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# Farmland grabs by urban sprawl and their impacts on peasants' livelihood in China: An overview

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Paper presented at the  
International Conference on  
**Global Land  
Grabbing**  
6-8 April 2011

Organised by the **Land Deals Politics Initiative (LDPI)** in collaboration with the **Journal of Peasant Studies** and hosted by the **Future Agricultures Consortium** at the **Institute of Development Studies**, University of Sussex

# **Farmland grabs by urban sprawl and their impacts on peasants' livelihood in China: An overview**

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## **Abstract**

China is undergoing rapid industrialization and urbanization, which substantially increase pressure on farmland resources, environment, and peasants' life as well. During the past two decades, some 4 million ha of farmland has been occupied by non-agricultural sectors. It is estimated that more than 50 million rural people lost their farmland in this urban sprawl process. It puts tremendous stress on these people considering that China has not yet established a nation-wide social security system covering all peasants in rural areas. Such a land conversion is regarded as the major contribution to the miracle of China's economic growth, but the author argues that peasants' rights to land has been abused in the process which is also a threat to sustainable use of land resources. The underlying reason for this abuse is the poor institutional scheme of land titling. The paper provides a review of literature on the extent of the land conversion and impacts of the conversion on peasants' life.

## **1. Introduction**

China's economy over the past three decades of rapid growth can be described as a world miracle. The reason for this miracle, it was attributed to low-cost labor. In this densely populated country, per capita arable land area is small; agriculture has always maintained low labor productivity. Since industrialization began to accelerate twenty years ago, there has been a continuous supply of a great deal of labor from countryside to cities, and wage of the low-end labor force has maintained a relatively low level. Other scholars like Cheung (2009) attribute this miracle to the specific Chinese governance with which local governments act as enterprises in competing each other for overseas investment. Chip for this competition however, is the rent of land. Governments can depress land rents because they can get an extremely low price of land from farmers.

However, the governments increasingly feel the rising cost of land since the manifestly unfair land tenure system has led to more and more farmers' protest. It is estimated that about 90,000 cases of mass disturbances happened in the year 2009

in China (Song and Yu, 2010). Some 18-28% of these mass disturbances are related to demolition of land in rural areas according to Yu's investigation (Yu, 2010).

This shows that the conversion of agricultural land to urban built-up land has a huge impact on the livelihood of farmers who lost their land. Through literature review, this paper provides an overview on the extent of the land conversion and impacts of the conversion on peasants' life.

## **2. Conversion of farmland to urban built-up land**

The official statistical data shows that urban sprawl speeded up since the early 1990s (MLR, 2008). The average annual increase of built-up land was about 351,000 ha in the period from 1991 to 2008, representing an average annual increase of 1%. After China's accession to the WTO (World Trade Organization) in 2001, the speed was even higher, as much as 384,000 ha per year in period from 2002 to 2005.

Urban sprawl occupied a large area of farmland. Some 3.27 million ha of farmland was converted to built-up land according to the official data (MLR, 2008). It is estimated based on the official data that farmland contributes to 53% of the new built-up land. Some 182,000 ha of farmland is lost every year due to urban sprawl.

But many scholars believe that the official data underestimates the actual loss of farmland. Tian found that farmland contributed to 80.2% of built-up land expansion in the 1990s based on a national land survey with remote sensing technologies (Tian et al., 2002). Tan's work also shows that farmland's contribution to built-up land expansion was much higher than the official estimation. For small cities, the proportion was 74%, while that for large cities was 60% (Tan et al., 2005).

Scholars' suspicion can be proofed by the official investigation on illegal land transfer. The central government began such investigation from 2006 and published the findings each year. Results of the investigations show that there were about 190,000 cases of illegal land transfer, some 156,000 ha of land was involved, and 46% of which was farmland.

## **3. Impacts of the land conversion on peasants' livelihood**

### **3.1 Estimation of the number of farmers who lost their land**

Compared with other developing countries, China's urbanization process of population has a significant difference, that is, any significant urban poor or slum signs cannot be seen in cities. It is argued that the unique land tenure system in rural China that contributes to the prevention of serious urban poverty. The system was established 6 decades ago, which guarantees each farmer has his own land for cropping. This particular system has an important role in farmer's livelihood: If the city's migrant workers (or 'floating labor' as called in some literature) lost their jobs, they can return to re-cultivate their land in rural areas. At least they can get some income from the land rent. It means that the land plays the role as old-age insurance and unemployment insurance.

People, who oppose the reform of the present land tenure system, often speak highly of this. Without large-scale slum is taken as an advantage of the Chinese development model if such a model exists. But some peasants have partially or even completely lost this kind of insurance with the loss of their land to urban expansion. How many peasants have lost their land on earth? This question becomes significant in this connection.

The State Statistical Bureau made a survey in 2003 on the rural households which lost their farmland. Some 2,942 households across the country were investigated. The average farmland area was 1.13 Chinese mu (1 mu = 1/15 ha) per capita before land acquisition in 2000. On average each household lost a land area of 3.2 mu from 2000 to 2003, and the average farmland area became 0.36 mu per capita. It can be seen from this investigation that the occupation of one mu of farmland, there would be a farmer who almost completely lost his cultivated land. As above-mentioned in this paper, China loses 180,000 ha of farmland to urban sprawl each year. It means that 2-3 million farmers would lose their farmland. Han estimated according to this survey that there were 34 million farmers partially or completely lost their farmland in the period from 1987 to 2001 (Han, 2005). From 2002 to 2008 China lost another 1.35 million ha of farmland, resulted in an increase of landless farmers as much as 20 million. Thus there are at least 54 million peasants who lost their farmland due to urban expansion in China.

Ministry of Human Resources and Social Security (MOHRSS) has also a rough estimate on the population of landless farmers (New Beijing Daily, 2007). It says that there were about 40 million landless farmers in 2005, which would be increased by some 3 million every year in the period from 2006 to 2010. So the total population of landless farmers is about 55 million according to MOHRSS, close to Han's estimation. In short, according to conservative estimates, the total number of landless peasants in China is 50 million, equivalent to the population of a big country in Europe.

### **3.2 Property losses of farmers in the process of land acquisition**

In the process of industrialization and urbanization, a large area of agricultural land in the urban fringe is converted into built-up land and at the same time has a significant value-added. Countries vary in the titling and redistribution of this value-added income from land. In China, land is held by either state or village collectives. All the residential and industrial land in urban areas is state-owned, while almost all the farmland is collectively owned by rural villages. In the process of urban expansion, ownership has to be changed before the collectively owned land can be occupied according to the law (Li, 2006). Only governments are empowered to implement this land acquisition, while farmers have no rights to freely transfer their arable land on the market.

Governments compensate farmers in accordance with the "Land Management Law" when they implement land acquisition (NPCSC, 2006). The compensation includes the land compensation fees, resettlement fees and ground attachments and young crops compensation fee. Among them, the land compensation fee amounts to 6-10 times of the annual output value of the land prior to the expropriation. The

resettlement fee is calculated in accordance with the agricultural population to be resettled and for one person; the fee amounts to 4-6 times of the annual average output value of the land prior to the expropriation. The compensation for ground attachments and young crops is decided by local governments. The first two items may be understood as the revenue of farmers by the 'sale' of land.

Some scholars have investigated the amount of land revenue farmers actually received from land acquisition. Gao calculated the compensation that farmers from Jiangsu Province received from land acquisition in 2007 according to the above criteria, and concluded that it was not more than 50,000 yuan/mu, which accounted for only 10% of the land price at which the government sells on the market (Gao, 2008). Xiao et al (2008) investigated the land acquisition in three cities in Jiangsu Province during the period 2001-2003 and found that compensation received by farmers made up only 4.38% in the total land sale revenue. The figure in Fujian Province was even lower, 2.3% in 2007. Average land sale revenue in the province was 26 million yuan/ha, while the compensation for farmers was only 600,000 yuan/ha (Lin, 2009). State Council Development Research Center's (SCDRC, 2009) survey data shows that this figure was 3.2% during the period 2001-2005 in Wuzhong District of Jiangsu Province. Ministry of Finance announced the governmental income and expenditure of the land transfer in 2009. It shows that the expenditure on farmer's land compensation was 19.5 billion yuan, accounting for only 1.4% of the total land sale revenue (MOF, 2010).

It can be seen that most of the land value-added benefits derived from the process of land conversion are taken away by governments. According to Dang's estimation (2005), Chinese farmers abandoned at least 20 trillion yuan in land assets during the period from 1952 to 2002. The Chinese government's land sale revenue is growing rapidly in recent years. It reached as high as 2.7 trillion yuan in 2010, 20 times increase within one decade. The cumulated land sale revenue during the past 10 years is 8.37 trillion yuan (Southern Weekly, 2011). It can be inferred according to Dang's estimation that Chinese farmers have lost some 30 trillion yuan in land assets during the past six decades.

### **3.3 Livelihood of landless peasants**

For farmers, the land has multiple functions like resources, assets, and insurance. Social security system only covers urban areas in China. It has not yet been fully established in rural areas. In this connection, the value of the land as insurance becomes one of the most important functions of the land for Chinese farmers. Once the land lost, farmers are likely to be in poverty.

SCDRC (2009) conducted a survey on the livelihood of landless peasants who lost their land in the process of land acquisition, involving Beijing, Shandong, Jiangsu, and Sichuan, reflects the situation in late 2005. Some 1,106 sample households were investigated, and these households have lost all or most of their arable land. It shows that Beijing was the best among the four provinces in terms of the establishment of social security system. But even in Beijing, only 44.3% of the landless peasants was

covered by old-age insurance and those covered by health insurance, 60%. There was only 29.2% and 47.5% of the landless peasants covered by old-age and health insurance respectively in Sichuan Province.

The survey also includes other aspects of the livelihood of landless farmers. There were 2621 laborers in the 1106 sampled households. It shows that the unemployment rate was 3.5% before but reached to 9.2% after land acquisition. Governments provided skills training for landless farmers in order to help and guide the transfer of employment. But the effort was not enough compared to the demand because it only covered 20% of the total laborers.

#### **4. Conclusion and discussion**

A lot of agricultural land has been lost to urban sprawl in the process of China's rapid economic growth during the past three decades. Particularly in the last 20 years, there may be 4 million hectares of arable land lost therefore, since the industrialization and urbanization accelerated. Since the social security system covering all citizens has not yet established in rural China, arable land plays the role of insurance for farmers. Thus landless farmers are the social group which bears the largest loss in this land conversion process. It is estimated that the number of landless peasants due to land acquisition amount to about 50 million in the country. Many surveys show that most peasants did not use their land in exchange for adequate social security.

In the distribution of land value-added in the process of land transfer, the share of landless farmers is very low. This is probably the main reason for their protest. The price of construction land in China has been growing rapidly in recent years. This can be seen from the government's income from land sale revenue. In this connection, contradictions and conflicts induced by land acquisition should not be difficult to resolve as expected. The problem comes from the inequitable land ownership, that is, farmers are not empowered the right to transfer their land. The central government is working to reform the land requisition system, designed to increase the compensation to farmers, and stop the use of coercive power in land acquisition by local governments. Only if the farmers involved in land planning and land ownership transfer bargaining, this problem can be fundamentally resolved. This involves the reforms on the rural land transfer rights and the distribution system of land value-added. some local governments like Chengdu and Chongqing have taken a few steps toward such a direction (Zhou, 2011), but it has not yet on the national agenda as a legislative reform.

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