



*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

**Give to AgEcon Search**

AgEcon Search

<http://ageconsearch.umn.edu>

[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

*No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.*

# Study on Circulation and Management of Rural Land Use Right

Wanjiang WANG \*

Department of Business and Trade, Southwest University Rongchang Campus, Rongchang 402460, China

**Abstract** Currently, agriculture and rural economy have entered a new development stage. According to market demands and comparative advantages of regional resources, strategic adjustment of agricultural structure and realizing transformation from traditional agriculture to modern agriculture have become primary tasks. Land is the essential element of agricultural production, making innovation upon rural land use system and establishing flexible and effective land circulation system concern efficiency and optimization of agricultural resource allocation and development of rural element market. With more and more farmers engaged in secondary and tertiary industries, land left by those farmers is circulated to those farmers willing to do farming. Rural land circulation is inevitable trend of economic and social development, but it is a progressive process. To realize smooth rural land circulation, there must be standardized system.

**Key words** Rural land use right, Circulation, Regulation, Increasing farmers' income

At present, agriculture and rural economy have entered a new development stage. According to market demands and comparative advantages of regional resources, strategic adjustment of agricultural structure and realizing transformation from traditional agriculture to modern agriculture have become primary tasks. Land is the essential element of agricultural production, making innovation upon rural land use system and establishing flexible and effective land circulation system concern efficiency and optimization of agricultural resource allocation and development of rural element market.

## 1 Great significance of circulation of rural land use right

Since the reform and opening up, the household contract responsibility system has made considerable achievements, but such contract system unavoidably brings about segmentation of rural land operation, influences increase of agricultural production efficiency, impairs wide application of agricultural science and technology, so it is difficult to effectively guarantee and control quality and safety of agricultural products. Therefore, on the basis of the two-tier management system that integrates unified with separate management on the basis of household contract management, making clear independence, benefit and transfer of land use right and allowing farmers to circulate land under the condition of complying with related laws and regulations have great significance for promoting strategic adjustment of agricultural structure and developing profitable agriculture.

### 1.1 Favorable for promoting agricultural operation on a fairly large scale and accelerating modernization of agricultural production

At present, some rural areas have gradually

utilized modern production tools, such as harvester and plough, but there are two factors influencing widespread application of advanced machinery. Firstly separate household operation with even contract leads to small scale and low utilization efficiency of rural land operation. As a result, it is obviously difficult to apply modern production machines and popularize modern science and technology and only some large crop planting households or large agricultural economic entities have capability of introducing some modern machinery. Secondly, to manifest fair operation, most land is divided into small parcels. Then, every household is allocated with separate land, which is not favorable for modern agricultural production. Through market mechanism, under the premise of voluntariness, land circulation is favorable for establishing large area and suitable farmland and accelerating agricultural modernization and increasing agricultural production efficiency. Coordination of these two aspects needs smooth circulation of rural land use right.

### 1.2 Favorable for strengthening vitality of agricultural market entities and raising agricultural marketization

Rural land circulation is helpful to cultivating a large number of new farmers for large scale operation to participate in market competition; is favorable for all kinds of industrial and commercial enterprises intervention in the agricultural field, enhancement of the main agricultural market vitality and the ability of resisting market risk; favorable for increasing investment in agriculture, improving the level of agricultural science and technology application and popularization, and bringing the modern enterprise management concept of agriculture; favorable for the birth and cultivating various types of agricultural leading enterprises, developing all kinds of rural specialized cooperative economic organizations, and improving the degree of agricultural industrialization. Especially in the framework of WTO, through the rural land circulation, gathering various elements in a wider space, promoting scientific and technological innovation and technological progress, and improving agricultural production and organizational level of farmers, has become a realistic choice. It will certainly play a great role in improving the

Received: July 25, 2015 Accepted: September 18, 2015

Supported by Project of Business Management Cultivation Discipline in Southwest University Rongchang Campus.

\* Corresponding author. E-mail: zhangchengjun023@163.com

competitiveness of agricultural market and accelerating the allocation of factors entering into the international market.

**1.3 Favorable for utmost use of rural land and ensuring state grain yield** At present, China's grain yield is not abundant. In years of natural disasters, some areas still suffer grain crisis. The Eleventh Five-Year Plan lifted the grain security to a strategic height. This needs full use of limited rural land, reasonable farming, and scientific planting, to guarantee national grain security.

**1.4 Favorable for adjusting agricultural production mode and increasing farmers' income** This is determined by special production mode of agriculture. Agricultural production is generally characterized by busy for a certain time, while it needs simple fertilizer application and pesticide spraying. However, these maintenances are important for harvest of grain crops. In other words, you have to arrange a person to care about one mu farmland. This greatly wastes labor. In fact, many farmers go to cities to do other work. If rural land circulation is smooth, excellent farmland can be connected together, and it is feasible to appoint few skillful and experienced farmers to care about their farmland. In this way, it is able to increase farmers' income.

## 2 Major forms of rural land use right circulation

The circulation of rural land use right is not a new thing. All areas of the country have started active exploration as early as 2002. In Jiangxi Province and Sichuan Province, the circulation area has exceeded 3 million mu; in Shanxi Province, the circulation area is up to 1.935 million mu. In Ningxia, Qinghai, and Xinjiang, the circulation area has exceeded 0.165 million mu; in Tibet, the circulation area is also up to 0.0705 million mu. Exploration paths for these areas are different, but the purpose is common, that is to put forth effort to solve problems of improving intensification of rural land, promoting agricultural industrialized operation, increasing farmers' income, and accelerating rural urbanization. At present, there are following basic types of land circulation.

**2.1 Farming for others** Farmer households unwilling to operate farmland temporarily deliver their farmland to others (friends and relatives in most cases) to farm. Both time and conditions are generally orally agreed and original contractual relation is not changed. Such circulation is usually realized between rural villagers and neighbors, so the party transferring out land generally receives little benefit. In years when there is agricultural tax, the party with land transferred in needs paying agricultural tax. With cancellation of agricultural tax in recent years, rural land has corresponding subsidies. These subsidies lead to many disputes and conflicts. Besides, with reduction of agricultural burden, farming brings more benefits. Free transfer of land use right is difficult to be acceptable. The party transferring out land will have to make a choice between several land receiving parties, which easily leads to disputes. Therefore, with more and more farmers becoming migrant workers, the circulation of land use right will become ordered, standardized and institutionalized.

**2.2 Exchanging and connecting land** For the convenience of farming or the demand of developing vegetable production, farmers and farmers or farmers and collectives can exchange contractual land without changing the original contractual relationship. Exchange is a kind of circulation and will promote other forms of circulation, and it will also be favorable for centralized and large scale operation. The *Law of the People's Republic of China on Land Contract in Rural Areas* also approves such land circulation mode. According to preliminary survey, the area of exchanging farmland in many regions is close to 20-30% of total farmland area.

**2.3 Rural land credit cooperatives** Such form draws successful experience of rural credit cooperatives. Rural land credit cooperatives are mainly undertaking transfer, trusteeship, subcontracting, exchange, letting, and renting, as well as changing non-farming land owned by farmer collective to construction land. Farmer households can save their land in the credit cooperatives periodically. The credit cooperatives establish special council to evaluate price of the land according to fertility, geographical position, and irrigation conditions, determine reserves, and make periodical payment to farmers. Besides, credit cooperatives pack, consolidate and even transform the land saved by farmers, and loan the land to other land demanders (such as agricultural enterprises and large planting households) and collect rent that is higher than reserves. Land credit cooperatives accept monitor and supervision of villager committee, but are independent of villager committee. Article 36 of the *Law of the Peoples Republic of China on Land Contract in Rural Areas* stipulates that Fees of circulation of right to operate the contracted land through such means as subcontract, lease, and transfer shall be determined by both parties through consultation. Remuneration from the circulation shall be owned by the party that undertakes the contract. No organizations or individuals shall intercept or deduct the remuneration without authorization. If the right to operate the contracted land has to be circulated by such means as subcontract, lease, exchange, transfer or by other means, a contract in written form shall be signed by both parties; if the circulation is fulfilled by means of transfer, such a matter shall be subject to the agreement of the party that lets the contract. If the circulation is fulfilled by subcontract, lease, exchange, or other means, it shall be submitted to the party that lets the contract for record. The relation between land savers and credit cooperatives is transfer and lease, while there is a level of transfer and lease relation between them. However, they follow the consultation, voluntary and paid principle to avoid interception and withhold of funds by villager collective in administrative means. Farmers and credit cooperatives sign contracts to ensure maximum benefits of all interested parties. Credit cooperatives also specify that land savers can apply for quitting the deposit and take back their land when certain conditions are satisfied. This provision can be considered in priority for main grain production areas.

**2.4 Farming experts** Most land contractors become migrant workers or going to cities for doing business, while some farming

experts stay in rural areas to do farming work and these experts are thus called "farmland nurse". Such form realizes no delay for farming and migrant working. According to contracts they sign, sowing, irrigation, fertilizer application, pesticide spraying and weeding are undertaken wholly or partly by farmland nurse, and the rights, obligations and yield depend on crop price and natural conditions. Such land management mechanism solves worry of migrant workers, and also bring into play special skills of farming experts. Benefits of social division of labor are brought into play. Such form is suitable for rural areas with little land but large population. If the farming land is little, arrange a labor to do farming work is a great waste. If land is much, it is necessary to arrange special person to do intensive and meticulous farming. After all, farming is a tiring work. If there is too much land to manage, farmland nurse will fail to care thorough things. The farmland nurse system is popular in Ningyang County of Shandong Province, accelerates circulation of rural farmland use right, optimizes agricultural planting structure, and promotes regional and specialized development of agriculture in the whole county. In Ningyang County, there have sprung up more than 500 specialized large scale planting households. They have realized annual income as much as 60000 yuan. Besides, there are more than 20 leading agricultural product processing enterprises. In addition, numerous migrant workers transmit information to hometown and sell agricultural and sideline products, which further promotes development of vegetable, seed, livestock and poultry, forest and fruit industries in the county.

**2.5 Company + farmer household** Such form is a hot form of cooperatives in recent years. In this form, farmer households participate in operation of company with land as shares, combine to community with company in accordance with risk sharing, and exercise management and monitoring rights over the company. Company has two types, agriculture related enterprises or independently established by farmers. According to types of the company, there are also two types of operation for this form. Firstly, taking original large agriculture related enterprises or agricultural leading enterprises as major part, with support of township government or village level organizations, signing contract with farmers and renting large area of farmland to do agricultural development. Secondly, farmer households convert farmland to shares at certain price, establish spontaneously or the collective economic organizations establish joint share cooperatives, and obtain share income according to articles of association. However, such form easily leads to administrative intervention, so it is particularly necessary to respect farmers' willingness. Using such form, cadres of local collective economic organizations should have high quality and higher operation and management level. Such form separates rural land use right and income right and changes original contractual relationship of farmer households from physical possession to value possession. At the same time of converting farmland into shares at proper price, farmers keep their income right of original contractual land, which can avoid the problem of deprivation of contractual

land right due to abandonment of rural land use right. Original contractors of land can work in enterprises in the form of "workers". In this way, farmers can stay home at the same time of earning wages. Some farmers unwilling to do agricultural production can be engaged in secondary and tertiary industries. Such phenomenon occurs in areas with high agricultural industrialization and strong leading enterprise strength.

### 3 Recommendations for improving circulation of rural land use right

Rural land circulation is an inevitable trend of economic and social development, but also a progressive process. In this process, it is required to care about following points.

#### 3.1 Correctly grasping principle of rural land circulation

(i) Follow the principle of consultation on an equal footing, voluntariness and compensation, and no organizations or individuals may compel the contractor to circulate his right to land contractual management or prevent him from doing so. Both parties should make full consultation and conduct fair trade, fully reflect the value of contractual right, to gradually realize reasonable pricing in accordance with market rules. Government can provide guidance but shall not intervene in administrative means. If farmers are unwilling, it is recommended to do pilot work in areas with preferential and better operation conditions.

(ii) No change nature of land ownership and agricultural usage of farmland. Rural land is collective owned, so the circulation only changes the land use right and contractual management right. It is recommended to strictly control non-agricultural production of farmland, practically protect farmers' benefits, and ensure national grain security.

(iii) The period of circulation shall not exceed remaining period of contractual term. The term of contract for arable land is 30 years, but this does not mean that the contractual management right of farmland is 30 years.

(iv) The transferee should have capability of agricultural management. The purpose of rural land circulation is to increase land utilization efficiency and lift production and management efficiency. Therefore, the transferee should have agricultural management capability higher than the transferor.

(v) In equal condition, the collective economic organization members have priority.

#### 3.2 Combining marketization and government guidance

At present, the rural land circulation in most areas still remain at spontaneous stage, and it is difficult to realize optimum allocation of rural land resources through effective circulation. Thus, it is recommended to speed up exploration of market mechanism and cultivate market-oriented intermediaries. Land circulation stresses resource allocation through market, stresses maximum benefits of all parties, and stresses increasing income of farmers. However, market may fail. Market must combine with plan to realize harmonious development. Therefore, land circulation needs government guidance. On the one hand, if land is circulated to few large farm-

er households. The wide gap between the rich and the poor will be unimaginable. Due to self limitation, farmers fail to see clearly the essence. Some farmers sell their land use right at high time in one time. Government should play its role in this process and establish long term mechanism to ensure long term benefits of land transferors. On the other hand, when land is centralized in few people, the right of control is determined by few people. Some people give up grain production for higher benefits. If this situation is worse, it will threaten national grain security. Thus, government must reinforce supervision and guide reasonable use of rural land. Land use right circulation should combine with adjustment of agricultural structure and conform to requirements for agricultural structural adjustment and regional distribution. In main grain production areas, it is required to ensure overall cooperation on the basis of guaranteeing national grain security.

**3.3 Adopting flexible and diverse circulation methods**The existing land circulation only remains simple land exchange stage. Some areas have established intermediary service organizations, but many are established by government departments and exercise administrative functions. They are carriers of government serving agriculture. Thus, circulation is simple in both organizational form and operation mechanism. In view of broad and complex situation of rural areas, as well as varied economic conditions, it is recommended to combine local realities, and select proper circulation form, to fully stimulate grain planting enthusiasm and bring into play maximum benefits. All areas should combine several circulation methods, to avoid drawbacks and bring into play functions of merits, to improve agricultural production mode and increase agricultural production efficiency. For areas without proper natural conditions for large scale operation, it is recommended to allow existence of mini household contractual management.

**3.4 Strengthening legal construction and administrative management to ensure benefits of the interested parties** As the most important means of production for famers, land is the foundation for farmers to obtain living guarantee. Land circulation concerns vital interests of farmers. Therefore, it is required to strengthen monitoring and management from legal construction and administrative management, to practically protect benefits of the

interested parties. Firstly, it is recommended to ensure benefits of farmers transferring out land use right. For example, it is recommended to establish long-term effective mechanism. In the land circulation contract, it is required to clearly stipulate that farmers transferring out land can take back land use right, to avoid losing land use right permanently and losing the fundamental guarantee. Towns and townships and village collectives give out contracts, determine reasonable benefit allocation relationship. Besides, it is required to ensure rights and benefits of operators. After transferring out land, the autonomous management right, product disposal right, and income distribution right are legally protected, and any organization or individual shall not intervene against their production management and product sales. In addition, it is required to allow operators to subcontract rural land in the contract period. From transaction of management right to allocation of benefits, there shall be monitoring and control of legal, economic and administrative means, to solve conflicts and disputes rationally.

**3.5 Establishing rural minimum living security system** In some areas with little land and small population, the farmland only solves food and living problem. For those areas, it is recommended to gradually consolidate land use right, actively explore other employment channels, liberate rural labor, gradually realize protection of farmers losing land management right, and implement the rural minimum living security system. Of course, this will not be achieved if the state has no powerful financial strength. In this way, social pattern will not bring about chaos. The ultimate purpose of building new socialist countryside is to increase farmers' income. According to current per capita farmland level and agricultural production efficiency, simply relying on agricultural subsidies is not sufficient to solve problems. Increasing farmers' income is not encouraging farmers to plant, but brings benefits to farmers. There are essential differences between them. The fundamental approach for solving three rural issues lies in reducing farmers, realizing large scale production, and agricultural industrialization. Finally, in the process of implementing reform of land management right circulation, it is required to take care and make steadily progress.

(From page 67)

- [9] OU SR, ZHANG WJ. Gangland influence and its effects on rural group events[J]. Journal of Hunan Agricultural University(Social Science)2010, 11(6):34-42. (in Chinese)
- [10] LIU YF, XIE GX. The survival logic of the grey forces in the rural and countermeasures [J]. Journal of Jiangxi Institute of Education,2011,32(4):43-46. (in Chinese)
- [11] GENG Y. Gangland and rural governance involution[J]. Journal of China Agricultural University(Social Sciences Edition),2011,28(2):71-77. (in Chinese)
- [12] CHEN L. The measurement of employees' knowledge stock and empirical study based on social network analysis[J]. Journal of Industrial Engineering and Engineering Management,2009(4):49-53. (in Chinese)
- [13] S M Radil, C Flint, G E Tita. Spatializing social networks: Using social network analysis to investigate geographies of gang rivalry, territoriality,

and violence in Los Angeles[J]. Annals of the Association of American Geographers, 2010, 100(2): 307-326.

- [14] GE Tita, SM Radil. Spatializing the social networks of gangs to explore patterns of violence[J]. Journal of Quantitative Criminology,2011(27): 521-545.
- [15] R Olate, C Salas-Wright, MG Vaughn. Predictors of violence and delinquency among high risk youth and youth gang members in SanSalvador, El Salvado[J]. International Social Work, 2012, 55(3): 383-401.
- [16] HUANG T. The study of problems and solutions about the land expropriation system in China[J]. Journal of Anhui Agricultural Sciences, 2015, 43(27): 272-273. (in Chinese).
- [17] WAN HL, LIU DY. Problems of land use during urbanization of western China: a case study in Baoji City, Shaanxi Province[J]. Agricultural Science & Technology, 2015, 16(9): 2011-2013, 2019.