

# Land Right in China

The First Edition

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## 1. Introduction

Land circulation is a very important policy in China, playing a positive role in promoting the development of modern agriculture. And it will be possible for China to transform from household contract and planting by scattered small farmers in the past to large-scale plant, which has a significant impact on upstream, midstream and downstream of agriculture. By the end of 2015, China's land transfer area has reached XXX million ha, accounting for XXX of the total area of farmland contracted and managed by Chinese households in the second round, with a year-on-year increase of XXX.

The State Council of China carried out policies on land right confirmation and loans secured against the land management right from 2009 and 2014, respectively. Both policies will promote land circulation and guide capital flowing into agriculture, planting and breeding industries.

In order to figure out China's land right situation, CCM has done lots of researches on the following aspects:

- Current land circulation situation
- Circulation area of farmland in China, 2006-2015
- Land circulation area of 26 provinces in China, as of Oct. 2016
- Difficulties in the development of land circulation
- Land right confirmation policy
- Policy on loans secured against the land management right
- Trend of land right in China

## 2. Approach for this report

### Desk research

The sources of desk research are various, including published journals, government statistics, industrial statistics, customs statistics, as well as information from the Internet. Information obtained has been compiled and analyzed. When necessary, checks will be made with players in China's farming industry.

### Data processing and presentation

The data collected and compiled were sourced from:

- Published articles from periodicals, magazines and journals
- Statistics from governments and international institutes
- Telephone interviews with domestic experts related to farming land right
- Third-party data providers
- Information from the Internet

Data obtained from various sources have been combined and cross-checked to make this

report as precise and scientific as possible. Throughout the process, a series of internal discussions were made in order to analyze the data and have conclusions drawn.

### 3. Executive summary

Land circulation refers to the transfer of land use right, which means farmers with rural land contracted management right transfer the land management right (use right) to other farmers or economic organizations but without transferring the contracting right. And China has begun to implement the rural land circulation policy since 2005. By the end of 2015, China's land circulation area has reached XXX million ha, accounting for XXX of the total area of farmland contracted and managed by Chinese households in the second round.

Rural land contracted management right is mainly circulated by subcontract, lease, lending, exchange, transfer, or shareholding, etc. As of 2014, the proportion of subcontract, lease, shareholding, exchange and transfer to the national land circulation was XXX, XXX, XXX, XXX and XXX respectively.

Land circulation has lasted for 11 years in China, but its area accounts for only XXX of the area contracted by the national households at present, showing that there are a lot of difficulties and obstacles during circulation. There are four constraints for land circulation, and four problems in the process of current land circulation are also analyzed.

Since 2009, the Ministry of Agriculture of the People's Republic of China has begun to conduct the pilot program of land right confirmation. On 20 Nov. 2014, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued a document and stated that it would take about five years for China to fundamentally complete the confirmation, registration and issuance of certificates on the right to the contracted management of rural land (before 2019). According to the Ministry of Agriculture of China, as of the end of Sept. 2016, there were XXX counties (cities and districts), XXX villages and towns and XXX villages involved in the pilot program, with the actual measured area of nearly XXX million ha and the confirmed land area of nearly XXX million ha, accounting for XXX and XXX of the area of farmland contracted by Chinese households in the second round respectively. And it is estimated that the State Council of China's plan to fundamentally complete the confirmation, registration and issuance of certificates on the right to the contracted management of rural land may be fulfilled ahead of schedule.

Land right confirmation can protect farmers' legitimate rights, promote land circulation, be good for the sustainable development of rural economy, and be helpful for governments to simplify administrative procedures and decentralizing powers. So, it is very necessary for China to implement land right confirmation.

Compared with land circulation, land right confirmation is relatively quicker. However, there are still a lot of difficulties in the process of land right confirmation. For example, some local farmers are not positive enough to cooperate to conduct land right confirmation; some local

governments are not positive enough to promote land right confirmation; confirmation of the right to operate barren mountains, waste ditches, barren hills and waste beaches (short for Four Kinds of Uncultivated Land) is difficult to enforce; land measurement technology is immature and financial support is inadequate; registration and issuance of certificates on the land right are very labor-intensive and time-consuming, etc.

In 2013, the *Guiding Opinions of the General Office of the State Council on Providing Financial Support for the Adjustment, Transformation and Upgrading of the Economic Structure* was issued.

In 2014, the *Document No. 1 of the Central Government* firstly proposed to grant farmers the right to obtain loans secured against the rural land contracted management right.

On 27 Dec., 2015, it was decided on the 18<sup>th</sup> session of the Standing Committee of the 12<sup>th</sup> National People's Congress that farmers were permitted to obtain loans secured against the management right of contracted rural land or the housing property rights in the administrative regions of pilot counties (cities/districts) and the State Council of China adjusted the Property Law of the People's Republic of China and the Guarantee Law of the People's Republic of China.

On 15 March, 2016, the Ministry of Agriculture of the People's Republic of China issued the Interim Measures for the Pilot Program of the Loans Secured against the Management Right of Contracted Rural Land.

At present, loans secured against the land management right in China is still in the trial period and local governments have to fly by the seat of their pants to conditionally select institutional supply. For example, the recipients of loans shall be members of rural land cooperatives in Ningxia Hui Autonomous Region, be operators with more than XXX ha of land in Nanhu District of Jiaxing City, Zhejiang Province, and be the ones with more than XXX ha of land in Fenggang County of Guizhou Province.

In recent years, there have been three patterns related to loans secured against the land management right, including direct mortgage of the management right, loans secured against return guarantee in land circulation and mortgage by guarantee funds.

From 2014 to 2016, many places across the country spontaneously explored loans secured against the land management and found that the borrower is mainly the new agricultural management entity; the collateral itself is substandard and the bank can only evade risks of granting loans indirectly; collateral are difficult to be disposed of; and supporting measures are incomplete and have uneven levels.

#### 4. What's in this report?

*Note: Key data/information in this sample page is hidden, while in the report it is not.*

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### 1 Land circulation policy

#### 1.1 Development history

Land circulation refers to the transfer of land use right, which means farmers with rural land contracted management right transfer the land management right (use right) to other farmers or economic organizations but without transferring the contracting right. And China has begun to implement the rural land circulation policy since 2005.

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Table 1.1-3 Land circulation area of 26 provinces in China, as of Oct. 2016

No.	Region	Circulation area, '000 ha	Area of farmland contracted and managed by households, '000 ha	Proportion	As of
1	Heilongjiang Province	XXX	XXX	XXX	XXX
2	XXX	2,598	XXX	XXX	XXX
3	XXX	XXX	6,537	XXX	XXX
4	XXX	XXX	XXX	XXX	XXX
5	XXX	XXX	XXX	XXX	XXX
6	XXX	XXX	XXX	XXX	XXX
7	XXX	XXX	XXX	XXX	XXX
8	XXX	XXX	XXX	XXX	XXX
...	...	...	...	...	...

...

### 3 Policy on loans secured against the land management right

#### 3.2 Patterns

In recent years, there have been three patterns related to loans secured against the land management right, including direct mortgage of the management right, loans secured against return guarantee in land circulation and mortgage by guarantee funds.

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Table 3.2-1 Lending rate for direct mortgage of land management right in seven banks in China, 2014-2016

Time	Region	Lending bank	Lending rate
2014	Heilongjiang Province	Harbin Bank	XXX annual interest rate for one year
...	...	...	...
2015	Heilongjiang Province	Harbin Yanshou Branch of People's Bank of China	XXX annual interest rate for one year
2016	Shandong Province	Qingdao Rural Commercial Bank Laixi Heitoudian Branch	XXX annual interest rate for one year

Source: CCM

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### 3.3 Difficulties

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Supporting measures are uncomplete and have uneven levels. At present, various supporting institutions develop slowly, such as evaluation committee for the land management right, judicial dispute resolution mechanism and risk compensation fund mechanism, etc. According to the survey towards XXX county-level banks in Guizhou Province by the People's Bank of China Guiyang Branch in H1 2016, among the counties in which XXX banks locate, only XXX have specified registration departments for loans secured against the management right of contracted rural land, XXX have established review commissions or similar institutions for the management right of contracted rural land, XXX have built up benchmark price mechanism or minimum protective price mechanism for the rural land management right, XXX have set up judicial dispute resolution mechanism for loans secured against the rural land management right, XXX have established risk compensation fund mechanism for loans secured against the management right of contracted rural land, and financing guarantee companies in XXX of counties are willing to take the management right of contracted rural land as the collateral for counter-guarantee.

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