On Changes in Rural China
The Rise of Agrarian Capitalism and Dissolution of the Peasantry in Contemporary China

Forrest Zhang, John Donaldson
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For decades, Mr. Hong and his family have toiled the ground of Dounan Village, an area of Yunnan Province that became well-known throughout China for the quality of its fresh vegetables. While Hong and his neighbors have, since the early 1980s, concentrated on the small plot of land that the state allocated to them, in recent years, Dounan village has begun producing vegetables in large enough scale to market to distant, wealthy coastal areas, bringing new-found prosperity to the area. After gaining experience producing vegetables both on the plot that the government allocated to his family, and on his neighbors’ plots, where he worked as a temporary hired hand, Hong soon attained sufficient skill and capital to allow him to rent the land held by other households. In this way, Hong increased production, renting at his peak between 10 and 20 mu of land closer to Kunming, the provincial capital city. The Hong family held so much land in this way that they could not provide sufficient labor to manage it. So they in turn were compelled to hire informal, temporary workers, primarily migrants from poor, remote counties in Yunnan province. By expanding beyond subsistence agriculture and using land and labor controlled by those outside his household, the Hong family is no longer a part of the Chinese peasantry. Instead, they have joined the ranks of millions of rural residents participating in rural China’s newest revolution – agrarian capitalism and de-peasantization.

Mr. Hong is among an increasing number of agricultural producers in today’s China who no longer participate in the country’s long-existing tradition of household-based subsistence farming. China’s fast-paced economic transition and modernization has brought fundamental
changes to almost every sector of the economy, and agriculture should be no exception. Yet for
years, Chinese agriculture has remained largely the same since the implementation of the
household registration system, decades ago. The past few years, however, have eroded
agriculture’s resistance to class changes in China. The nature of the changes that are taking place
in the organization of agricultural production and how such changes are transforming the rural
society, however, remain understudied. New types of agricultural producers such as Hong’s
family signal that new modes of production are emerging in Chinese agriculture and that the
millenia-old Chinese peasantry may be undergoing unprecedented transformations. In this
paper, we try to illustrate the contours of changes in China’s rising agrarian capitalism and
changing peasantry: how the development of labor, land and factor markets has reintroduced
expanded-scale production that extends beyond the household endowments of land, labor and
capital. We argue that for the first time since the founding of the People’s Republic, the Chinese
peasantry is beginning to dissolve.

Theorists of diverging persuasions – orthodox Marxists to neo-liberal free-market
economists alike – predict the demise of the peasantry in modern capitalist economies (Edelman
2000). Yet experiences in Third World countries have repeatedly shown the resilience of the
peasantry, despite pressure for change from urban capital, transformative state, and globalizing
economy (Bryceson, Kay, and Mooji 2000). Even in this context, the Chinese peasantry remains
a theoretical anomaly: nowhere else has the peasantry been as resilient as in China.

In fact, the turbulent policy changes in the past 50 years of the People’s Republic have
only resulted in an expanded peasantry (Bramall and Jones 2000). The short-lived land reform of
the early 1950s granted land rights to all peasants, turning the rural economy into a sea of
smallholding peasant households, subject to the political domination and economic extraction of
an increasingly powerful state (Shue 1980). The subsequent collectivization campaign reversed
land reform with regard to family land-holding and family-based production, with the elimination of smallholding peasant economy as a key policy goal (Kelliher 1994). However, far from eliminating the peasantry, collectivization re-feudalized it, with the state taking the place and playing the part of traditional lords over the immiserated peasant masses, with tragic results (Friedman 1990; Friedman, Pickowicz, and Selden 1991; Zhou 1996). The third shift, decollectivization, implemented between 1978 and 1984, dismantled agricultural communes and returned land rights, though not ownership, directly to rural households, returning rural China once again to a sea of smallholding producers and reinforcing the peasantry as a class (Bramall and Jones 2000). After 1984, while rural China has witnessed industrialization, mass migration, and changes in rural governance, the organization of agricultural production has nevertheless largely continued along the path set forth by Household Responsibility System of the early 1980s. Meanwhile, peasant households continued to use household labor to till small, often discontinuous plots of contracted household land. These changes in migration, marketization, and growth of local off-farm employment all helped to transfer some surplus agricultural labor (i.e., members of peasant families) into non-agricultural and/or extra-village employment, and thus resulted in what some scholars called “a retrenchment of the peasantry” (Bramall and Jones 2000, p. 262). Yet, as Bramall and Jones (2000) correctly point out, the limited development of both product and factor markets in rural China determined that “the peasantry remain entrenched (p. 270).” Thus, these three major policy shifts, despite their conflicting goals with regard to the peasantry, all sustained and even strengthened that class.

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1 The smallholding peasant economy, after all, was considered by Lenin as “engender(ing) capitalism and the bourgeoisie continuously, daily, hourly, spontaneously, and on a mass scale” (Kelliher 1994), and the distrust of peasants’ political “dual nature” ran through generations of Communist thinkers and leaders.

2 Some authors dispute that “re-feudalization” was an appropriate term to conceptualize the Chinese peasantry’s experience during Collectivization, but propose that the mode of production then was closer to Marx’s Asiatic mode (Bramall and Jones 2000). However, collectivization failed in its goal to dismantle the massive Chinese peasantry is not disputed.
If these major policy changes did not eliminate the peasantry, what forces could possibly create enduring structural change in China’s rural areas? Bramall and Jones (2000) suggest that the further development of labor and factor markets in rural China would lead to further dissolution of the peasantry. Along this line, we argue here that the rapid and continuous development of rural markets has sparked a fourth phase in the transformation of China’s agricultural production: the “rise of agrarian capitalism.” In the next section, we first review the literature on changes in rural China since the 1980s. We define the term “peasant” as an analytical concept and explore more deeply how the Chinese peasantry has remained entrenched in household-based agricultural production through much of the reform era. We then explain why we suspect that, with recent developments of marketization in rural China, the resilient Chinese peasantry may have finally started its dissolution in the emerging agrarian capitalism. After that, we introduce our research design, case selection, and the typology of new agricultural producers we have summarized from fieldwork. In the subsequent empirical sections, we expound on the six types of agricultural producers and the relations of production in which they are situated. Finally, we conclude by discussing the theoretical implications of the findings.

China’s Resilient Peasantry: De-agrarianization without De-peasantization

Rural Chinese society, economy and political system have experienced a sea change since the onset of reform in 1978. Moreover, these changes and trends have been well covered in the English language literature. Initial reforms and other changes were mainly centered on rural areas. For instance, the Household Responsibility System (HRS) returned land use rights to peasant households and gave them more leeway in selecting crops and marketing surplus production (White 1998; Zweig 1997; Kelliher 1992). Thanks to improved incentive structures, new developments in agricultural technology, newly established market institutions, and
significant government investment, agriculture production gained appreciably (Rozelle, Huang, and Otsuka 2005).

However, by the mid-1980s, after this initial wave of rural-based reforms, Chinese leaders shifted their focus more to reforming industry and developing urban areas. In doing so, the central government further retracted its traditional contact with the rural population and sought to maintain a more hands-off relationship with a de-politicized peasantry (Kelliher 1994). In this process, the central government’s investment in agricultural dwindled (Ash 1991), while fiscal decentralization further saddled grassroots-level government bodies with increasingly stringent fiscal discipline and declining revenue transfers from higher level governments (Wong 1991; Oi 1989). As a result, rural local governments, especially those in the coastal regions, started to rely on township and village enterprises (TVE) to industrialize their economy and expand their revenue bases (Oi 1992; Wong 1992). In addition, as rising productivity in agriculture exacerbated surpluses in rural labor and local off-farm jobs became increasingly scarce, migration to cities accelerated (Fan 2005; Guang and Zheng 2005; Solinger 1999). Moreover, income differentiation among rural households increased rapidly, mainly on the basis of access to off-farm jobs, either locally or through migration (Walder 2002; Parish, Zhe, and Li 1995). Further, despite this rapid economic growth in the economy as a whole, in certain periods, rural poverty rates stagnated, or increased by some measures, compared to the rapid declines of the early 1980s (Ravallion and Chen 2007; Khan and Riskin 2001; World Bank 2001).

Finally, starting in the mid-1990s, new social, economic and political changes affected rural society. During this period, the growth of the TVE sector lost steam and many local governments started to privatize their TVEs (Kung 1999; Whiting 2001; Li and Rozelle 2003). Meanwhile, other negative effects of the TVE model of industrialization began to emerge, with many rural local governments either facing mounting debt from unscrupulous lending to TVEs
or declining revenue base as the local TVE sector retracted (Ong 2006; Li 2006). As a result, many local governments switched the tax burden to peasants through excessive taxes, fees and levies to bridge the shortfall and to finance the swelling government payrolls (Unger 2002; Bernstein and Lu 2003; Li 2002; Chen and Chun 2004). Rural governance worsened and social tension rose, with the violation of peasant land rights by governments and businesses becoming a particularly worrying problem (Guo 2001). Further, many of the measures to alter the political landscape of rural areas have proved disappointing. The introduction of village-level elections, for instance, had limited impact in curbing corrupt and predatory practices of rural governments (Oi and Rozelle 2000; Bernstein and Lu 2003). Moreover, many researchers reject the claim that rural tax reform, yet another remedial measure by the central government, is a sustainable solution to the “peasant burden” problem (Li 2006; Yep 2004).

While these trends have had dramatic effects on rural society in China, as argued earlier, they have not by themselves ended the peasantry as the basis of agricultural production. Similarly, despite the extensive research on rural China covering wide-ranging issues, including rural industrialization, rural governance, migration, productivity changes, and land disputes, little work to date has been done on the emerging transformation of the Chinese peasant class. This is due, at least in part, to how recent this phenomenon is. For many years until the mid-1990s, compared to rapid changes in the non-agricultural sector, there has been little change to the small-peasant agriculture: peasant households continued to use their own labor and capital endowments to grow and harvest crops on smallholdings of collectively-owned land contracted to the households.
In studying this phenomenon, it is crucial to define clearly and specifically the politically-charged and often misused term “peasant.” ³ Here, using this term as an analytical concept, not a loose descriptive term, we adopt Shanin’s widely used definition:

“small agricultural producers, who, with the help of simple equipment and the labour of their families, produce mostly for their own consumption, direct or indirect, and for the fulfillment of obligations to holders of political and economic power (Shanin 1971)(p. 3).”

Shanin’s analysis identifies four key characteristics of the peasants: a) the family farm as the basic unit of social organization, b) land husbandry as the main means of livelihood, c) the traditional cultural orientation linked to small rural communities, and d) the lack of political power implied by the dominance of outsiders, either through overt political subjugation or economic exploitation (Shanin 1971).⁴ Among the four criteria, Shanin argues, the first—the family farm—is the most significant characteristic of the peasantry.

Applying this conceptualization to the analysis of rural China, we see that during the first phase, land reform, the Chinese peasantry fit closely all four criteria. However, the second phase, collectivization, is more ambiguous, since the rural family was no longer the unit of agricultural production. The use of labor was aggregated at the collective commune level, and family subsistence needs were met, if at all, through the communes’ allocation of resources to members, not through family-based production. However, the other three aspects all remained valid. Land husbandry continued to be the main means of subsistence. Despite attempts by the state to transform local culture and political structures, there was a great degree of continuity in power

³ In the literature on rural China, authors sometimes use the term “peasants” interchangeably with “farmers”, without conceptually define and differentiate the two (Ash 1991), or choose to eschew the use of the term because of its derogatory connotation, without considering the analytical purchase it provides (Zhou 1996).

⁴ Some authors (e.g., Bryceson 2000) use the shorthand ffcc – family, farm, community, and class – to denote these four criteria.
relations and cultural patterns in traditional rural communities (Bianco 2001; Friedman, Pickowicz, and Selden 1991). Moreover, the state’s domination of the peasants only worsened, to the extent that peasants had become serfs to a feudal state.

The third phase of rural transformation, decollectivization, saw the rebuilding of the bedrock of the peasantry – the family farm. To be sure, important changes occurred during this third phase, including rural industrialization, migration, and marketization. Nevertheless, while rural population has been continuously transferred out to non-agricultural employment through rural industrialization and migration (a process described by Lewis (1954) and Kuznets (1955) as modern sector enlargement growth), the rural population that remained in agriculture continued with the traditional mode of production, and agricultural production remained dominated by smallholding peasant households. Simply by natural growth, the peasant population has been growing at least to 1994 (Bramall and Jones 2000). In addition, marketization was limited mainly to that of agricultural products. Selling surplus grain or non-staple crops through markets did not alter the basic structural fact that these agricultural producers still “produce mostly for their own consumption, direct or indirect” (Shanin 1971, p. 3). Therefore, while in the third phase, China’s rural economy has experienced rapid de-agrarianization (i.e., growth of non-agricultural sectors), for the agricultural population there has not been much de-peasantization, as the agricultural sector remained dominated by household-based subsistence or petty-commodity production. The only way out of the peasantry was through exiting agriculture and finding off-farm employment. The peasantry itself remained untransformed.

*Rise of Agrarian Capitalism and Dissolution of the Peasantry*

Does this de-agrarianization without de-peasantization still describe China’s rural sector? What changes are currently occurring in the mode of production in agriculture? What social and
political effects do these changes have on the rural society? How are factors such as land, labor and capital controlled by different actors, and then organized into agricultural production? How does such control and organization shape political relationship and social inequality among the actors?

Several factors lead us to anticipate that changes may be overdue and that a new phase of transformation is underway. First, communist leaders, including those in the Chinese Communist Party (CCP), have long considered the peasantry as a hotbed for breeding spontaneous capitalism. This was a problem for which collectivization was thought to be the solution that would eliminate both the economic base of the smallholding family farms and the acquisitive, property-minded petty-bourgeoisie mentality of the peasantry—“cut the tails of capitalism”—so that the peasantry itself as a social class could be transformed (Marx 1887; Kelliher 1994; Katz 1992). After the failure of collectivization, the CCP had little choice but to let peasants return to the mode of production that seemed to be ingrained in their collective consciousness: smallholding, household-based agriculture. Now that the Chinese peasantry, “gripped by a small-holding mentality,” was finally left alone to work on their small holdings (Kelliher 1994)(p. 410), shouldn’t capitalism be springing up in rural China spontaneously and “on a mass scale” (to use the terminology of Kelliher (1994), qv footnote 1)?

Second, critics of decollectivization – be they ideologically left, right or center – have long lamented the loss of scale caused by dividing commune land to household production (Hinton 1991; Dong 1996; Li, Rozelle, and Brandt 1998; Brandt et al. 2002; Bramall 2004). Other East Asian governments such as Japan, South Korea, and Taiwan, in order to reduce productivity loss caused by land reform, all resorted to some efforts to consolidate the overly
parcelized land resulting from their policies of land reforms (Bramall 2004). Similarly, the Chinese government has also been trying to increase the productivity of its agriculture, leading to pressures towards increased scale production. One often adopted program is introducing industrial capital, through many conduits including “dragon-head enterprises” (Longtou Qiye) into agricultural production (Waldron, Brown, and Longworth 2006). We expect that the entry of these firms—and other state efforts to promote scaled-up and modern agricultural production—will significantly change the landscape of the smallholding peasant economy.

Third, the lack of factor mobility allowing productive factors such as land to circulate and concentrate in few hands is a primary barrier to the development of capitalism in Chinese agriculture. However, the recent rapid development in all factor markets has finally put that missing piece in place. Labor mobility—especially that of rural labor—is already remarkably high in China (de Brauw et al. 2002). Remnants of the once stringent and powerful household registration system, although continuing to classify rural migrants as second-class citizens and limit their life chances in cities, are no longer effective in controlling labor mobility (Solinger 1999). Much of the labor mobility has been rural-to-urban and agriculture-to-non-agriculture labor flow. The agricultural sector, on the other hand, due to its labor surplus and poor economic return, was almost exclusively a labor exporter. Although labor mobility from one agricultural area to another has not been widely documented in social-science literature, the possibility has already been there. As we will show, now that more rewarding employment opportunities have begun to emerge within agriculture itself, such labor flows have commenced.

Meanwhile, capital markets in rural China, for their part, remain underdeveloped. The state-run Rural Credit Cooperatives system is in shambles and ridden with corruption, partly due

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5 It is, however, a debatable issue as to whether land consolidation really leads to productivity gains. If farm size increases, but not to the extent of allowing mechanization and not associated with increased labor input, land productivity may actually decline due to reduced per unit labor input and a lower intensity of land-use. Land consolidation has to be carried out in certain specific ways—e.g., moving land to more efficient users—to increase productivity. See (Zhang 2008 (forthcoming)) for a discussion.
to repeated unsuccessful administrative changes to the system, and tends to divert fund to support enterprise development than promote agriculture (Zhu, Jiang, and von Braun 1997). However, two other developments provide some remedy to the underdeveloped capital markets. First, the small scale of China’s peasant production—the departure point for peasants’ spontaneous capitalism—means that a small amount of capital, accumulated from profits in agriculture, via migrant remittances (Hare 1999; Ma 1999), or through other opportunities generated from reform, suffice to allow them to take the initial steps towards modernization. Second, possibilities for underground financing exist in rural China, provided through either kinship networks or informal financial institutions such as the rotating credit associations (Tsai 2002). If such underground banking was able to help launch rural industrialization in coastal regions, it should be able to support the rise of agrarian capitalism as well.

Finally, the immobility of land has previously been the greatest barrier to the rise of agrarian capitalism in rural China. Rural farm land (and much of forest land and various forms of wasteland) is collectively owned by villages. Land use rights were then contracted to peasant households on a largely egalitarian basis as an entitlement (Brandt et al. 2002). While village authorities re-allocate land from time to time to adjust land distribution to demographic changes, each peasant household’s access to a piece of land is theoretically guaranteed and is economically inalienable. But since the mid-1990s, land-rental markets have grown up rapidly in many rural areas, allowing contracted collective land to circulate among rural households and the scaling-up of agricultural production (Zhang, Ma, and Xu 2004; Kung 2002; Brandt et al. 2002; Rozelle, Huang, and Otsuka 2005). In the developed coastal regions, for example, studies find that up to 60 per cent of collective land in some villages were exchanged on rental markets (Zhang, Ma, and Xu 2004). In rural Zhejiang for example, the 14 percent of households who rented in land from markets control more farm land than the rest of the households combined.
Farmland is the last frontier in the penetration of markets in agricultural production. Once this last piece falls into place, we have an especially strong reason to expect that new actors will enter the agriculture sector and new forms of production that transcend the boundary of family farms will emerge. Agrarian capitalism—something the CCP has feared and tried to suppress from creeping up for so long—would finally be emerging in China, and with it, the dissolution of the Chinese peasantry would start.

Selecting Cases, Identifying Pathways

Have these expected changes occurred in the Chinese countryside? This paper seeks to being the process of understanding the rise of agrarian capitalism in China, the multiple pathways it may take, and the changes it brings to the peasantry. It is based primarily on fieldwork conducted in 2007 on a number of commodities in two Chinese provinces. Since patterns of agrarian capitalism in China may vary between coastal and inland provinces, we visited one province from each of China’s eastern (Shandong) and inland (Yunnan) provinces. (We also incorporated insights from previous fieldwork in other provinces, as well as from secondary sources.) For each of these two provinces, we researched agricultural products that have expanded past household production, in terms of either increased labor or land. In addition, the role of different actors that have stimulated expanded production, including rural households, local entrepreneurs, domestic Chinese companies, multinational corporations and the central and local governments, motivated case selection. In Shandong, we studied the production of fruit, vegetable and poultry. In Yunnan, we examined tea, coffee, wasabi, vegetables, fresh-cut flowers, fruit and rubber. During our fieldwork, we interviewed government officials, farmers, entrepreneurs, managers, staff, and others who were involved in the growing, harvesting, marketing, and sometimes, processing, of these crops. In addition, we visited areas that were
producing these products to see first hand the changes that were occurring—both in the field and in peasant homes. In each of these areas, capitalistic forms—and relations—of production have emerged, but in different ways and with varying effects on the social and political life of rural residents in the countryside. This paper is the initial step of a larger research agenda into these profound changes occurring in China’s rural communities.  

During our fieldwork, we encountered a number of examples of commercial crops being produced on a scale that exceeded household-based production, either in terms of additional land or labor, or both. These we classified into six distinct forms (with household-based subsistence farming representing a seventh form) based on how capitalistic each form is. As we move up this typology, we find variations along two dimensions. First, the control over—and use of—labor and land changes. All these forms expand beyond household production, utilizing either more land or labor than that allocated or available to the household. Second, with changes in the control over land and/or labor, social relationship between actors also change. Some peasants gain control over more land and labor and improve their power vis-à-vis the state or corporate capital, while others lose control and are subjected to greater domination by new actors who have entered agricultural production. With these fundamental transformations in rural residents’ relationship to the land that was allocated to them and their own labor, the status of these residents also shifts from that of ‘peasant’ under household production to that of ‘farmer’ and finally to semi- and fully-proletarianized ‘worker.’ Moreover, as a result of these changes, the local political power of farmers also varies. This changing power of the farmer, however, is not linear. Instead, peasants’ local power at first increases vis-à-vis other actors during the first several steps in the rise of agrarian capitalism, before diminishing once again. Similarly, the

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6 These changes also include other social and political phenomena, not investigated here, including urbanization (source), internal migration (source) and legal and illegal land seizures (source).
economic benefits for farmers also changes – and usually improves compared to the original form – but again, not linearly along the intensification of agrarian capitalism.

Overall, this typology identifies multiple pathways which agrarian capitalism is emerging in rural China and how the de-peasantization process is unfolding along each pathway. Placing these forms on a chart, while reflecting the degree of capitalism of each form, does not imply a stage model, as if forms will move up or down the forms on this chart. Instead, we see these forms as parallel pathways that can co-exist, at least for a time. One does not necessarily lead to another. The following sections elaborate on the form of production in the typology.

*** Put Table 1 about here ***

Form 1: Peasant

The point of departure for all these pathways of agrarian capitalism and de-peasantization is the well-documented household-based production. As noted earlier, by granting land use rights under long-term contracts to nearly all of China’s rural households, China’s government eliminated communes that had dominated the rural landscape during most of Mao’s era. While each household was responsible for providing a quota of grain which the state bought at a below-market price, peasants were free to sell above-quota production on the open market.\(^7\) Under this system, as argued earlier, most Chinese agricultural producers would be considered peasants, fitting well within Shanin’s definition. Therefore, this type of household production, which despite many changes remains common throughout China, and especially outside wealthier

\(^7\) Although the state, during the first several years, also bought most of the above quota production, either at the market price, or at a negotiated above-quota price.
coastal provinces, we classify as “subsistence peasant.” Due to the lack of incentives and inefficiencies in the commune era, almost all farmers, regardless of region, benefited greatly from the dismantling of rural communes and the establishment of household responsibility system. By having protected rights to their own farmland, which was generally fairly distributed among all households (Unger 2002; Findlay 1997), peasants could make their own decisions related to planting, production and harvesting, with positive effects over their livelihoods. At the same time, with protected land rights, peasants also achieved a degree of political power vis-à-vis other actors that gradually emerged, namely entrepreneurs and companies looking to expand agricultural production. However, one of economic side effects of distributing communal land among numerous households was a reduction in scale. This modest scale maintained for years until economic forces created actors with incentives to increase productive efficiency through scaling up agricultural production.

**Form 2: Commercial Farmer**

One of the first types of expanded production, that of “commercial farmer,” emerged within a few years of reform. Commercial farming is nothing new in rural China. Huang (1990), for example, documented the highly developed commercial farming in the Yangtze River Delta in the late Imperial period. However, commercial farming by rural households was eliminated under collectivization. Its reemergence depended on the marketization of agricultural products, without which the commercial households could then neither sell their crop nor buy grain. Although many rural households participated in product market by selling their surplus grain or the economic crop they grow in addition to subsistence grain, their subsistence is not

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8 This does not imply that household-based production is based solely on subsistence farming. Indeed, subsistence peasants can (and in China, generally do) produce surplus crops for sale, and even turn to production of economic crops.
commercialized — they relied on their own land and grain for subsistence needs and used commercial farming to earn cash income which supplemented their livelihoods.

By commercial farmer here, we refer to rural households who grow crops (mostly non-staple, economic crops) exclusively for commercial exchange, and satisfy their basic needs through buying grain on markets instead of growing it. The commercialization of the satisfaction of subsistence brings important changes to the peasant households. While still relying on family labor and contracted family land, these households derive their subsistence from markets, which often link them directly with remote actors and social processes that lie beyond the local village community. They may still be dominated by outside actors through unfair terms of trade, but they are usually not directly subjected to the domination of local actors, such as an extractive local state.

Mr. Chen, a commercial farmer living in the rural areas of Simao Municipality, Yunnan province, has shifted from growing corn on his farmland to exclusively growing coffee beans. The Chen family, together with many neighbors and relatives, moved from nearby Jinggu county in the early 1980s, when local government gave them the chance to farm any land they could ‘open up’ (kaifa). Working together to clear cut primary forest on mountain slopes and open it up for farming, these immigrant families formed a new village, the Dakaihe Village. Although the village nominally owns the newly opened-up farm land, families have de facto land rights. The family’s shift from growing corn to growing coffee beans occurred over a series of steps. At first, while he and his family tended the corn on his own plot, Chen worked in an ad hoc manner at Beigui, a local coffee producing TVE, where he earned essential cash to supplement subsistence farming, and also learned the skill of growing coffee. Soon afterwards, just as Nestle became active in the area as a buyer of coffee beans, Chen switched from working for Beigui to growing coffee beans on his family’s land. Soon, the family, like most of its neighbors, switched
completely out of growing corn, and now exclusively grows coffee beans on its 20 mu of land. Then, as now, the family sells exclusively to Nestle, which has proven to be a dependable buyer, purchasing coffee beans at the international price (some computer savvy farmers even check the international price on the internet, according to Chen and other informants).

Since Chen and his family have completely given up subsistence farming, they have accepted numerous risks, many of which are out of the family’s control, such as the price of coffee which is based on global markets. However, while the fluctuation of the price of coffee beans reportedly has hurt the economic interests of other coffee farmers, Chen reports that such fluctuation does not hurt him much, since he makes at least some money each year – enough to purchase grain and other needs. The family’s hardest year was the frost of 1999, which hurt his livelihood. However, unlike some of his neighbors, he didn’t switch out of coffee production because the damaged trees grew back the next year. Through growing coffee beans, Chen has bought a couple of dogs and dozens of chickens, which is in many places of China a good sign that a family has emerged from poverty into relative prosperity. Chen’s family also owns some preliminary processing equipment, with which he shells, cleans, dries and splits his coffee beans before delivering them to Nestle. The family also purchased a truck, their second, which they use to deliver the coffee to Nestle’s buying station and purchase grain, inputs and other needs. Cash from coffee sales allows the family to send their two children to school in Simao, where they live during the week.

Chen’s family, like millions of others in China, expanded from household production, shifting into commercial farming, benefiting them financially and otherwise. While such farmers rely on international prices for farming, they also expand in power considerably. Few rural families can shift from subsistence peasants to commercial farming on their own. In order for them to shift out of grain production into an commercial crop, most rural families require some
type of outside impetus to help them learn how to grow new economic crops, provide needed capital and most of all secure a market that mitigates risk. In some cases, when roads (even humble dirt roads) link local areas to marketing towns and beyond, middlemen can come in to purchase such crops, inducing households to increase their production. Oftentimes, however, entrepreneurs and companies provide the needed access to skill, capital and market. In Chen’s case for instance, the initial outside stimulus was the Beigui Coffee Company. For Chen and many others like him, working for Beigui coffee was a step in the family’s eventual shift into the nearly exclusive production of coffee. This local, subsequently privatized TVE provided Chen the chance to attain the skill of growing coffee, as well as to gain much-needed cash. Subsequently, the relatively stable market represented by Nestle further encouraged Chen and his ilk to give up subsistence farming in favor of exclusively growing and processing coffee beans. According to a company representative, Nestle purchases about one-third of Simao’s total output of coffee beans, purchasing beans directly from farmers like Chen. For their part, Nestle provides training to farmers who request it, both directly to farmers, as well as through training local technicians on the condition that they subsequently train farmers in coffee production. The coffee beans purchased here are processed in Nestle’s factory in Dongguan, where instant coffee is produced for the domestic market.

Private enterprises, whether domestic companies like Beigui or foreign ventures like Nestle, represent but one channel through which subsistence peasants can shift into commercial farming. Sometimes, especially for very poor farmers, the state is the only actor with the capability and resources to serve as an outside impetus shifting peasants to commercial farmers. For instance, in one especially poor and mountainous area of northwestern Guizhou, land was so rocky that farming was difficult, and yields low, trapping subsistence peasants in poverty. In one risky move, the local township government encouraged farmers to shift from growing grain to
raising one of the few crops that could survive under such rocky conditions – grass. The
government then helped farmers secure microcredit loans to purchase cows, which then grazed
on the grass. The township government also organized and built a physical marketplace through
which cattle could be auctioned and sold. Despite a number of problems, such as disappointingly
low loan repayment rates, these policies helped shift subsistence peasants to commercial farmers
(ranchers). However, without the state guiding rural residents and providing needed capital,
know-how and market, farmers in this township would unlikely be able or willing to accept the
risk of shifting out of grain entirely.⁹

In the examples above, agricultural production, although still relying on the household as
the unit of production, changes from self-reliance and subsistence-based production to market-
oriented and commercialized agriculture. These commercial farmers also enter into new sets of
relationships with individual, corporate, and state actors, who often mediate their interactions
with markets.

Form 3: Entrepreneurial Farmers

When farmers either hires labor outside the household or rents additional land (or both),
they shift from being commercial to “entrepreneurial farmers.” The distinction between these
and other types of farmers is that production expands outside of the household system either
through attaining additional land and/or labor on markets. The Hong family, described in the
introductory section of this essay, is one example of this. Using outside land and labor, Mr. Hong
has become an entrepreneur as much as a farmer. He is able to do so because he has a long

⁹ For every successful venture like this one, other state-led development plans fail disastrously. For example,
Rozelle et al (2000) describe a state-initiated project to encourage farmers in one poor region to produce frozen
rabbits. Ultimately, the project failed due to the lack of farmers’ experience and training, and nearly every household
lost its entire investment. Moreover, officials, far from being blamed, actually received funding for a second phase
of this initiative, which they invested in non-poor villages.
history of growing vegetables, and has upgraded to skill-intensive, more expensive varieties of vegetables, such as Italian lettuce. His produce he sells to wholesalers, who sell to outside markets, primarily in Guangdong province. This type of production has helped his household (and others like his) attain an annual income exceeding RMB 100,000.

In addition to relying on his household of five for labor, Hong also hires labor from the local labor market when he needs extra hands, paying them by half day (RMB 15 for the morning and 20 for the afternoon) or for the full day (RMB 35). The temporary farm hands ready for hire in local labor markets are immigrants from poor regions both within and without Yunnan. They typically bring their entire families, after obtaining the required residents permits (zhanzhu Zheng). Such temporary workers generally rent older housing within the village and send their children to attend local schools, paying the same tuition as local students. In this way, these outside laborers also gain experience growing vegetables. Unlike rentals on land market, labor hiring is almost always spot transaction with no formal contract involved. However, entrepreneurial farmers and temporary laborers often form stable relationships. Mr. Hong, for example, regularly hires a few laborers, whom he knows from past experience have mastered the necessary skills and proven to be reliable.

Local land markets, according to Mr. Hong, developed largely spontaneously out of farmers’ needs to expand their profitable commercial production. In villages in neighboring counties where subsistence farming used to dominate, peasant families and authorities alike were willing to rent their land to entrepreneurial farmers like Mr. Hong, who would often then hire these peasants to work for them. These peasants-turned-farm-laborers not only earned higher income, but also learned profitable skills. Such land rentals are usually made through formal contracts and last variably for a number of years. In recent years, some of Hong’s neighbors have become even more adventurous. Having accumulated sufficient capital but searching for even
larger areas of land, some from Hong’s village have gone to as far as Vietnam to rent land and operate commercial vegetable farms. In the Northeast, farmers have also gone to the Russian Far East to rent land, hire local labor and operate commercial farms.

In the community’s shift from commercial to entrepreneurial farming, the state played a role, at least initially, through extension services that spread the skills of growing vegetable. These skills, however, have spread as outsiders who had previously served as hired laborers return home to work on their own land. For instance, many farmers in surrounding areas were willing to rent out their land to Dounan farmers, and stayed on to work as laborers on their own land. When the five year rental contract expires, these previously hired hands take back their land and start to farm vegetables on their own (although these tend to be less expensive types of vegetables, such as cabbage). This dynamic creates a virtuous cycle, as farmers shift from their status as hired laborers (albeit on their own land, a status much like Form 5, described below) to become commercial or even entrepreneurial farmers. We believe that entrepreneurial farmers like Mr. Hong are the height of power and economic benefit for the Chinese farmers who departed from the peasantry. Like commercial farmers, entrepreneurial farmers enter into new relationships with outsiders such as distributors or middlemen (as in Mr. Hong’s case) or corporate actors such as local or foreign companies, mediated mainly through markets.

**Form 4: Contract Farmers**

Whereas in Form 3, in which the main actor was the farmer (albeit with important roles being played by other actors), formally institutionalized companies, large and small, local and foreign, can also play the main role in organizing larger scale, capitalized agricultural production. In these situations, corporate actors form production bases by contracting out to a large number
of farmers in a rural area. In this relationship, the company typically provides farmers with technology, training, service, and in many cases start-up capital. While the farming households retain control over their household land, in return for company support, they sign a contract, generally locking them into a selling price, with the promise to sell their entire harvest to the company that forms the base. We call these the “contract farmer.”

One of the many examples that we discovered of this type of production was a Shandong meat processing company, one of the companies that processes chickens for Kentucky Fried Chicken and other products under the Yum! Brands and for Wendy’s fast-food chain. In addition, this company also has a duck processing plant as well as two plants for processing microwavable food, such as TV dinners. Each day, this company processes an estimated 200,000 chickens and 60 tons of pre-cooked food (although it is capable of processing 100 tons). Established in 1988, the company now reportedly employs more than 8,000 people, and has revenue in excess of RMB 800 million. This company had been a state-owned enterprise under the grain bureau, but was changed in 2001 to a share holding company totally divested from the bureau, with all workers holding stocks in the company. The company estimates that about 40 percent of its production comes from such a base formed through contracts directly with the farmers. In doing so, the company contracts out with approximately 10,000 households in the surrounding areas. It provides the baby chickens and ducklings, two to three days from hatching, to the participating farmers, and provides feed, technology and management advice. The company guarantees a minimum price, pays the farmers immediately upon delivery and has overall established a solid relationship with the farmers over the course of the previous decade.

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10 See Waldron, Brown and Longworth (2006) for a description of the “farmers + enterprise + government” model.
11 A further 40-50 percent of their production comes from a more formal contract with village governments, Form 5 in our typology. Thus, this case, as with many others, produces through multiple forms.
Farmers that contract out with this company confirm much of the company’s point of view, agreeing that the company provides inputs such as animal feed and technical and safety training (in part to combat bird flu). For instance, Mr. Zhao’s farm land contains three duck coops and more than 8,600 ducks which he husbands, selling the full-grown ducks (after 46 days, he notes) back to the company. Through his association with the company, Mr. Zhao reported that he can make RMB 750 per capita each month, or about 18,000 annually. However, he argues that the company, because of its size and market position, holds the preponderance of the power, which it uses to hold down the purchasing price to RMB 1 for each duck Mr. Zhao and his family raise. Mr. Zhao does not sell to middlemen in part because he pays the company a high deposit for each of the ducklings he takes from the companies. Mr. Zhao lives in an urbanizing area and his family land has shrunk from 1.7 mu per capita to about 0.3 mu, due to land expropriation by the state for urban expansion. Now, instead of growing grain as they had previously, Mr. Zhao and his family dedicate most of their land to raising ducklings, retaining a small plot for growing watermelons and other self-consumed crops.

We saw many other examples of this form of agrarian capitalism. For instance, in a very poor area of northeastern Yunnan’s Zhaotong Municipality, farmers contract out to grow Japanese horse radish – the crop that produces wasabi – for export to Japan. Many coffee and tea processing firms in Yunnan also have production bases. Moreover, some companies, such as Nestle, start off by trying to form this kind of production base, only to shift to other forms of production in face of technical challenges.

In many aspects, contract farmers resemble the commercial farmers: their production remains within the household boundary, they still control the collective land allocated to them (or at least part of that), they usually grow economic crops exclusively for commercial exchange, transact with outside actors, and rely their subsistence on the market. The two differ, however,
on one key aspect: due to their lack of access to capital, market or skill, contract farmers have to enter into formal contractual relationship with a more powerful and resourceful corporate actor. By providing them with the needed capital, skill, and/or market access, the corporate actor is thus able to reduce contract farmers’ negotiating power and profit margin. In such a relationship, farmers only provide labor and land. In contrast, commercial farmers like the coffee grower Mr. Chen in Simao, who do not need capital or technical support from Nestle and can choose among multiple purchasers of coffee beans, can thus enjoy a market-set price for their products, instead of one dictated by the contracting company, and have the flexibility of selling to the highest bidder.

Theoretically, contract farmers do enjoy one advantage: they can shield themselves from market risks by obtaining from the company a protecting, floor price for their products. In our fieldwork, we routinely found farmers, sometimes even the local governments, demand such protecting prices from the contracting company, but often to no avail. County governments in Yunnan’s Baoshan Municipality, another coffee growing region, for example, demanded a protecting price from Nestle, when the latter floated the idea of establishing a production base there, but only to push Nestle away to Simao, where no such demand was made.¹² Even when a protecting price is specified in the contract, it may not help in real terms. Mr. Zhao, the duck farmer, has a protection price in his contract. But, according to him, when market price dropped below that price, the company simply raised prices for the feed and medicines they sold to farmers to offset the above-market margin it paid for the ducks.

Due to their domination by corporate actors, although contract farmers like Mr. Zhao’s are probably better off economically than they were under subsistence farming, they are typically not as well off as commercial or entrepreneurial farmers. Partly in response to their unfavorable

¹² Sources in Nestle, however, denied that the idea of a production base in Baoshan was ever put forward.
position vis-à-vis the companies, contract farmers have often neglected the contract and sold their harvest to other purchasers who, without bearing production costs the contracting company incurred, offered higher prices. This has created a prevalent problem known as the “middleman problem”—referring to itinerant middlemen who drive around and snatch products from companies’ production bases. Enforcing contracts and dealing with the middleman problem have become contentious issues between companies and contract farmers and have led to dissolution of many contractual relationships. As mentioned earlier, Nestle started with the contract farming model, only to abandon it later due to the rampant middleman problem. Companies that have managed to maintain their production bases and fend off middlemen rely on either informal mechanisms, such as personal relationships, or market monopsony, or geographical inaccessibility of the bases. We therefore think that, given the difficulty in enforcing contract with a large number of farmers in rural China, contract farming as a form of agrarian capitalism is unstable and likely to be transient, changing to either commercial farming or to the form we discuss next.

Form 5: Semi-proletarian Farm Workers with Chinese Characteristics

From contracting companies’ perspective, a long term solution to the middleman problem can only come from gaining greater control over the growing and harvesting process and changing farmers’ incentive structure. What emerges in practice is another form of production bases by corporate actors. Under this form, the base rents the land (use rights) – usually from the collective owner, the village -- and hires village residents, who, as members of the collective, are entitled to have land use rights, as company employees to work on the land. In some cases, rural households still work on the piece of household land allocated to them by the collective – although now rented to the company base – growing whatever the company asks them to grow.
In other cases, land is consolidated and household boundaries erased, farmers simply work for the company on company land. Even when farmers continue to work on the allocated household land, a profound change has happened: they are now only providing labor in the production process, while the land use rights—and the right to dispose of harvest from the land—are controlled by the company.

In this way, farmers become semi-proletarians, in that they still have an entitlement to collective land (and in fact often receive rent for renting out this means of production to the company), yet at the same time, they have to sell their labor to companies for wages. In a sense, these farmers trade their land use rights for jobs. Their entitlement to collective land gives them entitlement to company jobs, and thus, they “own” their jobs in a way unlike proletarianized workers.

We add the appendage “with Chinese characteristics” because we assume that without the unique institution of collective land ownership and individualized land use rights in rural China, this form might not come to pass. In this form, the companies that are forming the base typically establish the contractual relationship with the village collective authorities, not with the individual farmer as is the case with the contract farmer. Because the collective land ownership restricts village authorities from disenfranchising rural residents from their land, it also restricts companies from denying rural residents jobs on company production bases. Without such a restriction, an enclosure movement led by these companies could easily have thrown many peasants off their land and into the army of reserve labor.

Like many of the other companies discussed here, Shandong’s Yuhua Date company started as a town-and-village enterprise (TVE), however it was later sold to a private company. In 1987, the enterprise began growing dates in bulk, exporting them to outside markets. About one-third of their date production takes the form discussed above: they lease farmers’ land for 30
years from the village collective, and hire village residents, who are entitled to use rights over the land, to grow, manage and harvest date trees. Farm workers are paid with individual wages, based on the acreage of trees they tend. Yuhua does not pay farm workers for the dates they harvest, arguing that the company owns the harvest, while workers’ labor has already been compensated in wage. Through a team of foremen and managers and a hierarchical organizational structure, Yuhua controls and manages the land they rent and farm workers they hire. As a result, they reportedly have little problem with farmers selling their produce to middlemen, which is deemed as theft of company assets.

Like the local Yuhua Date Company, Taiwan’s Qianhui Flower Company, based in Chenggong County, Yunnan, also rents 70 percent of its land from collectives through contracts of at least seven years. It then pays members of the household a monthly wage to grow and harvest the flowers on their own land. This company currently has 10 such bases throughout Yunnan, giving it different environments in which to grow a wide variety of flowers. This company emphasized that once the household is contracted, the farmer cannot individually withdraw their land from the arrangement, because the land is contracted through the village committee to the base. Like Yuhua, Qianhui does not have a big problem with middlemen. Considering selling the product to outsiders to be a criminal issue, Qianhui works with local law enforcement to enforce their contracts with farmers.

Bases of this form have been established by individual entrepreneurs to large, state-owned enterprises (SOE) with multinational operation. Mr. Liu, a naturalized American citizen, has invested in four cattle ranches, and owns the only cattle ranch of scale in Yunnan province. About half of his land is rented from individual households who then work on his farm. The multinational SOE, Sinochem, has invested in rubber plantations in Xishuangbanna, a minority region in southern Yunnan. In response to government request to develop the region through the
rubber industry, Sinochem has rented three large plots from the collective authorities of three villages. The company provides fertilizers and seeds to farmers who grow and harvest rubber tree plants on their own plots of land. The company then manages them through a hierarchical structure, with farmers separated into work teams, and each team further separated into separated units of 40-50 mu each.

In these examples, we saw rural households do benefit economically from this type of arrangement. But the political power of the farmer is among the lowest compared to the commercial, entrepreneurial and contract farmers. With this form, the “semi-proletarian farm worker with Chinese characteristics” clearly loses autonomy and economic benefit. Compared to contract farmers, these semi-proletarian farm worker not only have relinquished use rights over their collective land (although they often receive rent for that), they are also subjected to tighter company control in the production process. As a result of both, unlike contract farmers, they totally lose control over the harvest. They are compensated by wage for their labor, not for their products; and they are largely deprived of the opportunities to undercut company’s domination by selling to middlemen for higher margins. Despite these shortcomings, when rural residents lack capital and know-how, they do not have the option of farming themselves, and will often benefit financially by making this sort of arrangement with entrepreneurs or companies. From the company’s point of view, this form is a relatively painless way to obtain control over farm land and overcome the middleman problem. However, companies have also found other ways to obtain even greater control over their employees, the production process and the harvest, as we shall see.

Form 6: Semi-proletarian Farm Workers
Unlike the previous form, under this form the company owns or otherwise controls the land of its production bases, and hires rural workers. The farmer still possesses use rights over his or her own land, but their land is elsewhere – and has usually been rented out to relatives, neighbors or entrepreneurs. Hence, the labor is classified as “Semi-proletarian Farm Workers”: they sell labor for wages, yet still retain access to some means of production, although not directly used.

At its peak, the Yunnan-based fruit juice company, Baiguozhou, controlled 20,000 mu of farmland where it grew fruit for processing into concentrated juice. As with most of the bases of this form, the company obtained the land by opening up and developing land that had not been previously used for farming – in this case, forested land that it contracted out from the local forestry administration. The company then hired and trained migrant laborers to grow and harvest passion fruit and pineapple, the raw materials it used for making concentrated juice. The migrants, who primarily hailed from poor areas of Yunnan (such as Lancang and Mojiang Counties), kept their land in their home counties, and received temporary resident permits in the new workplace. The company faced many problems, not the least of which was the remoteness of its production base. Due to the scarcity of land in southern Yunnan, the land that served as its base was 100 kilometers from the county seat. Frequent rainfall in this tropical area only served to exacerbate the company’s transportation problem. Moreover, the company’s expenses in improving the roads, ports, schools and other infrastructure made it difficult for it to compete on price with middlemen who bore no expenses. The rising prices of other competing products, such as rubber, also made it difficult to maintain production levels. Nevertheless, having control over the land in the base allowed the company to solve in part its need for land as well as labor.

The Dahongpo Coffee Plantation in western Yunnan province controls a base of some 7,000 mu, of which 4,500 mu is currently cultivated with coffee plants. Established in 1989, the
The company began as a TVE, which the local government invited a vice township head to lead. In 1998, the government privatized company debt and sorted out the assets and sold the entire company to this former local leader. The company leases land that was previously classified as wasteland – mostly on mountain slopes – for its base with long-term leases that expire in 2030. The company got capital support from the Bank of Agriculture and an ear-marked World Bank loan to invest in infrastructure building. The local government was also involved in the early years in attracting poor peasants to come and grow coffee on the base.

At Dahongpo, the entire process of growing and harvesting is tightly controlled by the company. Like most others of its kind, this company provides land, training, fertilizer, pesticides, seeds and other inputs. The company has a hierarchical organizational structure in place to supervise farm workers. The work force of 600 plus farm workers (in 168 farming households) are divided into four teams, each managed by a group of full-time supervisors and technicians (in total, the company hires 15 full-time managers and technicians). The company passes down orders through this hierarchy to farm workers on every production procedure, ranging from when to apply fertilizer and pesticide to when to start harvesting. Materials such as seeds, fertilizers, and pesticides are also distributed from the company, through the teams and down to each worker family. The company does not charge rent from the workers, but establishes a production quota for each mu of land. The company and farm worker split the within-quota harvest on a 6:4 ratio, and 100 percent of the above quota harvest belongs to the farm worker. Company representatives acknowledge that the harvest belongs to the company, but argue that the company chooses to give workers a share in the harvest – in lieu of wage – in order to attract workers. The company’s control of land and close monitoring of the entire production process means that farm workers here have much less flexibility in comparison to the contract farmer, who work on their own land. Farm workers not only have great difficulties in “stealing” the
harvest and sell it to middlemen for higher prices, as the company can relatively easily determine the output from each household’s plot, they also face dire consequences if caught doing so – the company considers such selling to outsiders theft of company assets and will kick the workers off the farm as punishment. As a result, company representative claimed that the middleman problem did not bother the company at all.

This company leaves the impression of a benevolent employer. Not only it gives farm workers a generous cut in the proceeds from the harvest, it has also provided land for migrant farmer workers to build their own housing (this, of course, is also out of necessity, so that workers can live in the field and tend the crops more closely). The easy availability of “wasteland” in the area and the relative tighter labor supply (the area has a large minority population) means that the company has to offer better terms to attract migrant laborers, whose access to entitled collective land at home also serves to strengthening their bargaining power. Many companies that operate production bases in this form are constrained in a similar way – the large area of land they can gain control of is rarely primary farm land, but reclaimed wasteland of various sorts, located in remote areas, another legacy of China’s collective land system. During interviews, company representatives repeatedly stressed that had they had access to better farm land that is not burdened with a population of entitled villagers, they would not have bothered with the wasteland they currently used. When facing the choice of renting collectively owned land and then hiring villagers versus opening up wasteland and hiring migrant laborers, many companies eschewed the former for the complex relations it creates between companies, village authorities, and villagers.

*Form 7: Fully-proletarian Farm Worker*
The final form that appears to be emerging in China is similar to the previous type, except that the farm workers are landless laborers without major viable alternative livelihoods. The Beigui Coffee Company started off in the 1980s as a TVE under the prefecture Supply and Sales Cooperative (SSC, Gongxiao She) in Yunnan’s Simao prefecture, and reformed to a stock-holding company in 1998, with the SSC holding the majority stake, and workers each holding shares. Of the 10,000 mu base that the company controls, half is rented from farmers and half was previously classified wasteland that the company leased long-term (50 years) from the village collective. The operation involves 2,000 farmers, most of whom are stable farm workers who move their entire families from poor areas, primarily Zhaotong Municipality in northeastern Yunnan, one of China’s poorest regions. However, unlike the previous forms, the company encourages peasants to give up their land rights in their home villages and to obtain a local permanent resident permit, which, however, does not grant them any entitlement to collective land. These farm workers have no land rights either in Simao or in their home areas, although they do receive the right to participate in local elections in Simao. In a sense, these re-located migrant workers become second-class citizens in their adopted villages – they are members of the villages, have all the political rights, but do not have access to collectively-owned land. The proletarianized nature of this group of workers is clearly shown in the fact that most men in these migrant families have to sell their labor in other jobs as temporary workers, while the women do the actual farm work on the coffee plantation.

This arrangement makes the farm workers closely dependent on the company. Workers can earn income from three sources: first, for each mu of coffee trees under their cultivation, they earn a labor wage of RMB 15; second, as a bonus to give workers more incentive, the company also pays a weight-based purchasing fee for the coffee beans workers yield; and third, workers

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13 Mr. Chen, described above, is an exception, having worked for years for Beigui as a temporary worker.
can also earn a picking fee during peak harvesting season if they are hired to do picking for the company. Like Dahongpo, at Beigui, the company also takes total control over the production process. Given the larger size of Beigui (2000 workers in 600 households, compared to 600 workers in 168 households at Dahongpo), the company organizes their production in a three-tiered hierarchy: company – farms – teams. While team leaders are selected from farm workers, managerial staff at the farm level are full-time employees of the company. Overall, the company is supervised with more than 30 salaried staff, managing the production process in a top-down manner.

The company argues that the farmers as a result are far better off than they were. Given that these farmers are from one of China’s poorest areas, and that they do migrate to Baoshan voluntarily, that is likely to be true. The company estimates farm workers earn between RMB 20-30,000 per household, which is far higher than the net rural income of any county in Zhaotong prefecture. While these poor farm workers likely benefit financially to some degree and even emerge from poverty, in terms of political and social power, they are the weakest among the forms that we have highlighted here. Since land acts as a type of insurance policy on which poor farmers can often fall back as they migrate or take other risks in order to improve their livelihoods, the fact that Beigui asks farmers to switch their household registrations, in effect giving up their rights to land, makes them unusually dependent on the company and base. On the other hand, the company’s need to attract farmers to work on the base limits the extent to which they can exploit this dependence.

More interestingly, these migrant farm workers are relocated in villages such as Mr. Chen’s (the commercial farmer) Dakaihe Village. Therefore, in that same village, we find two classes of farmers live right next to each other, yet in contrasting conditions. Most of the relocated landless farm workers live at the center of the village in houses built by Beigui
company, with some living sparsely in the field – also in company built housing. Commercial farmers like the Chens, on the other hand, live in self-built houses on their own land, surround by coffee groves. Although these two groups of villagers do socialize with each other, a sense of distinction between the two is palpable through our conversations with both.

**Conclusion**

Rapid development of land, labor, and product markets in rural China has brought in fundamental changes in how these factors of production are controlled and used, how agricultural production is organized, and how various actors – individual, state and corporate – interplay with each other both within and without agricultural production. Well-developed markets for agricultural products allow some rural households to shift totally from subsistence staples to economic crops, base their livelihood entirely on commercial exchanges, and become commercial farmers. Labor and land markets, on the other hand, allow both entrepreneurial individuals and corporate actors to expand agricultural production beyond the traditional household-based smallholdings and enter into new employment and authority relations with other actors. As a result, various forms of the capitalistic mode of production are emerging in China’s agriculture, and together with it, the peasant class starts to dissolve along multiple pathways. In some rural areas in China – for example, Shouguang County in Shangdong province, which boasts the largest vegetable production base and vegetable trading market in the country, and Chenggong County in Yunnan, where agriculture has shifted entirely to commercial flower and vegetable production – a traditional peasant has become a rarity, as almost every agricultural producer is either a commercial farmer, entrepreneurial farmer, or a farm worker employed in agricultural companies.
Development of land, labor and product markets in rural China has been well documented (de Brauw et al. 2002; Rozelle, Huang, and Otsuka 2005; Zhang, Ma, and Xu 2004). This study, however, is the first attempt to analyze how such market developments change relations of production in Chinese agriculture and transform the peasant class. Distinctive characteristics of China’s rural markets create unique patterns of agrarian capitalism. The diversity of pathways identified in this study in China’s transition to agrarian capitalism demonstrates this well.

This research underscores how the collective ownership of rural land shapes the development of agrarian capitalism in China and protects agricultural producers – to various degrees – against the domination, exploitation and dispossession by outside capital. Nearly all of the companies that we interviewed expressed a desire to expand their production bases. This is not surprising since a base enhances their ability to control and stabilize production, as well as to manage farm workers, address the ‘middleman problem,’ and so forth. While China’s paradoxical lack of skilled and educated labor constrains to a certain extent the ability of companies to achieve this, the primary barrier to expanding bases is the lack of land – or, put in another way, the difficulty in wrestling control over collective land from rural households. In fact, many companies and entrepreneurs that have formed bases have to do so on previously unproductive land that they themselves have opened up. This represents a viable option for companies to obtain land. However, in China the availability of arable wild land is limited and continuously diminishing. Many companies cited this fact as the reason why they were unconcerned about competitors replicating their model in the short-term. For many companies however, the lack of undeveloped space severely constrains expansion. The only alternative is to use land that is currently being farmed by peasants and farmers. That the farmers have protected land use rights provides them nearly the only piece of political power over the companies. Thus,
it is not surprising that companies in Yunnan have ventured into Laos, Vietnam and Myanmar to acquire land and expand their production.

Given the extensive coverage of land grabs in China, we were surprised by how strong the norm of land rights was in China. We did encounter farmers that complained bitterly at the deal they received when their land was obtained for urbanization (we also encountered farmers who liked their deals and the consistent income and urban residence permit this entailed). We also met farmers whose farm land was taken for other development projects, such as an ‘art village’ near Yunnan’s Lijiang that remains completely undeveloped even several years after the farm land was obtained by the state. However, we encountered no cases where farmland was taken from farmers to form agricultural production bases. In fact, interviews with government officials, company managers, entrepreneurs, scholars as well as farmers themselves revealed the depth and strength of the norms and regulations protecting the rights of farmers to their land. Most informants were even shocked at the idea of trying to force the farmers to give up their land in order to allow production.

We believe China’s dual system of land rights – urban land state owned, rural land mostly collectively owned – is the main reason why we observe this contrast between rampant land grabs for urban development and strict limitation on land grabs for agricultural expansion. The dual system gives the state the power to expropriate collectively owned rural land – but only for non-agricultural uses and only when it fits “public interests”. This has thus provided a legal cover for much of the land grabs now take place across the country. However, no such legal channel exists for collectively owned farm land to be dispossessed from peasants/farmers and used for agricultural production.

To be sure, there were many cases of companies throwing around their political weight. For instance, village collectives can commit farmers and peasants to renting out their land to
bases, one pathway (Form 5) to the creation of semi-proletarian farm workers. One entrepreneur used his pull with local authorities to have forested land reclassified as wasteland, allowing him to purchase it from the village and create a privately owned and operated commercial orchard. Moreover, since his wife was from that village, they were able to sway the local election of the village collective, further facilitating the formation of the base on favorable terms. Despite the use of company power, however, in no case did we encounter land grabs in order to form production bases, despite the fact that this would solve the shortage of farmland, a major constraint for companies and entrepreneurs, who would doubtlessly benefit from it.

In many countries, the rise of agrarian capitalism has occurred in Grapes of Wrath type fashion in which land is consolidated at the expense of the farmer or tenant. The continuing respect for the institution of land use rights – despite well-publicized and very real land grabs (both legal and illegal) – has allowed the rise of agrarian capitalism in China to continue without the mass displacement of farmers and peasants. In fact, with some forms, this increasing scale has benefited farmers both in terms of economic returns and increasing power. For instance, in the form of commercial and entrepreneurial farmers, rural residents shift from peasants to farmers, becoming both the primary actor and the main beneficiary of the rise of agrarian capitalism. However, with even greater scale production and more efficient use of land, labor and capital – entrepreneurs and outside companies become more involved. While farmers still benefit from this economically, their political power tends to erode as their role shifts from farmer to worker.

After millennia of organized agricultural production, more than half a century after the Communist Revolution in China, with its official goal of permanent emancipation of the peasant, and decades after the establishment of household responsibility system era in China, the
phenomenon described here we believe represents the start of the dissolution of the Chinese peasantry.
References:


Table 1. Typology of forms of agrarian capitalism.

<table>
<thead>
<tr>
<th></th>
<th>Land</th>
<th>Labor</th>
<th>Capital</th>
<th>Harvest</th>
<th>Class relation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Subsistence peasants</td>
<td>Allocated family land</td>
<td>Family labor</td>
<td>Minimal, self-supplied</td>
<td>Support subsistence, may sell surplus</td>
<td>Excluded from market opportunities</td>
</tr>
<tr>
<td>2. Commercial farmers</td>
<td>Allocated family land</td>
<td>Family labor</td>
<td>Moderate, self-supplied</td>
<td>All for commercial exchange</td>
<td>Can be dominated by purchasers through unfair terms of trade</td>
</tr>
<tr>
<td>3. Entrepreneurial farmers</td>
<td>Acquire land through rental markets</td>
<td>Hired labor</td>
<td>Substantial, mainly self-supplied</td>
<td>All for commercial exchange</td>
<td>Dominating hired labor Not directly dominated by outside actors</td>
</tr>
<tr>
<td>4. Contract farmers</td>
<td>Allocated family land</td>
<td>Family labor</td>
<td>Minimal, supplied by companies</td>
<td>Sold to contracting companies</td>
<td>Dominated by the company, but retain some flexibility</td>
</tr>
<tr>
<td>5. Semi-proletarian with Chinese characteristics</td>
<td>Work on collective land rented to companies</td>
<td>Family labor hired by companies</td>
<td>Minimal, supplied by companies</td>
<td>Belongs to the company</td>
<td>Dominated by the company, but enjoy a degree of entitlement</td>
</tr>
<tr>
<td>6. Semi-proletarian farm workers</td>
<td>Work on company land, but have allocated land at home</td>
<td>Family labor hired by companies</td>
<td>Minimal, supplied by companies</td>
<td>Belongs to the company</td>
<td>Dominated by the company, but have family land as fall-back option</td>
</tr>
<tr>
<td>7. Proletarian farm workers</td>
<td>Landless, work on company land</td>
<td>Family labor hired by companies</td>
<td>Minimal, supplied by companies</td>
<td>Belongs to the company</td>
<td>Complete domination by the company</td>
</tr>
</tbody>
</table>