the high price of local ginger and the high profit, ginger greenhouses will be concurrently planted. During the epidemic period, the development of Baoding has been hit, and the Baoding municipal government has vigorously supported the development of township enterprises and promoted their products, basically maintaining the growth trend. By the end of 2020, the enterprise's net income has reached nearly 300,000 yuan, employing 6 local farmers, making it one of the largest agricultural enterprises in the local area. (At present, there is no large local village or town enterprise)



Figure 7 Profit trend in recent years

4. Advantages and characterization of the current circulation mode

The household contract responsibility system established in 1978 not only liberates farmers' productive forces, but also reduces farmers' ability to cope with natural risks to some extent, and is not conducive to the centralized large-scale production of land. The Chinese government draws on the land transfer management model of agricultural powers such as the United States and Israel, and combines it with China's agricultural situation in which small-scale peasant economy is the main body, providing a strong push for rural revitalization.

At present, the enterprise contract system implemented by Yingzhuang Village has not only effectively promoted the development of rural economy, but also avoided the idling of rural land to some extent, provided employment for farmers, injected innovative development vitality into the countryside, and provided an important reference for a good solution to the problems of agriculture, rural areas and farmers.

At the same time, the advanced agricultural technology is applied to the vast market in China's rural areas, which makes an indelible contribution to the integration of advanced technology and actual production and the advancement of agricultural production in China's

vast rural areas into the ranks of modern agriculture.

Combining the entrepreneurial spirit with the enthusiasm of farmers to create wealth can further improve the enthusiasm of production, further liberate the agricultural productivity, and provide the spiritual core for the development of rural revitalization.

IV. Development prospect and space for optimization ^[9]

1. Combination of agriculture and tourism -- the development of use value of cultivated land

In China, most of the agricultural land tourism value has not been fully developed yet. A large number of rural areas are still in low income due to the singularity of agricultural income, while a large number of poor villages located in the mountains have achieved rapid development by means of the tourism industry since the crucial strategy for poverty. Although the geomorphic features in north China is far less unique and attractive than that in Guizhou, Yunnan and some provinces like that. However, a large number of first-tier and second-tier cities, such as Beijing, Tianjin, Shijiazhuang, etc., gather here, which means a lot of urban population may go to the surrounding countryside for holidays during the minor vacations to relieve their pressure brought by the fast-paced life. This population flow could provide a broad market for the village tourism in North China.

The sea of rape flowers and strawberry picking have already appeared in the majority of villages with rural tourism as the resort places with the highest popularity. But due to geographical restrictions caused by the fact that land is often contracted by several large-scale farmers and township enterprises respectively, "flower sea" effect is often not that spectacular as its designers' expectation. Also, a large number of villages developed recently adopt similar patterns, leading to an annoying phenomenon called "All Villages in the Same Key ". Small villages have low competitiveness while larger villages lack vitality and creativity. To solve these problems, unified land planning and management are also required.

Tanbo art (the crop field painting of Japanese origin) as one of the best companion of rural tourism, although not promoted massively nationwide, happened to be a great success in a minority of eastern villages. As subjects of Tanbo Art diverse in a wide range and its art style is quite free, even though a mass of villages promote it at the same time, there will be little ipentity. The uniqueness Tanbo Art has is just what rural tourism need to effectively solve the problem of "All Villages in the Same Key " developing pattern and improve the competitiveness of rural tourism compared with the traditional one. At the same time, the demand of Tanbo Art for professional talents major in art, agriculture and related career can effectively stimulate college students to return to the village to start their own businesses and inject development vitality into rural revitalization.

It is worth mentioning that the development of tourism should not be at the expense of

^[9]Wu Guoyi, Xiong Jun, Fei Fan, Jiang Yizhou, Wuchang University of Technology, "A Brief Discussion on the Prospect of Land Circulation

agriculture's sacrifice. China's food security needs to be guaranteed accordingly which means that blindly catering to the needs of tourists and neglecting the agricultural cultivation is absolutely not desirable.

2. Large-scale operation – promotion of modern agriculture to a new level

The scale of land can determine the way of use to some extent. In 1978, households began to contract land, which also led to the problem of excessively refined land division. Due to the high cost per unit area, it was difficult for Chinese villages to reach the development level of modern agriculture.

Only by combining land resources as much as possible, gradually gathering and developing in a unified way can the commercialization degree of agricultural products be improved and the production efficiency be qualitatively broken through. In order to transform China's agriculture to high quality development, it is necessary to bring the land management rights to enterprises or professional cooperatives. Even the most common peasant household contract will be gradually transformed into these two development modes to meet the needs of the development of productive forces.

3. Agricultural science and technology -- assist to the development of smart agriculture

Science and technology constitute the first productive force, and only institutional reform is difficult to decisively improve the level of productivity. Land circulation made it possible to application of the high cost of wisdom agricultural equipment, to improve the efficiency of land use provides policy support, if still keep the original production technology constant, land circulation has also lost its important value.

Because of China's national basic conditions of the arable land and the high-density population, all the cultivated land have to be fine operated, which also makes a lot of labor to agricultural work. The usage of advanced agricultural science and technology, especially the usage of modern farming machines, will increase the commercialization rate under the premise of no mass reducing and meanwhile liberate productivity as much as possible. In such regions like Xinjiang where farming is extremely challenging, it will be possible to carry out agricultural activities with the application of agricultural techniques as well.

V. Experience exchange of land circulation between China and other countries of the world

1. China's absorption of world land transfer experience

Land circulation is not the invention of China. Israel and the United States first realized large-scale operation through land transfer and made a great leap in agriculture.

But the reference of foreign experience this time totally diverges from the copy of the former Soviet Union in the 1950s. After the completion of the three great remould movements, land public ownership appears as the basic rule of land policy on mainland China. In order to

effectively absorb nutritious experience of countries in which private ownership of land is generally practiced, the Chinese government has creatively proposed the " separation of three rights " that organically combined China's national conditions and advanced agricultural development mode, to cope with the contradiction between the current Chinese social system and the high-quality development of agriculture. And periodical achievements have been reached in the past 30 years of exploration.

2. Chinese wisdom on land transfer

In view of the fact that most of the major countries in the world have already implemented or planned to implement the development model of land circulation, China offers its development wisdom of "separation of the three rights" to the world.

For countries in developing regions like China, the implementation of "separation of three rights" can give land managers the maximum autonomy while maintaining the state-owned land to a certain extent. In order to ensure the implementation of the "separation of three rights" within a reasonable scope, it is relatively easy to manage the macro-control of land resources presided over by the government, which can avoid the monopoly and illegal use of land resources to a certain extent.

Since different countries have different national conditions, China only offers its development experience in this regard, and the specific implementation should still be closely combined with its own national conditions.

Conclusion

China's land circulation system is improving step by step, providing farmers with better employment opportunities, building a higher platform for township enterprises, effectively promoting the development of China's agriculture, and is expected to provide the world with Chinese wisdom and Chinese solutions. At the same time, there is still a great potential to be tapped in the operation mode of land transfer and separation of the three rights. Only by organically combining the superior system with advanced technology can the agricultural modernization be further advanced.

Acknowledgement

First of all, I would show my sincere gratitude to my school, Shijiazhuang Foreign Language School which has provided a good platform for us to attend in this kind of international activity. Besides, it is of great appreciation to all the teachers who have contributed a lot to help me with the researching work. Finally, I feel grateful for the Party Branch of Yingzhuang which has provided data support and some useful suggestions to the improvement of land circulation system.

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