

Changing Relations of Production in Chinese Agriculture from Decollectivization to Capitalism

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Abstract: This article contributes to the study of capitalist transformation of Chinese agriculture in recent decades by making five main arguments. Firstly, it argues that consecutive land tenure reforms since 1978 have primarily intended to promote capitalist agriculture by making land transfers from smallholders to larger farmers and agribusiness companies increasingly easier. Secondly, in contrast to the conventional wisdom that incomplete property rights on land constrains capital accumulation in agriculture, this article suggests that semi-private landownership has actually played a supportive role in this process. Thirdly, it identifies the roots of capitalist agriculture in the early years of decollectivization where some individual farmers managed to transform themselves to capitalist farmers by increasing their scale of production through acquiring more means of production. Fourthly, as the limitations of this “American path” of capitalist development from below became clear in the 1990s, the “agribusiness path” of vertical integration of the agricultural sector by the urban capital became the dominant developmental pattern and policy paradigm in China. Finally, contrary to the studies which present farmer cooperatives as embodying an alternative to capitalist agriculture, this article suggests that many of the farmer cooperatives in contemporary China are company-like cooperatives that are not very different from agribusiness companies in terms of shareholding and decision making structures, as well as the production relations they facilitate.

Key Words: China, agriculture ; capitalism ; peasant ; farmer cooperative.

Résumé: Cet article contribue à l'étude de la transformation capitaliste de l'agriculture chinoise au cours des dernières décennies en avançant cinq arguments. Premièrement, les réformes foncières consécutives depuis 1978 ont visé prioritairement à promouvoir l'agriculture capitaliste en facilitant de plus en plus le transfert de terres des petits propriétaires vers les fermes plus grandes et les compagnies agro-industrielles. Deuxièmement, contrairement à la croyance populaire selon laquelle des droits de propriété foncières incomplets contraindraient l'accumulation de capital en agriculture, cet article suggère que la propriété semi-privée a, en fait, joué un rôle de soutien dans ce processus. Troisièmement, cet article identifie les origines de l'agriculture capitaliste dans les premières années de décollectivisation, alors que certains fermiers individuels se sont transformés en fermiers capitalistes en augmentant leur échelle de production par l'acquisition de plus de moyens de production. Quatrièmement, alors que les limites à cette « voie américaine » de développement capitaliste à partir de la base sont devenues claires dans les années 1990, la « voie de l'agro-industrie » et de l'intégration verticale du secteur agricole par le capital urbain s'est imposée comme modèle de développement et comme paradigme politique dominant en Chine. Finalement, contrairement aux études qui présentent les coopératives agricoles comme l'incarnation d'une alternative à l'agriculture capitaliste, cet article suggère que plusieurs des coopératives agricoles chinoises contemporaines s'apparentent à des compagnies et ne diffèrent pas beaucoup des compagnies agro-industrielles en termes d'actionnariat, de structures décisionnelles et des relations de production qu'elles facilitent.

Mots-clés: Chine, agriculture ; capitalisme ; paysan ; coopérative agricole.

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I. Introduction

For a long time it has been assumed that capitalist agriculture requires the existence of fully established property rights on land and predominance of the use of wage labor in agricultural production. According to this assumption, transition from customary or communal landownership systems to private landownership and transition from feudal or independent smallholder production to production in large private farms employing wage labor are two preconditions of its development. However, numerous regional and national case studies have shown that after centuries of capitalist development these two preconditions have still not been fully realized in most of the world. A number of studies have established the fact that capitalist agriculture does not necessarily depend upon the predominance of private farms employing wage labor and is compatible with the existence of a sizeable small peasantry (Bates 1988; Bernstein 2003; Brenner 1982; Davis 1980; Lewontin 1998; Mann and Dickinson 1978). It has also been established that it can develop in places where land tenure laws are either unclear or short of securing private landownership.¹ This essay suggests that contemporary Chinese agriculture reflects both exceptions; here, capitalist agriculture has developed to a certain extent but has neither eliminated small peasantry nor been based on completely private landownership. Although wage labor has not become the dominant form of capital-labor relation, different relations (such as contract farming) that allow capital's appropriation of surplus value from labor have developed in China. Therefore, Chinese agriculture has continuously acquired a capitalist character in recent decades.

The transformation of production relations along capitalist lines and its various impacts on class, gender, and state-society relations has been one of the key concerns of the study of social change in China since the beginning of the "reform and opening up" in 1978. However, until recent years, social scientific research on capitalist development in China has neglected agriculture largely. This does not mean that the literature has an urban bias. In fact, a vast literature has examined the transformation of rural China after 1978. However, when the rural residents of China come under the radar of social sciences as an issue of capitalist development, they have been studied either as workers in rural industries near their villages or as migrant workers in urban factories. Until recently, the development of capitalism has not been studied systematically as an agrarian subject.² Since 196 million people are still employed in agriculture in China (Huang and Gao 2013: 56), there is certainly a need to bridge the gap in the literature regarding the capitalist transformation of Chinese agriculture. This article aims to contribute to this endeavor.

This article has five main arguments. Firstly, it argues that consecutive land tenure reforms since 1978 have primarily intended to promote capitalist agriculture by making land transfers from smallholders to larger farmers and agribusiness companies increasingly easier. Secondly, in contrast to the conventional wisdom that imperfect property rights on land constrains capital accumulation in agriculture, this article suggests that semi-private landownership has actually played a supportive role in this process. Thirdly, it identifies the roots of capitalist agriculture in the early years of decollectivization where some individual farmers managed to transform themselves to capitalist

¹ It is well documented that although it was illegal to rent out or sell *ejido* lands in Mexico before the privatization of land in 1992, illegal land rentals from poor peasants to capitalist farmers was a quite common practice (Stavenhagen 1975: 160; De Ita 2006: 161). Similarly, there were a number of land sales and rentals in Vietnam that went into effect before the legalization of these practices by the Land Law in 1993 (Watts 1998: 167).

² Pioneering studies on this topic are Zhang and Donaldson 2008, 2010; Zhang 2012, 2013.

farmers by increasing their scale of production through acquiring more means of production. Fourthly, as the limitations of this “American path” of capitalist development from below became clear in the 1990s, the “agribusiness path” of vertical integration of the agricultural sector by the urban capital became the dominant developmental pattern and policy paradigm in China. Finally, contrary to the studies which present farmer cooperatives as embodying an alternative to capitalist agriculture, this article suggests that many of the farmer cooperatives in contemporary China are company-like cooperatives that are not very different from agribusiness companies in terms of shareholding and decision making structures and the production relations they facilitate.

This article is composed of eight sections. After this introduction comes the second section which defines capitalist agriculture and develops a historical framework to analyze its development in China. The third section links the Chinese leadership’s goals of increasing agricultural growth by scaling up production to its policies of establishing semi-private landownership. It examines how the consequent land tenure legislations of the People’s Republic of China (PRC) and the decisions of the Chinese Communist Party (CCP) have established semi-private landownership and enabled the agribusiness companies, company-like cooperatives, and rich farmers to rent farmland either from individual households or the entire village collectives for the purposes of developing contract farming and establishing private farms employing wage labor. The fourth section examines how local governments at various levels try to use their control over land deals to support this process. The fifth section focuses on the dragon head enterprises and company-like cooperatives that are the main agents of agrarian change in the country. The organization of contract farming and farming with wage labor is covered in the sixth and seventh sections, respectively. The concluding section summarizes the main arguments of this essay.

II. Capitalist Agriculture: A Working Definition and Historical Framework

In his comparison of different paths of transition to capitalist agriculture in Europe and its colonies before the nineteenth century, Fernand Braudel noted that studying these paths provides “an opportunity to see how far capitalism was able to penetrate systems structurally very foreign to it, either by head-on assault, or by dominating production from a distance merely by controlling it at the bottleneck of distribution” (Braudel 1982: 265). In other words, capital had developed a historical capacity to structure agriculture not only *directly* (by establishing capitalist farms employing wage labor) but also *indirectly* (through credit and trade mechanisms). Braudel provided several examples in which urban capital enters into agriculture not only in the form of an enterprise of production but also, and indeed more commonly than this first form, in the form of financial and commercial capital financing and incorporating production into wider networks of accumulation through credit and trade relations (Braudel 1982: 272-297).

In his study of the agrarian question in Australia in the nineteenth century, Philip McMichael illustrated this process by showing how the establishment of credit and trade mechanisms enabled urban (and colonial) capital to reorganize rural production according to its requirements (McMichael 1984: 113-115, 215, 228-246). In his study on the history of Chilean agriculture, Andre Gunder Frank rejected the view that attributes the cycles of food production to the level of development of capitalism. Instead, he proposed to view them in relation to changing rates of profitability of food production over time which impacts capital’s engagement with production. Capital tries every means

to increase food production when it is profitable but shifts its focus towards non-farm sectors when food production is not profitable enough (Frank 1969: 114).

These studies demonstrate that capitalist structuring of agriculture cannot be reduced to production relations inside the farm gate and should include the relations of finance, marketing, and production. I entirely concur with this argument. However, recognizing capital's domination over the sector as a whole does not automatically solve the problem of how to analyze different ways and degrees of involvement of capital in each of these three spheres. For example, understanding the importance of capitalist activities outside the farm gate does not greatly enhance our understanding of changes inside the farm gate. Some scholars propose that viewing capitalism as a systemic unity justifies the disregard of these differences and abandoning attempts to draw analytical distinctions between the inside and outside of the farm gate. For example, Frank once wrote that:

It once seemed to me useful to distinguish “inside the farm” from “outside the farm,” which is not the same as the distinction made in Marxist theory. I thought...that this distinction might help avoid the confusion of calling agriculture “feudal” when the “outside” relations are evidently capitalist but the “inside” ones are not. But I now think that all relations are fundamentally affected by the capitalist structure of the economy, and I can thus of course no longer recommend this distinction. (Frank 1969: 267)

I disagree with this proposition and propose to keep Frank's earlier distinction between relations inside and outside the farm. Although capital organizes the agricultural sector as a whole, its different forms and degrees of penetration into different spheres within the sector produce different types of capital-labor relations, which in turn impact the trajectory of social change and conflict differently. Independent smallholders, contract farmers, and farm workers have different types of relations with capital. These differences directly impact the ways in which they might get into conflict with capital, as well as the potential for conflict and cooperation with each other. Literature on agrarian class conflict shows that these differences are important, not only for agrarian politics but also for the general political trajectory of different nations (Moore 1966, Paige 1978). Hence we should not lose sight of changes in the relations of production inside the farms.

This study of agrarian change in China, therefore, makes an analytical distinction between relations inside and outside of farms. Without denying the enormous importance of the spheres of finance and trade in agrarian change, I focus on changes in relations of production. I define capitalist agriculture with reference to the relations of agricultural production between capital and labor and therefore distinguish the concept from commercial and corporate agriculture. Because of its exclusive focus on the marketization of agricultural products, commercial agriculture is a concept that is too narrow to capture the changes in production relations. Corporatization of agriculture, on the other hand, refers to the remarkable development of national and multinational agribusinesses that vertically integrate agricultural input, crop and livestock production, and food processing and distribution activities at the national and global levels in recent decades. Since food processing and distribution are mainly industrial and marketing activities using wage labor regardless of the nature of production relations inside the farms, “corporate” and “industrial” agriculture are concepts that are too broad to capture the changes in production relations and class differentiation within the peasantry.

My definition of capitalist agriculture captures two types of relationships in which capital appropriates the surplus value from labor. The first type of relationship, which directly corresponds to Karl Marx's ideal type definition of capitalism in *Capital*, is the use of wage labor by the capitalists (Marx 1977). The relationship between farm workers and their bosses in farms of various types and sizes fits this definition. Complete separation of the workers from the means of production is not necessary to establish this relationship since semi-proletarian workers, who combine small-scale farming on their own land with wage labor outside the farm, are often employed in capitalist farms alongside full proletarians.

The second type of relationship between capital and labor is contract farming. Marx contends that complete dispossession of the direct producers is not the only form of capital accumulation and the capitalists can willingly leave the means of production in the hands of the producers "as sham property" in order to reduce their production costs (Marx 1993: 510). He makes that point with reference to the subcontracting arrangements between artisans and capitalists in the early stages of the industrial revolution in Britain (Wilson 1986: 55). However, historical record has proven that subcontracting is not a transitory stage but one of the resilient forms of capitalist production.

Contract farming is the agricultural counterpart of this subcontracting form (Davis 1980; Lewontin 1998; Wilson 1986). Although it can take various different forms, in general the capitalist provides the inputs (seeds, fertilizers, pesticides etc.) and technical guidance to the farmer and the farmer in return is required to produce a certain amount of product whose quality standards and price are usually set by the written contract. For capital, contract farming appears as a proper way to organize agriculture because, unlike certain branches of industry, farming does not necessitate very detailed division of labor, which makes tight supervision of labor unnecessary. Therefore, companies can leave direct production to farmers. By doing so, they can also avoid costs related to social security and other legal benefits received by the workers (Wilson 1986: 55). Contract farming also makes it easier for capital to shift to other crop types or simply end production in a specific area without bearing the economic and social costs that are typical of factory closures. As the practices of several agro-export enterprises demonstrate, companies may also choose to combine production on their own farms with the supply by smallholders through contract farming in order to spread supply-side risks (McMichael 2013: 680). These conditions apply when capital enters into contract farming from a position of strength vis-à-vis smallholders. On the other hand, capital can also opt for contract farming in less favorable conditions. For example, in regions where independent smallholders are strong and therefore the supply of land and labor is tight, companies aiming to carry out large scale production would have to operate through contract farming with smallholders instead of establishing large farms employing wage labor (McMichael 2013: 680; Zhang 2013a: 24-25).

To sum up, although contract farming does not involve a formal wage labor relationship, it nevertheless facilitates the transformation of the independent producers to proletarian-like farmers. They gradually become special type of proletarians producing on their own land. For this reason, alongside the pure wage labor relationship in company farms, contract farming should also be seen as a capitalist production relation. Similar to subcontracting in industry, contract farming is not a transitory stage but a resilient form of capitalist production.

For these reasons, this essay focuses on contract farming and private farming with wage labor. It does not focus on other forms of capital-farmer relations such as market exchanges between capitalists and independent commercial farmers. It argues that similar to many other national cases, Chinese agriculture has increasingly been acquiring a capitalist character in the sense that wage labor and

contract farming relationships between capital and labor have been becoming more widespread in recent decades.

Also addressed in this article are the paths of capitalist development in Chinese agriculture. V.I. Lenin defines two paths of transition to capitalist agriculture. The first “Prussian/Junker path” illustrates the ability of feudal landlords to avoid peasant revolution and to transform themselves into big agrarian bourgeoisie. Lenin calls the second path the “American path” in which there is either no feudal system to start with or feudalism was eventually destroyed by the peasant revolution. In this path, one section of the small peasantry gradually differentiates itself from the rest of peasants and becomes a sort of agrarian bourgeoisie (Lenin 1978: 239). To put it differently, the Prussian path describes the transition to capitalist agriculture *from above* and the American path describes the transition *from below* (Byres 1996).

Lenin’s analysis is helpful to understand the transition that takes place *from within* the agricultural sector and rural classes. However, it is less helpful to understand the dynamics that are rooted *outside* of agriculture and rural classes. This is where Braudel makes a key contribution by introducing the paths of “capitalism from within” and “capitalism from without.” While “capitalism from within” includes both paths in Lenin’s typology, “capitalism from without” describes the development of capitalist agriculture that is led by the urban capital rather than landlords or peasants. For Braudel, during the transition from feudalism to capitalism in Europe, “capitalism from without” was a more dominant pattern than “capitalism from within”:

In certain circumstances, capitalism might overcome or circumvent the barriers put up by lord and peasant. The initiative for such structural changes sometimes came from within the seigniorial system, sometimes from without. Examples of an impetus from within might be the capitalism which the seigneur himself practiced, imitated or tried to invent; or a form of capitalism of peasant origin, based on the successes of rich tenant-farmers. But the most significant initiatives came from outside. There was an uninterrupted flow of money from town to countryside – to be half-squandered if it was poured into purchases for the sake of social advancement or luxury. But sometimes such money altered and transformed everything, even if it did not immediately bring about a model form of capitalist farming. (Braudel 1982: 264)

Chinese Revolution of 1949 ruled out the possibility of the “Prussian/Junker path” by eliminating the landlord class. Decollectivization of agriculture through a fairly egalitarian land distribution between 1978 and 1982 opened up the American path for China. As the analysis below shows, some sections of the Chinese peasantry have tried to take this path since then. However, the “American path”, in its ideal typical form, became a possibility in the exceptional conditions of the United States where there was no significant population pressure on land (Lenin 1978: 255). This is why it has not become dominant enough to transform the Chinese agriculture: very small scale and fragmented landownership caused primarily by high population pressure on land has constrained this option, although, as we will see below, successful cases indeed exist.

The impossibility of capitalist agrarian transition in China through the “American path” opened up spaces for different kinds of interventions coming from the capital, the state, and a combination of them such as the state-private partnerships. Similar to Braudel’s argument on the agents of capitalist development in European agriculture, I argue that urban capital has played a greater role than the

purely rural agents in the development of capitalist agriculture in China during the last two decades. The central government's policy shift in the second half of the 1990s towards an emphasis on agricultural industrialization (*nongye chanyebua*) and vertical integration by large agribusiness companies should be understood within this historical context. We should not forget that in this scenario, the capital we are talking about is urban capital, no matter how much its accumulation is due to the processes that take place in rural areas. In fact, this process is often labeled in China as "capital goes to the countryside" (*ziben xia xiang*). It is therefore clear that this path of transition fits well into Braudel's characterization of "capitalism from without" led by urban capital rather than the "capitalism from within" led by rural classes that Lenin explained. In this essay, I call it the "agribusiness path" through which urban agribusiness capital plays a dominant role in overcoming the limitations of the smallholders to transform Chinese agriculture along capitalist lines. We will see below that agribusinesses reorganize agricultural sector by establishing and spreading the wage labor and contract farming relationships. Focusing only on wage labor in agricultural production to assess the degree of capitalist development is misleading. In fact, similar to many other countries, contract farming has become the dominant form of capitalist agriculture in China.³

There is one qualification that needs to be made before wrapping up this section: the rise of the "agribusiness path" in China has not blocked the "American path" completely. As we will see below, there are cases in which capitalist transition takes place from below, through class differentiation within the small peasantry. The two paths develop side by side. More interestingly, the progression of the agribusiness path may also promote the development of the "American path" as seen in some cases of contract farming in which big agribusinesses sign contracts with richer farmers who employ farm workers. It is, of course, impossible to predict whether or not one path would eliminate the other or what kind of combinations and hybrid forms would emerge out of their interaction in the future.

III. The Establishment of Semi-Private Landownership in Rural China

Chinese government's policy of establishing semi-private landownership through more secure, longer-term land use rights and developing land rental markets have been formed in response to the problems of the decollectivized agriculture. Decollectivization of agriculture with the adoption of the Household Responsibility System (HRS) between 1978 and 1982 was truly a turning point for the Chinese agriculture.⁴ The HRS did not make farmland private property ; landownership has remained in the hands of the village collectives until today. However, since there is no longer any collective production organization, main functions of the village collectives are contracting out land use rights to rural households and carrying out other administrative tasks. In short, the HRS "brought *de facto* private control of land and the agricultural means of production for most rural households" (Bramall and Jones 2000: 264) without legalizing private landownership.

Decollectivization significantly decreased the scale of agricultural production. In addition to the division of collective land among farmer households, each household's land was also divided up into many tiny plots scattered across the village. For example, rural households of Anhui province on

³ Some scholars see contract farming as a separate path of capitalist agrarian transition (De Janvry 1981: 109). In this article, I do not follow this sort of categorization because I see contract farming and wage labor as different forms/mechanisms of engagement of capital with labor to appropriate surplus value.

⁴ For a comprehensive assessment of the political economy of decollectivization in China see Xu 2013.

average received 7.8 plots of land and average plot size was only 0.74 mu (0.049 ha)⁵ (Bramall and Jones 1993: 52). The fact that today 200 million out of China's 248 million rural households on average have access to less than 0.65 ha of land (OECD 2005: 36) confirms the continuity of the dominance of smallholder agriculture in China. In the early 1980s when agricultural production was growing dramatically, scale of production did not seem to be a big problem for the Chinese leadership who was flirting with the idea of the superiority of small-scale farming.⁶ However, with the stagnation of agricultural growth by the mid-1980s, that optimism gradually withered away. Although there are a variety of productivity-increasing policies that have been implemented since the 1990s, for the purposes of this paper, I only discuss two of them that are specifically related to the land tenure system. These two policies are : first, giving the peasants more secure and longer-term land use rights ; second, increasing the scale of production by promoting land transfers and developing land rental markets.

The policy of strengthening land tenure security is a product of the continuing discussions about increasing peasant incentives to invest and produce more. In the early years of the HRS, the term of land contracts was only for three years (Zhu and Riedinger 2009: 50) and periodic land reallocation among households in response to changes in the size of households was permitted. This has been seen as a source of tenure insecurity constraining the peasant incentives to invest and produce more. In order to fix this problem, the Chinese government declared in 1984 that the length of tenure contracts could be 15 years and put restrictions to land reallocations within this contract term (Zhu and Riedinger 2009: 50; Kung 2000: 703). The emphasis on land tenure security continued among intellectuals and policy makers which led the Chinese government to proclaim in 1993 that land contract terms could be lengthened to 30 years (Zhu and Riedinger 2009: 50), which was legalized by the revised Land Administration Law in 1998. The same law also tightened the restrictions on land reallocations. Thirty years-long contract terms and restrictions on land reallocations were kept intact in the latest revision of the law in 2004 and further confirmed by the first Property Rights Law of the PRC that went into effect in 2007 (Land Administration Law 2004; Property Rights Law 2007). Moreover, although the local governments' land grabs continued in the 2000s, consequent land laws and CCP documents have repeatedly underscored the importance of curtailing government's right to take peasants' land. For example, the Law of the People's Republic of China on Land Contract in Rural Areas, which was adopted in 2002 and went into effect in March 2003, stated that "no state organs or their staff members may, taking advantage of their positions and powers, interfere with the contracting of rural land or modify or revoke contracts" (Law on Land Contract in Rural Areas 2002). In sum, increasing intellectual and political concerns to increase the peasants' incentives to invest and produce more by giving them more secure, ownership-like rights have resulted in new laws and policies that have strengthened the private property-like aspect of the current landownership system in China.

⁵ One *mu* is equal to 0,1647 acre.

⁶ In the 1980s, "marketized peasant family farming came to be seen in some quarters of the leadership as the social basis for economic development. The ideological emphasis shifted from the supposed backwardness of family farming to the enterprising achievements of profit-seeking peasants stimulated by market incentives" (Huang 1990: 8). In this ideological atmosphere, Theodore Schultz, who was among the leading proponents of these ideas in the Western world, was welcomed as an honored guest of China's top leaders in May 1988 (Huang 1990: 8).

Another cause of the establishment of semi-private property rights has been the goal to increase the scale of agricultural production by land concentration through developing land rental markets. The need to scale up agricultural production became a consensus among the Chinese policy makers and intellectuals in the 1990s. It was in this context that Deng Xiaoping identified the HRS as a “first leap” that would be followed by a “second leap” which means “properly developing scaled-up operation” (Deng 1993 as cited in Zhang and Donaldson 2008: 28). In the mid-1990s, the CCP under the leadership of Jiang Zemin stated the goal of “coordinated and large-scale operation” in agriculture (Zhang and Donaldson 2008: 29). The leadership of Hu Jintao and Wen Jiabao, which ruled China between 2003 and 2013, has sustained this emphasis of developing “modern, large scale agriculture” (CCP Central Committee 2010).

For the CCP leadership, developing land transfer markets is the main means to increase the scale of agricultural production (CCP Central Committee 2010). Rural land laws have been changed according to this stated goal. As a first step, land transfers within the villages were legalized in 1986 (Deininger et al. 2004: 4). The boldest step to establish a national land market was taken in 1995 by permitting the outsiders to rent farmland.⁷ This was further confirmed by the Law of the People’s Republic of China on Land Contract in Rural Areas of 2002, which allows subcontracting, leasing, exchanging, and transferring of land by a written contract (Law on Land Contract in Rural Areas 2002). This legalized policy line was supported by the Third Plenum of the 17th Central Committee of the CCP that convened in 2008 which emphasized the permission of the peasants to “lease their contracted farmland or transfer their land use right” in order to “boost the scale of operation for farm production and provide funds for them to start new businesses” (*People’s Daily* 2008). Local policy practices have so far confirmed this central policy line. Various policy reforms and pilot projects that have been implemented since the 1990s in several provinces aimed to develop land rental markets not only for the purpose of encouraging real estate development but also for supporting larger scale agriculture (Zhao 2010a: 131-137).

In sum, while prohibition of mortgage and sale of farmland still distinguish the Chinese landownership system from a private property system, various laws and policies which strengthened the ownership-like rights of the peasants and effectively established a national land market have led the Chinese system to “become closer in nature to private property, with longer contracts, reduced frequency of land reallocations, and increased opportunity to rent land to others” (Mullan et al. 2011: 123). In other words, semi-private landownership has been established in China.

IV. Semi-private Landownership: An Obstacle to Capitalist Development in Agriculture?

Despite the reforms discussed above, the absence of legally-backed private property rights on land and the continuation of local government control (at the village level and above) on land deals and exchanges are seen by many scholars as serious constraints on capital accumulation in Chinese

⁷ Article 15 of this law, which remain unchanged in the next revision of the law in 2004, recognized that “land owned by the State may be contracted out to run by units or individuals for farming, forestry, animal husbandry and fisheries. Land collectively owned by farmers may be contracted out to units or individuals who are not belonging to the corresponding collectives for farming, forestry, animal husbandry and fisheries operations” (Land Administration Law 2004).

agriculture.⁸ I argue that this claim is inaccurate for two main reasons. First, historical evidence demonstrates that a completely private land system does not necessarily lead to economy of scale, which is a critical enabling factor for developing capitalist agriculture.⁹ Also, land privatization in several countries in the 1990s has not increased the scale of farming, and in many cases actually decreased it, at least in the short run.¹⁰ It therefore appears that refraining from land privatization has possibly prevented the further fragmentation of farmland in China.

Secondly and more importantly, if rural land is privatized in China, agribusiness companies would have to sign purchase or rental contracts with each and every villager in order to set up large farms. In line with He Xuefeng's contention regarding the enabling role of non-private landownership in China's urbanization process (He 2012: 40-52, 88-89), it is possible to argue that land privatization would significantly slow down the process of capital-led agrarian transformation in China. On the other hand, the retaining of the ownership rights of the land in the hands of the village collectives has allowed the local authorities at and above the village level to transfer relatively large blocks of farmland to agribusiness capital via rental agreements of various types. Today we can hardly find any example of large-scale agricultural enterprise in China whose establishment does not involve the supportive organizing role of the local bureaucracy. In fact, local bureaucracy often plays an active role by letting the villagers to return their land contracts to village collectives and then transfer these lands to the companies as large tracts (Trappel 2011: 24). In this way, private agribusinesses do not need to negotiate with each and every individual, which is usually the norm in countries that have complete private landownership.

There are two main forms of government involvement in scaling up agricultural production in China. The first (and the most common) form is based on *consent*. In this form, the local government is able to convince the peasants to give up their land without using force. Local governments then bundle these lands together and lease them as a block to an agribusiness enterprise. The consent given by the peasants may have different sources. Peasants can give consent to the land deal because they would be content with the rental income that they receive or the farm jobs that they get in the company farm. This can be called as *active consent*. Alternatively, peasants would give consent to the deal because they would fear that the government would use economic or extra-economic means against them if they refuse to give up their land. I call this *passive consent*. For example, in order to force the smallholder livestock producers to rent out their land to livestock-producing companies some of the local governments have threatened to ban the production of livestock in backyard barns under the pretext of environmental protection (Jun 2010:186-187). Regardless of the types of consent given by the peasants, government involvement in the land deal is only facilitating/smoothing the market-based land exchange without using coercive means. This is the most common form of government involvement in land deals for scaling up agricultural production in China.

⁸ For an extensive critical review of arguments along these lines, see Zhang and Donaldson 2013: 258-63.

⁹ In fact, capitalist states of Western Europe such as Germany and Netherlands (Dijk 2005) and all East Asian states (Looney 2012: 35), which have completely private landownership systems for a very long time, implemented land consolidation projects in order to solve their problem of small-scale and fragmented landownership.

¹⁰ Land privatization led the countries of the ex-USSR to move "from large-scale agriculture characterized by economies of scale to subsistence production characterized by vicious circles" (Patterson 2008: 18). Similarly, land privatization did not bring any dramatic increase in the scale of production in Romania (Rusu 2005) and Vietnam (Watts 1998: 174).

On the other hand, there are land deals in rural China in which local governments fail to obtain consent from the villagers. In some of these cases, villagers' resistance to land deals succeeds without a long conflict thanks to the cancellation of the contested deals by higher authorities. For instance, in Guyuan county of Hebei province, two contractors obtained large plots of grassland from the local government and started using it even before the completion of the required legal procedures. Those contractors converted the grassland into cropland, and fenced it off from the villagers despite the prohibition of these practices by the Grassland Law of China. As a result of local resistance, in 2006 the Ministry of Agriculture announced its decision to punish the local government of Guyuan (Zhao 2010b: 11).

In some other cases, however, the local government tries to suppress resistance by *coercion*. Some researchers note that they did not encounter such cases in their areas of fieldwork (Zhang and Donaldson 2013: 266) but others point to cases that clearly exemplify the use of government coercion to grab land for establishing agribusiness bases. Local government's land grab in Jiangxi township of Nanchang county of Jiangxi province in 2000 is an example of this path. In this case, local government leased 50,000 mu (about 8000 acres) of land to a company based in Guangdong province, which claims to carry out ecological farming. Peasants of the region started protesting the deal because they found the compensation packages very insufficient. The local government then mobilized the security forces to suppress the protests, which created nationwide attention to this incident (Qin 2003: 98; Qin 2008).

The Stora Enso Plantation Project in Guangxi province provides a more striking example of accumulation by dispossession in Chinese agriculture. Stora Enso, a Finnish company which is one of the largest pulp, paper, paperboard, and wood producers of the world, has been in the process of investing 1.8 billion Euros in order to establish a large pulp tree plantation on 1.8 million mu of forestland (120,000 hectares) spanning five counties of Guangxi. This is certainly one of the biggest agribusiness projects in contemporary China. Beihai municipal government's mobilization of the bureaucracy in order to transfer forestland to Stora Enso demonstrates the unique ways in which large blocks of land are transferred to agribusinesses in China. The cadres that were mobilized from above used a variety of methods to obtain land from the villagers, which often included cheating, forgery, and naked force. The Beihai Forestry Investment Company (BHC), a company established by the municipal government, accumulated these lands and transferred them to Stora Enso. The company openly acknowledges the impossibility of obtaining this much land without the support of the local government (Ping and Nielsen 2010).

Despite the fact that "market-based land consolidation" due to liberalization of land tenure rather than land enclosure has played a major role in developing capitalist agriculture (Webber 2008: 306-7), these cases point out the need for further research on agrarian capital accumulation by land dispossession in China. In brief, China's semi-private landownership system, which combines local government control and market exchange, plays a supportive role in private capital accumulation in the agricultural sector, which is not the case in several countries that have fully privatized land.¹¹

¹¹ Although it is necessary to acknowledge the distinct advantages provided by semi-private landownership system to capitalist accumulation in China in the realms of agriculture, industry, and real estate since 1978, it would be a mistake to rule out the possibility of land privatization in the country. The debates over land privatization have been heated again after the Third Plenum of the 18th Central Committee of the CCP in November 2013 which stressed granting more property rights to farmers (Brunswick Group 2013). Land privatization is a complicated issue which involves conflicting economic interests in different sectors, tensions between the central government and local governments regarding the

V. Development of Capitalist Agriculture in China

This section examines the development of capitalist agriculture in China in two periods. While its early development (from 1978 to the mid-1990s) is characterized by relatively less developed land markets and low degree of private capital investment in agriculture, the second period since the mid-1990s is characterized by more developed land markets¹² and higher degree of private capital investment in agriculture. To refer back to historical paths of transition, the first period can be seen as slow development of capitalist agriculture on the “American path” while it is possible to characterize the second period as relatively rapid development on the “agribusiness path.”

Although the HRS was initiated by a very egalitarian land distribution which allowed little class differentiation among the peasantry, it is still possible to identify the roots of capitalist agriculture in different regions of China in this generally egalitarian context. Due to their ability to buy fencing wire, which was an expensive and scarce commodity back then, wealthier farmers of Heilongjiang province enclosed large amounts of grassland and forced large numbers of livestock owned by poorer farmers into a diminishing area in the early 1980s (Muldavin 1997: 591). A very similar process of grassland enclosure started in Inner Mongolia in the 1980s (Williams 1996). A village ethnography in southern Heilongjiang revealed that village cadres who were in office during decollectivization benefited from the process by accessing more land and signing lucrative contracts. While some farming households of the village were forced to sublease their land due to their worsening economic situation, some households expanded their operation and enriched themselves, such as the farmer who specialized in milk-cow husbandry by benefiting from his kinship ties to the general manager of a nearby milk product factory (Yan 1992: 11-7). In 1983, in two villages of Shaoxing County in Zhejiang province, while each household received only 0.45 mu of consumption land plus a small amount of land for raising hogs if they had any, approximately 350 mu of land was distributed among six villagers who farmed these lands by employing agricultural workers. This was presented as a transparent deal but many villagers believed that the land was contracted in an insider deal (Prosterman et al. 1998: 92). In his fieldwork in Shanxi province in 1984, William Hinton reported a peasant household farming 750 mu of land by employing wage labor and another one doing the same on 80 mu of land. He also mentioned the example of another household, who was covered by the press as the first Chinese peasant buying a car, raising 12,000 hens by employing wage labor (Hinton 1990: 80).

Although the “agribusiness path” became dominant only in the second half of the 1990s, it is nevertheless possible to trace the roots of some of today’s agribusiness companies back to the 1980s. For instance, the Guangdong Wen’s Foodstuff’s Group Co., one of the largest agribusiness companies in today’s China, was established in 1983 as a small enterprise. It was one of the few enterprises that pioneered contract farming in China in the 1980s (Zuo et al. 2008: 33).

These cases illustrate the initial development of small to medium scale capitalist relations of production in the Chinese agriculture after 1978. Class differentiation among semi-proletarian peasants, middle peasants and rich farmers developed in the 1980s and early 1990s (Lu 1995: 47, 51).

control over land-based finance, and the central government’s goal of containing anti-dispossession struggles of the Chinese villagers. For this reason, determining the actual possibility of land privatization requires a careful and detailed analysis, which is beyond the scope of this article.

¹² Brand et. al found no land rental activity in three quarters of the villages they surveyed in 1988. In 1995, they found rental activity in more than three quarters of the villages (Brandt et al. 2002: 79). Another study reports an increase of the share of villages practicing land rental activity from 49 percent in 1997 to 68 percent in 2003 (Deininger et al. 2004: 14).

Early forms of contract farming and private farming by employing wage labor emerged in that period. It is a well-established fact that non-farm sector had been a much bigger source of rural income inequality than the farm sector because of the largely egalitarian nature of land distribution in the early years of the HRS (Bramall and Jones 1993: 52-4). Nevertheless, as the examples given above clearly reveal, by allowing the gradual development of land rental markets, enabling some peasants to access more land and other agricultural means of production than others, and making room for larger scale private farming using wage labor, the HRS initiated the early and slow development of capitalist agriculture in China, based on the “American path.”

The later and more mature phase of capitalist development on the “agribusiness path” started in the second half of the 1990s. It was characterized by rapid vertical integration of the entire agricultural sector from crop production to processing and distribution by medium and large agribusiness companies and company-like farmer cooperatives.¹³ The development of agribusiness companies and company-like cooperatives has facilitated three types of business operation, which imply different degrees of capital involvement in the production process. These are purchasing crops from farmers, contract farming, and establishing private farms employing farm workers. While capital’s involvement in the actual production process is quite limited in the first type, it increases from the second type to the third.

The establishment of large agribusiness companies known as “dragon head enterprises” (*longtou qiye*) and “specialized farmer cooperatives” (*nongmin zhuanye hezuoshe*) was promoted in order to realize swift vertical integration of agricultural production, processing, and marketing. The Ministry of Agriculture reported that by 2005, half of the country’s cultivated area and 36 percent of farm households have been vertically integrated by dragon head enterprises, specialized farmer cooperatives, and specialty markets (Huang 2011: 119). The opening up of the Chinese agriculture to the world market that accelerated after China’s accession to the World Trade Organization (WTO) in December 2001 supported this process as more domestic and foreign companies started engaging in export-oriented food production in China (Stringer et al. 2009: 1774).

VI. Dragon Head Enterprises and Company-like Cooperatives

Dragon head enterprises are the most promoted type of enterprises by central and local governments in the vertical integration process (Zhang and Donaldson 2008: 29; Huang 2011: 119). They comprise private companies, state-owned enterprises, and state-private partnerships.¹⁴ In addition to special treatment in areas like tax, credit, land, electricity, and irrigation provisions, central government and local governments have supported these companies with very high subsidies. Between 2000 and 2005, central government gave selected “national key dragon head enterprises” (*guojia zhongdian longtou qiye*) 11.9 billion RMB. Supporting these enterprises have become a high priority for the local governments as well (Huang 2011: 30, 119-120). According to official figures, there were 110,000 dragon head enterprises in China in 2011 (Hui 2012).

Company-like farmer cooperatives constitute the second type of enterprises that have risen during the process of vertical integration. By the end of 2009, there were 246,000 specialized farmer cooperatives in China, having a membership of 21 million households, which constitute 8.2 percent

¹³ I explain my reasons to define farmer cooperatives in China as “company-like” in the next section.

¹⁴ For a detailed analysis of the largely domestic and state-private hybrid character of the dragon head enterprises see Schneider 2013.

of all rural households (Zhao 2011: 680). Similar to dragon head enterprises, cooperatives also receive various types of government support. A nationwide survey conducted in 2008 found that 30 percent of the villages receive financial support to their cooperatives in forms of grants, subsidies, and tax exemptions. After adding the cooperatives that receive non-financial types of support, the total share of the cooperatives receiving government support rises to 68 percent (Deng et al. 2010: 502).

There are two main differences between dragon head enterprises and cooperatives. First, while farmers receive a specific amount when they sell their products to companies (either in a simple marketing or contract farming relationship) farmers in the cooperatives receive money in the form of profit share. Second, because of this difference in their shareholding structure, while farmers do not benefit from company profits from processing and marketing, cooperativized farmers can receive their shares of the profits in these areas if their cooperative involves in processing and marketing (Huang 2011: 122-3). For these reasons, Philip Huang proposes that cooperatives provide a socialized alternative to dragon head companies in the vertical integration process (Huang 2011: 108).

I agree with Huang that farmer cooperatives are different from dragon head enterprises. However, the dichotomy that Huang proposes between “socialized” cooperatives versus the “capitalistic” dragon head enterprises (Huang 2011: 124)¹⁵ does not seem accurate. On the contrary, evidence provided by various studies indicates that farmer cooperatives in China embody alternative forms of organizing capitalist agriculture rather than promoting non-capitalist production relations. This has two main reasons. First, their shareholding structures distribute decision-making power and profits unequally among their members. Second, these cooperatives employ significant amount of wage labor from outside the cooperative rather than mainly relying on their members’ labor power.

Starting with the first point, Law of the People’s Republic of China on Specialized Farmer Cooperatives, which went into effect in 2007, confirms the unequal distribution of economic and decision making power in the cooperatives. It permits the cooperatives to accept private companies as members and allows big shareholders to have more power than small shareholders in decision-making processes (Law on Specialized Farmers Cooperatives 2007). As a study of 66 farmer specialized cooperatives in Zhejiang clearly shows, the structure of the cooperatives is very similar to the companies in the sense that “one-member-one-vote principle” which would considerably constrain the decision making power of the members holding more shares than others is “substituted by the restricted one-share-one-vote principle” in a context where shareholding is very concentrated in most cooperatives (Hu et al. 2007: 447-9). For example, a rich farmer holding 20 percent of the shares of Yu-cheng Watermelon Cooperative near the Wenling city of Zhejiang serves as the general director of the cooperative who, with other director members, “have substantial power in deciding prices, inputs, finance, recruiting” (Hu et al. 2007: 451). In case “there is a lack of big growers/sellers, agricultural firms and other non-farmers may be chosen and accepted by farmer members” (Hu et al. 2007: 459) to the ranks of big shareholding management. As a result of this framework in which companies can become cooperative members and big shareholders have more decision making power than other shareholders, “Chinese agricultural cooperatives are largely investor driven and controlled. They have adopted the title of ‘farmer cooperative’ as a flag of convenience” (Jun 2010: 7).

¹⁵ Zhang and Donaldson supported Huang’s argument before (2010, 483). On the other hand, in his more recent studies, Zhang revised his position by recognizing the existence of cooperatives that are dominated by capitalist interests (Zhang 2012: 479; Zhang 2013a: 30).

In her study on sweet potato production and processing sectors in Sichuan province, Susanne Lingohr similarly remarks that the majority of rural cooperatives consist of private entrepreneurs who bring primary processors and rural producers in an organization to guarantee product supply. Although anyone can be elected as a cooperative leader, in reality, production and marketing power determine who is elected. It is likely that these company-like organizations present themselves as rural cooperatives in order to receive the support of the local government and preferential tax treatment (Lingohr 2007, 909-910). This example shows that, contrary to Huang, who argues that farmer cooperatives “lack substantive government support” (Huang 2011: 122), having a cooperative status is not necessarily less advantageous than having a dragon head company status at least in some regions. The former head of Rural Economics Research Center of the Agricultural Ministry of China, Miao Jianping estimates that 20 to 40 percent of the farmer cooperatives in China are comprised of private enterprises that register themselves as cooperatives in order to benefit from government programs supporting cooperatives (Song 2009).

Knowing the actual share of company-like cooperatives within all farmer cooperatives is important in order to answer the question whether cooperatives provide a “socialized” alternative to “capitalistic” dragon heads. We lack complete data on this topic and it is obviously difficult to obtain such data. However, several studies indicate that the share of genuine farmer cooperatives is tiny and a substantial portion of farmer cooperatives are formed under the “company+household model” which are dominated either by rich farmers or agribusiness companies of various sorts (Zhang et. al 2009: 17; Zhang and Zhang 2007 as cited in Jun 2010: 137). According to Li, 40 percent of the farmer cooperatives in today’s China are formed by party committees, 25 percent by government departments, 20 percent by leading households (which means rich farmers) and 15 percent by leading enterprises (usually refers to dragon head companies) (Li 2008 as cited in Jun 2010: 6).¹⁶

Capitalist relations of production emerge out of this hierarchical structure of ownership and management in which top management oversees the activities of the average members who in turn supervise the production process. There are many examples of contract farming arrangements carried out by company-like cooperatives (Jun 2010). Cooperatives also play a certain role in spreading the wage labor relationship in agriculture. For instance, in a poor village of Henan, before the cooperativization process, the only reason behind the use of wage labor in farming was that some households lacked enough labor force since their members work as migrant workers outside the village (Lammer 2012: 152-53). In this case, although the relationship between labor-hiring households and the temporary workers takes the form of wage labor, it would be wrong to see it as a capitalist relationship since the labor-hiring households are still in the category of small farmers and expanded production for profit with the use of wage labor is not the case. However, after the establishment of three production cooperatives, three permanent workers and several temporary workers were hired by the cooperatives in which shares and decision-making power are in the hands of a few village

¹⁶ Of course, these classifications do not give us a clear picture of the actually existing production relations under each type of organization. For example, it is not clear what kinds of cooperatives have been formed by the village party branches and local governments. Lammer’s study demonstrates that three production cooperatives formed by the village cadres in a village in Henan province actually worked like a small-scale capitalist enterprise (Lammer 2012: 152-3). Therefore, it is wrong to measure the weight of the capitalist cooperatives within all cooperatives by counting only the figures of leading enterprises, large traders, and leading households. However, these data clearly point out the fact that most cooperatives are formed by people and institutions other than ordinary small farmers and companies and rich farmers have a substantial presence and influence in the farmer cooperatives in contemporary China.

cadres. A qualitative shift in production relations that is closer to the “American path” of capitalist development from below started to take place.¹⁷

Our discussion has so far revealed that the dominant academic and policy discourse that farmer cooperatives are “socialized” institutions that are distinct from “capitalistic” dragon head companies does not reflect the actual situation.¹⁸ In fact, many of the farmer cooperatives are “company-like” capitalist entities that have emerged due to liberalized land rental markets and facilitated the capitalist reorganization of agriculture in contemporary China together with dragon head enterprises.¹⁹

VII. Contract Farming

As explained above in my critique of Frank’s definition of capitalist agriculture, this paper focuses mainly on the changing relations of agricultural production rather than food processing and marketing. I therefore do not cover purely market-based relations between capital and farmers due to the absence of any significant change in production relations. Contract farming and farming with wage labor are subject to detailed discussion because they involve significant changes in production relations.

Contract farming, which is often designed by companies and company-like farmer cooperatives as a fix to increase the scale of production without employing wage labor and, is widely implemented in today’s China (Guo et al. 2006; Guo and Jolly 2008; Lingohr 2007; Miyata et al. 2009; Stringer et al. 2009; Zhang 2012; Zhang and Donaldson 2008, 2010). There are different kinds of contractual relationship between farmers and companies in terms of participants and company involvement in production process. Two models appear in terms of the participants. The first model involves the direct relationship between the company and the farmer without any intermediary. This model is completely based on a written contract signed by two sides. The second model involves intermediary agents between farmers and the contracting companies such as farmer cooperatives, middlemen or village collectives. About 85 percent of such arrangements are based on written contracts while the rest are based on oral agreements (Guo and Jolly 2008: 574). In terms of company involvement in the production process, there are also two different types of contract farming. While in the first type companies provide various means of production to farmers such as seeds, fertilizers, technology and other inputs, the second type only involves the purchasing of the farmers’ products, without providing any means of production to farmers (Zhu 2007, 13). The number of enterprises involved in contract farming increased from 8,377 in 1996 to 58,186 in 2002 (Niu 2006 as cited in Zhang 2012: 460). In

¹⁷ “Although from a quantitative point of view the low number of only three permanent workers and the handful of day laborers for planting and harvesting might seem negligible, this qualitative change in relations within the village...is nevertheless remarkable, as it seems contrary to the intentions of these supposedly cooperative projects. With these projects class relations between capitalists and workers, between buyers and sellers of labor force, entered the village” (Lammer 2012: 152).

¹⁸ For a detailed critique of the dominant discourse on the farmer cooperatives in China see Lammer 2012; Hale 2013.

¹⁹ Two recent ethnographic studies on cooperative projects that are initiated by the activists and intellectuals associated with the broadly and loosely-formed movement for New Rural Reconstruction (NRR, *xin xiangcun jianshe* in Chinese) in China point out the fact that without sustained anti-capitalist political mobilization of the peasantry, these so-called “socialized” institutions are very likely to be transformed according to capitalist logic and turned into capitalist institutions that are cooperative only in formal appearance (Hale 2013; Lammer 2012). Given the fact that NRR forms the (relatively) more left-wing minority of the ongoing and giant cooperativization movement in today’s China, it makes sense to hypothesize that the character of the substantial part of the cooperatives are no more “socialized” than the ones associated with the NRR. The cases discussed above actually provide a strong support to this hypothesis.

2002, the number of smallholders who have contractual relations with these companies was approximately 72,650,000 (Guo and Jolly 2008: 570). The percentage of contract farmers within the total population of rural producers increased from less than 10 percent in 1996 to about 30 percent in 2002 (Yu et al. 2008: 3). In short, contract farming has become stronger in China. However, the spread of contract farming in China varies regionally due to the differences of local political economy. Smallholders can market their products relatively easily in regions close to cities or large market areas and therefore do not depend on companies for marketing their products. Agribusiness companies face serious difficulties in establishing contract farming arrangements in such regions where balance of power does not tilt towards capital vis-à-vis the smallholders (Zhang 2013a: 24-25).

A few cases are useful to illustrate how contract farming increases the scale of production without establishing complete control over land and labor by capital. For example, almost half of the supplies of Xinchang Foods in Changyi county of Shandong province, which is a major supplier of poultry meat to foreign fast food companies in China, is provided by 10,000 farmer households who sign contracts with the company (Zhang and Donaldson 2008: 25). Tai'an Taishan Asian Food Company, located in Tai'an city of Shandong province, is a major food processing company exporting frozen organic vegetables to Japan, United States and European countries. It engages in contract farming relationship with about 1300 farmers from 17 villages in the region. Although average farm size is very tiny (0.4 ha), the company can organize large scale production (on land of 534 ha in total area) thanks to contract farming which enables it to produce 9,133 tones of 18 different varieties of vegetables annually (Kledal and Suliang 2007: 6, 10-11). Singaporean Fufa Zhongji company, which operates in Yantai city of Shandong province, produces fruits for exports on 500 mu of land via contract farming (Hu 2006: 12).

Three points regarding the impact of contract farming on agrarian class structure should be stressed. Firstly, the use of wage labor and contract farming can be utilized in a single chain of production and therefore are not mutually exclusive. Secondly, all small farmers engaging in contract farming do not belong to the same class. Besides small farmers with limited means of production, richer farmers also participate in contract farming. The case of six rich farmers producing vegetables for Japanese agribusiness companies via contract farming in six cities and prefectures within Zhejiang province illustrates these two points clearly. Each of these six contract farmers has access to more than 30 ha of farmland and employ farm workers (Suganuma 2005: 5). Similar to many subcontracting arrangements in industrial production, companies scale up production by subcontracting to rich farmers who benefit from the surplus labor power of the agricultural proletariat that they employ. In this form of contract farming, big capital use wage labor indirectly via the mediation of the rich farmers. In other words, the American and the agribusiness paths of development complement each other.

Although the lower-class contract farmers with limited means of production remain less dependent on agribusiness companies than farm workers due to their position outside the wage labor nexus, they increasingly become more dependent to the companies in getting inputs and marketing products than non-contracting farmers over time. Hence they become “proletarian-like” peasants, distinct from semi-proletarian and full proletarians. This applies, of course, only to the lower class contract farmers who are unable to employ workers because of their limited resources.

Finally, we should take a brief look at the forms of class conflict that are specific to contract farming. As prices of products determined by contracts are always more or less different from prices at the national and global markets, one side of the contract relationship always loses. When the market

price is lower than the price that was set by the contract, agribusiness companies are on the losing side. Farmers lose when the market price is higher than the price that was set by the contract. The intensity of the conflict depends on the scale of the difference between the contract price and the market price. As long as the difference is negligible, conflict remains to be manageable. However, when the scissors between the contract price and the market price opens up much, the level of conflict becomes unmanageable. Farmers can sell their products to middlemen with higher prices or companies can procure from the market with lower prices instead of buying peasants' product. These forms of conflict are seen in different regions of China (Zhang 2012: 471). Contract farming is an important avenue that will continue to shape the form and intensity of agrarian class conflict in the country.

VIII. Private Farming with Wage Labor

Another type of capitalist relationship in the agricultural sector is the use of wage labor by private capital. As we have seen above, small households' hiring of temporary workers during busy harvest seasons does not have a truly capitalist character. We should focus rather on the use of wage labor by rich farmers and agribusiness companies, which are the right places to look at in order to understand it. In their detailed analysis of different types of available statistical data, Huang et. al. estimated the share of wage workers in the entire agricultural labor force somewhere between 3 and 8 percent (Huang et. al 2012: 152).²⁰ Huge population pressure on land and consequent tightness of the supply of farmland is one important reason (among many reasons) behind this weakness of private farming with wage labor in China. In regions having huge population pressure on land, government support appears as the only enabling mechanism to set up large farms. As we have seen above in the case of Stora Enso in Guangxi, this support sometimes takes coercive forms especially in very big projects. Despite the use of such means by some local governments, the central government remains reluctant to encourage the frequent use of coercion because alienating smallholders is an important political risk. For this reason, large farms employing wage labor still remain to be confined to remote regions of China having relatively little population pressure on land (Zhang 2013a: 26-27).²¹

Agricultural proletariat in China is composed of semi-proletarians and full proletarians. Since the landless rural residents consist only about 5 percent of the total rural population (Wen 2008: 94), it is obvious that the number of semi-proletarian farm workers is much higher than full proletarians. There are two types of semi-proletarian farm workers in China. The first type is the semi-proletarians who have a small plot of land and work in the farms of rich farmers, companies, and company-like cooperatives. For example, the Dahongpo Coffee Plantation currently produces coffee beans on 4,500 mu of land in western part of Yunnan province. It employs more than 600 farm workers who retain their own small plots (Zhang and Donaldson 2008: 40-41). The second type is the semi-proletarians who lease their land to companies in order to be employed by them as farm workers. This type of

²⁰ Zhang convincingly argues that this figure significantly underestimates the actual share of wage workers in agricultural labor force (Zhang 2013b: 19).

²¹ This is a situation that is *not* specific to contemporary China. Farming with wage labor often spreads more rapidly in frontier regions that have less population pressure on land than the core regions where it necessitates large-scale land dispossession. During the transition from feudalism to capitalism in Europe, "it was no accident...that new farming ventures were so often launched on waste marsh or woodland. It was better not to upset existing land systems and customs" (Braudel 1982: 253).

capital-labor relationship is a direct product of the current semi-private landownership system which gives the village bureaucracy considerable power to intervene in the processes of land distribution and exchange. This eases the companies' job since they only need to negotiate with local authorities rather than having to deal with each household. If the companies' offer is approved, the local bureaucracy manages the process of leasing villagers' land to the companies in exchange of their employment as farm workers by the companies. One important aspect of this type is that farmers cannot easily quit their jobs and get their land back since the business agreement involves the village collective, which means village leaders rather than individual farmers.

The case of rubber plants established by SinoChem Company in three villages in Xishuangbanna prefecture of Yunnan clearly illustrates the way the farmers are transformed into farm workers on their own land through contract farming. The company provides inputs to farmers and organizes them into work teams and smaller units (Zhang and Donaldson 2008: 40). In Yeji village of Yantai city of Shandong province, Fufa Zhongji Company rented 6000 mu of farmland for twenty years for apple production. It employs more than 400 of the villagers as farm workers (Hu 2006: 11). Some of the dragon head enterprises in Sichuan province organize the production of sweet potato in a similar way that "effectively transforms the farmer who leases the land into an agricultural laborer" (Lingohr 2007: 907).

Lingohr's study on Sichuan also documents the co-existence of contract farming and farming with wage labor in a single chain. The contract between the company and the village collective determines the lease of the land to the company and states that village committee is responsible for mobilizing the villagers. However, it neither clarifies the number of workers to be employed nor determines a certain wage level. The company "pays the village or production group leader, who in turn organizes and pays the farmers for seed production work" (Lingohr 2007: 907-8). In other words, the village bureaucracy acts like the management of a subcontracting firm working for larger companies.

Fully-proletarianized workers constitute the minority of the farm workers in contemporary China. The large and privately owned horticulture and nursery farms in and around the agricultural high and new technology development zone in Yangling district in Xianyang city of Shaanxi province employs fully-proletarianized farm workers (Webber 2008: 305). The Beigui Coffee Company in Simao prefecture of Yunnan province is another example of this form. It rented 10,000 mu of land from local farmers and the local government. The majority of its 2000 workers are poor peasants migrated from Zhaotong municipality of northeastern Yunnan. These peasants gave up their resident status in their hometown and obtained new residency in Simao prefecture. As a result, they lost their land in their hometown and could not obtain land in their new residency. Hence they are fully-proletarianized (Zhang and Donaldson 2008: 41-42). For the reasons mentioned above, this form of farming, characterized by employing full proletarians, remains the exception, rather than the rule in contemporary China.

IX. Conclusion

The main arguments of this paper can be summarized as follows. Firstly, consecutive land tenure reforms since 1978 have primarily intended to promote capitalist development in agriculture by making land transfers from smallholders to larger farmers and agribusiness companies increasingly easier. Secondly, the roots of capitalist agriculture lie in the early years of decollectivization where some individual farmers managed to transform themselves to capitalist farmers by increasing their

scale of production through acquiring more means of production. Thirdly, as the limitations of this “American path” of capitalist development from below became clear in the 1990s, the “agribusiness path” of vertical integration of the entire agricultural sector by the urban capital became the dominant pattern of agrarian development as well as policy paradigm of the Chinese state. Fourthly, in contrast to the conventional wisdom that incomplete property rights on land constrains capital accumulation in agriculture, China’s current semi-private landownership system has played a supportive role in the development of capitalist agriculture by enabling the local governments at various levels to transfer large blocks of land to agribusiness enterprises of different sorts. Finally, contrary to the optimism regarding the possibility of farmer cooperatives to provide an alternative to capitalist development, this research suggests that many of the farmer cooperatives in contemporary China are company-like cooperatives that are not very different from agribusiness companies in terms of their shareholding and decision making structures and the production relations they facilitate.

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