

China's Farmers Benefiting from Land Tenure Reform

Findings from 2010 survey of 17-provinces in rural China show that reforms have boosted farm incomes but significant challenges remain.

FEBRUARY 2011 – China continues to boost economic development in the countryside by extending secure land tenure rights to its 200 million farming families, according to findings from a 17 province survey, published in the 2011 Chinese Academy of Social Sciences' Rule of Law Blue Book.

The survey, highlights continuing successes and significant emerging challenges to sustainable economic development in China's rural areas.

China's modern-era land tenure reforms, which began with the break-up of the collective farms into individual smallholdings in 1979-84, are ongoing. These reforms are credited by economists at the [World Bank](#) with jumpstarting the largest and most successful poverty reduction program in history.

"The Chinese government has put many policies in place to provide secure long-term use rights for agricultural land," said Jeffrey M. Riedinger, Dean of International Studies & Programs, Michigan State University and one of the study's authors. "Continued progress for farmers will be linked to how well those policies are understood and implemented at the local level."

At its foundation, China's current land tenure reform program –embodied in a series of laws adopted beginning in 1998—gives farmers 30-year, extendable rights to their parcels. Land rights certificates and land rights contracts distributed by local governments are intended to provide farmers further assurance that they can stay on their present parcels for the long term.

These measures are meant to create an environment of secure land tenure and thereby lead to increased investment, increased productivity and higher farm incomes.

"Success for China's land reform program is likely to be a crucial factor in narrowing the vast urban-rural gap in income and welfare," said Keliang Zhu, staff attorney and East Asia program manager for Landesa, and one of the survey's authors.

Land is the most important asset for China's 800 million rural citizens. "Rural Chinese are still the majority of the country's population," said Roy Prosterman, founder and chairman emeritus of Landesa, and one of the survey's authors. "Giving them secure land rights is critical to allowing them to invest in their land, increase their income, and join the world economy."

The survey is the fifth in a series by Landesa, in cooperation with Renmin University and Michigan State University. Conducted in mid-2010, the survey covered 1,564 households in 17 provinces that together contain an estimated 83 percent of China's rural population (Anhui, Fujian, Guangxi, Guizhou, Hebei, Heilongjiang, Henan, Hubei, Hunan, Jiangsu, Jiangxi, Jilin, Shaanxi, Shandong, Sichuan, Yunnan, and Zhejiang). The previous surveys were done in 1999, 2001, 2005 and 2008.

Key Findings:

- Improved documentation of farmer's land rights, but much room for improvement
- 63 percent of farming families have been issued land-rights certificates.
- 53 percent of farming families have been issued land-rights contracts.
- Farmers who have been issued these documents are far more likely to make long-term investments in their land and are financially benefiting from those investments.
- However, only 44 percent of farming families have been issued both documents (as is required by law), and nearly three out of 10 (29%) have no document at all; and recent efforts to reach those lacking one or both documents have had little success.
- 16 percent of contracts list wives' names, 31 percent of certificates list wives' names.

While Chinese law explicitly guarantees women's equal rights to land, listing wives' names on land documents would be an important way of making their rights more real.

Continued agricultural investments prompted, in part, by secure land tenure are contributing measurably to increased rural income

- 24 percent of farmers reported making mid to long-term investments in their land. That is 47 million families when projected for the entire countryside. Introducing a series of very conservative assumptions to identify only clearly incremental investments, the net number of investments is 22 million.
- Farmers who have been issued at least one land document (certificate or contract) that further assures their land tenure rights, are 76% more likely to make long term investments in their land than farmers without documentation of their rights.
- Of all the mid to long-term investments farmers made on their land 78 percent of them were made in or after the year the farmer received their government-issued land rights certificate and 87 percent were made in or after the year the farmer received their government-issued land rights contract.
- The survey indicates that farmers across China have made 22 million incremental mid to long-term investments in their land. These investments boosted each investing farmer's gross income by an average of 20,650 RMB in 2009 alone.
- Total incremental gross income from those investments in 2009 can be estimated as 454 billion RMB, which comes to over 12 percent of total rural income in that year. For comparison, that 454 billion RMB boost in 2009 income from farmers' investments on their land is over three-and-a-half times the 123 billion RMB in total rural subsidies in that year.

The gradual emergence of a land market

- The survey documents a steady gain in the value of arable land to farmers. Although still only a small minority, about one in eight farmers have participated in market transfers over the past three years. The annual cash rent in 2010—taking the average of the median rents for transfers out and transfers in—was 290 RMB per mu (15 mu = 1 hectare), versus 245 RMB in 2008.
- If capitalized at 5%, such a flow of rental income suggests an emerging value of around 87,000 RMB per hectare (for land for agricultural use only), which would project to potential land wealth of 10.44 trillion RMB for the roughly 120 million hectares of China's arable land.

Upswing in land takings

- Land takings for non-agricultural purposes are widespread. 37 percent of villages have experienced at least one taking since 30-year rights were introduced. And more than one out of ten villages experienced its most recent taking in 2010.
- In 60 percent of the villages with land takings for non-agricultural purposes, the farmers are not satisfied with their compensation.
- In 29 percent of land taking cases, the farmers have not been notified in advance (down, however, from 46 percent in 2008)
- In 58 percent of land taking cases, farmers have not been consulted on their compensation (down from 73 percent in 2008)
- Official channels for appeals are limited. For the small minority of farmers who did seek redress, fewer than one in five saw their compensation increase.

“Big boss” or corporate farming

- Nearly a quarter of villages (24%) have experienced leasing to big bosses, developers and corporations.
- The average such holding is 560 mu, or 37 hectares per lessee, equal to nearly 100 times the average farmer landholding in those villages.
- The process is rife with problems. In 45% of these leases, the leasing arrangements grew out of pressures or mandates from local officials.
- One-quarter of these arrangements appear to illegally exceed the length of farmers’ 30- year term
- Almost one-third illegally use at least some of the leased land for non-agricultural purposes, including 30% using some for factories or commercial purposes.

Perspective:

While China has made important absolute progress in improving the lives of the country’s 200 million farming families via the impact of tenure reforms, the relative gap between the cities and the countryside has steadily increased by virtually every measure, including per capita income, consumption, education, and life expectancy.

Mainland China’s own experience, and experience elsewhere strongly suggests that further decisive improvements in farmers’ long-term tenure security, and consequent ability to invest in their land, will be central in closing the urban-rural gap. The most alarming trend illuminated by the survey is a growing pattern of acquisitions of farmers’ land rights—for both agricultural and non-agricultural purposes—frequently illegal, involuntary, and poorly compensated, which threatens to gravely undermine farmers’ tenure security and all the benefits which such security brings.

The increase in such land acquisitions may be a result of intense pressures from the global financial crisis, as local governments across China strive to keep economic growth on track and their coffers full, despite slipping demand from abroad. The quickest route to this is selling agricultural land rights to developers or leasing the land rights to corporate farming operations.

In 2010 local governments boosted their revenue by 2.7 trillion RMB by selling rights to farmland for non-agricultural uses. In some localities income from land rights sales makes up 60 to 70 percent of local government revenue. And Caixin, in a recent article, reported that revenue from land rights sales comprises 46 percent of all local government revenue nationwide.

The increase in such land acquisitions undermines the central government's push to increase tenure security for farmers, it also has a severe effect on agricultural development and stability in China.

“Land skirmishes accounted for 65 percent of rural mass conflicts,” according to a [China Daily/China Wire report](#) from December 16, 2010. More broadly, the survey reveals China at a crossroads in its agricultural development. The increase in land takings captured by the survey partly reflects a transition to corporate farming.

This may be harmful in several respects. First, a lot of farmland leased by corporations is converted to non-agricultural uses, threatening China's grain security. Second, corporate farming results in a large number of hired agricultural labor and instability in rural areas. Third, contrary to conventional wisdom, large-scale farming rarely has substantial productivity advantages over small family farms with stable and secure land rights.

The current enthusiasm for scale farming by corporations in some regions of China is due to external and entirely artificial reasons, including the potential high profits when farmland is illegally converted to non-agricultural uses, and generous subsidies from local governments.

Landesa's China team has communicated the survey findings and discussed preliminary policy recommendations growing out of those findings with government policymakers in China.

Among the policy recommendations growing out of the survey:

- Issuing land rights documents to all farm families to further assure their land rights, as well as conduct land registration pilot programs to improve the quality and effectiveness of land rights documents, with women's names fully recorded in them.
- Reforming the law on land takings (Land Management Law) to improve compensation standard and procedural due process for affected people. This would draw heavily on provisions of the new Takings Regulation on Urban Houses and Compensation, which has a very strict definition of “public purpose” and requires minimum compensation (“not lower than”), as well as improvements in the process (e.g., requiring a court order before any physical eviction).
- Restricting corporate farming by limiting corporations' agricultural land holdings and requiring informed consent from affected farmers.
- Make farmers' 30 year land rights perpetually and automatically renewable.
- Increasing monitoring and enforcement actions against local governments and officials on land violations.

China is currently considering improvements to several important laws and policies concerning rural land rights.



Background on Landesa:

Grounded in the knowledge that having legal rights to land is a foundation for prosperity and opportunity, [Landesa](#) partners with governments and local organizations to ensure that the world's poorest families have secure rights over the land they till. Founded as the Rural Development Institute in 1967, Landesa has helped more than 100 million poor families gain legal control over their land. When families have secure rights to land, they can invest in their land to sustainably increase their harvests and reap the benefits—improved nutrition, health, education, and dignity—for generations.
