Subjects and System Construction of Family Farm Model in China

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Abstract. The Central Committee of the Communist Party of China (CPC) mentioned “family farm”, an agricultural operation mechanism, in CPC and State Council’s Directive on the Acceleration of the Development of Modern Agriculture and Further Promotion of Rural Development Vitality for the first time in 2013. Family farms refer to the new agricultural operation entities which are engaged in intensified and commercialized large-scale agricultural production and operation, with family members being major labor forces and family incomes mainly generated through work. In recent years, the family farm model has been developing rapidly in Shanghai’s Songjiang, Hubei’s Wuhan, Jilin’s Yanbian, Zhejiang’s Ningbo and Anhui’s Suzhou, which has attracted the attention of the CPC Central Committee. How to define family farms, which entry mechanism for family farms should be established, how to view the changes brought by family farms to Chinese farmers, how the positive connection between family farms and the modernization of Chinese agriculture will boost China’s agriculture, and how people should analyze these problems are worth analyzing for each legal scholar. In this paper, the status quo of family farms was analyzed, in a bid to find out the reasons for the generation of the farms, build its subjects, and standardize the establishment-operation-monitoring-withdrawal mechanism of them.

1. Status Quo of Modernized Development of Chinese Agriculture—Analysis of Causes of Family Farms

The development of the family farm model brought a great pleasant surprise to China’s agriculture. However, is China’s agriculture so prosperous? What are the risks behind the family farm model, and what is the current situation in the industrialization of China’s agriculture? The development of an industry requires a suitable subject, an appropriate object, as well as support from the external world. The author analyzed the generation of the family farm model amid the modernization of agriculture through the farmers, the main subjects of family farms, the land needed for family farms, as well as the land needed for the operation of large-scale family farms.

1.1 Instability of farmers

As we all know, China has been a big country in terms of agriculture for thousands of years. Farmers are the main subjects of agriculture.

Under the small-farmer economy, which has been developing for thousands of years, Chinese farmers are typical atomized small farmers. They always give top priority to existence and they are isolated from each other. Marx had elaborated on this state: “There are a great number of small farmers. Though their living conditions are the same, there are no various relations among them. Their production methods don’t promote them to communicate with each other, but isolate them. The inconvenient transportation and poverty of farmers have even aggravated the isolation.” [2] At that moment, the existence-seeking agricultural model played a leading role.

Due to the aforementioned reasons, most of the suitable labor subjects in rural areas have lost. The reduction of labor forces led to the idleness of a lot of land on the one hand, and provided objective conditions for the transfer and contract of land for business on the other hand, which laid a foundation for the development of family farms.
1.2 Acceleration of land transfer

Land problems are the most important during the transformation of agricultural models. A host of farmers have lost their land as investors flocked into rural areas. However, the modernization of agriculture press for capital.

The Chinese government started encouraging land transfer since the third plenary session of the 17th CPC Central Committee. Its call for the industrialization of agriculture has even encouraged investments in rural areas, which brought incomes from land leasing. In addition, the original low-efficiency land transfer order has been broken. Then, land is not only valuable for transfer, but also becomes a resource sought after by investors. As a result, a land transfer market starts to take shape.

As it became more convenient to transfer land and the costs for agricultural production have been further lowered, agriculture is favored by many farmers again. These farmers start to consider contracting large land for large-scale production, which gave rise to the family farm model.

1.3 Innovations and reform of technologies

During the modernization of agriculture, agricultural technologies, especially agricultural mechanization, play a key role.

The national government’s guidance plays an important role in the promotion of mechanization. In 2004, the national government of China issued a pilot directive on the use of special funds for subsidies for the purchase of agricultural machineries. The central government earmarked RMB 40 million subsidies for the purchase of agricultural machineries in 66 counties in 16 provinces, autonomous regions and municipalities. The central government increased its subsidies for the purchase of agricultural machineries and devices to RMB 600 million in 2006 from RMB 300 million in 2005, and local governments earmarked RMB 1.06 billion for subsidies. The promotion of agricultural machineries and the replacement of labor forces by machines made farmers who were able to afford agricultural machineries more competitive in agricultural production. Therefore, technological progresses, represented by the mechanization of agriculture, objectively promoted the development of agriculture and offered favorable conditions for the generation of farm families.

2. Bottleneck and Hidden Risks in Modernization of Agriculture in China – Probe into the Vitality of Chinese Family Farms

2.1 Family farms and land

Family farms need a lot of land during normal operations. However, land property rights are not put in place in the actual life and it is difficult to expand land business scale. Land is a prerequisite for farms. However, the current cultivated land of families can hardly meet the requirements of family farms. Rural land in China belongs to collectives or the governments, and farmers have the right to contract the land.

As the current subjects of land property rights are unclear, farmers don’t completely own land leasing rights, investment rights, mortgage rights and inheritance rights. Also, they are unable to forecast the long-term incomes brought by the contract operation of land, many of them are not willing to rent out their land for long. As a result, it is difficult for family farmers to maintain the scale of their business. For that reason, governments at all levels encourage land transfer, so as to optimize the allocation of land resources. However, many disappointing things happened during land transfer. Frequently, farmers are forced to rent out their land, and some family farm owners even force out other farmers in order to achieve large-scale operations.

2.2 Family farms and capital

The standards for family farms have yet to be confirmed. However, it must be ensured that the registered permanent residences of owners of family farms must be rural and family farms must be run by families, which emphasized that the operators of family farms must be existing rural families.
Therefore, the amount of the capital flowed from urban areas to rural areas must be controlled. After tens of years of development, the potential of cities is far behind that of cities, with resources there having been used up. Agricultural business in rural areas becomes investors’ new favor. Investors have not only capital, but also technologies, which give them competitive edge in competition with farmers, and the weakness of farmers will be further highlighted. The phenomenon that the rich own a great amount of land while the impoverished has no land may reappear.

3. Future and Outlook of China’s Family Farms – Improvement and Development of Family Farm Model

The family farm model may dominate the development of China’s agricultural economy in the future. Therefore, the development of family farms is correlated with the modernization of agriculture in the country. How should emerging family farms be developed and improved?

3.1 Land transfer

By comparing with other countries, it can be found that China is one of the countries with the smallest land operation scales in the world, which is the fundamental reason for the low productivity and low incomes of Chinese farmers. It’s urgent to expand China’s agricultural business scale, in which the reform of the land system, breaking of legal barriers in land transfer and admission of transfer of land contract rights are the most important. Therefore, China should push ahead with the transfer of land, the sound and rapid development of large-scale operation in agriculture, institutional innovations and lay a foundation for systems. Firstly, based on the requirement for the building of a modern property right system with clear rights, strict protection and smooth transferring processes, China should push ahead with the innovation in the farmland property right system and allow farmers to own complete and guaranteed land leasing rights, investment rights, mortgage rights and inheritance rights, build a sound land transfer market, establish a standardized land transfer mechanism and realize the requirement for the operation of family farms with appropriate scales. Secondly, push ahead with the innovation in the rural financial system and gradually establish and improve rural loan guarantee system and rural insurance system.

3.2 Promotion by science and technologies

China should push ahead with the popularization of technologies, improve agricultural technologies, and significantly develop vocational education in rural areas to foster a batch of well-educated modern family farm owners and farmer entrepreneurs who have a good command of technologies and are capable of operation and management. The owners of family farms are vocational farmers. They should be registered, so as to confirm their identities. Also, the country should issue certificates to the farmers and offer professional trainings for them.

3.3 Policy support

China should improve its supporting policies and guarantee public services. As an emerging thing, family farm needs the guidance and support of the government and many other parties. It should improve policies on the development of modern agriculture in fiscal support, include family farmers into its awarding and subsidy scope, offering qualified family farms with awards and subsidies while they are boosting characteristic cultivation industries, agricultural industrialization, agricultural standardization, land transfer and subsidies for agricultural devices, and improving technological services such as giving priority to family farms while promoting agricultural technologies.

3.3.1 Establishment

a. Set up special leading groups for the building of modern agriculture in agriculture regulation departments to manage special affairs related to family farms.

b. Set up clear entry condition. Firstly, Chinese authorities should launch clear regulations for the certification of family farms. Secondly, family farms should be registered in accordance with their major businesses and sizes. Also, the minimum land size, shortest land leasing period, smallest operation scale and lowest mechanization level should be stipulated.
The author believed that the thresholds for family farms should include:

Firstly, the registered permanent residence of the owners of families should be rural and family farms have to be operated by families, which emphasize that family farms are owned by families and are mainly operated by current rural population. In addition, the current policies of China don’t encourage urban residents to follow the plough in rural areas.

Secondly, the owners of family farms should be aged below 50 with high school diplomas and more than five years of experience in agriculture. Most of the farmers in rural areas are older than 50-year-old and they have not been well-educated. This requirement stresses the younger ages and higher skills of family farm owners. The requirement for five years of experience in agriculture shows that most of the owners of family farmers are farmers.

Thirdly, at least two people are mainly engaged in agricultural production all the year, and a few workers are hired in certain seasons in family farms. This means that couples or fathers and sons are the major labor forces of family farms, which stressed the nature of the farms, i.e., they are run by families. Current big professional farms run millions of square meters of farmland, and most of them hire farmers, which are different from family farms in essence.

3.3.2 Operation

a. Employment. It takes a long period to establish and develop a family farm. To run a family farm normally, the owner needs not only lots of capital, but also hire other farmers. In addition, the employment systems in different development stages of family farms are also different.

During the early development stages of family farms, family farm owners mainly are mainly engaged in the purchase of land use rights and construction of infrastructures along with their family members. They only hire workers for certain periods if necessary.

Family farms could offer employees with shares according to the contributions, an employment system developed by businessmen in China’s Jin Dynasty, during their development. Such a system allows employees to gain bonuses based on their work. As what businessmen in the Jin Dynasty said, employees deem themselves as outsiders even though they are well-paid, but if they have a stake in a company, they view themselves as members of the company, which apparently shows the benefits of the system. The system can not only motivate employees, but also help farm owners own a number of reliable employees.

Family farm owners can employ the aforementioned employment system and the temporary employment system together during the advanced development stages of their farms, so as to expand the scales of their farms.

b. Taxation. Chinese authorities could refer to the taxation methods for individual merchants to set up taxation standards for family farms based on their types and scales by special people, and levy certain amounts of taxes on a regular bases, so that the owners of family farms don’t need to hire others to calculate taxes for them during the early-stage development of their farms, when profits are low, and the burdens for tax workers. Moreover, this simple and viable method is acceptable for most farmers, who are relatively not well-educated.

c. Internal operation and management. Family members should make decisions through voting and they are responsible for the development of family farms.

3.3.3 Monitoring

a. External monitoring. Agricultural regulators should set up special groups to supervise family farms on time and warn or force irregular farmers to make rectification. Farmers’ associations should guarantee the legal rights and interests of all family arms and review the directions of subsidies for family farms on a regular basis, in efforts to make sure that the special funds are used for special projects and prevent farmers from lending for other purposes in the name of loans for family farms.

b. Internal monitoring. Members should make their accounts open to each other and they have the rights to question the items of the accounts. In addition, family farm members should hold regular meetings to discuss and offer suggestions on the further development of family farms.
3.3.4 Withdrawal

a. Forced withdrawal. Agricultural regulators have the right to revoke the business licenses of the family farms who fail to meet relevant standards despite rectification and those who refuse to pay taxes.

b. Initiative withdrawal. After being approved by other members, family farm owners can apply for the deregistration of their farms to agricultural regulators, and the regulators will revoke the business licenses issued to the farms after approving the applications.

Conclusion

Family farms play an important role in the modernization of China’s agriculture, as well as the development of the agriculture and rural areas. They provide rural areas and farmers with a new way for development. Though China’s family farm model has yet to be improved with more theories and practice, it will show strong vitality and competitiveness during the modernization of China’s agriculture once the government enhances theoretical guidance to the farms and improves regulation policies.

References


