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# Development Model and Characteristics of Rural Land Joint Stock-cooperative System

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**Abstract** We introduce and analyze operating mechanism of three major rural land joint-stock cooperative systems in China, including community type (Nanhai model), collective leasing type (Ningxia Pingluo model) and joint operating type (Zhejiang Jiande model). Current rural land joint-stock cooperative system has following characteristics. Firstly, adhere to the collective ownership and household contract responsibility system in rural areas. Secondly, safeguard farmers' land contractual rights and interests. Thirdly, implement large-scale agricultural production and operation. Fourthly, carry out normative operation of farmers' cooperatives. On the basis of these, we point out such problems as backward technology and short of funds in development of rural land joint-stock cooperative system. Finally, we conclude that the development of rural land joint-stock cooperative system should fully draw lessons from foreign advanced experience, actively try new model like securitization of rural land, to explore a road suitable for current national conditions.

**Key words** Rural land joint-stock cooperative system, Household contract responsibility system, Securitization of rural land

The earliest rural land joint-stock cooperative organizations emerged in several villages in Nanhai of Guangdong in 1992. These organizations are initiated and attempted by farmers and grass-roots cadre. After Nanhai model brings about favorable results, Guangdong, Fujian, Zhejiang and other places start to follow suit, and rural land joint-stock cooperative organizations rapidly develop. The rural land joint-stock cooperative system is a type of management system, in which rural land contractors voluntarily unite, join the joint stock by contributing their rights of land contracted management, and farmers share income of land stock right. The central organization of rural land joint-stock cooperative system is farmers' professional cooperatives. Besides, it is a type of land circulation explored in practice, an institutional arrangement of rural land circulation with value-form shares replacing physical form land, so it is also an exploration of land circulation and allocation system. Under the rural land joint-stock cooperative system, farmers still possess the contracted management right of rural land on the basis of the household contract responsibility system. There is no change of farmers' contracted management right of physical land, so it realizes separation of contractual right and management right of rural land on the basis of separation of ownership and contracted management right of rural land. It also realizes the transition of farmers' land right from natural form to capital form<sup>[1]</sup>.

## 1 Specific models of rural land joint-stock cooperative system

At present, the rural land joint-stock cooperative system can be divided into following three types according to its operation mode.

**1.1 Community type: Nanhai model** In community type cooperative organization, several farmer households voluntarily value and contribute the contracted management right of land as shares and establish the rural land joint-stock cooperative, and conduct unified planning, production, operation and management of contributed land in accordance with articles of association for collective cooperative.

The cooperative appeared in Nanhai of Guangdong is the most typical one. Main sections of operation course include: firstly, community joint-stock organizations value and contribute the contracted management right of the land possessed by farmer households, collective land and property as shares, work out appropriate articles of association for stock right arrangement, distribution of interests and stock right management. These articles of association are called "Village Constitution" by the community collective organizations. Secondly, according to local development need, collective organizations conduct a unified planning for centralized land, and divide the land into farmland protection zone, industrial development area and commercial residential area on the basis of functions of land. Such community operation model unifies ownership and management right of rural land again, solves problems of scattered distribution of land and closeness of communities, and makes farmers share profits from land value increment<sup>[2]</sup>.

**1.2 Collective leasing type: Ningxia Pingluo model** In collective leasing type cooperative organization, farmers voluntarily entrust contracted management right of land to collective cooperative, the collective cooperative arranges land and put out to lease publicly, and farmers obtain income from land lease. Owners leasing rural land can be individual farmers, agricultural enterprises, or other agricultural professional cooperatives.

Pingluo County of Ningxia Hui Autonomous Region is a successful case of adopting collective leasing type. In 2006,

Pingluo County made exploration and innovation in circulation of contracted management right of land and moderate large-scale management of land. They introduced the credit operation of banks into rural land management, carried out the pilot of rural land credit cooperative with collective land and assets as capital, deposit and loan, trust, farming on behalf of others, and developing secondary and tertiary industry as business. In other words, it is a type of land circulation in which the rural land credit cooperative formed by farmers' collective is responsible for handling "deposit" and "loan" of contracted management right of farmers' land. Such "loan" business of rural land credit cooperative not only brings great convenience for rural land demanders, including big farmer households, and large agricultural enterprises, but also paves road for large-scale operation of rural land. Besides, it makes farmers greatly benefited from obtaining fixed-term interests from "saving" contracted management right of land<sup>[3]</sup>.

**1.3 Joint operating type: Zhejiang Jiande model** In this type, farmers voluntarily value and contribute the contracted management right of land as shares, and absorb social funds and technologies to establish rural land joint-stock company. Alternatively, local leading agricultural enterprises take the lead in establishing agricultural joint-stock company, and farmers participate in with contracted management right of land. And such companies conduct unified production and operation in compliance with modern enterprise system.

The application of joint operating type rural land joint-stock company is wide, for example, Gaoling Village in Jiande City of Zhejiang Province. In 2008, Gaoling Village turned its waste farmland into "stock farmland". Over 170 households of villagers value their land as shares found a developing company in cooperate with an enterprise from Hangzhou. The developing company is engaged in developing local bamboo, fruit, vegetable and even characteristic and superior industries like ecological tourism, to realize the large-scale operation. This not only absorbs outside means of production, such as technologies, funds, and talents, but also activates local means of production, such as land and labor, as well as cultivates a lot of enterprises that have competitive power at market and are closely connected with rural areas and farmers, thus it further invigorate development of agricultural economy.

## 2 Features of rural land joint-stock cooperative system

The rural land joint-stock cooperative system is widely applied and being constantly developed in all parts of the country. Although their types are various and varied in different regions, there are distinctive common features during their growth.

**2.1 Adhering to the collective ownership and household contract responsibility system in rural areas** The central government clearly states that we should adhere to the two-tier management system that integrates unified with separate management on the basis of household contract management in the countryside, and keep the existing land contracting relationship for long term. The land joint-stock cooperative system operates

within the framework of rural land collective ownership and household contract responsibility system. Going with the development of socialist market economy, on voluntary and compensated principle, it establishes reasonable, flexible and effective circulation mechanism for management right of rural land, develops rural secondary and tertiary industries, raises land utilization efficiency, and realizes optimization of land resources.

**2.2 Safeguarding farmers' land contractual rights and interests** Farmers not only can cultivate their own land, but also are free to participate in cooperatives through valuing and contributing their land as shares. This means land is a type of means of production and can be a type of property element. The implementation of land joint-stock system turns farmers' land into agricultural industrial capital, and accordingly farmers become subjects of market economy. With farmers participating in joint-stock cooperative, it is able to guarantee farmers not abandoning their land, remove farmers' worry after they go to work in cities, and safeguard farmers' land contractual rights and interests. What's more, farmers can share distribution of bonus, which increases their income and safeguards their social welfare.

### 2.3 Large-scale agricultural production and operation

The land joint-stock cooperative conducts unified disposal, planning, management and operation of centralized land without changing nature and use of land. This way effectively adjusts the balance between supply and demand of rural land, promotes development of new production and operating model with moderately large-scale operation of rural land, specialized production and agricultural integrated service. Besides, it also establishes rural business management system and operating system including such elements as land, labor force, capital and technology. Consequently, agricultural industrial structure is constantly adjusted and it achieves win-win effect of farmers and enterprises.

**2.4 Normative operation of farmers' cooperatives** From the implementation of *Measures for the Administration of Circulation of Rural Land Contracted Management Right* in March of 2005, the rural land began to circulate. In 2007, the *Law on Farmers' Professional Cooperatives* established legal status of farmers' cooperatives. In September of 2008, Zaozhuang City of Shandong Province founded the first national exchange of land-use right, and a lot of farmers there obtained the certificate of land-use right. In March of 2009, the first business license was issued for land joint-stock cooperative in Zhejiang Province. In the same year, the *Circular on the Promotion of the Model Text for the Contract for Passing on the Contracted Management Rights in Rural Land in Guangdong Province* was promulgated. All of these normalize the rural land circulation and bring the rural land circulation to step into market-oriented management.

## 3 Enlightenment on development of rural land joint-stock cooperative system

Summarizing development features of rural land joint-stock cooperative system, it can be seen that rural land joint-stock

cooperatives not only set up platform for circulation of rural land, but also become platform for realizing large-scale operation of rural land. It speeds up the backflow of capital, technology and talent to rural areas, effectively activates rural land resource, makes new breakthrough in developing rural characteristic and superior industrial bases, strengthening collective organizations, and promoting increase of farmers' income. Besides, it guides adjustment of agricultural industrial structure, and promotes the integration of rural economy into market economy.

With near two decades of practice and development of rural land joint-stock cooperatives, they have made considerable achievements in all parts of the country. However, there are also some problems. Firstly, the community trend of rural land stock right weakens its capital function. The joint-stock cooperatives are greatly limited within communities no matter in participation of stock right, arrangement of stock right, or management of production and operation, as well as distribution of return on equity. This will weaken capital mobility of stock right and directly influence industrial upgrade of agriculture. Secondly, high risk of agricultural operation also seriously impedes smooth development of rural-land joint-stock cooperative system. The industrial performance of agriculture is influenced by agricultural operation and management, and affected by natural conditions and market supply and demand, so the integrated risk is relatively high. After farmers' contracted management right is changed into value form shares of rural-land joint cooperative system, farmers are no longer directly responsible for agricultural production and operation, but benefit and stock dividends of rural-land joint-stock cooperative directly concern fundamental interests of farmers. The rural-land joint-stock cooperative system centralizes separate risks, and farmers' ability to resist risks reduces, thus the practice of rural-land joint stock cooperative system must be successful to ensure farmers' fundamental interests. Thirdly, financial problem is still a bottleneck restricting industrial development of agriculture. As a medium of rural-land circulation in agricultural industrial chain, rural-land joint stock cooperatives are mainly responsible for organizing farmers or collectives to arrange land, supplying land for market, and paying rental fees of land for farmers or collectives. Nevertheless, their financing functions are extremely limited, some of them even have difficulty in lack of starting fund. Therefore, it is not enough to attract social investment only depending such rural-land joint-stock cooperative, and it requires further innovation in rural land system.

Through analysis of the joint rural-land cooperative system, with reference to foreign experience, securitization of rural land may be a good choice for future development of agriculture.

In the first place, rural-land property right is gradually clear with the development of rural-land joint-stock cooperative sys-

tem. For example, the circulation of land-use right promoted in Zhejiang Province in 2009 is a method of property warrant. The purpose of property warrant for land management right is to push forward efficient and orderly circulation of land management right. Through property warrant, it is able to determine rights and interests of subjects and property value of land management right, and determine the participation in cooperative system in form of stock right and standard circulation at contractual price. Rights and interests reflect stability, asset evaluation shows value, stock right indicates function, and contractual form embodies guarantee. The property warrant turns the land management right into elements of assets from original production elements. It is possible to participate in modern agricultural market entities in the form of shares, conduct property warrant in accordance with rules of market economy. Through property warrant processing by industrial and commercial administration departments, the land management right can be placed in banks, at farmers' own hands, or in the joint-stock cooperatives, providing farmers' with more powerful safeguard. This method reduces disputes of property right, easily attract social investors, and lays favorable practice foundation for securitization of rural land.

In addition, reform of rural financial system is quickening, which provides superior environment for securitization of rural land. The Twelfth-Five Year Plan stresses that we should push forward innovation in agricultural operating system through focusing on promoting organizational level of agriculture and perfecting social service system for agriculture; deepen reform of rural financial system with innovation is rural financial organizations and perfection of agricultural insurance system as major parts; deepen the reform of rural property system through focusing on perfection of rural property system and establishment of equal exchange of urban and rural elements. These make it possible to realize securitization of rural land. Using valuable experience of rural-land joint-stock cooperative system, we can establish more trading markets for land property right, and strengthen land resource operating and management. Through securitization of rural land, it is possible to reduce agricultural operating risks, solve difficulties in agricultural financing, and finally increase farmers' income and achieve rural and agricultural development.

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