Agrarian Capitalization without Capitalism?: Capitalist Dynamics from Above and Below in China

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Abstract:

Cooperatives, family farms, and dragon-head enterprises are emerging as new subjects of agriculture in China and are being promoted by the Chinese government as engines of agricultural development. The current dynamics of increasing capitalization of agriculture in China has been characterized by scholar Philip Huang as ‘capitalization without proletarianization’. Through case studies, we examine the dynamics of accumulation in Chinese agriculture, as well as the government’s agriculture policy shift. We argue that capitalist dynamics exist in Chinese agricultural production and they come from above and below. We also argue that Chinese government’s policy shift toward de-peasantization began in the early years of the rural reform.

Keywords: capital accumulation, agrarian capitalism, agrarian populism, Chayanov, China

INTRODUCTION: CONTEXT AND DEBATES

Thirty some years of market reform has significantly transformed China’s agrarian society and agricultural production. The official political discourse in China disavows Chinese capitalism in general. The Chinese government avows upholding socialism and making markets play ‘a decisive role’ at the same breath (China Daily 2013). It is reported that the private sector already employs 85 per cent of the national labour force, owns 60 per cent of the enterprise capital (Lu 2013) and produced more than 60 per cent GDP in 2013 (XinhuaWang 2014). Reform is underway to open the remaining public sector for private investors. With regard to agricultural sector, the latest national policy asserts ‘socialist market economy’, but strengthens a market-determined pricing system and promotes new subjects (agents) of agriculture that include agribusiness, cooperatives and family farms. As will be shown below, the ‘family farm’, referred to as a new subject of agriculture in the national policy, specializes in relatively scaled-up commercial farming and is thus markedly different from the conventional rural households in China that draws on mixed sources of income.

Intellectual and policy discourses largely share an assumption of rural China having mainly a ‘small peasant economy’ and the debate is focused on its necessity, efficiency, and viability. Those who advocate scaling up of agriculture and capital-intensive agriculture are found in government, the Party, and among academics. James Guanzhong Wen published his advocacy for commercial tenant farming and land privatization as early as 1988. Xu Yong and others called for ‘capital going to the countryside’ and for ‘capitalized agriculture’ in 2002. Chinese central government’s 2013 policy document named the new agents of agriculture as ‘specialized big households’ (big households for short), cooperatives, family farmers, and dragon-head enterprises.1 To qualify for policy support, these scaled-up producers need to meet locally designated minimum scales of production or go through a

1 ‘Specialized’ here refers to commodity specialization. How to differentiate between big households and family farms is not clear. In some places, local governments have yet to come up with their own local criteria for family farms or specialized big households. Colloquially, people call local big producers ‘big households.’
formal registration. They are expected to replace or displace small scale farming that often contributes to simple reproduction. This arguably signals a policy shift towards de-peasantization. The 2013 policy document also encouraged urban industrial and commercial capital to go to the countryside and invest in agriculture, giving a policy nod to the decade-long practice and advocacy of ‘capital going to the countryside’ to establish ‘capitalized agriculture.’

Pro-peasant positions argue for the merits and necessity of peasant family farming. They argue that peasant economy can outcompete agribusiness in farming, because the peculiar nature of farming lends itself best to family management (He 2013, 12; Chen 2012). Peasant farming is also more ecologically friendly (Wen, Dong and Shi 2010). Pro-peasant positions also argue that peasant economy is not only socially necessary, but is also advantageous for China’s overall development. Nevertheless, they differ in whether the status quo of peasant economy is viable or not. For example, He Xuefeng argues that by combining income from farming and migrant wage labour, peasant economy is not only good for the interests of peasants, but is also the key to maintaining the competitiveness of ‘Made in China’ (He 2013, III). He estimates that in the next thirty years there will still be 600-800 million Chinese – presumably this includes rural migrant labourers--relying on farming as a condition of their reproduction and therefore small-scale farming has its place in the near future. Moreover, the mixed household economy has made rural labour migrants flexible labourers for ‘Made in China’ and will continue to be the necessary condition for its upgrading. In contrast, Wen Tiejun, a radical critic of modernization, including agricultural modernization, argues that the absorption of rural labour by industry is not a blessing but an obstacle to the restoration of small-scale ecological farming (Wen, Dong and Shi 2010).

Pro-peasant advocates are critical of agribusiness involvement in agriculture, although their levels of tolerance of agribusiness may differ. Chen Xiwen argues for a balanced division of labour between agribusiness and peasants, with the former operating in activities that rural households individually cannot deal with (Chen 2012). He Xuefeng is opposed to ‘capital going to the countryside’ and argues that farming should be left to rural households. According to He’s estimates, the majority of rural households draw income from wage labour and farming to maintain simple reproduction, but 10-20 per cent of rural household can achieve some level of prosperity via renting in additional land on a modest scale. Referring to these 10-20 per cent as ‘middle peasants’, He argues that they still share the same interests and aspirations with most rural households and should be seen as part of ‘small peasants’ (He 2013, IV). He warns that when capital goes to the countryside, it will create negative outcomes for both capital and peasants. Not only will it be hard for capital to make profit, it will also be more difficult for peasants to subsist from farming (He 2013, X).

If pro-peasant intellectuals have a stance against capital from outside or above, they take little issue with or even encourage capital accumulation from within the countryside, i.e. from below. Tong Zhihui shares He Xuefeng’s worry that as profit-seeking urban capital enters agriculture, it marginalizes rural households bargaining power and weakens their ability to benefit from farming. He argues that agricultural development should rely on capital owned by rural households (nonghu ziyou ziben) (Tong quoted in Li 2013). Philip Huang and Gao Yuan make a similar argument. Defining capitalization of agriculture as increase in capital inputs per unit of labour, they argue –based on national survey data--that Chinese agriculture is going through a process of capitalization with the principal contribution to capitalization from peasant investment in improved and/or increased agricultural inputs –chemicals, machinery, etc.— from migrant labour income. Huang and Gao suggest that this ‘blood and
sweat capital’ is different from conventional capital (Huang and Gao 2013, 56). They thus share Tong’s advice that future agriculture development should favor peasant initiative, which may be called ‘capitalization from below.’

What is suggested by Tong and Huang may be termed a populist notion of capital. If urban-industrial capital is the capital of capitalism, they suggest that rural households’ capital has the distinction of being locally-owned (even though remittances are sent from the city) and of the grassroots. This sentiment is not unlike the predilection for local business, which emerged in the anti-globalization movement. The problem is that this populist notion of capital does not differentiate between the fund for simple reproduction and that for expanded reproduction and therefore makes differentiation among rural producers invisible. In their calculations of the capital of rural producers, Huang and Gao treat all expenditure on production as a homogenous entity which they term ‘capital’. Thus regardless of whether farmers engage in expanded production or not, the fund used to cover ‘material and service inputs’—fertilizer, seeds and machinery, etc.—is deemed as ‘operating capital’ (51). With the marketization of agricultural inputs, the rise of the cost of production is beyond the control of producers. Croll and Huang (1997, 145) suggested that in the 1990s the rising costs of agricultural production propelled rural-to-urban migration and were met by the income it generated. But in Huang and Gao (2013), all farmers are considered to have operating capital, engaging in capitalization of agriculture and by implication are capital owners. When producers are seen in this way as an aggregate and their production expenditure as capital, class differentiation among them becomes rather invisible as do the dynamics of capital accumulation by some. Following this approach, Huang and Gao conclude that rural households are a more important engine for agriculture capitalization than the state or private firms.

Huang and Gao’s populist notion of capital or capitalization is reinforced by another study titled ‘capitalization without proletarianization’ (Huang, Gao and Peng 2012). Here the authors argue that contrary to the theory of classical Marxism that predicts proletarianization as a necessary consequence of capitalist agriculture, China’s agrarian capitalization has taken place while the level of proletarianization—measured by the total hired labour time (days) against the total labour time of all producers surveyed—has remained insignificant, at 3-5 per cent of labour expended in farming according to their calculation. The authors thus propose an alternative view of the future of Chinese agriculture as neither capitalism nor socialism, but Chayanovian (140). Huang et al (2012) is a substantial contribution to the discussion of agrarian change in China, as it gives explicit expression to the thesis of the stability of peasant economy and provides a well-laid out argument for it. In sum, they argue that China has a stable peasant economy, in which rural households engage in capitalization without significant proletarianization. This thesis can be more directly stated as capitalization without capitalism.

Huang et al (2012) invoke the debate between Lenin and Chayanov in their assessment of Russian agrarian dynamics and argue that the prospect of Chinese agriculture is ‘mainly based on the peasant family and not on capitalist farming, and its ideal direction of development should be toward neither capitalism nor socialism, but something different, along the lines of marketized cooperatives, in the manner originally envisioned by Chayanov’ (140). Not as uniformed as Huang et al have assumed, early Marxists actually had different views about Russia’s agrarian transformation. Marx in 1877 explicitly disagreed with the linear view held by liberal economists and argued that Russia at the time might have ‘the
finest opportunity that history has ever offered to a people’ to bypass capitalism, with the
commune ‘developing her own historical gifts.’

But Marx also warned that ‘If Russia continues to proceed along the path followed up to 1861, she will …only succumb to all the
vicissitudes of the capitalist regime.’ Marx reiterated this view in 1881.

On the contrary, Engels in 1857 and 1892 predicted a capitalist Russia (Xiang 1999, 67-68). On the question
of large-scale wage-labour based capitalist farms, Kautsky did not assume its universal
tendency everywhere. Lenin himself did not have a linear framework for agrarian capitalist
transformation, as evidenced by his theorization of the Prussian path and the American path
and his well-versed caution that ‘Infinitely diverse combinations of the elements of capitalist
evolution are possible’ (quoted in Bernstein 2009, 59).

As Huang et al. bring in Lenin-Chayanov debate, then the more substantive question we
would like to engage is what light this debate can shed on understanding China’s agrarian
transformation. The kernel of the Lenin-Chayanov debate is how to interpret rural inequality
and whether inequality is associated with transition to agrarian capitalism. Lenin proposed
the social causes why rural producers differentiate into three class categories—poor, middle
and rich peasants— in a tendency to polarization. He interpreted inequality as a reflection of
class dynamics (1899a). Chayanov proposed a demographic cause for apparent inequality
between households in terms of their location in the demographic cycle and its labour-
consumer ratio, determining its expansion or contraction of production (Thorner, Kerblay and
Smith 1986). Thus for Chayanov what appears as inequality is only temporary and has no
cumulative tendency. Chayanov’s theorization of peasant economy assumed that the peasant
family farm is a unit of production and consumption and labour is only sourced from the
family. He also assumed that peasant household production, as a form of family economy, is
oriented towards needs and engages in simple reproduction, hence is essentially different
from a capitalist enterprise oriented towards profit and accumulation.

Our interest in this paper is to provide another perspective on agrarian change in China,
particularly the dynamics of capital accumulation. We do so by drawing on earlier analysis
of agrarian transformation. Lenin discerned two paths of capitalist agrarian transformation:
the Prussian path and the American Path (1907). In the Prussian path, the feudal landlord
economy slowly and gradually evolved through ‘an internal metamorphosis’ into capitalist
Junker landlord economy (Lenin 1899b). This was a prolonged process because ‘medieval
relations in landholding were not liquidated in one stroke, but are gradually adapted to

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2 The full statement: ‘In the postscript to the second German edition of Capital, I speak of a ‘great Russian savant and critic’
with the high consideration which he deserves. In a number of remarkable articles, he dealt with the question: must Russia
begin by destroying, as the liberal economists would have it, the rural commune in order to pass over to the capitalist regime,
or on the contrary, can she, without experiencing the tortures of this regime, appropriate to herself all its fruits while
developing her own historical gifts. He pronounces himself in the spirit of the latter solution. And my honorable critic would
have had at least as much right to infer from the consideration for this ‘great Russian’ that I shared his views on this
question. I arrived at this result: If Russia continues to proceed along the path followed up to 1861, she will lose the finest
opportunity that history has ever offered to a people, only to succumb to all the vicissitudes of the capitalist regime.’ (‘A
letter on Russia by Karl Marx,’ http://www.marxists.org/history/etol/newspape/ni/vol01/no04/marx.htm) (Xiang 1999). See
also Shanin’s Late Marx and the Russian Road (1983).

3 This view was expressed in a letter written in 1881 and published in 1886 (1888 in Russia). In this letter, Marx stated, ‘The
analysis in Capital therefore provides no reasons either for or against the vitality of the Russian commune. But the special
study I have made of it, including a search for original source material, has convinced me that the commune is the fulcrum
for social regeneration in Russia. But in order that it might function as such, the harmful influences assailing it on all sides
must first be eliminated, and it must then be assured the normal conditions for spontaneous development.’
http://www.marxists.org/archive/marx/worksonline/1881/zasulich/reply.htm

4 For the best detailed review of this debate, see Bernstein (2009).

investigates different paths of agrarian market integration.

6 See ‘Two Types of Bourgeois Agrarian Revolution’ in Lenin (1972).
capitalism, which because of this for a long time retains semi-feudal features’ (Lenin 1899b). Terence J. Byres explains that the Prussian path is ‘capitalism from above’ for two reasons: the capitalist class evolved from a feudal landlord class, and that class played a controlling and decisive role in processes of capitalist transformation. This type of transformation prevented a capitalist agriculture evolving ‘from below’ through peasant differentiation as happened in the USA (1996, 27-28, 30; Lenin 1907;). Lenin saw both tendencies in Russia, even though one or the other type might dominate in her agricultural centers or borderlands. Thus he took issue with the populist Narodnik economists who ‘believed that landlord farming was the only source of agrarian capitalism, while they regarded peasant farming from the point of view of ‘people’s production’ and the ‘labour principle’’ (1907).

With regard to agrarian transformation in China today, we argue that capitalist dynamics exist both from below and from above. With the radical land reform in the 1940s and early 1950s completely eradicating the landlord class, the post-Mao de-collectivization in the late 1970s created vast number of petty commodity producers. Petty commodity production is the seedbed for the dynamics for agrarian capitalism from below, as rural producers undergo differentiation. This differentiation is both encouraged and checked by the Chinese state. The check comes from the policy that still maintains a nominal village ownership of farmland and thus has so far prevented an outright commodification and privatization of farmland. At the same time, government policies have enthusiastically promoted market-oriented agents, scaling up of farming and transfer and concentration of land use right in the hands of commercial farmers (called specialized farmers in the 1980s). Within this general context, we call local initiatives for capital accumulation that have been enabled by commodity relations ‘capitalist dynamics from below.’ Capitalist dynamics from below can be exemplified by the early appearance of specialized ‘big producers’, who expanded the scale of production by tenant farming and became commercial farmers (Wen 1988). While the check on private property rights in land has played some stabilizing role, we show that rural households are clearly experiencing significant differentiation, owing both to the functioning of the market and to the role of the state in nurturing ‘big producers.’

Even without a landlord class in contemporary China, we argue that there is still capitalist dynamics from above, involving urban industrial or commercial capital engaging in restructuring farming and modernizing agriculture, which has given rise to the expression ‘capital going to the countryside’. This is so because the current agrarian transformation in China is under historical conditions radically different from those of Russia, Prussia or the U.S. analyzed by Lenin and Byres. The agrarian transformations then in those countries provided varied conditions for capitalist industrialization. The ‘classic’ agrarian question, centered on the transition to capitalism, is what Henry Bernstein calls ‘the agrarian question of capital’ (2006, 450). The contemporary agrarian transformation in China is different from the ‘classic’ situation in that it takes place in a context in which China already has a surfeit of capital. That is an enabling condition for ‘capital going to the countryside’ and a source of capitalism from above. The role of the state has been important not only in creating conditions that have encouraged capitalism from below, but also in facilitating capitalism

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7 Byres’s remarkable work shows that the American path is in fact not a single path of ‘capitalism from below’, but contains different paths: ‘backward capitalism from above’ in the South (from slavery to sharecropping to wage labour) and petty commodity production from below in the North and West (1996, 418). Byres also produced ground breaking articles, comparing agrarian transformation in England, Prussia, France, United States, Japan, and Taiwan/South Korea (1991; 2009).

8 In 1984 Chen Boda, a former member of the Central Cultural Revolution Group, criticized the policy of favouring commercial farmers. His critique angered the then Central Party Secretary Hu Yaobang. See Wang and Wang (2014).

9 According to Wen Tiejun, Chinese economist Lin Yifu, formerly chief economist of the World Bank, pointed out the problem of surplus capital in the late 1990s (Wen 2006).
from above. Not unlike Russia’s Narodnik economists, pro-peasant scholars in China today are critical of ‘capital going to the countryside’ as the source of agrarian capitalism while remaining reticent about or supportive of capitalism from below.

In this paper, we first engage with Huang et al.’s characterization of agrarian development in China, by examining some problems in how it uses macro data to calculate the incidence and trends of wage labour employment in farming. Because the macro data are not sufficient to capture dynamics on the ground, we then provide in-depth discussion of three cases to illustrate capitalist dynamics from above, from below and from above and below. One case is the growth of a cotton research association in Hebei, which started out as several families’ initiative in the 1980s and is now a big enterprise with huge holdings. The trajectory of its growth is a case of initially local rural capital accumulation that has gone urban and national. The second case involves rice production in a central part of China. This is a reverse case, capital going to the countryside. In this case, we also examine how local dynamics of differentiation evolve when capital comes to the countryside. The third case is in a northern part of China, involving a cooperative that combines initiatives of accumulation from below and above. Our discussion of this cooperative is situated in the overall local context of cooperatives. The three cases each exhibit a specific dynamic of capital accumulation. The relationship between capital and labour and between capital and family farming are examined in the course of the three cases.

NEW SUBJECTS/AGENTS OF AGRICULTURE: CAPITALIST DYNAMICS FROM BELOW AND ABOVE

Agriculture was 10 per cent of China’s GDP in 2013 and provided 33.6 per cent of total employment in 2012 (CASS & Guojia tongjiju 2014, 2). Farming is highly market-oriented. The commodity rate –referring to proportion of a given product sold on the market--for grains has grown from about 50 per cent to 85 per cent over the past decade while that for vegetables, cotton, and fruits (e.g. apple) has approached 100 per cent (Figure 1). Rural population is 629 million or 46 per cent of the national population and rural employment 50.3 per cent of the national total (CASS & Guojia tongjiju 2014, 2, 54). Rural migrant labourers now reach 269 million, 35 per cent of total employment (Guojia tongjiju 2014). In 2013 rural per capita net income was 8896 yuan or 33 per cent of urban per capita income. Within rural per capita income, the wage component accounts for 45 per cent of the sum—compared with 35 per cent in 2004 --and surpasses for the first time the portion (43 per cent) from family-based economic activities (Caixin 2014; Wan 2014). Wages contributed most to overall income growth in rural per capita income, while farming has not contributed to income growth (CASS & Guojia tongjiju 2014, 17).

Rural differentiation is significant. The data from the National Bureau of Statistics indicate that rural income (not wealth) disparity is larger than urban income disparity. In rural China, per capita net income for the highest 20 per cent is 8.2 times that of the lowest 20 per cent in 2012, an increase of 1.8 times of the disparity in 1990. Of the urban population the highest 20 per cent earns five times the lowest 20 per cent in 2012 (Guojia tongjiju 2013, 382-383, 402). As shown in Table 1, for the decades of 1991-2001 and 2001-2011, the higher income

10 Of the total migrant labourers, those who work outside their township are 166 million and those who work inside their own township, but on off-farm jobs are 103 million or 26.5 per cent of rural employment (total rural employment being 387million). http://www.stats.gov.cn/tjsj/zxfb/201401/z20140120_502082.html.
11 For comparison, in 1990, 1995, 2000, and 2005, the highest 20 per cent in rural China earned 4.7, 6.5, and 7.3 times the lowest 20 per cent (Tang 2006, 71).
groups in rural China have gained faster income growth, with the income of the top 10 per cent growing twice as fast as the bottom 10 per cent in the 2000s. In absolute terms, the incomes of the top 10 per cent increased by more than forty times the increase in the incomes of the bottom 10 per cent during the 2000s (Bowles et al. 2014).

Figure 1. Commodity Rate of Major Agricultural Products


Table 1. Per Capita Income by Decile in 1991, 2000, and 2011 in Rural China

<table>
<thead>
<tr>
<th>Decile</th>
<th>Income per capita</th>
<th>Annual rate of growth (%)</th>
<th>Annual rate of growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>686</td>
<td>908</td>
<td>1,860</td>
</tr>
<tr>
<td>2</td>
<td>1,027</td>
<td>1,465</td>
<td>3,452</td>
</tr>
<tr>
<td>3</td>
<td>1,334</td>
<td>2,022</td>
<td>5,226</td>
</tr>
<tr>
<td>4</td>
<td>1,629</td>
<td>2,699</td>
<td>6,840</td>
</tr>
<tr>
<td>5</td>
<td>1,993</td>
<td>3,378</td>
<td>8,602</td>
</tr>
<tr>
<td>6</td>
<td>2,335</td>
<td>4,199</td>
<td>10,736</td>
</tr>
<tr>
<td>7</td>
<td>2,861</td>
<td>5,192</td>
<td>13,619</td>
</tr>
<tr>
<td>8</td>
<td>3,557</td>
<td>6,544</td>
<td>17,021</td>
</tr>
<tr>
<td>9</td>
<td>4,617</td>
<td>8,875</td>
<td>24,034</td>
</tr>
<tr>
<td>10</td>
<td>10,736</td>
<td>19,069</td>
<td>58,593</td>
</tr>
<tr>
<td>No. of households</td>
<td>1,851</td>
<td>2,186</td>
<td>2,669</td>
</tr>
</tbody>
</table>
Note: Income per capita is measured in 2011 constant price. Income here includes the sum of labour earnings, assets income, various subsidies, and gifts and remittances of relatives and friends. (Data Source: Bowles, Chang and Dong 2014).

Figure 2: Decomposition of Gini Coefficient by Sources of Earnings in Rural China

Note: The calculation is based on earnings per worker in 2011 constant prices. (Data Source: Bowles, Chang and Dong 2014).

As per capita rural income comes mainly from both migrant labour and farming, does farming play a role or is rural income differentiation mainly attributable to migrant labour income? Furthermore, if farming plays a role in rural differentiation, is it due to demographic factors as argued by Chayanov? Huang and Gao acknowledge that average rural households in China are already semi-proletarian (2013, 63), since wage income has long become an indispensable component of reproduction for most rural households. However, they assert that among economic activities, farming is still Chayanovian family economy, as they calculated the rate of rural proletarianization to be about 3 per cent. This assertion is then about homogeneity among farming households and its persistence. However, national data on rural income for the periods of the 1990s and 2000s indicate that there has been a growing income gap between rural households that mainly engage in farming activities.

12 These authors draw data from the China Health and Nutrition Survey (CHNS), which covers nine provinces.
13 Comparing the Gini-Coefficient calculated from the CHNS data and that provided by the National Statics Bureau (NSB), Yang Naman found that they shared a similar trend (2013, 124, figure 2). The difference is that Gini-Coefficient based on the CHNS data had been consistently above 0.4 for the years of 1989-2011 and was higher than NSB’s Gini-Coefficient before 1997, but lower after 1997. It should be noted that based on the CHNS data, Yang Naman (2013) and Bowles, Chang and Dong (2014) nevertheless provide somewhat different calculations of Gini-Coefficient of the rural income.
14 Tang (2006, 74) uses data from National Statistical Bureau’s rural household sample survey (1995-2005) and finds that during this period, wage income initially contributed to income inequality among both farming households and (other) migrant labour households, but later played an equalizing role. However, farming was a strengthening factor in inequality. Based on the data from CHNS (1989-2011), Yang Naman argues that farm income inequality was the biggest factor in the overall rural income inequality for the years of 1989-1991 when wage incomes were less significant. In 1991-2000, wage incomes eclipsed farm income to be the most important factor in inequality. However, in the period of 2000-2011, farm income became a growing factor in the overall rural inequality (2013, 125). Bowles, Chang and Dong (2014) also use the
Bowles and his co-authors’ (2014) analysis shows that Gini Co-efficient within farm income is more unequal in the 2000’s than in the 1990s (Figure 2). It seems far-fetched to argue that this trend of inequality can be explained solely by demographic factors.

In recent years, average rural per capita income from farming has remained stagnant. Scholars in Chinese Academy of Social Sciences explain that the stagnation of farming income is due to two factors: one, the slowing down of increases in grain prices and grain output; two, with more land transfer from small producers to bigger producers, small producers see their income from farming shrinking. According to the Ministry of Agriculture, in 2013 the country saw 26 per cent of total family farmland-- three times the amount of 2008--transferred to those who are expanding farm production (Takungpao 2014). In 2013, about 30 per cent of land transfer went from households to cooperatives and enterprises while 62 per cent were from some households to others (Wan 2014). While the overall employment of wage labour in China’s agriculture remains low when compared to other countries, the trend is obvious that land concentration is increasing. This then means that under the appearance of stagnant average per capita farming income, some have experienced declining and others rising incomes from farming. Demographic factors, assumed by Chayanov, cannot explain the rapid acceleration in land transfer as above and the growing income gap among farming households.

Rural differentiation takes place in the context of growing commodification of subsistence since the rural reform in 1978-1982. The rural reform disbanded the communes and created a separation between ownership right, which remained with the village collective, and use right, which was divided and contracted to rural households. Although farm land cannot be bought or sold, land use experienced commodification in some rural areas soon after de-collectivization. Now the commodification of farm land use right is not only common, but land rent is also increasingly market-based. Of the total land in cultivation, land transfer accounted for 0.44 per cent in 1990, 2.6 per cent in 1996, 9 per cent in 2000, and 17.1 per cent in 2008 (Gao and Huang 2011, 9; Gao 2014, 52). By 2013, land transferred amounted to 340 million mu or 26 per cent of the total area farmed (Renmin wang 2014). A recent finding, released by Henan Provincial Statistical Bureau, shows that among 600 rural households surveyed in this second largest agricultural province, 63 per cent have engaged in land transfer, committing 1993 mu or 51 per cent of the total farmland. Among these households, 70 per cent have transferred their land to “big producers”, including grain-producing big households, cooperatives, family farms, and enterprises. Two-thirds of the households have rented out their land for five or more years, of which more than one-third have let land for more than 10 years (Zhongyuan xinwen zhongxin 2014).

Land privatization was proposed and debated already in 1988 (Liang 1988). Land capitalization, initially proposed in 1993 (Huang, et al 1993), has become a more mainstream topic in recent years (Yang 2011). While the existing collective ownership can still offer

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CHNS data (1991-2011), but argue that while wage incomes have a positive correlation with the overall income inequality, income from farming has a negative correlation.

16 Yang has the same finding (2013, 125).
17 These researchers also point out that in the government’s statistical practice, the gain in land rent is accounted as property income. However, in 2013, rural per capita income from land rental is merely 61 yuan, even though it represents an increase of 30.8 per cent over that of 2012.
18 Using comparative six-province random sampling data from 2000 and 2008, Gao Liangliang (2014) shows regional unevenness in land circulation. More prosperous areas have greater land circulation. While tenancy lasted no more than one year in 2000, in 2008 there was significant lengthening of tenancy to five years and between five to ten years. There is also an obvious increase in rent payments in cash.

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some protection for rural households in contract farming (Zhang 2012), it can be observed that the collective ownership of farmland has been rendered increasingly hollow while political-economic forces—including the central government, media, liberal economists and enterprises and tenant farmers—speak for the interest of big producers, call for strengthening the private holding of land use right, and encourage land concentration in the hands of bigger producers (Hu 2012; Yan et al. 2014; Xia 2014).

Except for the absence of outright private property rights in farmland, conditions for farming today are almost completely commodified and marketized. Agriculture inputs and outputs are bought and sold as commodities (Yan, Hu, et al. 2014). Nascent agriculture labour employment appeared as early as the mid-1980s in some parts of China, just a few years after disbanding of the rural communes. While family labour is still common in farming, inter-household mutual help has greatly diminished, and labour or service hiring has become more common among those who need it (Zhang Forthcoming).

The emergence of what the official discourse calls ‘new subjects of agriculture’ suggests intensifying dynamics of class differentiation, rather than biological or demographic dynamics, as a result of capitalist dynamics from below and above. As the cases below illustrate, the creation of new subjects of farming have often involved both dynamics, although the weight and combination of dynamics from below and above vary in different cases. Rural cooperatives perhaps can most clearly demonstrate combinations of the dynamics from below and above.

**Dragon-Head Enterprises: Capitalist Dynamics from Above**

The central government’s 2013 policy document named specialized big households, family farms, cooperatives and dragon-head enterprises as new ‘subjects’ of agriculture. Beginning in the late 1990s, ‘dragon-head’ enterprises were supported by the government for their leading role in government-promoted contract farming (MOA 2000; Zheng and Song 2008). Between 2000 and 2005, government ministries identified more than 580 enterprises as ‘key enterprises’ and provincial governments identified more than 2000 key enterprises (Yu 2008, 1-2). It was estimated that the central government provided 11.9 billion yuan in subsidies to those recognized by ministries (Huang 2010). So-called dragon head enterprises include agribusiness firms that are expected to play a leading role in vertical integration of agricultural commodity chains. Since 2004, when the central government resumed making rural issues the topic of its first policy document for the year, the role of dragon-head enterprises has been stressed almost every year.

Embodying capitalist dynamics from above, dragon-head enterprises have a growing share of land circulation in the last few years. In 2012, such enterprises had 28 million mu or 10.3 per cent of the total land exchanged, growing 34 per cent between 2011 and 2012, 115 per cent between 2009 and 2012 and 40 per cent between 2012 and 2013 (Wan 2014, Renmin wang 2014). By 2013, there were 120,000 dragon-head enterprises linked with 40 per cent of China’s rural households (CASS & Guojia tongji ju 2014, 241). A variety of forms of integration have been noted: one, through government-enacted land appropriation, peasant farmers become urban citizens and wage labourers working for an agribusiness that now operates on the same land; two, rural households turn their farmland into shares of an enterprise that operates on their land and gain dividends as their income; three, an agribusiness rents land from rural households and employs peasant farmers as their wage
labourers; fourth, rural households form a cooperative which is linked with an enterprise. (Tong Zhihui quoted in Li 2013)

How company Ace made its inroad into rural Pingwan in Hunan Province illustrates how capitalist dynamics from above works on the ground, facilitated by the local government. County Pingwan of Hunan province (central China) has long produced rice as its main crop. In recent years, with the growing cost of inputs, most rural households have switched from two crops to one crop a year. Compared with single cropping whose average yield is 550 to 600 kilograms per mu, double-cropping produces an annual output of 850-900 kg, but requires twice the amount of inputs. This plus precarious access to irrigation has made rural households reluctant to grow two crops a year.

The county government, however, has its own reason for encouraging double cropping. Double cropping increases the total annual output, sown area and supply of grain. These are important criteria in county struggles to earn recognition by higher authority as ‘a major grain production county’ which enhance the county’s chance in obtaining funding for agricultural projects. Since the 1990s, some local governments with fiscal shortfalls—as much as 50 per cent-- have become increasingly reliant on project funds to maintain their fiscal balance (Zhou 2006; Li 2006; Zhe and Chen 2011; Zhou 2012). Moreover, local governments also need to demonstrate their double-cropping efforts to inspections by more senior officials from time to time. For the convenience of inspection, such kinds of ‘demonstration areas’ are often constructed along the main roads in the county. But the county government in Pingwan had failed in several attempts to get households to double plant rice crops in demonstration areas.

In this context, the county government turned to encourage ‘big households’ and agribusiness to contract land in designated demonstration areas to double-crop rice. Ace, a dragon-head enterprise specializing in agricultural inputs manufacturing/marketing, arrived on the scene in 2009. It initially rented 2000 mu in this county and by 2013 the company had expanded its land to about 30,000 mu, most of which is rented from local rural households on a five-year contract. The local government plays a critical role in facilitating the company’s land acquisition. State policy also helps by allowing for low-interest loans. After some trial and error, Ace decided to delegate the farming of 30,000 mu to 38 local households, each of which contracts 100-500 mu of land from the company. These tenant households are required to not only pay the company land rent and for ‘agricultural inputs package’ -- including rice seeds, pesticides, fertilizers, and machine seedling transplanting, machine ploughing and machine harvesting—but also sell their output to the company. Ace, having freed itself from direct rice cultivation, manages to make profits from its activities ‘upstream’ – the sales of agricultural inputs - and ‘downstream’ of farming – processing and marketing.
of output. It makes a total net profit of 200 yuan per mu.\textsuperscript{23} By controlling access to land, Company Ace is able to exert greater dominance and disciplinary power over its tenant households that is usually found in conventional contract farming in China.

Before Ace’s arrival, rural Pingwan was already stratified. Most farmers are small, combining cultivating their own land with working as short-term hired labourers during slack seasons. The middle farmers, about 10 to 20 per cent in Pingwan, cultivate not only their own land, but also the land of their friends or relatives, who are rural-to-urban migrants and offer their land for rents below the market rate or free of rent.\textsuperscript{24} Beyond subsistence, the middle farmers can accumulate. Ace’s tenants are mostly drawn from local middle farmers. The big households, more market-oriented and profit-driven, tend to pay land rent at the market rate to guarantee their access to land for expanded production. With the Chinese central government encouraging new subjects of agriculture (Xinhuawang 2008), the number of big households has seen a significant increase in recent years.

The presence of Ace in rural Pingwan propels rural differentiation, especially among middle farmers. The growing presence of big households, agribusiness and even rural cooperatives intensifies competition for land among them, and between these actors and middle farmers and further pushes the marketization of rental land. The expansion of the land market draws in land formerly circulated via informal social network. Thus the presence of Ace has made it harder for local middle farmers to find land via such network. Small farmers are even more hindered from becoming middle farmers for the same reason. Only a small handful of middle farmers could successfully transform themselves into big households through ‘collaborating’ with the agribusiness.\textsuperscript{25} Those highly motivated to expand their land size, but with limited access to available land and funds, found a shortcut to expand by contracting land from Ace. Ace also temporarily relieved its tenant households from immediate financial pressure by allowing them to pay for inputs after harvesting.\textsuperscript{26}

Before the arrival of Ace in 2009 in his village, Liu Juncai (born in 1960), a middle farmer, used to cultivate some 10 mu of land and rely on his family labour. Beginning from 2011, Liu has contracted 110 mu of land from company Ace\textsuperscript{27} and begun to use wage labour, even though his family still does farm work. In 2012 Liu’s net income was 417 RMB per mu and 45,870 RMB in total. Considering that Liu’s family labour input was 2 to 2.5 working days per mu, his family labour earned 160 to 210 RMB per day, which was largely the same as the daily payment of a skilled worker in the county. It means that in 2012 Liu’s family hardly made any profits from rice planting. However, Liu has one large rice harvester (bought in 2010) and two small ploughing machines (bought in 1985 and 2010 respectively), which cost more than 100,000 RMB in total. Besides ploughing and harvesting the 110 mu contracted from Ace, Liu also rents out his machines and his service to make money. His net income from his machinery rental services work totalled 88,900 RMB in 2012, much more than that from rice cultivation. Other tenant households which own large machines share the same

\textsuperscript{23} Tenant households sell paddy to the company usually in peak season when the paddy price is at its annual the lowest. The company stores the harvest in its large warehouses and sells it the following spring when the rice prices are highest.

\textsuperscript{24} See (He 2011; Yang 2011, 2012; Lin 2012; Chen 2012) for their writing on middle farmers.

\textsuperscript{25} This small handful of middle farmers either have sufficient man power, or have large-sized agricultural machinery. Their machine rental services contribute to their capital accumulation. Sometimes, they may just be luckier than others. For example, with luck they avoid a bad weather by having an earlier harvest.

\textsuperscript{26} As a matter of fact, the land rental fee, agricultural inputs, as well as payment for agricultural machinery operators are advanced by company Ace.

\textsuperscript{27} Liu started to work with company Ace since 2009. But since the ‘company + contracted tenant households’ strategy had not evolved then, he did not contract land from the company until 2011.
situation. However, competition has emerged as more people have purchased agricultural machines in the past few years.

Ace’s tenant households think Ace has taken too big a cut from the pie, leaving them with a thin return. After a three-year tenancy with Ace, Liu Juncai planned to contract land from other villagers in 2014 and operate his own larger farm. Other tenant households harbor the same aspiration, and it is likely that some of them will become independent big households. For these households, tenanting for Ace has enabled them to accumulate both the experience in managing scaled-up farming and social prestige as big households, which would make it easier for them to contract land from the villagers of their village/town. In this sense, dragon-head enterprise facilitate the transformation of some medium farmers to big producers. The other side of the coin is that tenant households who have suffered considerable losses are reduced to small farmers. In short, the differentiation of middle farmers in both directions has been accelerated by the presence of agro-capital.

As the entry of the agribusiness accelerates social differentiation, small farmers face more difficulty in land access and thus find upward mobility nearly impossible. Of the middle farmers a very small number may successfully transform themselves into big households, while the majority fall back to simple reproduction. The tendency is polarization, resulting in proletarianized households with some land to complement their subsistence, at one end of the spectrum, and at the other end, capitalist producers who depend on hired labour and pursue expanded reproduction.

The presence of Ace in Pingwan serves as an instance mainly as capitalist dynamics from above. Within the policy framework of the central state, local government has provided a critical support to agro-capital to amass land in Pingwan. That control of land is key to accumulation by agribusiness in rural Pingwan in ways that both feed on and propel rural differentiation and catalyses capitalist dynamics from below.

**Rural Cooperatives: Capitalist Dynamics from Above and Below**

Rural cooperatives mushroomed since the passing of the law on rural cooperatives in 2007 and numbered one million by February 2014, 3.5 times more than the total in 2010 (Caixin 2014). 80-95 per cent of them are considered ‘fake cooperatives’ by those supporting rural sustainability (Liu 2010, 54; Yan and Chen 2013, 969-972; Feng 2014). Some are fake because they only exist in paper while others are created by private enterprises. One common dynamic among actually running cooperatives is that big households use them to dominate access to government subsidies, as well as to control the distribution of economic surplus (Zhang Xiaoshan 2009; Zhang and Zhang 2007, 62-63; Lammer 2012; Zhao 2010). This phenomenon is termed by Tong Zhihui and Wen Tiejun graphically as ‘big farmers eating small farmers’ (2009). Christof Lammer’s ethnographic study of a well-known cooperative in Henan demonstrates that it is the cooperative that has brought capitalist relations of production – specifically extraction of surplus value of wage labour--within the village (2012, 149-153). Hale’s ethnographic study of four cooperatives suggests that their success is based on their further integration with capitalist processes (2013). Feng Xiao’s case study of cooperatives reveals them as vehicles for local governments and private enterprises to intensify commodity relations in the countryside (2014).

Chayanov hoped that cooperatives could provide an alternative to corporate vertical integration, but cooperatives in China today often seek business relationship with
dragon-head enterprises and serve as an instrument for linking small households with capitalist enterprises, leading to small producers’ further marginalization and vulnerability. Rather than empowering small farmers, cooperatives in the context of rural differentiation are uneven playing fields. Encouraged by government policy support of cooperatives, big households often take their own initiatives to create cooperatives and maintain their domination in the distribution of surplus created mostly by wage labour and the family labour of small households. In effect then cooperatives often combine capitalist dynamics from above and below.

Dongfang County in Heilongjiang has 1.88 million mu farmland.28 The local government began to make a serious effort to promote land transfer since 2006 and awarded ‘scaled up’ producers with subsidized fertilizer, free seeds and opportunities to apply for subsidized agricultural machinery.29 In 2012 one million mu was transferred from those who gave up farming to those who expanded their scale of production. Those who achieved a scale of 200 mu typically obtained land from co-villagers. However, operations at 1000 mu or above are also found in each of the country’s 98 villages, amounting to 400,000 mu or 21 per cent of the county’s farmland. Those who operate at such a scale are all ‘new subjects’ of agriculture: agribusinesses, specialized big households and cooperatives. In actual practice, one ‘subject’ can easily turn into another and the re-branding is done to take best advantage of subsidy policies that target one new subject or another in any given year. The first 1000 mu operation in Dongfang was led by a village cadre in the style of a specialized big producer. Later it changed into a ‘family farm’ and still later it became a ‘cooperative.’

Lao Li’s ‘10 million yuan agricultural machinery cooperative’ came into being in this context. The 59-year-old Lao Li is the village party secretary. His grandfather migrated to Dongfang from the neighboring Jilin Province and his father was a long-term farmhand working for a local landlord. In the land reform, his father was an activist and became a cadre. Recalling his family history, Lao Li said ‘Actually the situation today is not much different from before the Liberation. Land flows to those who are capable and they need to employ others to work for them.’ After graduating from junior high school, Li worked in the village, which was still collective then. His village divided labourers into male and female groups. Li was the leader of the female group and also the record keeper for the village. In 1979 he was sent to learn driving at the county seat and became a tractor driver for his village. When the village de-collectivized in 1988, Li and his brother-in-law bought one of the village’s tractors that then were for sale. In the next three years, Li made good money by transporting construction materials. When this business slumped, he became the village cashier in 1993, village chief in 2002, and village party secretary in 2008.

To increase rural income, the county government began to promote labour migration in 2004 and organized villagers to work in Daqing, Tianjin, Dalian, and even Russia30. In 2006, taking its cue from the central government’s promotion of ‘reasonable scaling up’, the county government encouraged enlargement of land operation by offering free seeds and subsidized fertilizer to large producers. The county government experimented with a few selected villages for two years and then rolled out an all-county promotion of scaled-up production. The provincial government set a goal of 50 per cent of farmland in ‘scaled up’ production. One means towards this goal is the provincial government’s program of ‘ten million yuan

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28 Based on field research in 2012, conducted by the authors. The county in this case is given a pseudonym.
29 In Heilongjiang, the criterion for ‘scaled up’ production is farming of 200 mu or above.
30 For a detailed examination of how local governments in China promote and organize labour migration, see Yan Hairong (2008), chapter 3.
agricultural machinery cooperatives.’ In this program, if a cooperative’s shareholders can manage to pool four million yuan, it can apply for government matching funds of six million yuan. A successful applicant is provided with agricultural machinery worth 10 million yuan and is required to operate on 50,000 mu. A local official explained the process, ‘Initially the government was the main actor, but later a natural dynamic kicks in.’

Lao Li had his eyes set on the 10-million yuan agricultural machinery scheme. His village has about 15,500 mu of land, 604 households, and a total population of 2407, of whom more than 900 are non-resident villagers working as migrants elsewhere. He organized three village meetings in 2010 for the purpose of forming a cooperative. At the beginning a dozen families were interested, but in the end only six households, from two extended families, were willing and able to contribute to the required down payment of 500,000. Lao Li and two of his relatives were among these six shareholders. In order to have the required four million yuan on their part, Li’s cooperative secured a bank loan with the help of the local government. The application was finally successful and the cooperative acquired its 10-million yuan worth of machinery at the end of 2010. These machines have the capacity to service 50,000 mu. Li’s cooperative thus needed to expand its land coverage to match the capacity of the machines and earn enough to service the loan. The working of the cooperative largely depended on wage labour.

To access village land, the cooperative developed a variety of means commonly found in the region. It encourages villagers to join by contributing land as shares; it rents land from villagers; and it contracts its service to villagers. If villagers choose to join the cooperatives, they share in the costs, benefits and risks of the cooperative’s operation. In 2011, one mu share in the cooperative for growing soybean would fetch a net income about 500 yuan. If villagers do not trust the cooperative or are unwilling to bear risks, they can sublet their land to the cooperative and get a guaranteed rental fee, 300 yuan per mu in 2012. For those villagers neither interested in joining the cooperative nor subletting their land to it, the cooperative offers its service in full -- from sowing to harvesting as a package-- or in part for service charges.

In accessing land, the cooperative saw obstacles in two kinds of villagers who are interested in keeping farming to themselves. One is those whose family have sizable land and can rent in more land from their social network of friends and relatives who are migrants, at a cost of 220-230 yuan per mu in 2012. These villagers —referred to by scholar He Xuefeng (2011) as middle farmers--could receive a satisfactory income from farming. The other type of villagers are too old to be employable as migrant workers and worry that without farming they have nothing else to occupy themselves with. Among the resident villagers in Li’s village, each of the two types is about 10 per cent of total households. The cooperative dealt with the first type by directly competing with them for land access. The cooperative offers the market-rate rent to migrants who have land to sublet, which proved appealing to many. The village chief said ‘I made phone calls to migrants and talked them into subletting land to the cooperatives.’

In Dongfang and surrounding areas, the land area under market rent is expanding at the expense of land acquired through social networks. As for the second type, the cooperative could be flexible, for example by providing services in part and leaving some work such as weeding for households to do.

In 2010, the cooperative’s machines worked on 9500 mu, of which 2,600 mu were land shares in the cooperative. In 2011-2012, the cooperative operated on a total of 11,500 mu, with the same area of land shares as the year before. In 2012, the cooperative had a plan to
reach 50,300 mu: 10,000 mu as its own production on the land shares it controlled, 5000 mu via renting, 35,300 mu via service contracts (1,300 mu full-service and 34,000 mu part service). It is apparent that in the calculation of the cooperative leaders, the cooperative can more profitably expand its operation by renting in land rather than increasing its land shares. However, Li also saw the advantage of increasing its land shares because it would alleviate the cooperative from paying rents that could severely strain its cash-flow.31

In 2014, Lao Li decided to give up on his ‘10 million yuan agricultural machinery cooperative’ and sold the machines and debt to another cooperative. His cooperative could not manage to earn enough to service its loans. In the region, other 10 million agricultural machinery cooperatives continue to expand their operations, joining the dynamics for accumulation from below and that from above. Capitalism from above--state capital--provides a facilitative role in nurturing and expediting capitalism from below.

‘Family Farms’: Capitalist Dynamics from Below

Among the ‘new subjects’ of agriculture, specialized households or family farms often result from local grassroots initiatives of capital accumulation. ‘Family farm’, appearing for the first time in the central government’s policy paper in 2013, is a neologism in China’s policy discourse. It refers to a new subject markedly different from the majority of peasant farmers. The Ministry of Agriculture admits that the neologism is only a belated acknowledgment of growing tenant farms that can be dated back to the 1980s (MOA 2014). The term ‘specialized households’, that is, specializing in producing for the market, made its appearance in the central government’s annual policy document as early as 1982. The existence of ‘specialized tenant households’ who farmed their own plus rented land was acknowledged in 1983’s annual policy document. In the media specialized households have also been called ‘big household’, ‘ten-thousand-yuan household’, ‘capable hands in farming’ or even manor’. In effect, the 1984 policy document already encouraged land to transfer to ‘capable hands’.

Market conditions in the 1980s in rural China already enabled some to get rich first and to engage in capital accumulation. Examples of capitalist dynamics from below already sprouted in newspapers and magazines at that time. For instance, it was reported that in 1985 a young farmer from Henan province created a ‘manor’ by renting 250 mu hillside land in a village in Hubei province employing 11 workers for grain farming (Qian 1989). Similarly, it was reported that in 1986 a young man in Hebei rented 1100 mu for 30 years to build a ‘manor’ (Jia 1996). The first farm that actually called itself a ‘manor’ appeared in 1992 in Huangpi, Hubei (Huang 1996). In the 1990s a number of ‘manors’ were reported in various parts of China: for example, in Hebei (2100 mu and 200 employees) (Jia 1996), in Shanxi (Cui 1990), Guangdong (Guangdong jingji 1998), Hainan (10,000 mu and 16,000 mu respectively for two companies) (Li 1995), etc. By 2002 Huangpi, where the first self-styled ‘manor’ was born, had 245 such manors, employing 13650 workers (Hu, Zhang and Li 2002). A seminar devoted to discussing ‘manor economy’ was held that year in Huangpi, with 200 scholars and entrepreneurs participating. At this seminar researchers not only exhibited excitement about this form of economy, but also called for ‘capital going to the countryside’ (Xia 2002, 11; Xu 2002) to establish ‘capitalized agriculture’ (Xu 2002, 15). By 2012, 2.7 million households and ‘family farmers’ – 2.7 per cent of total rural

31 In 2012 villagers who sublet land to the cooperative expected to their rent of 300 yuan per mu in the spring. Due to a shortfall in cash flow, Li’s cooperative had to pay the rent after the harvest, at 350 yuan per mu.
households--produced on farms of 100 mu and above, many times the average size of 7.5 mu farmed by ordinary households (Wan 2014). Local definition of ‘family farms’ vary, but the Ministry of Agriculture conducted a survey in 2012 that found that the 877,000 family farms surveyed had an average of 200 mu, nearly 27 times average farm size. Altogether these households are only 0.34 per cent of the total of 260 million rural households in China, but they farm 176 million mu or 13.4 per cent of the national total of village farm land. The survey also shows a remarkable range among these ‘family farms.’ 1.8 per cent farms are 500-1,000mu or 66-133 times of the land farmed by the average household and 1.9 per cent of these farms are more than 133 times bigger. On average these farms each have 4.33 family labourers and employ 1.68 long-term wage labourers (MOA 2014; MOFCOM 2014). The number of short-term wage labourers employed by them was not reported.

We do not have detailed statistics from this survey for more fine-tuned calculation, but a very crude indication is that these family farms have a much higher rate of wage labour employment --about 28 per cent of the total labour in ‘family’ farms, excluding employment of short-term labour--than the three per cent given by Huang et al. Because agricultural wage labour does not exist as a statistical category in Chinese government census and survey data, Huang et al. define the rate of agricultural proletarianization by calculating the weight of wage labour input (time) in the total agricultural labour input of all households, regardless whether they employ wage labour or not. In a similar way, Chayanov also thought that capitalist dynamics in fin-de-siècle Russia could be indicated by the percentage of farms that used hired labour, which was reported to be from 3-5 per cent of the total farms in areas surveyed (Thorner, Kerblay, and Smith 1986, 255-256). For understanding capitalist dynamics in agriculture production, Huang et al’s method of calculating wage labour time against the total agricultural labour time of all rural households surveyed does not help reveal differentiation, but obscures it. A similar method was used by a Mr. V. V. in late nineteenth-century Russia, who calculated ‘the number of peasants resorting to hired labour for the cultivation of the land, as compared to the aggregate mass of the people’ and concluded that it is ‘quite insignificant: two to three, a maximum of five peasant farmers out of 100 are all that represent peasant capitalism’ and that agricultural wage labour ‘is not a system firmly rooted in contemporary economic life, but something fortuitous, such as occurred 100 and 200 years ago’ (quoted in Lenin 1899). Mr. V. V.’s finding belonged to the same sets of findings cited by Chayanov. But Lenin objected to the use of the ‘total’ in this way:

What sense is there in comparing the number of farms employing workers with the total number of ‘peasant’ farms, when the latter figure also includes the plots of farm labourers? Why, by this method one could also get rid of capitalism in Russian industry: one would only need to take the families engaging in industries who employ wage-workers (i.e., the families of manufacturers, large and small) as a percentage of the total number of families engaging in industries in Russia; the result would be a quite insignificant’ percentage of the ‘mass of the people.’

With a calculation that takes differentiation into consideration, Lenin demonstrated that ‘the percentage of farms employing labourers, ‘insignificant’ when taken ‘in general and on the average,’ turns out to be very imposing (34-64 per cent) among the well-to-do peasantry, who account for more than half of the total production and produce large quantities of grain for

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32 This survey did not cover Tibetan Autonomous Region. The national total of village farm land here refers to the farm land whose use right is contracted to rural household. State farms are not included.

33 This is to assume that all family labour works as hard and as many days as their employee.
sale.’ Seen in this light, Lenin argued, the use of wage labour could not be disregarded as something ‘fortuitous’ or insignificant (Lenin 1899).

Regarding contemporary China, the above-mentioned survey of 877,000 ‘family farms’ indicates that the use of wage labour is much more present in large-scale farms. Among the 385 registered family farms in Ningbo--actual number estimated to be bigger than 385—two-thirds employ long-term wage labourers, who number 1016 in total (Dushi kuaibao 2013). By Mr. V. V.’s method of calculation, 877,000 farms would merely represent 0.34 per cent of the total rural households in China, but their share of 13.4 per cent of national total village farmland is by no means fortuitous or a function of demographic determination, but a result of capitalist dynamics that involve significant wage employment in production and capital accumulation.

In some parts of China, capitalist dynamics from below soon began after the launching of the rural reform, as shown in Hejian. Hejian county in Hebei has a history of growing cotton. In the past few decades, the county has not only seen a growth of big households forming a shareholding company, but also the emergence of migrant tenant farmers following in the trail of the company.34 After the disbanding of their rural commune in the early 1980s, 12 specialized households of two villages cooperated in their search for new and better cotton seeds and inputs from outside. They were led by two farmers who were ‘big households among big households’ and all the costs were shared among them (Nongye 2005, 3). In 1984 these households formed Guoxin Cotton Research Association (Guoxin mianhua yanjiuhui). In 1985 the association supplied its 250 member households with inputs and technical advice and began its accumulation by taking 10 per cent from the sales of agricultural inputs to its members, about 50,000-70,000 yuan a year. It also raised funds among its members to build its own cotton ginning plant in its rural base (Nongye 2005, 4, 153).35 The association began to purchase cotton from its members at above-market prices and then sold the lint and seeds. In 1988 members quickly grew to 1300 households, with cotton grown on 11,000mu.

The first major transformation took place in 1989 when the association expanded and began to further capitalize by offering its initial stocks to its members (Nongye 2005, 36). In 1989, per capita annual income in rural China was 601.51 yuan (Guojia tongji ju 1990, 195). With the price set at an exorbitant 5000 yuan a share, 38 members bought 97 shares and became the association’s shareholders. The association also took a loan of 700,000 yuan from over 1000 members. In 1990 the association built a service building at the urban center of Hejian county and purchased land for a new ginning plant. Its urban relocation allowed it to attract more members in the wider area so that within a year its new members included 13 ‘family farms’ that operated 1500 mu and 69 village-corporate members that had 53000 mu. In 1991, the association rented 67.5 mu for five years to build its first base for cotton breeding (Nongye 2005, 154) and at the same time formally introduced contract farming with its member households.

34 This case is mainly based on the first author’s field research in 2009. The data about the early development of this company is based on a monograph published for its twentieth anniversary. The monograph was authored by a team of researchers from the Ministry of Agriculture, Chinese Academy of Social Sciences. The data about its recent development are drawn from the field research.

35 In 1985 the association raised 27,000 yuan (250 yuan a share) from its members. This fund plus the 10 per cent of input sales and membership fees were used for building the ginning plant. The ginning plant made a handsome profit. A dispute ensued, with small shareholders complaining that they were exploited by big shareholders. The association decided to return the principal to the shareholders with 50 per cent interest.

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The association is often considered by its promoters as a cooperative organization and its charter states that the highest authority is the members’ congress, which elects the board of directors and board of supervisors. However, the association’s enterprises—the service building, the ginning plant and the breeding farm—are owned by the 38 shareholders and the surplus these enterprises generate is divided 60 per cent for the association’s operation, 15 per cent for the enterprises’ development and 25 per cent for shareholders’ dividends. For the association’s members, ‘cooperation’ took on the form of contract farming and it meant that they could receive technical advice and purchase agricultural inputs—seeds, fertilizer, pesticides—at a discount, while complying with the association’s rules on seed allocation, technical supervision, and prices.

In 1996 the association had another major transformation when it began to build its own large farms on land contracted for 15-30 years where it could exert full control in the breeding process and no longer relied on households to grow seed cotton. Its member households no longer had a role in seed production, but have become customers who buy cotton seeds. In 2008 the association registered itself as Guoxin Cotton Specialized Cooperative. By 2009, the association had developed its own farms in Hejian, Shandong, Tianjin, Xinjiang and Beijing, totaling 80,000 mu. About 160 managers ran the association’s farms, with each managing about 400-800 mu. A 400-mu farm typically employs 4-5 long-term workers and 50-60 seasonal workers. Women migrant workers were often hired for hand pollination and were paid by piece rate, at 0.1 yuan for each cotton plant in 2009. For example, women from Henan worked on the association’s farm in Shandong. While workers are paid a daily wage or by piece rate, a manager is paid a fixed salary plus flexible and merit-based payments, as well as a bonus of 10 per cent of the profit from the farm he manages.36

In 2009 the association sold 1.5-2 million kg of cotton seeds, with half of the sales through its membership network and the other half through agricultural input dealers. Its membership included 60,000 members in 12 provinces, estimated to grow 300,000 mu of cotton. Members were organized by 1400 group leaders who were rewarded with 20 per cent of the sale value of their groups’ output. Group leaders—who could be retired village cadres or local big households—make a profit by selling not only cotton seeds for the association, but also other agricultural inputs as their own side business, using the association’s network. Some big group leaders had 20-30 people working for them and plans to open their own ginning plants.

The association’s new approach to accumulation inspired individual households to also begin their own capitalist accumulation from below. Those who are connected with the association could acquire information about where and how to access land. Soon after the association contracted land to build its own farms in 1996, its veteran members also became big migrant tenant farmers by following its trail in Shandong, Tianjin and Beijing, with farm size varying between 70 mu to 1000 mu. In Lu Village in Hejian whence some of the association’s founders hail, 70 per cent of its households became migrant tenant farmers. It was estimated that migrant tenant farmers from Hejian farmed about 500,000 mu of cotton. Their own farm land was circulated to those big households at home who were unwilling to go out. Even though some migrant tenant farmers made losses, not a few made profits of two million yuan a year, according to a well-informed core member in the association. Those without capital became employees for tenant farmers. Typically tenant farming involves some family members or even the entire family, a few long-term workers and dozens of short-term

36 Of the 10 per cent of profit as bonus for the manager, he was required by the association to give 1 per cent to workers. But this compulsory requirement was made optional around 2005.
workers. In 2009, a long-term worker was paid daily 35 yuan for a man and 30 yuan for a woman.

We suggest that this association is a case mainly originating from capitalist dynamics from below. We consider this association as originating from specialized farmers, although it may be possible to regard them as some kind of ‘cooperative’ in its early stage. Its growth might be seen as unusual, but its remarkable transformation is a testimony to what is possible in China’s reform context. For its initiatives, particularly in its early phase, the association perhaps had been unsure of government’s reactions. Thus in the process of its growth, the association was very cautious in dealing with local government and winning its support. It had four rules for itself: not to be bound with any government department; not to compete with any enterprise run by a government department; not to be caught in inter-department frictions; winning government departments’ understanding and support (Nongye 2005, 12). Undoubtedly, government support has facilitated the association’s growth.\footnote{The association filled in the gap left by the gradual collapse of the well-structured agricultural science promulgation system under the commune system. In 1989 or 1990, the association became a government pilot project for reforming the system of agricultural science and technology with government policy support (Nongye 2005, 42). Song Jian, a member of the State Council and the director of the National Science and Technology Committee (guojia kewei) visited the association in 1989 and offered the suggestion that the association relocate itself to Hejian’s urban center (Nongye 2005, 28).}

Yet the association itself has been a pioneer of possibilities of its own accumulation, and its initiative—for example, becoming a \textit{de facto} dragon-head enterprise in late 1980s—is sometimes ahead of the central government’s policy blessing.

The association has also produced a social impact that had inspired more capitalist dynamics from below, most significant of which is medium-to-large-scale migrant tenant farming. Not dissimilar to the employment of wage labour in the association’s farms, a significant amount of wage labour has been comfortably used by migrant tenant farmers and has become indispensable to these household-run business ventures. Migrant tenant farming has certainly enriched some, but has also created a new structure of inequality within the village of origin. Some of those without capital or those who made a loss as migrant tenant farmers become wage labourers for those who have accumulated. Moreover, with such migration of tenant farmers and wage labourers, their land is rented out to big households which remain in the village and have the financial means to expand their production.

**FAMILY FARMING: ALTERNATIVE OR SUBSUMPTION TO CAPITALISM?**

Populist advocates in China tend to see family farming as a pre-capitalist category, alternative to or autonomous from agrarian capitalism. This view may seem supported by the large presence of small households still found in China. However, small farmers are increasingly displaced or ‘covered’ by new ‘subjects’, such as cooperatives and dragon-head enterprises. Being displaced is to give up farming while being ‘covered’ is to be integrated with the new ‘subjects’. One million registered rural cooperatives now cover 30 per cent of rural households and 120,000 dragon-head enterprises cover 40 per cent of rural households. If Chinese farmers were temporally independent small producers who had access to open markets in the early reform period, ‘family farming’ has had its meaning transformed. Integration with industrial or commercial capital often takes on the form of direct employment or contract farming. And yet new forms of ‘integration’ still keep emerging. For example, the Ministry of Agriculture’s website publicizes an agribusiness innovation in a rice producing region of Hunan province that entails the agribusiness contracting all production processes—six stages in total from seeding to harvesting—from rural households for a fee while guaranteeing a minimum output. As shown above, this form of service --a reverse form
of ‘contract farming’—was also provided by Li’s cooperative in Dongfang. In Hunan, this agribusiness began with 1050 mu in 2012 and expected to reach 50,000 mu in 2014. The agribusiness gains from this reverse contract farming a guaranteed market share for its agriculture inputs sales (Liu 2013). This is indeed an innovation because, without changing the land tenure system, it displaces rural households from farming and converts them from own account producers to consumers of agribusiness service!

If farmers can hardly have autonomy when they are covered by new ‘subjects’, what about those who are not yet integrated with new ‘subjects’? With the intensifying ‘commodification of subsistence’, including in farming rising costs of agricultural production, growing standardization and market competition, farmers are market-dependent for farming inputs and outputs. Wu Guanghan’s study shows that even when rural households appear to be ‘independent’ producers, they are subsumed to commercial capital that now controls market access for their outputs (2012, 101). Commercial capital, be it embodied by large for-profit wholesale markets or small vendors, is demonstrably taking growing percentages of profit from agricultural commodities. In the final price, the portion going to rural producers has decreased from 56 per cent in 1999 to 43 per cent in 2010 (2012, 102). Wu’s observation was preceded by Richard C. Lewontin who examined subsumption to capital in the US agrarian context (1998). At the beginning of the twentieth century, farmgate prices were about 40 per cent of the value added of the food dollar, but in 1993-2012 it dropped to an average of 8.6 per cent of the value added in the agrifood system (Lewontin 1998, 74; USDA 2014). Over a century, capital has captured profits from agriculture by controlling farm inputs and the transportation and processing of outputs (Lewontin 1998, 74).

Wu makes two important arguments: small producers’ subsumption to commercial capital is obscured by their apparent autonomy in production; and there is a tendency for the relationship between rural producers and upstream and downstream capital to evolve from a commercial linkage to an employment relationship. We would add that ‘independent producers’ today are subsumed to capital both in terms of agricultural inputs and outputs and thus they are squeezed from both ends, pre- and post-production. Because of their subsumption to commercial capital, Wu argues that small producers double as petty bourgeois and proletarian and are in effect ‘semi-proletarian’ in character (108-109).

The existence of family farming neither negates nor serves as an alternative to agrarian capitalism, as agrarian capitalism ‘is not synonymous with, nor reducible to, farming’ (Bernstein 2006, 454). Yu Wen’s study of six large agribusinesses in China shows there are two models of the agro-food supply. In one model agribusiness internalizes the entire chain of production, including producing primary products such as chickens, eggs, milk, etc. In this model, companies employ wage labour for farming. The other model is to externalize production of primary outputs by building a form of contract farming, typically in the form of ‘company + agent + rural households.’ Yu Wen finds that many companies adopt both models at the same time and that they may also switch from one model to another.39 For example, when prices of inputs (e.g. animal feed) go up, companies may opt for externalization in order to reduce growing pressure on their cash flow. Externalization is adopted also when the price of output dramatically fluctuates, entailing greater market risk for agribusiness. In this case, externalization helps transfer some of the risks to rural

38 Food dollar is defined as ‘total annual market value for all purchases of domestically produced food by persons living in the U.S.’ (USDA 2014).
39 See also Zhang (2012).
households. On the other hand, when a company needs a secured supply of primary outputs to ensure its profit, it tends to opt for internalization (2008, 5-6, 124). Without an analysis of agribusiness and its relations with farming, the existence of or fluctuations in family farming cannot be simply interpreted as evidence for its resilience. In fact, agrarian capitalism flexibly embraces both indirect and direct subsumption of labour. The insight from Wu Guanghan is that even non-contract farming, as practiced by small producers in China, is increasingly if unevenly subsumed by capital.

To conclude, the assumption of a homogenous peasant family economy is increasingly belied by the incessant dynamics of capitalist markets and accumulation that differentiate, destabilize and transform the meaning of household production. Rural class differentiation, including the emergence of new ‘subjects’ of agriculture, is an outcome of capitalist dynamics from both above and below. The central government’s 2014 policy offers ‘new subjects’ subsidies, encouraging substitution of household farming subsidies by a new regime that links subsidies to production area, thereby benefiting big producers. The official embrace of ‘new subjects’ of agriculture is a high-profile signal of the intensifying de-peasantization tendency in the Chinese government’s agrarian policy today, although—as demonstrated above—this tendency had existed since the beginning of the rural reform. Wage labour is by no means insignificant for the ‘new subjects’ of agriculture whose advances have entailed growing use of wage labour. Yet wage employment is but one form of labour’s subsumption to capital. In current agrarian change in China, most small producers are being subsumed to capital in a variety of ways.

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