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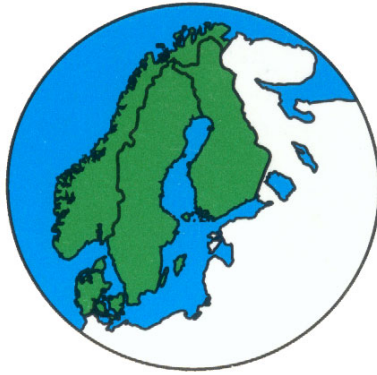
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Survey and analysis of forest land trade centers in southern China: A case study of Jiangxi Province

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Abstract

The most important measure in addressing the forest ownership/land use rights market are the creation of forest land trade centers (FTC), which are established to facilitate the transfer of forest lands in China. The aim of this paper is to analyze the implementation, bottleneck, opportunity, challenge and developing trend of FTCs, based on the status quo of the FTCs in collectively-owned forest regions in Southern China. This paper uses PRA approaches including questionnaires, semi-structured interview to survey the status of forest land trade in the FTCs in four selected counties and the perceptions of their staff, beneficiaries, local governments, county forestry bureaus and Provincial Forestry Department. The study reveals that the establishment and operation of FTCs are subject to a wide range of policy, legal, financial and institutional constraints. The analysis shows that different stakeholders have different opinions about their own benefits. The staffs of FTCs are concerned about the future of the FTCs and recommend to expand the extension of their services; Beneficiaries considered that the forest land trade involves high transaction costs and a complex procedure. Finally, this paper summarizes the experience and lessons about the FTC, and discusses the Proposals to Improve the FTCs in future.

Keywords: forest tenure, forest land trade centers, survey

1. Introduction

Following the release of "The Decision to Accelerate the Development of Forestry" by the Chinese Central Government in 2003, the State Forestry Administration initiated the Pilot Project on collective forest tenure reform in 2004 in Jiangxi Province and three other provinces. As of 2007, Jiangxi Province completed the major steps of the reform, which include "clarifying property rights, reducing taxes, liberalizing management, and standardizing forest land transactions." The property rights of 8.73 million ha of the collective forest lands in the province were redefined, of which 82.5% were granted to 6.35 million households. This resulted in a substantial increase in the number of management units and significant decrease in the scale of

forest management. In this context, trade of forest properties becomes especially important, as it could help increase the scale and efficiency of forest management.

To promote and standardize the trade of forest properties so that the benefits of forest owners can be secured and the efficiency of forest management increased, Jiangxi Province promulgated two policy documents, "Regulations of Forest Resource Transactions" and "Opinions about the Reform of Forest Property Rights System", constructed the provincial and county (city) level trade platforms, and standardized the transaction process. As of the end of 2009, the province had established 64 county(city)-level forest land trade centers with a total of 532 employees and another 15 were under construction. A provincial forest land trade center, named the South Forest Property Rights Exchange, was set up on November 7th, 2009 in Nanchang. By the end of 2009, the trade centers across the province had completed 39 900 transactions with a total forest land area of 251.89 thousand ha and the total value of the transactions amounted to CNY (Chinese yuan) 2.449 billion. Among these, 5900 transactions were completed through auction, tender, bidding or listing etc., involving 1.233 million mu forest land and a total value of CNY 1.676 billion. Meanwhile, the province opened the possibility of using forest lands as security for loan, the total number of mortgage loans were 9761, involving 138.99 thousand ha forest lands, and the total loans amounted to CNY 1.819 billion.

Along with the establishment of the forest land trade platform, transaction of forest properties in Jiangxi Province has become more and more active. The price of forest land has increased greatly. The sources of capital and the total investment in forestry both have been increasing. Forest investment and management have attracted many migrant workers returning to their home villages, and a variety of co-operative forest management organizations have emerged. Consequently, the forestry productivity has been advanced to a certain degree. However, several related studies indicate that trade in forest properties outside the county (city) level trade centers is also very active, and the legal status of the forest property trade centers is not very clear. The reasons why some forest owners do not go to the trade center to make the transaction are not well understood. But trade outside the trade centers is perceived less secure.

In this study we investigate the current states of forest property transactions and the operation of the county level forest property trade centers and their role in the local forest property market. We also examine the factors restraining the operation of the trade centers. The objective is to summarize the successful experiences and the lessons that can be learned from the operation of the trade centers in the past years, and to discuss appropriate measures to improve the efficiency of the forest property trade centers.

2. Methodologies and survey plots

2.1 Methodologies

The following three methods are adopted in this research:

First, documentation researching method is adopted to master the latest research situation of woodland and forestry circulation and the forestry property transaction market, to provide method for the execution of this research and reference of choosing of angle of view.

Second, Participative Rapid Appraisal method (PRA) is adopted to start research and acquire research data.

Third, commodity chain analytical procedure to analyze the data, confirm transaction procedure of forest land and forest, i.e. the inner logical relationship between transferor and transferee.

2.2 The study cases

This research involves the forest trade centers in four representative counties (Tonggu, Fengxin, Yifeng, and Jingan) in Jiangxi Province. Tonggu is the first county that started the forest tenure reform, and the first county that completed the reform and established forest trade center. Opened in October 2005, the trade center in Tonggu is the largest with respect to the transaction volume. Fengxin county established its forest trade center in July, 2006, Yifeng county and Jingan county in September, 2006. It is propitious to understand the development process of forest property trade in Jiangxi Province to choose these four counties as case point.

The four counties represent different topographical conditions and differ from each other with respect the characteristics of forest resources. Tonggu county is located in the mountain area far away from the large residential bigalopolis, whereas Fengxin county and Jingan county are located in areas where mountain and hill coexist, close to bigalopolis like Nanchang city etc. Yifeng county represents the typical hill and plain area. The different geographic locations and natural conditions of these four counties also cause the differences in forest resources among the counties.

In the following we describe in more detail the basic situation of the forest tenure reform in the four case counties.

Tonggu County is a key forestry county in the south of Jiangxi Province. With 9.47 million m³ standing timber stock and 53.81 million m³ live bamboos, the forest coverage rate reaches 86.4%, ranking the first in Jiangxi. With beautiful landscape and abundant forest resources, the vegetation categories is up to 91 families (more than 500 species), including Chinese yew, golden larch, and 20 other precious species. Tonggu County started the forest tenure reform in August, 2004 and it took leadership in starting reform of collective forest ownership. Up to May in 2005, after 10 months reforming, a comprehensive reform was completed. Through this reform,

demarcations of 78,303 forest properties were performed (accounting for 100% of forest area) and 34,800 warrants were issued, among which household registration rate came to 96.6% and right certification accounted for 98%. 34,700 forest disputes (accounting for 98% of all disputes) were mediated. Based on “Forest Resource Transfer Regulations in Jiangxi” and the local situation, “Provisional Regulations on Transfer of Forest Resources in Tonggu” was formulated on July 25, 2005. In October of the same year, Tonggu County established the first forest property trade center in the province. Fengxin County is also one of the key forestry counties in Jiangxi Province. With 5 million m³ standing timber stock and 8 million m³ live bamboos, the forest coverage rate reaches 61.2%. Over 40% of the households in this county live on the rich bamboo resources. Farmers (especially farmers in mountain area) pay particular attention to forest management. Since the collective forest reform has been implemented in 2005, farmers’ income has increased from CNY 717 per capita to CNY 1572. With the further promotion of forest land tenure reform, a forest trade center was established in Fengxin County in July 2006. The “Regulations on Transfer of Forest Resources in Fengxin” was formulated and enacted on January 1st, 2005.

Yifeng County is one of the top 10 bamboo regions in China and a key country in Jiangxi Province. With 6.048 million m³ standing timber stock and 120 million m³ live bamboos, the forest coverage rate reaches 71.9%. Among this, the area of bamboo forest is 56 000 ha, accounting for 46% of the forest land area. Wood, bamboo, grain, hydropower and tourism are the five superiorities here. Yifeng County launched a collective forest land tenure reform in 2004 which was in accordance with the provincial forest reform work requirements. By 2007 the primary work of the reform had been successfully completed. The reform involved 44,312 households and a forest area of 120 thousand ha. Up to August in 2008, the county has issued 69,000 new warrants with 100% certification. More than 90% of the farmers affected by the reform are satisfied with the results. Based on “Forest Resource Transfer Regulations in Jiangxi” and the local situation, “Regulations on Transfer of Forest Land and Bamboos in Yifeng” was formulated after right reform was fully completed on April 30, 2007. This aim of the regulation was to promote proper forest management and regulate forest transfer activities.

Jingan County is a key forestry county in southern China and in Jiangxi Province. It has 6.268 million m³ standing timber stock and 36.189 million m³ live bamboos. The forest coverage rate is 82.8%, ranking the front of counties in Jiangxi. Jingan County launched the collective forest land tenure reform in 2006. Up to 2007, a comprehensive reform was achieved. Based on “Forest Resource Transfer Regulations in Jiangxi” and the local forestry situation, a forest land trade center was established after tenure reform was

fully completed in 2007. This center aims to promote proper forest management and regulate forest transfer activities.

3. Survey result and analysis

3.1 Types of forest land trade and its procedure

3.1.1 Types of trade

The survey shows that there are various types of forest land transactions in the four counties studied. The types can be divided into transactions through the trade centers and private trade according to whether the trade is conducted in the property trade center.

Transactions through the trade centers can be further divided into various forms according to the following specific classification criteria: (1) According to the pricing method it can be divided into auction, bidding, and negotiation; (2) According to the target date and the way of payment, it can be divided into transfer and leasing; (3) According to the transfer times of property, it can be divided into just-for once and secondary (multiple) circulation; (4) According to various objects, it can be divided into forested land circulation (which includes arbor land circulation, bamboo land circulation, and mixed forest circulation) and deforested land circulation; (5) According to the time period, it can be divided into long-term (mostly arbor forest or mixed forest circulation between 20 to 30 years) and short-term (bamboo circulation within 10 years).

There is no statistic record on the way of private transactions in the above counties. However, based upon the estimation of the trade centers, the total number of private transactions is large. And the main trading object is stumpage. Very few trade for the land. The survey shows that in the ordinary people's opinion, it is more difficult for them to obtain the harvest permission compared with large companies. Therefore, they would like to transfer the stumpage to the company. And also it is simpler to trade in private than through the trade center.

3.1.2 The Trading Procedure

Transaction of forest property through the trade center involves a complex procedure, which usually takes 30-60 workdays to complete. Private transaction could be finished in one day or even shorter time. The majority of the purchaser and the bargainer in the private circulation sign an agreement, while there is also a minority who reach an oral agreement. Normally they do not apply for registration of the ownership. The procedures in the two different groups are shown in Figure 3-1 and Figure 3-2.

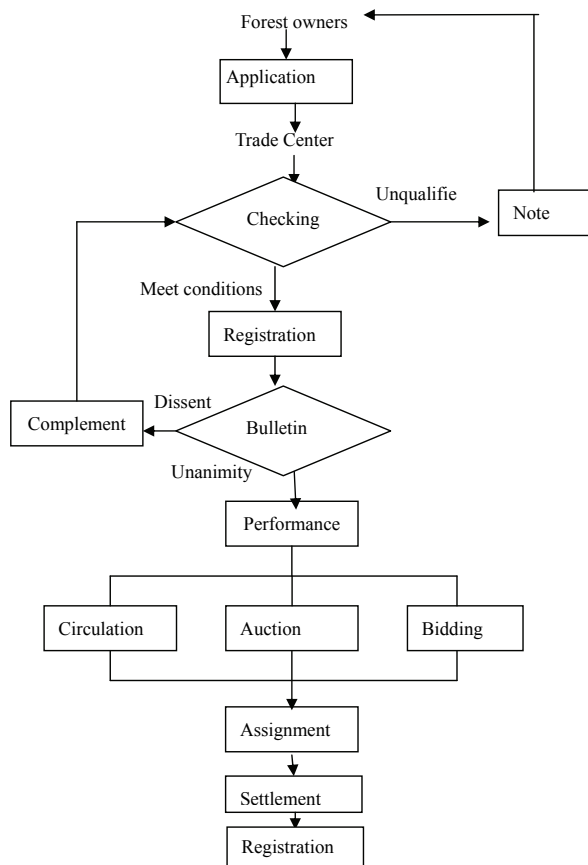


Figure 3-1 The procedure of trade in the trade center

According to the *Regulations on the Transfer of Forest Resource in Jiangxi*, the transfer of collective forest and state-owned forest must be made in a trade center, following the procedure shown in Figure 3-1.

The process of the private transfer is shown in Figure 3-2. It mainly includes the following steps.

- (1) The negotiation on the forest land between the purchaser and the bargainer;
- (2) A respected village leader or a person who is acceptable by both sides will be the witness, and then the two sides will sign the agreement after they come to terms.
- (3) Take into effect.

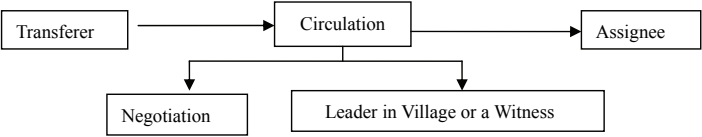


Figure 3-2 the Process of Private Circulation

3.2 Advantages and Disadvantages of Forest land Trade Type

Different types of forest land trade have their own advantages and disadvantages. Take the long-term flow and the short term into consideration. the former term will be good for the purchaser to manage the forest resources, but it may do the bad effects on the bargainer. Such as, the bargainer gives the long-term forest use rights to the purchaser based on the current price, and then the bargainer is likely to face the damage of the interests which is caused by the proliferation of the forest. Based on the norms and the promotion of the circulation, the main focus of this research are the features of the inside of the center and private circulation As an alternative role played by such two circulation ways with each other, the advantages of inside flow of the center to a large extent is the disadvantages of private flows, embodied in the transfer process convenience, height of the turnover costs and benefits, protection of the interests after the transfer, the applicable of the transfer and other aspects. Details are showing in the following table 3-1.

Table 3-1: Comparison of the features between the inside and private flows

	Inside flow of the center	Private flow
Convenience	No.: need more than 30-60 working days	Yes. It can be finished in a short time, such as one day.
Transaction costs	Relatively high: trade fee , evaluation cost, board and lodging cost, etc.	Almost no cost
Price	Comparatively higher: the circulation price maybe higher	The circulation price maybe lower
Protection	Registration of the ownership change provides good protection for both sides	Little protection for both sides: It can lead to dispute over the forest
Suitability	Suitable for larger scale transactions	No requirement of the size of the main flow, but more suitable for the small-scale, irregular flow of transactions
Public service	Yes., such as the policy insurance of the forest	No. identified by management department as the violation of the relevant laws and regulations

3.3 The importance of forest trade centers

Based on the survey, the importance of forest trade centers in Jiangxi province can be summarized as the follows.

First, it has set up a platform which can help to attract capital from other sectors to finance large-scale purchase of forest lands. Big investors can easily obtain large area of forest land through the trade centers than dealing with hundred farmers solely. As a result, the transaction cost is reduced.

Second, it has set up a platform which can provide a multitude of services. Currently, the Forest Property Trade Centers and the related authorities jointly provide forest land mortgage, insurance, and several other types of services to foresters. It is helpful to enhance the efficiency of forest allocation and to reduce the risk in delivering the forest activities.

So far, the significance of forest property trade centers continues to increase, that is, the number of the participants involved in the center constantly grows. One reason of this is that the trade centers and other relevant departments jointly provide the multiple services for the foresters which can not be obtained without the center. The other reason exists in the enhancement of the awareness of the transaction of property is the convenience of registration and contribute to a better implementation of the rights.

3.4 The Stakeholder Analysis

3.4.1 The Trade Center Staff

In the investigation of the four county forest trade centers, it is found that most of the staff of the trade centers come from the County Forest Bureaus.

And if the staff is not sufficient, the center will make a social recruitment to hire some temporary staff.

The investigation of the trading center staff, the staff in the four trade centers are all satisfied with the current situation of trade center, but they are not optimistic about the future of the center. They believe that the current legal status of the center and function are not clear. They do not know it is a temporary organization or permanent department of local government.

3.4.2 The Beneficiary

In the four counties, we interviewed representatives of two farmer Cooperation organizations (one in Tonggu County and the other in Yifeng County), the leaders of 6 towns, the leaders of 6 villages, 23 transfer families (including four farmers who did not make any transfer), and the leaders of 6 forest companies. The following are the opinions and suggestions obtained from them.

Farmer Forest Cooperation Organization

Among the four surveyed counties, only Tonggu County and Yifeng County have the cooperation organization. The survey is focusing on the opinion of the Farmer Cooperation organization about the forest trade and the suggestions on how to improve the operation of forest trade center.

As for forest land, the leaders of the Cooperation organization think that the trade center is a better choice to avoid disputes, but they hope the forest land to be transferred between farmers in the same village, which makes it easier for the forest owner to join the cooperation organization and to manage the forest. If the land is transferred to farmers from other villages, the owner of the land will often be not in the village. The managers of the association fear that the owner may not be willing to pay the member fee to the organization.

Farmers

A total of 23 transfer families participated in the survey. Among them, six from the High bridge Xianghua village of Tonggu county, three from the Dacao Village of Sandu town, four from the Xiakang village in Chian town of Fengxin County, three from the Shuangfeng village of Yifeng County, three from the Xinzhuang Town, four from the Zhongyuan village of Jing'an County, Shuikou village, Shanggao County (external circulation households) and Jing'an County.

In the opinion Based on of the perspective of farmers, the village has three issues that deserved to some concern.: First, there are a considerable portion of transferred forest land is protected forest area, which violates the relevant regulations in "Forest Resource Transfer Ordinance" issued by Jiangxi province government which states that the protected forests should

not be transferred. Secondly, some farmers do not know that there is a forest tenure trading center in their counties, almost all of the few farmers have never visited the trade center. Third, the transferee usually has the willingness to have registration of transfer procedures, but the transferer is often reluctant to go to the forest trade tenure trading center to do that, which makes it difficult to complete the registration transfer of forest ownership. In addition, farmers all have the transfer contracts they both signed after they reach the transfer agreement, which says that after the transfer, the transferee is obliged to guarantee that the resources of the returned forest should be up to a certain standard.

Forest enterprises

Managers from six different types of enterprises were interviewed. Among these, there is one forest company with foreign investment and one wood-processing enterprise in Tonggu County, one wood-processing enterprise in Fengxin County, and two forest companies and one wood-processing enterprise from Yifeng County. In addition, one important transferor from Jing'an County is preparing for establishing a timber processing enterprise with forest recreation services. Their views of the forest trade centers are summarized as follows:

First, they think that the trade centers have more information on the transaction objects and they can easily get the information they need through the a trade center.

Second, trade centers can help secure the ownership of forests bought through the trade center. The ownership of forest land bought through the trade center is better protected by law. Thus, one can avoid potential disputes with famers after the transaction.

Third, the trade centers can handle mortgage credits, which is conducive to financing and increase the production and operation of enterprises.

4. Discussion

4.1 The Experience and Lessons Learned

According to the investigation and discussion about the forest right trading center, we can gain the following experience.

First, the functions of the forest trade centers include administration of the forest trade, release of relevant information, file query, legal consulting and other intermediary services. To some extent, these facilitate the trade and transaction of forest properties.

Second, the forest trade centers provide mortgage, insurance with bank and insurance company. This not only extends the forest trading service chain but also expands the intermediate function of the trade centers. Therefore, those functions do assist the development of forest land management and getting more benefit for forest farmers.

Third, the fair and transparent trading manners of forest trade center not only protect the interests of both sides, but also promote the added and preservation value of forest land.

Fourth, the foundation of trade centers on county level laid a solid basement for the formation of the forest land trade system of the province and the country.

Certainly, we have also learned a lot from the operation of the current county-level trading center. These include:

First, most farmers have little knowledge and small area of forest land. The complex trading process and difficult jargon set by the trade centers make them hard to enter the trade center to carry out trading activities. Therefore, it is very important for the trade centers to disseminate knowledge of forest transactions and simplify the procedure.

Second, to trade through the county-level forest trade centers would incur high transaction costs for the majority of farmers because they live far away from the trade centers. Therefore, many farmers are reluctant to carry out the trading activities in the trade centers. They hope that the application service of the forest trading can be held regularly in the forest concentrated villages and towns. Then the farmers' cost can be reduced.

Third, the existing county-level forest trade centers can not fully meet farmers' needs for a variety technical services, especially those concerning the management of the forests. Right now, farmers need not only trade service, but also technical services about the management of forest resources, forest pest control etc. Farmers hope that there is a department which can supply all the technical services. In the future, the county-level forest trade centers should further extend their service chain, and coordinate all the forest management units in the technical services.

4.2 Proposals to Improve the Forest Trade Center

The following measures are proposed to improve the development of the Forest Trade Centers in the future.

Firstly, strengthening the legal system. The role of forest trade centers in forest asset assessment, forest mortgage and insurance should be clearly defined, and their qualification in carrying out these jobs should be certified.

Secondly, improving the transaction regulations. In order to increase the share of forest trade through the trade centers, it is necessary to enhance the services of the trade centers and simplify the forest ownership registration process. This can help prevent the potential troubles that may arise with future property rights disputes.

Thirdly, strengthening advertisement of the forest trade centers. A multitude of channels can be used to advertising the forest trade centers so that the services they provide as well as the advantages of trading through

the trade centers are known by a larger number of local people, especially the farmers.

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