

The Perfection of China's Land Circulation Market: Problems and Countermeasures in the Development

— Taking Heilongjiang Province as An Example

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Abstract—Accelerating the circulation of rural land is the demand raised under the new situation to improve the competitiveness of agriculture, increase farmers' income, enhance the efficiency of enterprises, and to ensure food safety, and there are both driving force of inherent reform and external pressure of improving the competitiveness of the industry for China's land circulation. In order to make good use of land circulation in improving the situation of "agriculture, rural areas and farmers", enhancing the efficiency of enterprises and ensuring food security, land circulation should be steadily promoted so as to achieve the balance of agricultural land; macro guidance and supervision should be strengthened by realizing the long-term development goal of the enterprises without bringing damage to the farmers' long-term interest; sound land circulation laws and regulations should be established to ensure that the market for land circulation could run smoothly.

Keywords—Land Circulation, Increase Farmers' Income, Enhance the Efficiency of Enterprises, Food Security

I. STATEMENT OF THE PROBLEM

Stabilizing the circulation of China's agricultural land is a new strategy to promote the development of China's agriculture, rural areas and the farmers under new normal, which is related to the improvement of market performance, farmers' income, enterprise efficiency, and situation of food security and other social issues of great concern. In 2015, Premier Li Keqiang clearly put forward his requirements as follow in the "Report on the Work of Government": to speed up the transformation of agricultural development pattern, so that agriculture industry would be stronger, farmers would be richer and the rural area in China would be more beautiful, to comprehensively improve the quality of agricultural products and the situation of food security, to support new business entities like large-scale farming individuals, farmer cooperatives, and leading enterprises in the industry, and to promote various forms of appropriate scale operation on the basis of stable family business. It is also pointed out in the Central Document No.1 that in order to seek new breakthroughs in transforming the development pattern of agriculture, and to achieve new results in increasing the income of farmers, work should be done in extending the agricultural industry chain, increasing the added value of agricultural industries and in maintaining the price of agricultural products at a reasonable level. To achieve appropriate scale operation of

agriculture and to increase farmers' income, the key lies in reform, especially in the work of stabilizing and improving agricultural land circulation which plays a decisive role in the process.

A. *Steadily Accelerating Land Circulation is the Requirement Raised by the Need of Improving Agriculture Competitiveness and the Farmers' Income*

At present, many difficulties and challenges emerge in developing agriculture in China. On the one hand, prices of agricultural products are not competitive in the international market; on the other hand, cost of agricultural production increases, especially the cost of labor. The reason is directly related to the small operation scale of the land; therefore, it's vital to enhance the competitiveness of agriculture by realizing appropriate scale operation through expanding the scale with land circulation. In addition, under the existing operation mode, the difficulty in improving farmers' income is increasing, and land circulation can help to broaden the channels for increasing their income, which can also be increased by enhancing the production performance with the help of science and technologies on the basis of expanded operation scale.

B. *Steadily Accelerating Land Circulation is the Requirement Raised by the Need of Increasing the Efficiency of Enterprises*

For agricultural enterprises, land circulation can bring them with huge business opportunities. Farmers could circulate the land through subcontracting, leasing, interchanging, transferring, share cooperating and other forms, then the enterprises can absorb the land in a reasonable way in order to meet their needs of expanding production size and scale, then the profits can be improved; steadily accelerating agricultural land circulation is conducive to standardize the land circulation market, which will help to reduce the searching cost of the enterprises in expanding their land operation scale, that is, to reduce the transaction cost of the enterprises arising from the process of obtaining land.

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C. Steadily Accelerating Land Circulation is the Requirement Raised by the Need of Ensuring Food Security from Origin to Dining Table

China's food security lacks guarantee under the existing operation mode with the main contradiction existing between the small production scale and the large market size, and it is especially difficult to monitor the technical standard and security situation of family-based business equity. The traditional production mode is at a low degree of integration between producing and selling with production and process separated from each other, which is not conducive to the whole supervision process, causing a high cost in supervision; on the other hand, though there emerges the mode of "enterprise + farmer", the contractual relation between enterprises and farmers is still very loose, which makes it difficult for the enterprises to extend its quality standards to agricultural production, thus the quality inspection sector has no way to conduct supervision to the producing process of the farmers'

business. However, to steadily accelerate land circulation is beneficial for enterprises to directly participate in agriculture production, and it will do good to implement the production standard of agricultural products which makes it favorable to ensure food security.

II. CURRENT SITUATION AND CHARACTERISTICS OF LAND CIRCULATION

A. Current Situation of Land Circulation

In recent years, land circulation has accelerated both in China and Heilongjiang Province. From 2007 to 2012, the land circulation area of China and Heilongjiang Province increased from 64 million mu and 21 million mu to 278 million mu and 40 million mu respectively, reaching annual growth rates of 34.14% and 13.75%, see Table 1. Land circulation in Heilongjiang Province accounts for nearly 15% of that in China, but the growth rate is lower than the national average.

TABLE I. A COMPARISON OF LAND CIRCULATION AREA BETWEEN CHINA AND HEILONGJIANG AND THE PROPORTION OF HOUSEHOLD CONTRACTED AREA

	National		Heilongjiang	
	Land Circulation Area (100 million mu)	Proportion(%)	Land Circulation Area (100 million mu)	Proportion(%)
2007	0.64	5.2	0.21	14.6
2008	1.09	8.9	0.23	14.1
2009	1.52	12.0	0.28	21.3
2010	1.87	14.7	0.33	25.1
2011	2.28	17.8	0.34	30.5
2012	2.78	21.2	0.40	35.7
Average annual growth	34.14	—	13.75	—

Source: Li Cuixia, Economic and Social Development Report of Rural Areas in Heilongjiang Province (2014).

B. Characteristics of Land Circulation

1) Large gap in land circulation prices

Based on the Research Report on Economic and Social Development of Rural Areas in Heilongjiang Province written by Li Cuixia, among the farmers being interviewed in rural areas in Heilongjiang Province, 38.8% require a rent of 0 yuan per mu, 35.0% of 200-500 yuan per mu, 16.6% of 500-1000 yuan per mu, and only 2.7% of them require a rent of over

1000 yuan per mu (see Table 2). According to the survey, for those whose circulation rent is 0, they mainly transferred the land to their relatives or friends; for the 200-500 farmers, they transferred the land autonomously with a price negotiated between both sides; for the 500-1000 farmers, most of them transferred the land to cooperatives or large-scale entities, which is higher than autonomous circulation; for the farmers whose rent is over 1000, the land was transferred to agricultural enterprises. It can be seen that the prices of land circulation differ a lot when the inward entities vary.

TABLE II. THE PROPORTION OF FARMERS UNDER DIFFERENT LAND RENTS IN AGRICULTURAL AREAS (UNIT: %)

	0 Yuan/mu	200-500 Yuan/mu	500-1000 Yuan/mu	>1000 Yuan/mu
Qiqihar	27.20	53.80	9.30	1.20
Daqing	41.70	39.90	1.00	0.00
Harbin	41.90	28.00	26.60	1.20
Suihua	39.00	22.70	29.00	3.10
Jiamusi	43.00	42.00	13.20	0.70
Mudanjiang	38.50	25.50	18.90	10.10
Heihe	30.80	47.50	2.00	3.00
Average	38.8%	35.0%	16.6%	2.7%

Source: Li Cuixia, Economic and Social Development Report of Rural Areas in Heilongjiang Province (2014)

2) The land circulation period is mainly short-term.

According to the survey, 73.98% of the 47 regions in Heilongjiang Province have a land circulation period of 1 year. By looking at regional situation, 85.78% of the population in Qiqihar has a land circulation period of 1 year; 75.95% in Daqing, 86.92% in Harbin, 62.60% in Suihua, 81.26% in Jiamusi, 74.17% in Mudanjiang, and 23.07% in Heihe (see

Table 3). It can be seen that the lessors have higher expectations on the circulation frequency with a trend of once a year; the tenants prefer a long-term circulation period which can help to realize scale returns with large-scale investment, whereas the short circulation period limits the scale returns of the land.

TABLE III. DISTRIBUTION OF FARMERS UNDER DIFFERENT LAND CIRCULATION PERIODS IN AGRICULTURAL AREA (UNIT: %)

	1 (year)	2(year)	3(year)	4(year)	5-30(year)
Qiqihar	85.78	3.68	5.02	1.17	4.35
Daqing	75.95	7.59	5.70	1.27	9.49
Harbin	86.92	1.15	1.83	1.38	8.72
Suihua	62.60	4.20	15.97	3.78	13.45
Jiamusi	81.26	1.17	11.42	0.29	5.86
Mudanjiang	74.17	5.45	7.11	2.13	11.14
Heihe	23.07	1.54	70.46	0.31	4.62

Source: Li Cuixia, Economic and Social Development Report of Rural Areas in Heilongjiang Province (2014).

3) *Subcontract is the main pattern in land circulation.*

In the year of 2012, the proportion of subcontracting, leasing, interchanging, share cooperating and transferring account for 49.3%, 28.9%, 6.5%, 5.9% and 4.0% respectively, among which areas circulated through leasing and share cooperating considerably increased by 30.2% and 29.1% compared with those in 2011. In the same period, among the circulated land in Heilongjiang Province, subcontracting accounted for 78.82%, leasing account for 9.74%, shareholding accounted for 8.18%, interchanging accounted for 0.61%, transferring accounted for 1.93% and others accounted for 0.72%. It can be seen that land circulation in Heilongjiang Province is mainly processed through subcontracting with spontaneous action from the farmers, featuring scattered land, short duration, uncertain subject, and simple agreement etc.

4) *Diversified entities in land circulation.*

The survey shows that farmers, specialized cooperatives and enterprises are the main entities in land circulation, and in recent years, it shows a trend of diversified entities, under which the land is mostly tenanted by farmers. In 2010, farmers are the vast majority in taking on lease of the land, and the land area of this part accounted for as high as 85.43%, higher than the national level of 16.26 percentage points. In recent years, specialized cooperatives in Heilongjiang Province develop rapidly, while the land tenanted by them only accounted for 12.07%, slightly higher than the national average. Enterprises are of the lowest rate in taking the lease of agricultural land, with those in Heilongjiang Province only accounted for 0.69%, while the national index is up to 8.08%; other subjects have an inward rate of 1.82% while the rate of the country is as high as 10.88% (see Table 4).

TABLE IV. THE PROPORTION OF DIFFERENT ENTITIES' INWARD LAND AREA OF THAT IN CHINA AND HEILONGJIANG PROVINCE (UNIT: %)

Region	Farmers	Specialized cooperatives	Enterprises	Other
National	69.17	11.87	8.08	10.88
Heilongjiang	85.43	12.07	0.69	1.82

Source: Li Cuixia, Economic and Social Development Report of Rural Areas in Heilongjiang Province (2014).

5) *Remarkable performance of land circulation.*

This paper takes the rice industry of Wuchang City in Heilongjiang Province as an example to analyze the performance of land circulation. The development of rice industry in Wuchang is divided into three stages: 2004-2006 is the initial stage of land circulation, 2007-2009 is the middle stage, 2010-2012 is the rapid developing stage, and analysis of farmers' income increase is based on the periods mentioned above. By analyzing the data in Table 5, it's known that during 2004-2006, the average annual growth rate of farmers' net

income per capita reached 8.16%, during 2007-2009, it reached 15.65% and during 2010-2012, it was 21.99%. Through the investigation, the land circulation in Wuchang showed different levels in each stage; in the stage of 2004 to 2006, land circulation developed at a relatively slow speed, for the reason that agricultural professional cooperative and agricultural brand enterprises were in the initial stage of development, thus land circulation had little impact on increasing the income of farmers, then with circulation accelerated, farmers' income levels improved continuously (see table 5).

TABLE V. MAIN ECONOMIC INDICATORS OF DIFFERENT STAGES OF RICE PRODUCTION AND SELLING IN WUCHANG

Year	Arable Land (10 thousand mu)	Land for Rice(10 thousand mu)	Rice Output(10 thousand tons)	Output Value(100 million Yuan)	Per Capita Net Income of Farmers(Yuan)	GDP GDP(100 million Yuan)
2004	372.89	145.00	82.19	17.5	3899.00	86.5
2005	372.89	160.00	90.00	20.3	4340.30	89.7
2006	3721.89	165.00	95.00	21.3	4561.00	100.5
04-06						
Annual growth during 04-06 (%)	0.00	6.67	7.51	10.32	8.16	7.78
2007	387.54	175.50	100.00	26.0	5385.00	118.6
2008	387.95	175.70	117.00	35.9	6098.00	138.4
2009	387.95	178.90	123.00	50.0	7202.00	162.7
07-09						
Annual growth during 07-09 (%)	0.05	0.96	10.91	38.68	15.65	17.13
2010	388.75	180.78	136.40	69.34	8496.00	195.2

Cont. to TABLE V						
2011	399.76	188.00	139.00	89.85	10195.00	232.2
2012	408.50	200.70	155.79	114.45	12234.00	275.0
10-12						
Annual growth during 10-12 (%)	2.50	5.50	7.10	32.53	21.99	18.69

Source: Harbin Statistic Yearbook (2005-2013), rice output and output data are from People's Congress Standing Committee of Wuchang, Harbin SME Bureau.

III. MAIN PROBLEMS OF LAND CIRCULATION

Land circulation plays a positive role in increasing agricultural output, farmers' income, and enterprise efficiency as well as ensuring food security; therefore, it is of great significance to steadily accelerate land circulation in improving agricultural competitiveness and promoting farmers' income. However, there are still some problems to be solved in China's land circulation market, or they may affect the further development of land circulation.

A. Unfair Phenomena in Land Circulation

There are two kinds of situation in which the rights and interests of the farmers are infringed during land circulation in Heilongjiang Province. One is that the grassroots cadres arbitrarily withdraw the land or circulate the land beyond their authorities, and few farmers are aware of the decisions, contract contents or prices of the circulation; second, large enterprises and grassroots government cooperate in setting the price of land circulation, and even force the farmers to lease the land even with a lower price, so the farmers have no say in setting the price and leasing period, for the value-added benefits, they can only have partial fixed income which cannot be adjusted for a long time. Therefore, there are unfair phenomena in land circulation.

B. Instability in Land Circulation

Among the farmers in 47 regions of Heilongjiang Province, 73.98% of them transfer the land with a period of 1 year, 2.77% with 2 years, 15.16% with 3 years, 1.20% with 4 years, and 6.89% with 5-30 years, reflecting the fact that the period of land circulation is mainly short-term. It can be seen that most of the agricultural land is circulated for a short period or even without a specific period defined, and the farmers can withdraw their land at any time. The short circulation period makes it impossible to carry out long-term investment on the land, and higher short-term returns can only be achieved through predatory operation of the land.

C. Non-standard Land Circulation

67.10% of the farmers in 47 regions in Heilongjiang Province did not sign a contract when the land was circulated, and most of the land circulation agreements reached between the farmers were informal ones. Among the farmers who have signed a contract, 32.90% of them were forced by the village cadres due to asymmetric information and non-standard land contract, which seriously violated the farmers' contractual management rights of the land, causing damages to the farmers' interest during land circulation. The situation with non-standard and informal contracts accounting for a major part in land circulation may become a hidden risk for future disputes over rural land.

D. Scattered Land Circulation

Scale operation of the land is the main purpose of land circulation, as well as an important way to develop modern agriculture. Although the current pattern of land circulation has been characterized by diversification, 78.50% of the land circulation occurred among small scale scattered farmers. Among the 47 regions, 55.45% of the farmers participated in land circulation, 45.31% of the farmers transferred outward an area of about 20 mu, 47.78% of the farmers transferred inward an area of around 40 mu, indicating that although the land was transferred, the scale was still relatively small and the land circulation is hard to be centralized.

IV. COUNTERMEASURES OF IMPROVING LAND CIRCULATION MARKET

A. Adhere to the Concept of Market-oriented

Give full play to the role of market allocation of resources, and introduce market mechanisms to promote land circulation to ensure free negotiations among market entities, and to ensure the return income of land circulation to be owned by the farmers. Strengthen information construction of land circulation market, and make known to the public the transaction information of the market. Establish agricultural land circulation exchanges to realize the effective communication between farmer and tenant. Build up an information network of land circulation, so that the farmers and investors who are interested in agriculture could get access to accurate and reliable information timely, effectively solving the problem of poor information delivery and inappropriate allocation in land circulation.

B. Scientifically Guide the Land Circulation

It should be the contracting farmers' right to decide whether the land is circulated, how the price is determined and which form to be taken in land circulation. Consistently adhere to the principle of voluntary and remunerative, fully respect the wishes of farmers, and avoid forced rent or forced transfer in land circulation; vigorously promote laws and regulations of land circulation, guide the farmers to improve organization degree, enhance the ability of centralizing lands and operating with lands, improve the farmers' positivity and initiative in participating in land circulation while standardizing the process; perfect the benefit sharing mechanism of land circulation by establishing the implementation and supervision mechanism, benefit sharing and allocating mechanism, land contracting and dispute mediation mechanism with diversified entities involved.

C. Innovative land circulation pattern

Encourage the farmers to set up specialized cooperatives on a voluntary basis, and guide them to develop from the traditional way of combining producing with marketing to the

new type of property rights cooperation; encourage joint development of social capital and specialized farmer cooperatives to achieve the cooperation among the land, capital and labor, and ensure the farmers' rights of enjoying the long-term value-added profits for the land they invested in with the help of related policies and regulations.

D. Improve rural social security

A sound system of rural social security is the foundation for the farmers to get rid of land bondage and to successfully realize the transfer. To this end, work should be done on improving the farmers' health insurance, pension insurance and minimum living security to ensure that the farmers who transferred the land have nothing to worry about; increase the coverage of agricultural insurance, cultivate the farmers' awareness of risk and insurance with the use of existing agricultural extension system by attracting farmers to actively insure; strengthen the construction of land finance, broaden the financing channels for land circulation, improve the capacity of

ensuring land transfer funds, to create a favorable environment for accelerating land circulation.

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