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# Problems of Family Farms in China and Countermeasures

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**Abstract** In the *Communiqué of the Third Plenary Session of the 18th Central Committee of the CPC*, it proposed the tasks of accelerating the building of a new type of agricultural operation system, endowing farmers with more property rights, promoting equal exchanges of factors of production and balanced allocation of public resources between urban and rural areas, and improving the institutions and mechanisms for promoting the sound development of urbanization. However, as new agricultural operating entities, family farms have problems of land circulation, lack of scientific and technological talents, and backward infrastructure. In line with these problems, this study put forward recommendations and countermeasures, in the hope of promoting increase in farmers' income, increasing agricultural intensification and large-scale level, and realizing agricultural modernization.

**Key words** Family farms, New agricultural operating entities, Problems and countermeasures

After entering the 21st century, with rapid social and economic development of China, both industrialization and urbanization are accelerating, which leads to migration of rural labors on a large scale. Agriculture is the foundation of all industries. Rural hollowing and labor aging problems are increasingly serious. To solve the problem of who will do farm work and how to do farm work in future, the key is to build a new agricultural operating system. For building new agricultural operating system, family farms as essential operating entities should be developed with priority.

## 1 Basic concept and current development situation of family farms

**1.1 Basic concept of family farms** Agriculture develops along with industrial development, while the concept of family farms originated from American – European countries where the industries are relatively developed. Over the years, numerous domestic and foreign scholars have done a lot of researches on family farms from various aspects. However, mainstream is generally consistent. Family farm is generally a new agricultural operating entity characterized by reaching certain scale, having registered in industrial and commercial administration, taking family members as major labor, being mainly engaged in large-scale, intensive and commercialized operation of agriculture, and taking agriculture as major income source. In other words, family farms integrate owners, laborers and operators. Therefore, they are different from traditional small-peasant operators and traditional large planting and breeding households, and also different from employment agriculture and contractual agriculture.

## 1.2 Realistic significance of developing family farms

Whether agriculture can obtain considerable development depends on close attention and preferential policy of state government. Both *the Report to the Sixteenth National Congress of the CPC* and 2013

No. 1 document of central government stress that we should foster new types of agricultural business entities, develop large-scale agricultural operations in diverse forms, and establish a new type of system for intensive agricultural operations that are specialized, well organized and commercialized. This is a significant deployment for rural development in the new trend and it indicates clearly development direction of modern agriculture. 2013 No. 1 document of central government stated that we should encourage and support circulation of contractual land to large specialized households, family farms and farmers' professional cooperatives. As backbone force in building new agricultural operating entities, family farm is not only the extension and development of household contract responsibility system, but also an important handle for developing modern agriculture.

Family farms have characteristics of large-scale and intensive use of land. They suit local conditions and can flexibly increase land utilization efficiency. However, it should be clearly known that it is different from "Enclosure Movement" in Great Britain. Modernization process of all developed countries fully reflect fundamental role of agriculture in world economic system. To realize modernization, agricultural reform is inevitable. China has learnt successful experience of foreign countries in agriculture, and also followed agricultural development path with Chinese characteristics. Although land is collectively owned, Chinese characteristic family farm is still a part of agricultural reform, and improvement and upgrade of the household contract responsibility system implemented since the Third Plenary Session of the Eleventh Central Committee of the Chinese Communist Party. Such advantages of family farms greatly promote land circulation and formation and development of new agricultural operating entities, raise China's agricultural modernization, and make agricultural development of China get rid of "Japanese and Korean trip" basically.

Land circulation is an objective requirement for accelerating development of agricultural modernization and implementing large-scale and intensive operation of family farms. A lot of areas of China have issued many measures and strategies promoting land

circulation. However, on the whole, land circulation and marketization level is not high. At present, land circulated in various form takes up only a small portion of total land. The marketization level is still far from international level and fails to satisfy demand of modern agricultural development.

In China, problems of rural hollowing and aging become more and more prominent. After entry to the new century, most new generation students (born in the 1980s) including students of agricultural discipline are unwilling to do farming work or return to rural areas after graduation or going to cities. Besides, according to introduction of professor Yuan Xin from Institute of Population and Development Research of Nankai University, population of people elder than 60 years old reached 200 million in 2013; by 2050, this figure would reach 440 million<sup>[1]</sup>. In such serious situation, how to retain new agricultural sci-tech talents and ensure agricultural development having qualified successors has become a challenging issue.

**1.3 Current development situation and opportunities of family farms** In China, the concept of family farm was firstly mentioned by No. 1 document of central government in 2013. It clearly took family farms as major form of new agricultural operating entities which should be actively cultivated and developed. With greater support of the state, by now, China has developed many family farms and they play a significant role in promoting modern agricultural development. According to statistics, by the end of December 2012, there were more than 2.7 million large households and family farms with operating area above 6.67 hm<sup>2</sup>; among 33 pilot areas for standardized management and service of rural land circulation determined by Ministry of Agriculture, there were more than 6 670 family farms<sup>[2]</sup>. This shows excellent development prospect of family farms in China.

With rapid development of secondary and tertiary industries of China, large agricultural population moves to non-agricultural sectors. As a result, rural labor gradually decreases, farmland becomes concentrated, and then family farms appear. According to report calculation of the Economic Daily for family farms in Hubei Province, about 4 in 1 000 family households engage in family farms; among 1 000 agricultural workers, 23 ones engage in family farm work; in 1 000 mu farm land, about 49 mu is subordinate to family farms. According to calculation of the operation and management bureau, total income of family farms in the last year was 9.82 billion yuan and the average income of each family farm was 49 498 yuan, which was 4.7 times the per capita income of farmers in Hubei Province<sup>[1]</sup>. It is not difficult to see that family farms not only bring vitality to China's agriculture, but also increase income of farmers. Besides, both the number of family farms and quantity of workers decrease significantly. Compared with American agriculture with family farms accounting for about 90%, there is still a large space for development of China's family farms.

However, due to rapid development of urbanization and migration of numerous agricultural labors, high demand of urban people for agricultural products provides better sales market for ag-

ricultural products. For development prospect of family farms, this creates an excellent opportunity. At the same time of seizing this opportunity, it should be noted that developing family farms should not be limited to family farms. Instead, it should realize that this is change of agricultural development mode and innovation of agricultural production and operation system and mechanism. It is an inevitable trend for small and scattered small household agricultural production to transform to market-oriented, specialized and large-scale production.

## 2 Existing problems in development of family farms

**2.1 Considerable difficulties in land circulation** In China, although family farms have many advantages, in the scale enlargement, small and scattered production and operation mode perplexes rural development for a long time. At present, social security system of China is not perfect, thus there is a great difference in basic living, endowment, medical care, and social assistance. Even though constant development of urbanization attracts a lot of farmers to go to cities, before employment, household registration, housing and social insurance of non-agricultural population are solved, farmers will still hesitate about circulating their land for a long time. Instead, they prefer to ask their relatives or neighbors to rent their land. Some farmers even leave the farmland idle, leading to the situation that "some people do not have farmland, while some farmland is left idle". Various concerns cause that farmers with agricultural production as major economic source are inactive to support land circulation due to serious worry about loss of living guarantee. In addition, there are still no definite laws and regulations about intermediaries for rural land circulation, no overall investigation and general plan for cultivation and development of rural land circulation intermediaries, and no authoritative state-level competent authorities and coordination institutions for land circulation intermediaries<sup>[3]</sup>.

## 2.2 Desperate shortage of agricultural sci-tech talents

Firstly, education level of farmers is generally not high. Most new generation students (including those of agricultural discipline) receiving high education are unwilling to return to rural areas, leading to interruption of intergenerational transmission. Besides, software learning effort is not high and hardware investment is not sufficient. On the one hand, agricultural discipline of vocational schools is less attractive to students. According to statistics of Ministry of Education in 2012, agricultural discipline students in higher junior college accounted for 1.76% and students of secondary specialized school accounted for 10.35%<sup>[1]</sup>. Data indicated a serious imbalance between labor and the agriculture carrying capacity. On the other hand, due to limitation of economy, time, and place, farmers suffer from having no means of learning. There is still the problem of "using facilities of the 1990s to cultivate farmers of the 21st century". Advanced knowledge and scientific management methods fail to be learned and applied in time, which is one of the basic reasons for imperfect operation of family farms in China. In addition, transformation of status of migrant workers is slow. They are still discriminated in employment. Vocational training for migrant workers is weak. Taking Guangdong Province

as an example, according to floating population dynamic monitoring by National Population and Family Planning Commission, in 2011, only 35% migrant workers in Guangdong Province received skills training provided by government, employer or special institutions, and the rest 65 migrant workers did not receive any training<sup>[4]</sup>. As foundation stone of family operation, new farmers are backbones of cooperatives and social service organizations and also major parts of new agricultural operating entities. As new forces, they are weak in strength, production development, and employment and entrepreneurial capability.

**2.3 Insufficient investment in construction of rural infrastructure** Short of fund always restricts sustainable development of family farms. For a long time, China invests little in construction of rural infrastructure compared with investment in national capital construction. According to statistics, central finance invested a total of 599.598 billion yuan in construction of rural infrastructure in 2012, only accounting for 9.35% of total expenditure of central finance. Insufficient funds lead to low popularization rate of agricultural mechanization, difficulty in traffic and transportation, narrow channel for obtaining information, and unstable price of agricultural products. Serious lagging of rural infrastructure construction further widens the urban and rural gap.

**2.4 Difficulties of family farms in financing** In system and mechanism, China's family farms are not perfect. The concept of family farms was introduced by No. 1 document of central government in 2013. Family farms are still at early stage of development. Farmers are weak in information collection, decision making and risk resistance. Therefore, in the competition of financing, family farms are far lower than other new agricultural operating entities, such as leading enterprises and rural economic cooperatives. Sun Wen and Kuai Qingmei (2013) stated that as long as there is another choice, banks and other financial institutions are unwilling to incline to family farmers, especially in current situation that family farms are still at the stage of concept and no definite support policy<sup>[5]</sup>. Problems of difficult financing and imperfect agricultural insurance mechanisms have posed enormous obstacle to development of rural contractual land to intensive development of family farms.

### 3 Countermeasures and recommendations for development of family farms

**3.1 Improving land circulation system and enhancing land intensification** (1) Improving land circulation system and enhancing land scale. In the *Communiqué of the Third Plenary Session of the 18th Central Committee of the CPC*, it proposed the tasks of accelerating the building of a new type of agricultural operation system, endowing farmers with more property rights, promoting equal exchanges of factors of production and balanced allocation of public resources between urban and rural areas, and improving the institutions and mechanisms for promoting the sound development of urbanization. This indicates active exploration of land system reform. It is recommended to make clear certification standard for family farms, speed up improving land ownership confirmation and registration, and make farmers enjoy increase of land value to a greater extent.

(2) Regulating land circulation market, cultivating and

guiding benign development of various intermediaries. On the precondition of correct understanding, it is recommended to properly treat the relationship between government, land circulation intermediaries and farmers, reduce administrative intervention against land circulation intermediaries, keep their independence, and enhance their self-construction.

(3) Encouraging investment in rural areas to realize boosting agriculture through promoting industries. In the *Communiqué of the Third Plenary Session of the 18th Central Committee of the CPC*, it stated that we should encourage and guide industrial and commercial capitals to rural areas, to develop modern production factors and operating mode suitable for running rural areas like enterprises. Only when operating mode is suitable and system is guaranteed, can it be able to avoid occupation of farmers' land and unemployment of farmers, and may high quality talent, technology and advanced management concept promote rural development.

(4) Supervising industrial and commercial enterprises renting contractual farmland of farmers to realize development with moderate scale. According to statistics of Ministry of Agriculture, by the end of December, 2012, about 28 million mu farmland flew to industrial and commercial enterprises (115% higher than 2009), accounting for 10.3% of total land circulation area. To prevent excessive rent of farmers' contractual land by industrial and commercial enterprises, competent authorities should actively guide land circulation and develop moderate scale operation and get hold of the degree of large-scale land operation.

**3.2 Energetically cultivating professional farmers to ensure successors for agricultural development** New professional farmers will be promoters of China's agricultural modernization and builders of new socialist countryside, and will lay solid foundation for building new agricultural operating system<sup>[6]</sup>. It is proposed to promote cultivation of new professional farmers in an all-round way, provide personnel support for construction of modern agriculture, and invigorate new blood for development of family farmers, to effectively ensure intergenerational transmission for sustainable development of China's agricultural modernization. (1) Establishing special fund and incorporating it into financial budget, to provide great support for sustainable development of family farms. (2) Enhancing vocational training and implementing different cultivation modes of vocational training for farmers at various levels. (3) Taking various form of education and training, and innovating on training content and methods, to realize integration of production, learning and research. (4) Implementing return of tuition fee or cultivation of professional farmers at public expense. (5) Establishing talent development mechanism and employing those university students who have engaged in rural work for certain years to village officials.

**3.3 Increasing investment in grass-roots construction** It is recommended to increase investment in rural infrastructure construction. Besides, it should improve management and enhance monitoring system, simplify fund circulation procedure, and prevent embezzlement and interception of funds in the process of operation, so as to make effective consolidation of funds for supporting agriculture and increasing efficiency of use of rural fundamental investment. In addition, construction of rural infrastructure should not rely solely on government. It also needs participation of

various social groups, such as various foundations and social environmental protection organizations with advanced management and operation methods and social capital endowment.

**3.4 Development moderate scale of family farms in accordance with local conditions** Since China is large in land, geographical conditions of all regions are different. Developing family farms in accordance with local conditions can effectively raise land use efficiency and mechanized planting level, reduce cost input of production, and increase farmers' income. Further, it should formulate related approval condition for registration of family farms, to prevent pursuit of "political achievement" or blind imitation of model family farms. Government and management departments should energetically enhance propaganda and guidance effort, respect natural laws, and develop family farms in accordance with local conditions, to realize maximum agricultural output.

**3.5 Implementing preferential policies** In this respect, China can learn successful experience of the United States, France, EU and the Netherlands, increase proportion of agricultural subsidy to financial budget, and provide low interest or even zero interest loans for family farms. For loss of financial institutions, government should assume the responsibility. Besides, we should encourage parents and brothers pooling of land as shares and conducting joint operation. In addition, it is required to increase subsidies for agricultural insurance. To realize rapid development of family farms, it should provide low interest loan for large farms, to solve their fund problem. For spontaneous land consolidation of farmers, government may reduce taxes to encourage and support.

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Also, government can provide price subsidies for chemical fertilizer and agricultural machinery.

## 4 Conclusions

Energetically cultivating and developing family farmers in the new situation can effectively promote large-scale, intensive and commercialized operation of agriculture, increase land use efficiency, ensure grain security, enhance farmers' market risk resisting capability, stimulate farmers' enthusiasm for production, increase farmers' income, release agricultural potential, and speed up promoting construction of agricultural modernization.

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