

## Study on Peasants' Profit Distribution in Land Transfer

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Received 19 July 2015; accepted 26 September 2015  
Published online 31 October 2015

### Abstract

For a long time, rural land transfer in China has been facing with irrational profit distribution phenomenon among various subjects. Peasants suffer profit violation in terms of transfer income distribution. This paper concludes research status of land transfer and analyzes current situation of transfer income distribution in current stage and the problems. Finally, solutions to rational distribution of transfer income are proposed.

**Key words:** Land transfer; Profit distribution; Peasants; Agriculture-related issues

Sun, F. (2015). Study on Peasants' Profit Distribution in Land Transfer. *International Business and Management*, 11(2), 64-68. Available from: <http://www.cscanada.net/index.php/ibm/article/view/7620> DOI: <http://dx.doi.org/10.3968/7620>

### INTRODUCTION

Three agriculture-related issues have been fundamental issues in Chinese social development process. Land issue is the priority among three agriculture-related issues. The success of land reform concerns stability of the whole rural society. China has been facing with serious situation of city-countryside dual structure in land system. To solve such problem, the state has carried out a series of reforms. One of the most important reforms is land transfer problem. However, for a long term, land transfer income distribution shows significant irrationality, and the right of peasants as landowners are damaged. The Third Plenary Session of the 18<sup>th</sup> Central Committee of the Communist Party of China proposes rural collective operation and

construction land which complies with planning and purpose control conditions are allowed to enter the market and equally enter non-agricultural land market with state-owned land to form an open transaction platform with equal rights and uniform rules and establish land price system under uniform land market. This also aims to solve peasants' income distribution in rural collective land transfer. Land income should incline to peasants. It thus can be seen that studying income distribution in rural collective land transfer has strong practical significance.

## 1. RESEARCH STATUS OF LAND TRANSFER PROFIT DISTRIBUTION

### 1.1 Concept of Land Transfer

Land transfer refers to the behavior of the subject of right who transfers land right completely or partly to other subjects, i.e. land right transfer. According to different rights transferred, rural land transfer is classified into ownership transfer and use right transfer. Rural land ownership transfer means collective economic organization transfers land ownership to the state or other economic organizations. The major forms include state expropriation and land ownership exchange etc. Land use right transfer means peasant households owning contractual right of land transfer land management right (use right) to other peasants or economic organizations, i.e. retain contracting right and transfer the use right.

### 1.2 Domestic and Overseas Researches on Land Transfer Income Distribution

Speaking of land transfer income, land property right must be specified. Land resource is a special natural resource, and many different opinions on definition of its property right exist. Foreign scholars consider land property right is the product of contesting process of interest groups. U. Alston and J. Umbeek consider property right definition owns political nature, coerciveness and unfairness.

Domestic scholar Zhou (2006) believed “land property right is the sum of a series of rights on land property right on the basis of land ownership”. For the moment, Chinese land is classified into national ownership and collective ownership, but the actual right is often reflected in actual user. Hence, definition of property right between the government and collective owners influences income distribution among subjects.

With regard to income distribution in rural land transfer process, scholars have great controversies which mainly concentrate on whether the government should directly participate in income distribution process and what the proportion is. Lv and Yang (2005) held that construction of national infrastructure to a large extent decides the value of collective construction land in cities and towns, and that a part of income gained in transfer should be brought by the investment of national infrastructure construction; the state should participate in transfer income distribution. But more scholars consider the government should not become distribution subject of transfer income. Cheng (2002) believed the distribution relationship among government, collective landowners and actual operators should be specified, but most income should be owned by the later two. Wang, He and Gao (2006) indicated compensation for land acquisition is too low, compared with land supply price and increment benefit. Compensation standard for land acquisition in China is too low and does not comply with science. As per existing standard, compensation for land acquisition should be executed according to 15-30 times of average income for the original purpose in recent 3 years. Such standard as per original purpose is difficult to reflect real use value of land. This obviously damages the interest of landowners. Wang, Hong and Peng (2009) as well as Yue and Lei (2005) believed that, government investment in infrastructure construction is its responsibility; to ensure fairness, the government can indirectly participate in transfer income distribution through tax collection. Lv and Jin (2012) considered land increment interest relationship is new legal relationship of interest adjustment of market subjects for “economic surplus right” distribution and realization and should be adjusted by economic law.

## 2. FORM AND SUBJECT OF LAND TRANSFER INCOME

Land transfer means the land owner lose the manage right of the land, its survival and income must be subjected to certain influence, therefore, must give certain compensation to the transferor, the common compensation form include: land compensation fee, resettlement compensation fee, crops compensation fee, attachment of the ground compensation fee, all these are given to farmers one-time; also, farmland occupation tax, land reclamation fee, land acquisition management fee, for the use of state-owned land compensation fee and the transfer

land value-added tax and other additional fees, these costs are the tax and land transfer income which gathered by the government in the process of land acquisition and transfer.

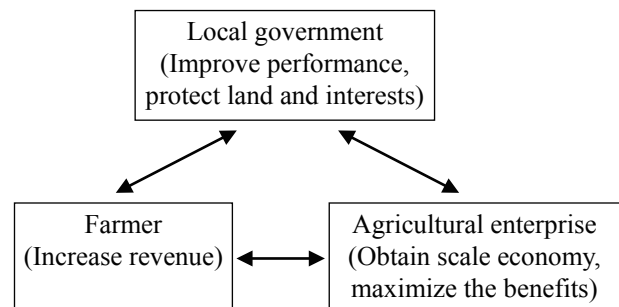
The transfer income of rural collective land is often distributed among the local governments at all levels, the collective owners, farmers and agricultural enterprises. The collective ownership and the farmers’ interests are unified, so it can be classified as a subject, which could be called the subject of the farmers.

The government includes local people’s governments at various levels, the main goal of this subject is to develop the local economy, improve performance. On the one hand, attract bid for inviting investments through the land, project development and so on, easily caused excessive land acquisition suspect; on the other hand, by raising the price of land to increase tax revenues and thus increase local financial revenue. Not only that, the local government often through driving down land transfer fee and other compensation costs artificially to increase the proportion of its transfer income distribution.

Another subject is the large peasant household. The purpose of the transfer of land is very clear, by means of fighting for the corresponding compensation to ensure the compensation for the transfer of land use right to ensure their survival and improve the living standards.

The third distribution subject is agricultural enterprises. The aim is to realize the maximum benefits of their own through concentrating on the available land to achieve large-scale production.

The transfer income distribution subject will inevitably start the game around the land issue. The game relationship of the three parts is shown in Figure 1.



**Figure 1**

In reality, the target of these three main Distribution subjects often conflict, especially in the areas where land is more dependent. For the government and farmers, the government often reduces the farmers’ transfer income distribution in order to increase financial income. There is also a game between agricultural enterprises and farmers, often performs driving down the price of the land with the help of the government, or in the contract signing and performing in having affection and faith. In the reality, the farmers are often in a disadvantageous position because of their own knowledge structure or information asymmetry, once this reasonable claim of rights and demands are not satisfied, it is likely to lead disputes or other social issues.

### **3. PROBLEMS IN LAND TRANSFER INCOME DISTRIBUTION IN CURRENT STAGE**

#### **3.1 Property Right Subject is Not Fully Defined**

Clear property right decides whether clear definition of property right can operate normally. Chinese laws explicitly stipulate that rural land is owned by collectivity, and the subject of property right is explicit, but laws do not make a clear explanation of the implication of collectivity. Collectivity includes village collectivity, collective economic organization and town collectivity etc. In reality, various places are based on policies. Thus, in most cases, actual holders of property right are administrative staffs, while peasants become the people without actual right. Secondly, land rights and interests are undefined. Real right attribute of contractual right of land and obligatory right attribute of land use right transfer contract are vague. Finally, the nature of land contracting right is not defined by laws, but through policies.

#### **3.2 Peasants' Rights are Not Respected and Protected**

In the first round of land contracting agreement, central documents explicitly indicate the use right of contracted land belongs to peasants and the contracting period is 15 years. In the second round of contracting agreement, the contracting period is 30 years and even the articles promise there is no need of changes after 30 years. The Third plenary Session of the 17<sup>th</sup> CPC National Congress further pointed out in the Decision of Some Importance Issues of CPC Central Committee on Promoting Rural Reform and Development, peasants should be given sufficient and guaranteed land contracting operation right, and existing land contracting relationship should keep stable and "unchanged for a long time". This means land contractors have independent decision-making power on land use right transfer. The decision making right about whether land use right is transferred and how to transfer is owned by peasants. The subjects of rural land use right are peasants anytime. But for a long term, peasants' right to use and dispose land cannot be guaranteed. In land transfer and expropriation process, peasants are forced to receive irrational transfer and subsidy, and peasants' will is not respected. The government owns the right of compulsory land acquisition and monopolizes primary market of land. The government often compulsorily confiscates land in order to achieve tax benefit and promotion objective, and thus conflicts with peasants' benefits.

#### **3.3 The Government Monopolizes Primary Market of Land**

In primary market of land, the government is land boss. This has great difference with other countries and regions. The state not just controls land, but also directly participates in operation. In the past 10 years, China

regarded land as a tool and level. Huge achievements gained today can be partly concluded into government's effective exertion of the functions of land. So, it is also called in land finance. Many scholars appeal to protect peasants' rights and interests in land transfer. In fact, this is not achieved due to mighty government. The government is always the sole buyer in land transfer process. Actually, this behavior is land expropriation. Although central government issues relevant policies to restrict land acquisition scope and relevant rights of local governments, the status of peasants and government in land transfer process still has a huge gap. The key to problems and the key to reform are the government. The largest obstacle may be the government.

#### **3.4 Land Acquisition Subsidy Standard is Too Low**

As per current provisions, compensation standard of land acquisition is several times of annual yield of land. The compensation standard cannot really reflect land use value, let alone be connected with damages to peasant's rights and interests. Meanwhile, peasants do not directly involve in formulation of compensation and settlement fees. This process is generally executed by rural economic organization. Since the information of settlement fees cannot be mastered in the first time, many lower settlement fees. Thus, the settlement fees gained by peasants are very few. According to the data of land association, land property right loss of landless peasants in China will reach at least 3 billion annually due to irrational compensation.

#### **3.5 Operation Procedure is Non-standard**

At present, rural land transfer operation in China is not standard. For land operation in many places, the contract is signed by village or town organization. Some local governments do not strictly make external invitation for bids open in land expropriation process, and black box in operation exists. In the face of government integrating executive power and economic power, peasants lacking guarantee are difficult to contend against the government, even if they know the operation is not standard and transparent. They have to accept interest loss.

### **4. COUNTERMEASURES AND SUGGESTIONS ON RATIONAL DISTRIBUTION LAND INCOME**

#### **4.1 Further Detail Land Property Right**

To ensure effective operation of land transfer, it is crucial to fully detail the connotation of subject of land property right. Further explanation of collective ownership should be given from legal perspective. The concept of rural collectivity should be explicit. Collectivity is rural collective economic organization, i.e. village group.

Collective ownership is jointly owned by collective members. Land right which collective members enjoy and cannot be separated from their identity is co-ownership. All village collective economic organization members have the right to gain land. Collective land use right and disposal right are co-owned by all collective members, and consensus should be gained from all villagers. Only when peasants' actual land user identity is ensured can peasants achieve the objective of increasing income and develop rural economy in land transfer process; only when contracting right is stable can peasants may improve the expectation of contracted land use value.

#### **4.2 Land Transfer Must be Based on Respecting Peasants' Rights and Interests**

Peasant households as subject status of land use right transfer should be respected and protected by the government and society. The government cannot dispose land according to its own will. Peasants have the right to decide whether the land is transferred, the transfer mode, the price and whom the land is transferred to within the scope of laws and government's rules. The government's functions in land use right transfer include guidance, service and supervision. It is required to firmly prohibit forcing peasants to carry out transfer on the excuse of collective organization as landowner or agriculture industrialization. Only in this way, peasants' interests will not be damaged.

#### **4.3 Establish Rural Collective Land Joint-Stock System**

Land stock cooperative concentrates dispersive rural land in share form and independently operates the land concentrated in transfer in the name of cooperative. But the cooperative can control land use, make sure peasants' operation right and decision-making right are controlled partly, ensure land use and management and achieve scale operation. In cooperative, after members share profit according to shares, except rental income of contracted land, there is also secondary distribution income gained from land transfer and operation. This contributes to increasing peasants' land income. Land stock cooperative is beneficial to reducing land contracting and operation right transfer risk, ensuring rights and interests of peasants' land contracting and operation right and further promoting agricultural scale operation and modern agricultural development.

#### **4.4 Standardize Land Transfer Procedure**

Currently, there is still lack of normative land transfer procedure in China. Land transfer in many places is decided privately by the government. Due to competitions among each government, these subjects often choose reduction of prices competitively and even sell to competition unit at a low price. Such operation procedure has low efficiency, damages peasants' vital interests and results in asset loss of rural collective economic

organization. Hence, we need to standardize land transfer operation procedure, and adopt the principle of abidance by laws, free will and compensation in transfer behavior to avoid compulsory land acquisition, standardize transfer contract content, standardize transfer market, establish a uniform land price market for rural land and urban land and promote uniform transaction platform (Zheng, 2009).

#### **4.5 Transform Governmental Duties and Positioning**

The government's aim is to facilitate rural urbanization construction, promote agricultural development and guarantee peasants' rights and interests. The solution to land reform is that the government should quit monopoly and land operation market, and should no longer play the role of a merchant and occupy cultivated land at random. Only when interest relationship is eliminated and the government has no interests can peasants' land ownership can be really respected. Peasants' rights should be dominated by peasants. But, necessary guidance and supervision of land transfer market should be conducted to make sure peasants' rights and interests in land transfer process are not damaged, correct and manage illegal behaviors in land transfer process and ensure effective implementation of land transfer. In the process of supervising land transfer process, the government should give play to its advantage to reduce information cost and even apply financial strength to ensure correct pricing of land. On the other hand, the government should use administrative power as little as possible to artificially get involved in land transfer. In terms of profit distribution, the government may properly increase financial income through collecting corresponding tax, rather than directly involving in income distribution. Secondly, profit distribution process of collective economic organization and peasants should be supervised to ensure rationality of transfer income distribution (Wang & Yu, 2013). In particular, peasants' income should be prevented from being damaged in collective economic organization or agricultural enterprises. In one word, the government should give a role of night watchman and supervisor.

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## **CONCLUSION**

The success of land reform concerns stability of the whole rural society. China has been faced with serious situation of city-countryside dual structure in land system. To solve such problem, the state has carried out a series of reforms. This aims to solve peasants' income distribution in rural collective land transfer.

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