Rural Land Rights in China: Evolution and Case Studies*

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Abstract: *Constant divisions of rural land rights and contract renegotiations are the hallmark of China's collective ownership system. Rural land ownership, property and operation systems in China have experienced four stages of evolution: (i) The People's Communes, which served administrative and economic functions, exercised integrated collective land ownership, property, and operation rights. (ii) Under the system of "three-tier ownership with production teams as basic accounting units," production teams exercised the ownership right over land plots with greater autonomy and were responsible for organizing farm work. (iii) The household contract system has entitled farmers to claim surplus products and turned farm households into the basic unit of agricultural production. Subsequently, the reform of collective ownership has further enhanced farmers' contract rights and separated their operation rights from contract rights. The separation of rural land ownership, contract and operation rights marks a top-down design of the structure of China's rural land rights after the collective ownership system and the reform of household contract system. By recognizing separate contract and operation rights without changing collective ownership, the separation aims to protect rural land contract and operation rights in accordance with the law. As in the four case studies, Chongzhou, Songjiang, Meitan and Liupanshui have experienced a restructuring of collective ownership, contract and operation rights. Their experience foretells complexities in the future evolution of rural land rights in China.*

Keywords: *collective ownership, land rights, division of land rights, institutional evolution*

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With deepening rural reforms since the 18th CPC National Congress in 2012, the Chinese government has identified the separation of rural land ownership, contract and operation rights as the goal of rural land reform in the new stage.[1] In achieving this goal, we must: (i) Review the history of rural land rights under the collective ownership in China; (ii) define the collective ownership, contract and operation rights and their relationship; (iii) clarify the roles of rural land collective owners, contractors, and operators, as well as the source of contract and operation rights.

In this paper, we will not dwell on the necessity and significance of separating rural land rights, which have been widely discussed in the literature. Instead, this paper will explain the rationale and feasibility to further divide rural land rights under the collective ownership through the following case

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[1] The General Office of the CPC Central Committee, and the General Office of the State Council: *Opinions on Improving the Separation of Rural Land Ownership, Contract and Operation Rights*: http://www.gov.cn/xinwen/2016-10/30/content_5126200.htm

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studies: (i) the tentative reform of land equity ownership and operation rights for professional farmers in Chongzhou County of Chengdu City, Sichuan Province; (ii) village family farms based on the concentration of members' operation rights in Songjiang District of Shanghai; (iii) pilot program for the exit of contract operation rights under the continuous reforms of rural land system in Meitan County of Guizhou Province; (iv) the experiment of "turning resources into assets, farmers into shareholders, and capital into equity" in Liupanshui City of Guizhou.

This paper investigates the separation of rural land rights under the collective ownership system in various stages since the founding of the People's Republic of China in 1949. Then, it explains the structure of rural land ownership, contract and operation rights, and the principles for separating such rights, focusing on the four local case studies involving the further division of rural land rights. The last section offers conclusions and policy implications.

1. Division of Rural Land Rights under the Collective Ownership: Stages and Characteristics

Since the founding of the People's Republic of China in 1949, the Chinese government has mandated a succession of rural institutional reforms, which range from the land reform to redistribute land to farmers in the early 1950s to the creation of mutual aid groups, primary and advanced communes, and the People's Communes. These reforms led to the establishment of collective ownership as a form of socialist public ownership in China's countryside. Since then, the structure and arrangements of rural land rights have experienced four stages of evolution, including: (i) the creation of communes that are "large in size, collective in nature, and based on egalitarianism and indiscriminate transfer of resources"; (ii) three-level ownership with production teams as basic accounting units; (iii) collective ownership that grants land contract and operation rights to farmers; (iv) collective ownership that gives farmers an option to separate contract rights from operation rights. Each of the four stages marks a division and contract re-negotiation of rural land rights under collective ownership.

1.1 The First Division of Rural Land Rights: From People's Communes to Production Teams

China's collective land ownership system came into existence after gradualist restructuring and consolidation of state powers in the countryside. After the land reform redistributed land ownership to farmers, the Chinese government created mutual aid groups, primary communes, advanced communes, and the People's Communes to consolidate and adjust rural land rights. Smaller communes, along with their land ownership and operation rights, became merged into the People's Communes. The People's Communes thus took on administrative and economic roles and weakened the property attribute of land. Yet the lack of incentives and egalitarian distribution under the People's Communes discouraged farmers from exerting themselves. The People's Communes hurt agricultural productivity and deprived farmers of the option to exit, and are widely blamed for causing China's agricultural crisis and rural starvation from 1959 to 1961 (Zhou, 1995).

The failure of a massive rural collectivization in 1958 led to the first division of rural land rights after collective ownership was put into place. In 1959 and 1960, farmers were allowed to reserve small "private plots" carved out from collective farmland to grow crops independently from the collective. More importantly, the system of "three-level ownership with production teams as basic accounting units" became restored and started to replace the People's Communes in 1962.[2]

The manifestations of such division of rural land rights include: (i) Change in collective ownership from the People's Communes to production teams; (ii) Less intervention from communes exercising

[2] CPC Central Committee: *Revised Draft of Working Rules on Rural People's Communes*, September 1962, http://jiuban.moa.gov.cn/zwllm/zcfg/flfg/200601/t20060120_539366.htm

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administrative and economic functions, and more autonomy of production teams in exercising collective land rights; (iii) Production teams were allowed to retain some surplus output after submitting a required portion to communes; (iv) Production teams took over collective land operation powers, including the powers to arrange for farm work and distribute output. Under the system of "three-level ownership with production teams as basic accounting units," the ownership of the means of production and the final product was shared among communes, production brigades, and production teams. The drawbacks of this system are obvious. It created little incentive for the decision-makers and members of production teams. Communes and production brigades at higher levels often infringed upon the ownership of production teams. Incomplete ownership led to distorted behaviors. Production teams found it hard to supervise farmers. These institutional defects led to agricultural inefficiency, falling productivity, stagnant income growth for farmers, and widespread poverty (Liu, 2019). Calls for further reform were on the rise.

1.2 The Second Division of Land Rights: From Production Teams to the Household Contract System

Unlike the state-led collectivization, the reform of production teams was spearheaded by grassroots farmers. The initial target of policy adjustment was to increase the autonomy of production teams. After farmers in Xiaogang Village and some other places took the initiative to contract farm output to households, the Chinese government agreed to "contract small sections to farmers with fixed remuneration" and "contract labor and quota responsibilities with production-linked remuneration," but refused to contract land plots to households. Yet in poor mountainous regions and places where people lost confidence in the collective economy, exceptions were made to allot farm output quotas and land plots to households and grant them autonomy. Finally, when the top decision-makers learned about bumper harvests in places that practiced the household contract responsibility system, they decided to endorse and roll it out nationwide (Du, 2005). As farm households gained contract and operation rights over collective land, the system of "three-level ownership with production teams as basic accounting units" gave rise to the new rural land system of "collective ownership with household contract and operation."

The household contract system marks the second division of rural land rights under the collective ownership. Specifically, (i) households replaced production teams as the basic accounting unit, and equally shared collective land rights (Zhou, Liu, 1994); (ii) households were granted the rights to occupy, use, profit from and transfer equal plots of collective land; (iii) each household was given the right to surplus output after submitting a required portion to the collective; (iv) households replaced production teams as primary agricultural operators.

The household contract system gave the right to operate collective land back to households, thus incentivizing farmers to boost agricultural production (Lin, 1991). As a passive response to farmers' call for greater autonomy, this reform also faced the following challenges: (i) Farmers worried about policy continuity, and took a short-term approach in farming activity; (ii) as the owner of collective land, the government encroached upon the land rights of farmers (Liu, 1993). The lack of clarity in the collective land rights and holders of such rights (Hare, Denise, Yang Li, and Daniel Englander, 2007; Chen, 2006) discouraged farmers from exerting themselves; (iii) adjustments of farmer-land relationship would affect the stability of land rights. From the outset, the household contract system faced theoretical and practical challenges.

1.3 The Third Division of Land Rights: Farmers Took the Initiative to Split Contract and Operation Rights

The division of rural land rights did not stop at the household contract system. On the one hand, the government continued to release detailed rules on the rural land system. Specifically, (i) it enacted a law

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that recognizes "farmers collectively" as rural land owners, but in fact, collective economic organizations are better positioned to act as farm operators. There should be no readjustment in the size of land plot contracted to each household irrespective of any change in the number of persons in the household.[3] Certificates are conferred to recognize the lawful contract of collective land. (ii) Land contract period became extended continuously to create stable expectations on the use of land. Initially, land contracts had to be renewed upon expiry. Later, the Chinese government enacted a law that defines land contract period to be 30 years with a 30-year extension after the expiry of first and second rounds of contract, respectively.[4] The government registered the land use rights of farmers, and issued farmers certificates to protect their land use rights. (iii) Devolution of land contract and operation rights to farmers. In the early stage of collectivization, farmers worked according to the collective's plan and could not make decisions of their own. Over time, farmers gained more autonomy in agricultural production. As the household contract system took hold in the early 1980s, farmers were granted land contract rights. They could organize production based on their discretion and decide what to do with the product. The Chinese government reformed and abolished the unified purchase and sale system, curtailed unreasonable apportions to farmers, and rescinded agricultural tax. These moves ensured the integrity of farmers' rights over the income from land (Ji, Qian, 2010).

On the other hand, China's rapid industrialization and urbanization prodded farmers to seek non-farming jobs and migrate to cities, leasing their land contract rights to others. Meanwhile, the government lifted the ban on land use right transfer among farmers to allow such transfer to take place within a collective economic organization. Later, farmers were allowed to subcontract, swap, and invest their land plots as equities, provided that the transferred land plots continue to be used as agricultural land.[5]

Since the mid-1980s, land use right transfer and consolidation have unveiled the third separation of rural land rights, which accelerated after 2000. In 2017, land transfers in China reached 34 million hectares,[6] accounting for 37% of total arable land. In 2016, large farm households, professional cooperatives, enterprises, and other entities accounted for 58.38%, 21.58%, 9.68% and 10.36% of land transfer areas respectively.[7]

In a nutshell, land right arrangements under collective ownership have been subject to change. Since the failure of the collectivization in 1958, there have been three divisions of land rights: First, as collective land owners, production teams received greater autonomy in exercising land rights and greater control over surplus agricultural products, and became the basic unit of agricultural operation. Second, members of a collective took over collective land ownership from production teams and were granted contract right independent from ownership right. Such contract right allowed them to use, profit from and transfer land plots and own surplus products. Households became the micro-level entities of agricultural production. Third, some localities further separated land operation right from contract right, prompting the government to enact legislation to recognize and protect rural land operation right.

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[3] See the CPC Central Committee's No. 1 Document of 1984; the *Policy Measures for the Development of Agriculture and Rural Economy* released by the CPC Central Committee and the State Council in November 1993; and the *Law of the People's Republic of China on Rural Land Contract* promulgated in August 2002.

[4] Xi Jinping: *Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics* (October 18, 2018), http://www.xinhuanet.com/2017-10/27/c_1121867529.htm.

[5] See the *Law of the People's Republic of China on Land Administration* in 1998, the *Law of the People's Republic of China on Rural land Contract* in 2002, and the *Property Law of the People's Republic of China* in 2007.

[6] The Department of Rural Economic System, Operation and Administration: *Reply to No. 3282 Proposal (No. 281 Proposal on Agriculture and Water Conservancy) at the First Session of the 13th CPPCC National Committee* (Nong Ban An [2018] No.55), http://www.moa.gov.cn/govpublic/NCJJTZ/201810/t20181023_6161286.htm.

[7] Qü Dongyu: *China Agricultural Statistical Report 2016*, Beijing: China Agriculture Press, 2016.

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2. Top-Down Design for Splitting Rural Land Ownership, Contract and Operation Rights and the Structure of Rural Land Rights

2.1 Separating of Rural Land Rights a Top-Down Institutional Design

The Chinese government took the initiative to put forward, deliberate, and write into law the idea of separating rural land ownership, contract, and operation rights.

(1) Deliberation: In July 2013, General Secretary Xi Jinping said in an inspection tour in Hubei Province that "we should review the relationship of rural land ownership, contract and operation rights." The Central Rural Work Conference in 2013 and the No. 1 Central Document of 2014 state that "we should implement collective ownership, stabilize farmers' contract rights, and be flexible with land operation rights." In 2014, the central government released a document stating that "we should guide the orderly transfer of land operation rights to moderately increase the scale of agricultural operation" based on "separate ownership, contract and operation rights." The No. 1 Central Document of 2015 calls for improving legal systems to "define the relationship of rural collective land ownership, contract rights and operation rights."

(2) Formulation of implementation plan: According to the *Overall Implementation Plan for Deepening Rural Reforms* released by the Chinese government in November 2015, rural land reforms should adhere to collective ownership, stabilize farmers' contract rights, and increase the flexibility of land operation rights. The No. 1 Central Document further called for specific rules on the separating of rural land rights. In November 2016, the Chinese government promulgated the *Opinions on Improving the Measures for the Separation of Rural Land Ownership, Contract and Operation Rights*, which elaborates the significance of separating rural land rights and explains the definitions, functions and relationship of such rights. The release of these documents marks the completion of the top-down design for separating rural land rights.

(3) Implementation and legislation: The No. 1 Central Document of 2017 calls for "implementing the measures for the separation of rural land collective ownership, contract and operation rights," and the 19th CPC National Congress in 2017 also vowed to improve relevant systems on the rights to contract land plots. In November 2017, the Chinese government enacted the *Law of the People's Republic of China on Rural Land Contract (Amendment Draft)*, which elevates the reform plan and institutional design for separating rural land rights to the legislative level and writes rural land operation rights into law. It grants farmers the right to transfer, pledge, and invest their land operation rights. This law marks the legislation of top-down design for the separation of rural land rights.

2.2 Structure of Rural Land Rights

The reform of separating rural land rights marks an improvement of the two-tier system unified with separate operations. While retaining farmers' land contract rights, the reform aims to facilitate the transfer of land operation rights and thus optimize the allocation of land resources. Moderate concentration of land plots helps boosts agricultural productivity, create a new-type agricultural operation system, and expedite agricultural modernization. Specifically, the reform adhered to the following principles:

(1) Implement collective ownership: Collective ownership refers to the land ownership of members of farmers' collectives.[8] Collective ownership rights include the rights to possess, use, profit from, and distribute the product of land; the rights to lease land plots to others, and adjust, supervise, and recover such leaseholds. Mechanisms should be put into place for farmers' collectives to exercise their collective

[8] CPC Central Committee and the State Council: *Overall Implementation Plan for Deepening Rural Reforms*, http://www.gov.cn/zhengce/2015-11/02/content_5003540.htm.

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land ownership rights.[9]

(2) Stabilize farmers' contract rights*:* Each member of a collective economic organization should be able to lawfully and fairly obtain collective land contract and operation rights.[10] Their rights to use, lease, pledge, and relinquish contract land plots should be guaranteed. Farmers should have the right to transfer, swap, lease, sub-contract, or invest their land plots to make a profit. They should have the right to claim compensation and social security payments lawfully upon land requisition. They should have the right to pledge their land operation rights and relinquish contract land plots in exchange for compensation. The government should not willfully redistribute contract land plots or require farmers to give up their land contract rights as a precondition for granting them urban citizenship.

(3) Increase the flexibility of land operation rights: Farmers should be empowered to hand over their land operation rights to a qualified agribusiness to develop large-scale farming.[11] Land operators should have the right to occupy, cultivate, and profit from a transferred land plot with stable business expectations for a prescribed period (Zhang, 2017). Farmers should be guided to lawfully transfer their land operation rights via various modes based on their volition, and develop various forms of agribusiness. Specifically, farmers should have the rights to pledge their land plots for financing; use land plots for agricultural production, soil improvement, and construction of agricultural production facilities; enjoy priority in the renewal of leasehold; transfer or pledge their land operation rights; and claim compensation for attachments and crops on the land in case their land plots are upon land requisition.[12]

(4) Relationship of rural land ownership, contract, and operation rights: Acquisition of land contract and operation rights is subject to membership to a farmers' collective. When a farmer transfers his land operation rights, he remains in possession of land contract rights. At the same time, the farmers' collective remains the owner of the contract land plot. Yet the transferee must accept supervision from the owner of the collective land plot, which is a collective economic organization, to ensure the proper use of the transferred land plot for the designated purpose.

2.3 Controversies

Despite the enactment of formal rules and systems, academics still hold different views on the separation of ownership, contract, and operation rights, as well as the nature of contract and operation rights.

(1) Academics disagree on the nature of separating land ownership, contract, and operation rights. Some argue that land operation right should be carved out from land contract right to form separate ownership, contract and operation rights (Ye, 2014; Chen, 2017). Yet others contend that land operation right should be created as a property right on top of land contract right to achieve the goal of separating the ownership, contract, and operation rights of collective land (Sun, 2016).

(2) Academics also disagree on the nature of the contract right. Some consider that contract right is derived from usufruct, i.e. the right to use and derive profit from a property owned by someone else, and should be a property right (Zhang, Zheng, 2015). Others believe that contract right is a right of qualification or membership rather than a property right (Zhu, 2015).

(3) The nature of land operation right. Base on the principles of leasehold, some academics consider land operation right as an assignable creditor's right independent from farmers' contract right (Li, Zhang,

[9] General Office of the CPC Central Committee and General Office of the State Council: *Opinions on Improving the Measures for Rural Land Ownership, Contract and Operation Rights*, http://www.gov.cn/xinwen/2016-10/30/content_5126200.htm.

[10] The CPC Central Committee and the State Council: *Overall Implementation Plan for Deepening Rural Reforms*, http://www.gov.cn/zhengce/2015-11/02/content_5003540.htm.

[11] The CPC Central Committee and the State Council: *Overall Implementation Plan for Deepening Rural Reforms*, http://www.gov.cn/zhengce/2015-11/02/content_5003540.htm

[12] Legislative Work Committee of the National People's Congress (NPC): *Public Consultation on the Rural Land Contract Law (Amendment Draft for the Second Deliberation)*, http://www.pkulaw.cn/fulltext_form.

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2015). Some others assert that land operation right refers to the right to possess, use, and derive profit from a property or an entitlement to a property (Cai, Jiang, 2015).

3. Division of Rural Land Rights: Case Studies

3.1 Land Shareholding Cooperatives (LSCs) in Chongzhou County of Chengdu City

Chongzhou is a major agricultural county of Chengdu City and a national grain production base. As rural labor increasingly migrated to cities in search of jobs, Chongzhou saw a sharp decline in its agricultural workforce. Many residents who remained were either elderly or unskilled at farm work. Facing the challenges, Chongzhou encouraged grain-producing households to transfer their land plots for large-scale farming, enlisted agribusinesses to partner with farmers in operating agricultural production areas, and tentatively created cooperatives for agricultural production and labor. Unfortunately, these initiatives failed to yield desirable results. After 2008, Chongzhou adopted an integrated model for agricultural operation, which involves land shareholding cooperatives (LSCs), professional managers, and outsourced agricultural services.

The new system has the following characteristics: (i) It allows farmers to invest their land contract and operation rights as equities of an LSC and thus become LSC members. Farmers may decide whether or not to join an LSC and are free to quit. All interests and risks of agricultural production are shared among LSC members. The governance structure of LSCs consists of the board of directors, the board of supervisors, and members. By June 2017, Chongzhou created 226 LSCs with a land area of 21,000 hectares, accounting for 61% of total arable land area in the county. (ii) The board of directors of an LSC appoints professional managers to organize agricultural production, thus separating land operation right from land ownership right. A professional manager will conclude a contract with the LSC, which stipulates the production plan, budget, and output target set by the board of directors. Both sides will distribute yield in early and late spring. There are three options of distribution, including product sharing after cost deduction, commission plus sharing of excess product, and secondary distribution on top of a fixed basic income. (iii) LSCs involve various stakeholders to provide outsourced services. With government guidance, market players are enlisted to provide agricultural production, technology branding, and financial services to agribusiness operators.

The new agricultural system in Chongzhou gave rise to a new structure of rural land rights. First, LSCs exercise collective ownership rights. Specifically, an LSC may: (i) accept farmers as members, whose land plots still belong to the farmers' collective; (ii) consolidate the land plots of members and swap land plots of farmers who decide not to join, so as to concentrate smaller land plots into a larger area of land; (iii) acquire mortgage financing with the LSC's land operation rights as collateral; (iv) make a profit but withdraw a retention fund, risk reserve and working fund from its profit. Second, farmers' land contract and operation rights are converted into equity. Farmers who join an LSC will withdraw from land operation, and are entitled to the rights to (i) earn an income on their land plots invested as preferred shares at the LSC; (ii) elect and be elected to serve at important positions of the LSC and choose members of the board of directors and the board of supervisors. Third, an LSC is entitled to joint operation rights to (i) make decisions on equity issues, production plan, crop selection, appointment of professional managers, and income distribution via the Members' Congress as its highest authority; (ii) conclude contracts with professional managers via the board of supervisors to determine production target, cost, reward, and penalty; (iii) authorize professional managers to exercise rural land operation rights and supervise their performance. Professional managers may obtain credit loans with their certificates of appointment.

The new agricultural system in Chongzhou increased land concentration by consolidating smallholdings. In Chongzhou, 92,300 farm households had joined LSCs by May 2016, accounting for

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60.8% of total farm households and close to 70% of agricultural production. The rise of LSCs led to the emergence of professional agribusiness operators. By the end of 2016, the LSCs developed 6,712 professional farmers, including 1,887 professional agribusiness managers. Moreover, agricultural productivity increased as well. In 2016, LSCs saw their paddy rice and wheat yield reach 39 tons and 4.125 tons per hectare, respectively, which were higher than 0.5-0.6 tons and 1.125 tons per hectares for smallholdings. LSCs also made farming less costly. In 2016, farming cost per hectare reduced by more than 2,250 yuan at places with LSCs. All stakeholders benefited from the creation of LSCs. In 2015, professional agribusiness managers in Chongzhou earned an average of 165 yuan per *mu* (1 *mu* equals 0.067 hectares) with an annual average income of 48,000 yuan. LSCs withdrew an average of around 75 yuan per *mu* as retention fund. Each farm household earned 545 yuan more per *mu*.

3.2 Village Family Farms in Songjiang District of Shanghai City

Songjiang District is a typical suburb of a large city. As the countryside shrank amid urbanization, farmers made up only 9.3% of Songjiang's population in 2000. Falling number of farmers presented a challenge to agricultural production. Households who became less dependent on farming transferred their land contracts to larger grain-producing households. In the second round of land contracting in 1998, less than 50% of land contracts in Songjiang, then still a county, were renewed upon expiry, and the village collectives took over the rest. In 2007, Songjiang appointed village collective economic organizations to consolidate land plots and create family-run grain farms and crop-livestock integrated farms.

Village family farms in Songjiang adopted the following systems: (i) Village committees took back the contract and operation rights from farmers and paid them an annual rent equivalent to 250 kg paddy rice per *mu*. The government also offered a monthly allowance of 150 yuan on top of Shanghai's new rural pension insurance scheme to each farmer (above 60 years of age for men and 55 for women) whose land contract rights were entirely transferred to a family farm. (ii) Family farms, which were run by local villagers, obtained the right from a collective to operate larger land plots by consolidating smallholdings. A local farm household may apply to run a family farm and be granted a contract after the application is approved by the village leaders, villagers' council, and a democratic vote. The collective evaluated how family farms select crops for rotation, clean peripheral farm ditches, return stalks to farms, produce summer harvest crops and paddy rice, and sell grain to the state reserves. Based on the results of such evaluation, the collective would decide whether to grant a subsidy to the family farm or disqualify its operator. Upon the expiry of family farm tenure, an operator enjoyed priority to renew his contract if he held a professional agribusiness certificate, passed the performance evaluation, or applied crop-livestock integration and agricultural machinery.

The village family farms in Songjiang restructured rural land rights under the collective land ownership. First, family farms enabled collective economic organizations to exercise the collective ownership rights to: (i) grant land contracts to farmers; (ii) select land tenants, taking full control over the award, exit and renewal of land operators; (iii) plan for local village development and determine land use purpose and size; (iv) evaluate, supervise and regulate the performance of family farms. Second, as members of a collective, contract farmers were given an option to either lease their land plots to earn an income while retaining contract right, or relinquish their contract and operation rights altogether in exchange for pension insurance payments equivalent to the standards of small cities. Third, family farm operators were entitled to select crops, determine inputs, and organize farm work. While earning an income from agricultural product, family farm operators also received money, materials, financial insurance, and subsidies from the central, municipal and district governments. Family farm tenure was no less than three years and could be extended to five or even ten years, provided that a family farm was well-run and yielded excellent results.

After nearly ten years of experiment, family farms have become a dominant form of agribusiness

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in Songjiang. By the end of 2016, there were 966 family farms in Songjiang operating 9,300 hectares of land, or 95% of grain farming area, with an average area of 9.55 hectares. In 2016, paddy rice yield in Songjiang averaged 585 kg, equivalent to a net income of 973 yuan, per *mu*, up 34 kg compared with the previous period before family farms were introduced. Farm households saw their average income rise to 122,000 yuan per year, up from 50,000 to 60,000 yuan in 2007. Numerous professional farmers emerged. Family farm operators, whose average age fell from 51 in 2012 to 48 in 2017, became motivated for land conservation. Some of them turned into agribusiness entrepreneurs.

3.3 Meitan: Farmers Given an Option to Relinquish Land Use Rights

Meitan, a county in northern Guizhou Province, is well-known across the country for pioneering rural reforms. In the 1990s, it carried out a land contract reform that promised thirty-year leasehold of fixed areas of land plot irrespective of any change in the size of a household, along with other reforms on the transfer of rural land operation rights and rural collective land ownership. These reforms encouraged grain farmers, cooperatives, and agribusinesses to take part in rural land rights transfer in Meitan. Yet the transfer of rural land rights gave rise to disputes between transferors and transferees and put pressure on the government to mediate. In October 2016, eight villages in Meitan County tentatively offered farmers an option to relinquish their land contract rights in exchange for compensation.

This experiment was carried out with great caution since farmers would become landless once they opted to relinquish their land contracts. Therefore, Meitan stipulated that a farmer may apply to relinquish a land contract provided that he has a stable income, residence, pension, and medical insurance. No farmer may apply to relinquish a land contract if he does not have any income other than land, is indebted, has pledged his rural land rights, or cannot agree with his family members on the relinquishment of the land contract.

Village shareholding economic cooperatives were responsible for reviewing the conditions of applicants and certificates of the location, area, and photo of land plots for relinquishment. Based on the approval endorsed by the leader of villagers' group, an application would be confirmed and deliberated by the board of directors before submitted to the people's government (neighborhood committee) for final review and approval. The village collective was responsible for assessing the value of the land contract to be relinquished according to national standards of compensation for land acquisition and the category of the land plot.

Zhang Guoxiao, a farmer in Hongping Village, received a lump-sum compensation of 324,360 yuan by the assessed value of 31,800 per *mu*. As shareholders of a village shareholding cooperative, farmers were also entitled to share in income from the relinquished land plots that become collective assets. A farm household may conclude an *Agreement on Compensation for the Relinquishment of Rural Land Contract and Operation Rights* with the village collective economic organization after consultation. After the payment of compensation, both sides would sign a confirmation of land handover, and the county-level authority would be responsible for collecting relevant certificates of land rights for revocation or change of registration. Village shareholding cooperatives should be responsible for the registration and management of land contract and operation rights given up by farmers, who may not intervene in the operation and use of such land plots by the cooperatives. Village shareholding cooperatives may operate, transfer, lease or manage such land plots in other ways at their discretion.

Relinquishment of land contracts made it possible for land rights to be re-allocated and re-demarcated under the collective ownership. First, a farmer who relinquished a land contract would lose agricultural subsidy as well. He may not apply for another land contract or transfer land within his collective economic organization, but would retain his membership of a shareholding economic cooperative and was entitled to share in its revenue. Second, a village shareholding cooperative exercises the ownership rights of a relinquished land plot and is entitled to confer land contract right to a third party, organize production and operation on the land plot, transfer land plots in accordance with its

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charter and other relevant regulations, and in case of land acquisition, receive compensation on the land and attachments to the land. Third, an operator was entitled to the exclusive right of independent operation. A village shareholding economic cooperative may transfer the land operation right to an agribusiness entity via leasing, sub-leasing, or equity investment. After obtaining the Meitan County Certificate for Rural Land Transfer and Operation Rights, an agribusiness operator would be entitled to use and operate the land plot to make a profit, pledge the land operation right for financing, and enjoy priority in the renewal of land transfer contract.

After two years of experiment, Meitan County recovered 25.18 hectares of land and offered 12,471,877 yuan in compensation to farmers, or an average of 33,017 yuan per *mu*. Land compensation provided farmers with a start-up fund to settle in cities. For agribusiness operators, the integrity of land operation rights allowed them to pledge land plots for financing and engage in large-scale farming. After taking over land contracts from farmers, Hongping Village consolidated 4.8 hectares of land plots and transferred the same to an agribusiness, which built an orchard to grow quality fruits. Xinshiju Village consolidated over 6.67 hectares of land plots relinquished by farmers and transferred the same to an agribusiness, which also built an orchard.

3.4 Agribusiness Shareholding Reform in Liupanshui

Liupanshui City is located in a contiguous poor area of stony desertification in western Guizhou Province. In 2013, the city reported a rural per capita net annual income of 5,933.99 yuan. Despite the harsh natural conditions and stark poverty, the city vowed to "turn resources into assets, funds into equity, and farmers into shareholders" in 2014.

First, turning resources into assets: A village collective may invest its use rights of natural resources and other assets as equities into an agribusiness and thus become its shareholder. Similarly, farmers may invest their contract and operation rights, too. For instance, farmers in Shuicheng County, over which Liupanshui City has jurisdiction, invested 580 hectares of land as equities into a kiwifruit industrial park. Second, turning funds into equities: Agricultural fiscal funds, including poverty relief funds, can be invested into an agribusiness as equities, provided that the nature and purpose of such funds remain the same. Third, turning farmers into shareholders: Farmers may invest the contract rights of their arable land, forest land, and housing plots, as well as capital, material, and technology, into an agribusiness and become its shareholders. Fourth, the reform was supported by a swathe of institutional arrangements, including feature agriculture projects, agribusiness operations, agricultural fiscal funds, and financial credit support for innovations.

Agribusiness shareholding reform in Liupanshui restructured rural collective land ownership, contract and operation rights. Specifically: *collective ownership right:* After the reform, a collective economic organization may exercise the ownership right of collective resources and assets on behalf of its members. It may develop a modern agricultural project either on its own or via invitation to public bidding, develop leisure agriculture and countryside tourism with collective resources, and use idle resources to develop other industries. First, farmers' contract right: Farmers may invest their land operation rights in an agribusiness as equities without altering the original contract relationship. No organization or individual may embezzle, withhold or deduct any income from land transfer, and such income should belong to the original contractor. As members of a collective, farmers have the right to own collective assets, vote on managerial and operational issues, and share in the collective's revenues. They may also possess, profit from, relinquish, pledge, use as a security, or inherit the shares of collective assets. Second, operators' right of independent operation: An operator has the right to use the resources and funds of a collective to engage in agribusiness and make a profit and to pledge its land operation rights for financing. Third, change of operation method: A village collective may engage in equity cooperation with farmers and operators for various modes of agribusiness operation. Specifically, an operator may partner with a village collective or farm household, or both, for the operation of an

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agribusiness. Fourth, the reform transformed local agribusiness and agriculture.

After the reform, Liupanshui fostered 151 leading agribusinesses and 1,301 farmers' cooperatives, and created 31 modern agriculture model parks, over 10,000 *mu* of orchards, and 10,000-head livestock farms. In 2016, Liupanshui saw the cash income of its village collectives rise by 108 million yuan and put an end to "empty-shell villages" whose residents had migrated elsewhere, leaving farmland unattended. By the end of 2017, 1,677,900 farmers benefited by investing their assets into cooperatives, and 1,252,300 farmers received dividend distribution averaging 2,047 yuan per household.

As revealed by the four case studies, changing farmer-land relationship, farming practice and institutional environment called for restructuring collective land ownership, contract and operation rights. In all these reform cases, land ownership right was exercised by a specific entity on behalf of its members, rather than shared among contract farmers of a collective under the previous system. In Chongzhou, LSCs were appointed to exercise the land ownership right on behalf of their farmer members. In Songjiang, village organizations were responsible for the transfer of land contracts, the selection of land tenants, and the planning, supervision and evaluation of land use purposes. In Meitan, village collectives took over complete ownership of land plots relinquished by farmers. In Liupanshui, collective LSCs were vested with the ownership of collective resources.

Changes also occurred to the contract rights of farmers. In Chongzhou and Liupanshui, farmers' contract and operation rights became converted into equities. After giving up their land contracts, while farmers in Songjiang continued to receive land rents, those in Meitan received a lump-sum compensation and became cut off from farms.

Agribusiness operators were empowered to operate independently. Professional agribusiness managers and family farm operators engaged in agricultural production in compliance with their contracts. While operators in Meitan received the complete right to operate transferred land plots, those in Liupanshui obtained land operation right via equity cooperation. Lastly, land operation right is derived from collective ownership, rather than farmers' contract and operation rights.

4. Brief Conclusions and Policy Implications

In the history of China's rural land system, there have been constant separations of rural land rights and contract re-negotiations under the collective ownership system. No ideal institutional structure has ever emerged as the golden rule. Restructuring of collective land ownership, contract and operation rights, along with changing contract parties, has influenced the structure of stakeholders and agricultural productivity. Formal systems of collective ownership have also constrained the evolution of collective land rights. Such systems have determined the options of restructuring rural land rights among various stakeholders and influenced the integrity of rural land ownership.

In 2012, the 18th CPC National Congress called for separating rural land ownership, contract and operation rights, which marks an important top-down design after collective ownership and household contract systems. This round of rural reform aims to separate rural land operation right from contract right under the collective ownership system. China has enacted legislation to empower the newly formed operation right, which is derived from the contract operation right. Yet such an institutional arrangement and structure of land rights are not fundamentally different from the household contract system other than the legal recognition and protection of the operation right.

Notably, the four case studies did not follow the said rationale for the derivation and separation of contract operation rights. Instead, they involved the recombination of collective ownership, contract and operation rights, as well as the renegotiation of contracts. Of course, the long-term effects of institutional evolution require further observations. In any case, the separation of rural land ownership, contract and operation rights will profoundly influence farmers' land rights, agricultural transition, and urban-

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rural relationship in China. Future studies should continue to follow the combination of collective land ownership, contract and operation rights, as well as changes to rural land contracts in China.

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