



# Community-based agricultural land consolidation and local elites: Survey evidence from China



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## ABSTRACT

Land consolidation is an essential aspect of rural restructuring in China. Community-based agricultural land consolidation projects were developed to restructure the agricultural sector by pooling fragmented land and leasing it as consolidated plots or employing laborers to farm the land. Despite the rapid growth in the number of villages that generally adopt the approach, the relative amount of farmland managed under the program remains low, and empirical studies explaining this variation are scarce. We investigate the drivers of land coverage under the program with a particular interest in the role of local elites and village characteristics. Using primary data from 120 villages in Suzhou City and Yangzhou City, China, our study shows that projects led by government officials achieve greater coverage. Other local elites do not play an important role in the process. Further investigation indicates that the roles of different types of elites change over time. We also find that structural village characteristics such as distance to town, village land endowment, and off-farm market participation substantially affect project outcomes. The results are robust to different samples and different specifications of the econometric model. Rather than generally excluding elites from leadership positions, policymakers should actively promote certain types of elites whose involvement might be critical for project success.

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## 1. Introduction

Rural China has experienced a rapid transition in the structure of its labor and land. As a result of China's economic growth, massive labor migration from rural to urban areas has occurred (Li et al., 2014; Siciliano, 2014). Because primarily old and female farmers remain active in farming (Chen et al., 2009) and rapid changes in the use of land (from agricultural to building use) are taking place, concerns regarding national food security and the future of Chinese agriculture more generally have arisen (Long et al., 2009; Su et al., 2011). Land fragmentation caused by industrialization, urbanization (Long et al., 2007), and an egalitarian land distribution (Yan et al., 2014) adds to the problem by increasing the cost of agricultural production and machinery use. This transition has altered the marginal productivity of labor and land, raising the issue of rural restructuring (Long et al., 2016).

Land consolidation represents an indispensable means of restructuring agricultural resources in rural China (Long, 2014). Agricultural land consolidation can address the challenges arising from a loss of human capital, land fragmentation, and low agricultural productivity because it involves concentrating land to encourage intensive farming (Demetriou et al., 2012; Huang et al., 2015; Long et al., 2010). Chinese governments have begun to initiate agricultural land cooperatives (or *nong di gu fen he zuo she* in Chinese) to facilitate land consolidation with two objectives. First, the program aims to concentrate land plots by encouraging land transfer to land cooperatives. By consolidating scattered land, which is complemented by the provision of basic infrastructure in some cases, land cooperatives can more successfully promote large-scale farming. Second, land cooperatives acknowledge that households must voluntarily participate in land transfers and the management activities of the cooperative organization (Chen, 2015). Key decisions (e.g., the development of cooperative rules or the election of leaders) are made in a democratic manner (Ito et al., 2016). Thus, the land cooperative program can best be described as a co-management program of land use or community-based land consolidation (CBLC).

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By the end of 2012, thousands of villages in Jiangsu Province had initiated land cooperatives. In several villages, no farmland has been transferred through the program. However, other villages report that all farmland has been transferred. An understanding of the local forces underlying the variation of rural restructuring programs is critical (Long et al., 2012). Investigations of local drivers of program development can improve our understanding of CBLC and lead to important implications for policymakers at different legislative levels. The national government might include land consolidation and the development of rural land markets in its overall frameworks. Provincial governments and city governments may then develop more detailed policies, programs, and schemes that are adapted to local conditions.

Previous work explored the factors of households' willingness to participate in CBLC (Lin and Ma, 2014). Households that participated in the program reported higher incomes, especially from off-farm sector employment (Zhang, 2008). More recently, Ito et al. (2016) find that the establishment of the land cooperative program significantly affects land transfer. However, to date, research has not explained the variance in the proportion of land dedicated to the CBLC across villages. Several studies argue that local elites should be excluded from rural restructuring programs because benefits may be unequally distributed in favor of elites (Mansuri and Rao, 2004; Platteau and Gaspard, 2003; Saito-Jensen et al., 2010). However, other studies find that elites can positively impact community-based development projects through their networks, knowledge, and resources (Balooni et al., 2010; Fritzen, 2007; Kyamusugulwa and Hilhorst, 2015).

In this paper, we examine the drivers of CBLC in rural China. In particular, we are interested in local elites' role in project implementation. The remainder of the paper is organized as follows. Section 2 describes the context of CBLC in rural China and develops a conceptual framework for analysis. Section 3 presents an overview of the data and analysis methods. Section 4 reports and discusses the main findings, and Section 5 concludes.

## 2. Project description and conceptual framework

### 2.1. Description of the land cooperative program

CBLC began as an experiment (Yep, 2015). The first CBLC project was founded in Nanhai City, Guangdong Province in the 1990s. In our research area, Jiangsu Province, the concept of CBLC was first applied in Suzhou City in 2002 and then rapidly spread across the province. By 2012, the total number of registered land cooperatives in Jiangsu Province reached 5680. Various incentives are established to encourage participation. The *National Financial Support for Model Agricultural Cooperatives in China* (or *nong min he zuo she shi fan fu chi xiang mu* in Chinese) and *Opinions about the Implementation of Financial Support to Rural Land Transfer in Jiangsu Province* (or *Jiangsu sheng cai zheng fu chi nong cun tu di liu zhuan shi shi yi jian* in Chinese) were released in 2004 and 2008, respectively. These documents provide financial support for the development of CBLC. With the *Regulations of Jiangsu Province on Specialized Farmers Cooperatives* (2009), the program has entered the legal system. These regulations explicitly state that cooperative law applies to CBLC projects.

The CBLC projects consolidate farmland by merging scattered farmland. The cooperative either hires farm employees to cultivate the land or leases the land to the highest-bidding land user, including outsiders who have not resided in the village. Both

households and agricultural companies are allowed to rent the land, although the latter rarely rent land in our study area. Land users must farm the land and cannot use it for other purposes.<sup>1</sup> Farm households become shareholders of the land cooperative and authorize the organization to manage their land. Typically, the organization gives members a fixed rent proportionate to the share of total land. In some cases, bonuses are paid contingent on the cooperative's performance. Exit from the program is regulated. If neither the land cooperative nor individual households wish to use land transferred to the program, the land is returned to its original users. If only some households elect to quit, they are compensated with comparable plots. In practice, this situation rarely occurs, and we are aware of only one case in which land was returned after the program collapsed.

The program generally follows a participatory approach, and members vote on major decisions regarding CBLC projects (Ito et al., 2016). Furthermore, local elites, such as university graduates, village officials or government officials (Zhao, 2011; Zhao and Develtere, 2010), occupy leadership positions for these projects. In some regions, the village committee serves as the land cooperative's leadership team (Chen, 2015). Local elites are critical to the successful initiation of CBLC (Ji and Qian, 2010); however, elite control – elites' dominance in decision-making processes – may raise concerns about the fair distribution of benefits from economies of scale or lower transaction costs in land markets (Ito et al., 2016). The same concerns apply to government subsidies for large-scale farming. In some cases the government incentivizes village officials to include more households in the program, which may cause conflicts with households that have a comparative advantage in farming and do not wish to transfer their land to the program.

### 2.2. Land cooperative programs, local forces and rural elites

Although top-down policy implemented to advance large-scale farming is a major driver of land consolidation in China (Long, 2014), a main characteristic of CBLC is the integration of bottom-up elements. Long et al. (2012) argue that bottom-up elements may prevent rural protests and that by involving the locals, land consolidation programs may increase the effectiveness of public policy through the creation of incentives and opportunities for negotiation (Haldrup, 2015).

The interaction between macro-level institutions and local factors provides a useful theoretical approach to understanding rural restructuring projects (Long, 2014; Terluin, 2003). Fig. 1 presents a conceptual framework for analyzing potential drivers of the variation in policy implementation. In this conceptual framework, actors negotiate and interact with each other within the contexts of macro-level institutions and local factors to reach an agreement, which in turn affects changes in land tenure, household livelihoods, and agricultural production in the villages.

Institutions shape economic activities by providing incentives, defining property rights, and enabling or restricting actors' actions (Bromley, 1989). Policies on CBLC change the choice sets and the associated costs and benefits for farm households and project leaders, affecting the amount of farmland dedicated to CBLC projects. Laws, regulations, and public policies can increase farm households' rate of participation in the projects by offering an adequate legal framework in which new organizations are founded and land property rights become more secure (Deng et al., 2010; Ito et al., 2016). Various policy instruments affect cooperative programs in China (Deng et al., 2010). In CBLC, a technique that has been particularly successful is providing households that transfer their land with a financial subsidy (Ito et al., 2016). Evaluations of local cadres' performance in the political hierarchy also contribute

<sup>1</sup> Residential land may also be consolidated in some land cooperatives. In this study, we focus only on farmland.

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