



The 4th International Conference of BICAS
November 28-30, 2016
China Agricultural University, Beijing, PR China

[Agro-extractivism inside and outside BRICS: agrarian change and development trajectories]

Conference Paper No.10

Labor management on China's newly emerging large-scale farms: mobilization of rural social resources in capital accumulation

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Organized jointly by:



COHD 人文与发展学院
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November, 2016

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Yiyuan Chen

Abstract

This paper attempts to explore how agro-capital could overcome the obstacles in managing large-scale farms in the Chinese context, with particular attention on how China's rural social relations are utilized in labor recruitment and supervision. Predicated on a case study of an agribusiness in China, this paper shows that other than all the obstacles in large-scale capitalist farming, China's agro-capital has to deal with the rural society when engaged in large-scale farming, as the only access to farmland is to contract land from the countryside. The major argument is that by incorporating contracted tenant households in its industrial chain, the agro-capital not only manages to transfer the problems in labor management to these households, but also to mobilize rural social resources of these households in farm operation, which contributes to the agribusiness's capital accumulation. The renqing relations and mianzi competition in rural society are utilized in labor recruitment and supervision, whereas the membership of a production team, which is a basic unit of the shuren shehui, allows local tenant households to use the public facilities for free. However, the employment of rural social resources has also been transforming the rural society, in the sense that the dynamics of social interaction in a face-to-face community is fundamentally diverged from that of the employment relationships.

Keywords: *labor management; large-scale farms in China; mobilization of rural social resources; capital accumulation*

1 Introduction: emerging of large-scale farms in China

The market-oriented reform in China since the late 1970s has significantly transformed China's agriculture. The rural communes that lasted for over 30 years had been replaced by the *Household Responsibility System (HRS)*, which creates a huge number of small-scale farming households. The ownership rights of rural farmland remained with the rural collective notionally, whereas the use rights were contracted to rural households. Although farmland is not allowed to be bought or sold, the 'transfer' of land use rights – which signifies the commodification of land use – began not long after the implementation of HRS. Up until 2004, transferred land accounted for 10.5 per cent in the total cultivation land (Gao 2014, 52). But the transfer of land use rights has accelerated since around the mid-2000s. According to the latest official statistics, the transferred land area in China has amounted to 447 million *mu*¹ by the end of 2015, or 33.3 per cent of the total cultivation land (Zhongguo xinwenwang 2016), which is triple the proportion a decade ago.

What should be noted is that, China's urban industrial/commercial capital has played a crucial part in farmland transfer in the past decade, and establishes large numbers of agribusinesses, the official title of which are 'agricultural dragon-head enterprises'. The number of the 'dragon-head' enterprises has increased from no more than 50,000 in 2004 to over 120,000 in 2013, with an average annual growth rate of over 10 per cent (CASS & NSB 2015: 241). Among these agribusinesses, there are a number of large-scale enterprises, whose annual sales amounts to over 1 billion, 3 billion or even 10 billion (CASS & NSB 2016: 164). Farmland contracted by these enterprises has reached over 46 million *mu* by 2015, which accounts for 10 per cent of the total land transfer area (Jingji ribao 2016). This is unsurprising since scholars have already shown earlier that China has a surfeit of capital (e.g. Wen 2006, 450). This implies that the undergoing agrarian change in China is subject to a historical context that is profoundly diverged from the 'classic' situation. The 'classic' agrarian question, theorized by Henry Bernstein, is 'the agrarian question of capital' (2006, 450), which centers on the transition to capitalism. However, in the current Chinese context, the agrarian transformation is not driven by the initiatives of *primitive accumulation*, but to a large extent by the capitalist dynamics of the surplus capital. It must be noted that the rapid growth of transferred land in China is not only driven by the capitalist dynamics of urban surplus capital, but also rural local capital, which comes from the peasant differentiation; and the state has played an important role in creating favorable conditions that encourage both (Yan and Chen 2015). This paper focuses primarily on the urban capital that is engaged in agriculture. In particular, this paper concerns how agro-capital manages large-scale farms.

Obstacles in the development of large-scale capitalist agriculture have led to the question that why capital is inhibited from direct investing in farming, which has long been debated. Henry Bernstein (2009) notes four main arguments. The first interpretation argues that the natural disasters in agriculture would increase the market risks, which makes it more risky than investing in other branches. The second argument derives from Marx's value theory, and holds that the non-identity of 'labor time' and 'production time' in farming prevents the efficient use of hired labor and also has adverse effect on the rate of profits, which becomes obstacles of the development of agrarian capitalism (Mann and Dickinson, 1978). According to the third view, the agro-capital prefers to let family producers pay the land rent, take the risks in agricultural production and absorb the delay of realization of surplus value (Djurfeldt 1981). The fourth perspective indicates that the difficulty in labor supervision as well as the rise of labor prices both discourages agrarian capitalists to engage in direct agricultural production (Koning 2002). However, in the Chinese context, surplus industrial/commercial capital has taken agriculture as a new – or the remaining – field for capital accumulation. All the above-mentioned unfavorable conditions for capital investment should be overcome.

The studies on large-scale agriculture in other parts of the worlds cast light on the question how the

¹ One hectare is 15 *mu*.

difficulties in capitalist farming could possibly be addressed. In Africa and South-East Asia, an effective labor management arrangement on plantations and large-scale farms is usually characterized as ‘paternalism’. Paternalism describes the relationship between employer and the hired workers – mostly migrant workers – and it ‘took the form of providing housing, education, health care, pensions, insurance and saving programmes, and organized leisure activities.’ (Gibbon, Daviron and Barral 2014, 167). These social benefits are intended to induce loyal behavior and self-supervision, which makes paternalism a means used by farm owners to secure stable and disciplined labor (Alston and Ferrie 1985, 101; Standing et al. 1996, 172-172; Sage 2004). The edification is an invariable practice in paternalism. Moreover, paternalism often, if not always, involves practices of coercion, such as physical violence and withholding of specific liberal freedoms (Gibbon, Daviron and Barral 2014, 172). Notably, the trend of market-oriented labor management and legalization (mainly referring to the extending of minimum wage regulation and legal protection to farmworkers) has been a challenge to paternalism, which leads to the externalization and casualization of labor (Barrientos and Kritzinger 2004; Du Toit and Ally 2003; Hall et al 2013). However, farm owners who value the farmworkers’ tacit skills, reliability and stability either seek to upgrade paternalism (Barral 2014; Riisgaard and Gibbon 2014), or resort to rely more on temporary labor, but with repeat or semi-continuous employment of the temporaries organized by a trusted employee or an independent labor broker (Addison 2014; Ewert and Du Toit 2005; Theron 2010). These strategies, centered on paternalism and its variations, provide examples on how large-scale farms could be successfully managed. What should be highlighted is that either sticking to paternalism or developing new forms of labor management, these strategies are substantially all centered on migrant workers.

However, the new emerging large-scale farms in China would never be possible to rely on migrant agricultural workers. Rather, since China’s agribusinesses acquire farmland mainly through contracting the best land from the countryside, these enterprises have to deal with the remaining villagers in agricultural production. Land transfer only allows the agribusinesses land use rights, but to utilize public facilities, such as the irrigation system, these enterprises should negotiate with the rural local residents. The rural social relations, as well as social norms, which are historically formed, have effect on their interaction. Claude Meillassoux (2008, 82) argues, based on his study of the peasant social organization in West African prior to colonization, that the social organization of peasantry is built around the relations of production, as they grow from the economic constraints of agricultural activities. The constraints of agricultural production, which entail the necessities of cooperation and mutual assistance in farming, also shapes the formation of China’s traditional rural society. As a matter of fact, China’s agricultural production has long been embedded in rural social customary norms. Land transfer only allows the agribusinesses land use rights, but to utilize public facilities, such as the irrigation system, these enterprises should negotiate with the rural local residents. Admittedly, the traditional norms and rules are being challenged with the acceleration of marketization, but they still play roles in the country life, the effect of which become visible especially when there are ‘outsiders’.

Based on a case study of an agribusiness enterprise in China, this research is an attempt to contribute to the question how agro-capital could overcome the obstacles in managing a large-scale farm in the Chinese context, with particular attention on how China’s rural social relations are utilized in labor recruitment and supervision. The following section will briefly introduce the development trajectory of this enterprise, particularly the land operation strategies. After some trial and error, the enterprise has decided to delegate the farmland to a number of contracted tenant households, whereas the enterprise is still able to exert dominance and disciplinary power over these households, which helps to overcome some of the difficulties in large-scale farming. This will be followed by a section concentrated on how these tenant households engage in agricultural production in the rural context. How rural social relations are utilized in their labor recruitment, labor supervision, as well as in the use of rural public resources will be explored. Moreover, how the utilization of rural social norms would transform the rural society will also be discussed. Then comes the conclusion part.

2 Adjustment of labor management strategies: overcoming difficulties in developing capitalist agriculture

County Pingwan² in Hunan province (central China) has a long history producing rice. During my field research in this county in 2012-2013, Company Ace is the most well-known and largest dragon-head enterprise there. The company used to be an enterprise specializing in agricultural inputs manufacturing and marketing. It is the fierce market competition of agricultural inputs that drives the company to engage itself in farmland transfer and agricultural production. In 2009, the company contracted nearly 2,000 *mu* of land from the countryside of County Pingwan, and by 2013, the company had expanded its transferred land area to 30,000 *mu*, most of which was transferred on a five-year contract.

With little experience in large-scale farm management, company Ace started with an attempt to establish a wage labour based capitalist farm in 2009. The company purchased agricultural machinery, manufactured agricultural inputs and hired farmworkers, who were supervised by several full-time staffs of the company, to do the agricultural work. As a result, labour costs were severely over budget, and the labor supervision was ineffective, which caused the company great economic loss. Essentially, the high labour costs are unsurprisingly the result of the non-identity of *production time* and *labor time* in agricultural production, as emphasized by Mann and Dickson (1978), whereas difficulties in labor supervision have long been noted by researchers (e.g. Koning 2002; Griffin et al. 2002; Deininger and Feder 1998, 17).

Moreover, the company was deeply involved in conflicts with the local villagers, such as in labor recruitment, and in using public resources, particularly the irrigation facilities. Before the arrival of Ace, rural Pingwan had already undergone social differentiation ever since the rural reform in the late 1970s, just like all the other villages in China. Other than the small-scale household producers, there are also middle farmers and big farmers emerging in the countryside. The middle farmers cultivate not only their own land, but also land of their friends and relatives, who are migrant workers in cities and offer their land at the rent lower than market rate or free of rent. Because of the low land rent, they are able to accumulate from agricultural production. The 'big farmers' are more market-oriented and profit-driven, who tend to pay land rent at the market rate to acquire farmland for expanded reproduction. Although the emerging of big farmers has made it harder for middle farmers to have access to free/low-rent land, the relatively small number of big farmers has not completely ruled out the possibility. However, the flow-in of agro-capital intensifies the land competition, which contributes to the formation of rented land market. It has made it virtually impossible for local middle farmers to find land via informal social networks (Chen 2013; Yan and Chen 2015). A large part of the previous middle farmers are forced to migrate to cities in seeking of employment, but those who have no choices but to stay in villages, either due to lack of skills, or because of their caring responsibility for elder parents or young kids, hold resentments against the agribusiness. Similarly, part of the villagers, who were reluctant to transfer their land to the company initially, but were 'forced' or persuaded by the local government to compromise³, also share the resentments.

Besides the previous middle farmers and those who reluctantly transferred their land to Ace, there is another group of villagers who are disaffected with the agribusiness. In the land transfer contract, one of the terms is that villagers whose land is transferred to company Ace may enjoy the privilege to be hired first. However, managers of the company prefer to recruit farmworkers from other villages, sometimes even from other towns, as local villagers may easily organize together and collectively bargain for a higher payment. This is somehow similar to the practice in large-scale plantations of Africa, where the migrant workers, rather than the local labor with similar experiences and skill, are selected by employers, because of their relatively weak bargaining power and could easily be controlled and disciplined (Sender 2002; Johnston 1997). As well, studies on Southeast Asian

² The names of the county, the company and people in this paper are all given in pseudonym.

³ The county government played an important role in facilitating land to be transferred to company Ace. For a detailed analysis on the government's role, please see (Gong and Zhang 2017).

plantations have also revealed that the people whose land is taken over by plantations are seldom hired there, the practice of which is even legitimated by the ‘myth of the lazy native’ (Alatas 1977; Breman 1990, 15-18). According to Tania Li’s interpretation, the ‘locals’ are barely employed because they might still have access to patches of land in the vicinity, which makes it difficult for planters to extract stable and cheap labor (2011, 286). In the case of company Ace, the recruitment of ‘outside’ workers made local villagers resentful, which led to secretly and unexpectedly sabotage activities. The conflicts between external agro-capital that flows to the countryside and the rural local villagers are also observed by other researchers, and are considered as the essential problems encountered by the external agribusinesses (e.g. Xu 2016). However, it might be inappropriate to only attribute the conflicts as the local villagers’ distrust of the external agro-capital or the social discrimination of the ‘out-comers’ (Xu 2016); rather, the clash derives more from conflict-of-interest, in which sense, the conflicts shows the characteristics of class conflicts.

What troubled the company most was that local villages ‘stealing’ the paddy. In the harvest season, local villagers gleaned in Ace’s paddy field, which was quite bothering for the company. Gleaning has long been a social custom in China’s rural society, deriving from the village ethics of neighborhood watch. It is an internal remedy for those impoverished villagers, who are allowed to glean in fellow villagers’ paddy, cotton or corn field after the harvest (Wang 2006). Company Ace respected this social arrangement initially, and allowed villagers to glean in their paddy field. However, according to a manager of Ace, some villagers were not just gleaners, but ‘stealers’ of the unharvested paddy. This manager complained that as many as dozens of villagers, including even those who from other villages, were involved in the ‘stealing’, which caused big loss of Ace. It was intentional sabotage that villagers not only gleaned, but taking extra paddy. In another research, an agribusiness, which contracted 5,600 *mu* of land for corn production, suffered a loss of the outputs of over 700 *mu* due to the gleaning (Xu 2016).

Additionally, some villagers whose land has been transferred to company Ace insist that they still have rights to grow vegetable on the paddy field ridge, which used to be a common practice before the land transfer. But if their vegetable gets poisoned by the pesticide drift from the paddy field, these villagers would require the company to compensate. Otherwise, they may block the road to impede the harvesting.

Moreover, since Ace contracted only plots of farmland in a village – mostly unknotted land with good transportation in flat area⁴, which is easy for agricultural machinery work – the company had to share the village irrigation system with the remaining household producers. Before Ace’s arrival, there was an internal spontaneous order among local households in irrigation, based on intra-village rules. The company’s involvement disrupted the rules. In irrigation season, household producers competed to irrigate as early as possible, and the company was pushed aside. As land area of the household producers was much smaller than that of company Ace, the former asked Ace’s hired workers to let them finish irrigating first, whereas the farmworkers, from the village or not, were reluctant to offend the local villagers just for the company’s sake. Consequently, the company missed the best time for irrigation, which had obvious adverse effect on the yields.

The agribusiness made significant changes on farm management since the second year to get rid of all the troubles. By delegating all the farmland to several *contracted tenant households (CTHs)* on terms that CTHs pay the company land rent and pay for ‘agricultural inputs package’ (including rice seeds, pesticides, fertilizers and machine seedling transplanting, machine ploughing and machine harvesting) and sell their output to the company, company Ace freed itself from direct rice cultivation, but still reserved dominance and disciplinary power over these tenant households. After some trial and error, managers of the agribusiness gradually found out that 100 *mu* to 500 *mu* could be an ‘appropriate’ land area for a CTH. By ‘appropriate’, as explained by a manager of Ace, it means that tenant households could make gains and thus be retained. The CTHs who suffer loss would quit, and the high turnover rate of CTH increases the management cost, which is what the company strives to avoid. With a stable

⁴ County Pingwan is located in a hilly area, with only a limited flat area.

team of CTHs who undertake all the natural risks in farming, this agribusiness is able to acquire a relatively stable profit of over 200 *yuan/mu* from the upstream and downstream of farming, i.e. the sales of agricultural inputs and the processing/marketing of output.

What should be noted is that rice cultivation in County Pingwan has yet been fully mechanized due to the hilly terrain. Wage labour is in great demand particularly in rice seedling transplanting season, especially for large-scale producers. Also, those who manage large farms also need to recruit workers in doing irrigation, spraying pesticides and spreading fertilizers. An ordinary rural household in County Pingwan cultivates no more than 10 *mu* of land, and a middle farmer household could manage a farm of no more than 50 *mu* without using hired labour under current production conditions. On the other side, CTHs, who should rely on wage labour in farming, are definitely not 'household producers', although they might input family labour as well. Moreover, a problem incurred by the rapid expansion of Ace's transferred land is that the company has troubles in finding out proper CTHs in those specific villages, where they contract land from, within a short time. As a result, the company delegates the farmland to whoever are capable of managing large-scale farms, many of whom are from other villages or even other towns. In this sense, the difficulties in farm management, encountered by company Ace, are now transferred to CTHs, whereas the former is able to profit from managing the large-scale farm this way.

It is necessary to point out that the CTHs are able to or are willing to cope with the difficulties. The relatively small farm area allows the CTHs only need to use seasonal labour, instead of permanent workers, which means the non-identity of production time and labour time is no longer a problem. Moreover, the problems of land rent, agricultural risks, and delay of realization of surplus value, as noted by Djurfeldt (1981), are solved from the perspective of company Ace. The CTHs pay the land rent, take the risks in farming and absorb the delay of realization of surplus value. The reason why the CTHs are willing to bear all the costs is that being a tenant household is a shortcut for medium farmers (as above-mentioned), who are the main sources of CTHs, to enlarge their land area and make accumulations from the expanded reproduction. Although it is possible for them to acquire land by contracting land from villagers from house to house, working with the agribusiness is obviously more easily. Additionally, company Ace offers loans to these under-capitalized rural households, which is tempting. Thereby, the remaining problems for CTHs are labor recruitment and supervision, along with which come the difficulties in dealing with the local villagers.

Before moving into the next section, I would like to go further on the nature of relation between the agribusiness and the CTHs. What should be stressed is that the CTHs could not be taken as some variation of out-grower in contract farming. The widely-studied contract farming normally takes the form of an agribusiness providing credit, agricultural inputs, farm machinery and technical advice for purchasing products of *independent* agricultural producers at a fixed price or a differential price (Glover 1994; Eaton and Shepherd 2001). Although providing some assistance to the out-growers, the agro-capital does not exert dominance power on the production process. The fact that farmland is not controlled by these agribusinesses distinguishes contract farming from the practice of company Ace. Whereas contract farming could be taken as a vertical integration in agriculture, the latter should be characterized as a labor management strategy of a large-scale farm. Although the enterprise has no direct wage labor relationship with the CTHs, the returns these households gain from rice production are only equivalent to the remuneration of their labor input. The profits gained by the agribusiness from the upstream and downstream of agricultural production, are exactly the agricultural surplus produced by the CTHs. In this sense, these households are in effect in disguised hiring relationship with the agribusiness (Chen 2016).

Rural households with strong manpower and agricultural machines are more likely to make profits, and thus are the potential choices of the agribusiness (Chen 2016). However, even with these advantages, there are still a number of CTHs who could hardly be even around breakeven. The following section will focus on why some of the CTHs, with similar endowment of sources, such as strong manpower and agricultural machinery, cannot make profits, and on how those successful CTHs deal with the local villagers, as well as how they overcome the difficulties in labor recruitment and

labor supervision.

3 The employment of rural social relations in labor management

Fei Xiaotong describes traditional Chinese countryside as ‘a society totally based on the familiar’ (1992: 41), or a ‘face-to-face society’ (*shuren shehui*) (1992: 53), which should be characterized by ‘differential mode of association’ (*chaxugeju*) (1992: 20). As a metaphor of *chaxugeju*, rural China’s social relationship is described as the ripples flowing out from the splash of a rock thrown into a lake. Each person is the center of his/her network, and the rural society is composed of overlapping networks of people, who are linked together through differentially categorized social relationships (1992: 20). Based on Fei’s interpretation, Chen Baifeng further characterizes the customary norms of rural China as four principles, which are ‘principle of face-saving’ (*qingmian yuanze*, with *renqing* as the core, which will be elaborated as follows), ‘principle of avoiding extremes’ (*bu zou jiduan yuanze*, which means that people should be ‘reasonable’, rather than resorting to extreme measures, when involved in conflict with fellow villagers), ‘principle of social exclusion/discrimination’ (*qishi yuanze*, which means the differential treatment of ‘insiders’ and ‘outsiders’ in a *shuren shehui*) and ‘principle of hometown attachment’ (*xiangqing yuanze*, referring that rural residents are spiritually attached to their village hometown, and people would return to their origins wherever they go, just like fallen leaves return to the roots; moreover, those who have some achievements outside should contribute to their hometown in order to earn respect) (2011: 47-53).

Chen’s interpretation is important, as these principles constitute the framework of rural social structure. Whereas the rural social network is formed by the interwoven of *renqing* relationships, *face competition* (*mianzi jingzheng*), which is derived from the ‘face-saving principle’, keeps the vitality of rural society. Additionally, the principle of social exclusion/discrimination defines the boundary of the ‘face-to-face society’. In this sense, it would be easier for company Ace to deal with the rural society if the *renqing* relationship and ‘*face competition*’ could be employed in its farm management, whereas the ‘social exclusion/discrimination’ could be avoided. By incorporating the CTHs in its industrial chain, company Ace manages to do it. This section will elaborate on how the CTHs deal with the labor recruitment and labor supervision problems by mobilizing the rural social resources, particularly the social customary norms.

Renqing and labor recruitment

Renqing means a certain kind of resource that can be used as a medium of social exchange, and it is a norm of reciprocity. In the Chinese rural society, when one has ceremonial occasions, such as on marriage or funeral ceremony, in celebration of the birth of babies, birthday celebration of the elders, and housewarming greeting of a newly built house, or on some other occasions, like paying new year call, or paying visit to a patient, one’s acquaintances are supposed to render gifts or other substantial assistance, which is called ‘sending *renqing*’ (Yan 2000: 50). Those who do *renqing* for another expect the repayment. But unlike a commodity exchange, *renqing* payment is not supposed to be repaid immediately, but to be paid back once circumstances permit. Moreover, the behavior of the recipient of *renqing* is regulated by the social norm, which could be proverbially expressed as ‘If you have received a drop of beneficence from other people, you should return to them a fountain of beneficence.’ (Hwang 1987) It means that when one owes another person a favor (*renqing*), one has to seek for an opportunity to return a bigger favor. By repaying the favor with a bigger favor, one makes others owe him more favors in future. As interpreted by Fei Xiaotong (1992: 124-5), ‘*renqing*’ means the relationship among an intimate group, in which each member owes countless favors to the others. Moreover, people would avoid settling their accounts or being completely square with somebody, since there will be no need for further contact if they do not owe anything to others. *Renqing* plays an important role in the CTHs’ labor employment.

Ma Anguo, from the Sanli village of Shuichuan town, contracts from company Ace over 60 mu of land

in 2013, which locates in his *production team*⁵. Ma and his wife used to cultivate over 30 *mu* of land, offered for free by Ma's kinsmen and friends who are rural-to-urban migrant workers, before company Ace contracts land from his village. Ma was a typical middle farmer, and was able to make some accumulations from growing rice. The arrival of Ace has made it impossible for the Ma family to maintain the rent-free land. As a less-than-ideal alternative, Ma turns to contract land from the company. With little experience in (relatively) large-scale farming, Ma is reluctant to risk managing a farm of more than 100 *mu*. He negotiates with the company, and contracts only the sixty some *mu* of land located in his production team from Ace.

As a local CTH, Ma's social network contributes a lot in his labor recruitment. What should be noted is that most of the hired labour are those who Ma owes favors to (*qian renqing*). As a matter of facet, Ma has started to use wage labor when his cultivation land area reached 30 *mu*, which happens before he becomes a CTH. These workers are mostly his elderly kinsmen who offer their land for free to the Ma family, as most of their family members, such as their sons and daughter-in-laws, have migrated to cities. Ma owes them favors as he cultivated their land without paying land rent, and he repays the favors (*huan renqing*) by providing these elders work opportunities. He explains that, 'these elderly people offer their land to me (free of rent) because their children have migrated to cities, and they themselves are too old to do the farming. They do not charge me anything. Now I should take care of them.' By 'taking care of them', Ma means that he employs them to work on his farm so that they could earn some cash. These elderly villagers are generally aged 60 to 70 years old, who could hardly find any odd jobs even in the neighborhood labor market. Ma speaks frankly that:

'The CTHs from outside were reluctant to hire these elderly people as they are too old to work ineffectively. They prefer to 'outsource' some of the agricultural activities (*zuo bao gong*, which could be understood with reference to the 'piece-rate system'), say, rice seedling transplanting, to workers. The hired workers, who take the 'outsourced' work, get paid based on the land area they complete transplanting on. The elderly are reluctant to get paid this way. Since they are not able to work fast, they should spend more time on doing the same amount of transplanting work (compared with the younger ones). Converted to daily payment, an elder worker might only get some 60 *yuan* per day for doing the outsourced work (whereas the average daily payment of a wage labour in County Pingwan is around 100 *yuan*). So you know, they (the CTHs from outside) do not speak directly that they do not want elderly people (as wage labour). They just outsource the rice seedling transplanting. You will not take the work if you think it is not worth it. But I pay the elderly people 90 *yuan* a day (*zuo dian gong*, which could be taken as a time-rate wage system) no matter how much work they complete that day. These are the people who offered me their land for free. Although it is Ace that has contracted their land, I should still take care of them. Honestly, they work slowly, and thus for hiring each worker, I lose some 10 *yuan* a day. But I know they would work carefully. They would be responsible. I do not need to supervise them. This is because we are relatives, and we relate very well.

(Question: What if you do not recruit them?)

Ma: Then these elders would say 'this man is untrustworthy', if I did hire others.'

As shown in Ma's case, '*renqing*' is employed in labour recruitment, and even contribute to labour supervision. Before company Ace's involvement, it is Ma who owed favors to (*qian renqing*) his kinsmen, as the latter offered their land to the Ma family without charging a land rent. Nonetheless, the arrival of company Ace and the CTHs from outside, who are reluctant to recruit the elderly people

⁵ Between the mid-1950s to the early 1980s, China adopted the collective farming system, which comprised a three-tier structure, made up of *commune*, *production brigade* and *production teams*. (Bramall, 2008: Chapter 7 'Collective farming') The three-tier structure is mostly preserved after the implementation of Household Responsibility System, but with different political implications and different title. *Communes* become township governments, *production brigades* are replaced by 'villages', and *production teams* are now 'villagers' groups'. But villagers, especially the elder ones, still habitually use 'production teams'. A production team typically consisted of about twenty to thirty households, and a village normally comprised, on average, some ten production teams.

on their farms, have made the elders vulnerable in the labor market. Ma repays bigger favors to (*huan renqing*) his elderly kinsmen by recruiting them as farm workers with relatively high payment. It is necessary to note that people respect and follow the customary norms like *renqing*, and also expect others in the community to do so. In this case, Ma is aware that if he does not recruit his elderly kinsmen as a return of favor, he would be regarded as ‘untrustworthy’. The ‘trust’ is based not on formal contractual relationship, but on people’s consciousness of following the informal norms shared by the whole community. As Fei Xiaotong (1992: 44) noted, trust in rural society derives from familiarity, and has very solid foundations as it is rooted in customary norms. Therefore, it makes sense that the elderly people expect Ma to hire them. These elders, who owe favors to Ma now, are motivated to work carefully to be grateful. It is in this sense that Ma notes the un-necessity of labor supervision. Although the labor costs on Ma’s farm is a little higher than that of the outside CTHs, the yield per unit on his land is also higher as a result of the elder workers’ careful work, admitted by Ma, which in effect increases his income.

Most importantly, the capitalist relations are covered by the sentimental *renqing* relationship. A noteworthy point made by Ma is his argument on ‘money-losing’ for employing the elders. It might be true that he spends more on the wage labour because of the workers’ relatively low work efficiency, compared with those who use strong wage labor. However, the use of wage labour has undoubtedly contributed to Ma’s profit-making. Thus it should be more precisely interpreted as that Ma appropriates not as much surplus value produced by these workers as those who would have paid less. But since *renqing* relations are involved in labor employment, the reproduction of capital is disguised by the reproduction of rural social relations. The utilization of rural customary norms in farm management is an exclusive advantage for the CTHs from inside of the village, who could be called ‘local CTHs’, as compared with the ‘non-local CTHs’ who are from outside.

As a matter of fact, labor recruitment is a tough problem for the non-local CTHs. Since they have no connections in the villages, they have to rely on village cadres or the respected people of a village in labor recruitment. The problem is whether these people could be reliable intermediary for the newly-come employers.

In 2012, Wang Deyuan and his wife contracted a farmland comprising over 100 *mu* in Qinzheng village of Shuichuan town, which is around 30 miles away from his home village in Chunjiang town. The Wang family quitted in 2013, as they barely make any profits from rice cultivation in the last year. Bringing up the farm management in 2012, Wang and his wife were both frustrated, and insisted that things would have been better if they were ‘locals’ in Qinzheng village.

‘It is easier for the local CTHs to recruit wage labour. They can hire whomever they like. But I was a complete stranger there. When I needed workers, I had to turn to the production team leader (*cunmin xiaozuzhang*) for help. Otherwise, villagers would not work for me. They were worried that I would not pay them. But you know how the production team leader helps with the labor recruitment? He divided villagers into several groups, and let them take turns working for me. If I need eight workers today, for example, the first eight people come to my farm to get hired. Next time if I want five workers, another five villagers will take the work. Those elders – who were too old to work – and slackers were sent to my farm. If I were a local resident in that village, and if I knew what these people were, I would definitely not hire them. I would recruit the strong labor, not the elder ones, of course. You see, this is the difference (between a local and non-local CTH)!’

In this case, the production team leader played a crucial role in Wang’s labor recruitment, as the Wang family found it difficult to recruit wage labor as ‘outsiders’. The problem is that the team leader did not take their side. It is necessary to examine the role of the production team leaders or other village cadres here, as most of the non-local CTHs rely on as intermediaries them for labor hiring. In a rural society, village cadres normally have dual identity. On the one hand, they enjoy political legitimacy in the formal political structure, as village is the grass-root administrative unit in China, team leaders/village cadres enjoy. On the other hand, those who are elected as village cadres normally enjoy

high prestige in rural society (He 2003: 67-75), which means that the informal resources in the village that are available to them would be more than ordinary villagers. In this sense, village cadres are at the junction of the formal structure and informal structure in the rural society, which makes them suitable intermediaries. However, in most cases, the primary concern of these village cadre-intermediaries is not the efficiency of labor, but the equal distribution of work opportunities among villagers. As noted by a Village Secretary of the party branch, 'Some villagers will come to fight with you if you do not 'assign work' to them!'

The establishment of large-scale farms has evicted a number of villagers from their land, which has created surplus labour. Those villagers who are unable to find jobs in the labor market hold high expectations for these cadres to equally allocate the work opportunities, whereas the cadres, who are in *renqing* relations with their fellow villagers on the one hand, and need the villagers' support in the democratic election at the rural level on the other, are motivated to respond to the villagers' demand. In this sense, having the villagers taking turns to work for the employer is a simple way to make sure the equity distribution of work opportunities. But the work efficiency is compromised, which is why the Wang family complains about the difficulties in labor recruitment. Such dilemma is faced by all the non-local CTHs.

There may be ways for the non-local employers to break through. For example, contracting the village cadres or prestigious people as labour brokers to provide them casual labour, or recruiting a local resident as labor manager, might be a solution. In another field research in a northern province of China, I have learned that an agribusiness there hired a retired rural junior high school teacher (who is well-connected in the village) as their 'labor manager', who takes charge of labour recruitment as well as labor supervision. It has successfully transformed the conflicts between local villagers and the enterprise into the internal contradictions between the retired teacher and his fellow villagers. The retired teacher complains that even his brother has grievances about him, because he did not hire his sister-in-law – who is said to be slow and careless – to work in the farm. But in this way, this enterprise manages to make profits from the large-scale farming. The problem is, whether the CTHs of company Ace could afford the costs of hiring a full-time labor manager. The above agribusiness, which has successfully solved the recruitment problem, is engaged in the more profitable apple production and marketing. However, the limited profits the CTHs could obtain from rice cultivation make this solution infeasible.

It has shown that the local CTHs, endowed with social resources in the rural community, could utilize the customary norms such as *renqing* in labor recruitment and labor supervision, whereas the non-local ones are encountered with more predicaments in farm management as outsiders. But essentially, it is the agro-capital that takes advantage of the rural social relationships for expanded reproduction, through incorporating the local CTHs in its industrial chain.

'Mianzi (face) competition' in rural society: the game of making-out in rice seedling transplanting

A society dominated by *renqing* rule is relation-oriented (Kwang 1987), in which one's social position and prestige is highly valued. The so-called *mianzi* refers to one's social position or prestige, which could be obtained by successfully performing one or more specific social roles that are recognized by others (Hu 1944). *Mianzi* could be gained via the personal qualities, such as knowledge, strength, ability, etc., or through social or non-personal factors, like authority, social connections and so on (Ho 1976). Moreover, 'having *mianzi* enhances not only relative position but also many kinds of privileges that further improve the quality of life' (Hwang 1987). Thus, saving *mianzi* and avoiding losing it, is crucial in China's rural society. Moreover, the *mianzi* competition, overt or covert, is always there. Studies have shown that *mianzi* competition may take various forms in contemporary rural society. For example, villagers might compare their houses with each other. People regard it an enhancing of *mianzi* if they have the ability to build a higher, better-decorated house with better building materials. Also, *mianzi* competition may happen in comparison of the possession of articles of luxury, the quantities of betrothal gifts one receive, and the sumptuousness of wedding/funeral banquet (He, 2009: 336; Gui & Yu, 2010; Gui & Ou'yang, 2012; Chen & Guo 2007; Yuan 2009). What would cause the

saving or losing of *mianzi* is to some extent the tacit local knowledge. *Mianzi* competition has been taken advantage of in labor supervision on local CTHs' farms.

Zhang Qiushi, a villager in Liuquan town, has been incorporated by company Ace since 2010. Unlike the other CTHs, Zhang does not contract farmland from the company, but secures loans from Ace, on the condition that he purchases a certain amount of agricultural inputs from the company. There is a loan contract between Ace and Zhang, and Zhang is counted as a CTH, since the enterprise makes stable and predicable profits from the sales of agricultural inputs to Zhang. Zhang has been engaged in large-scale rice cultivation since 2009, which makes him one of the first 'big farmers' in County Pingwan. He contracted more than 100 *mu* of land from his fellow villagers in 2009 on his own, and was titled '*zhongliang dahu*' (big farmer in grain production) with cash awards that year by the county government. He has been enlarging his land size since 2009 by contracting land both from his village and from the neighbor villages where he is well connected in. By 2013, his land area has reached approximately 500 *mu*, the majority of which is in his own village. All these years of land management practice has allowed Zhang to accumulate rich experience in labor management. He talks excitedly on how he effectively motivates the hired workers.

'I usually hire two or more teams of workers to do the rice seedling transplanting⁶. You know why? These teams would compete with each other. When two teams work together, workers always keep an eye on the work progress of another team. See, there should be one person in each team who transport rice seedlings from the seedling bed to the paddy field for transplanting. Indirectly speaking, this person is exercising labor supervision. Since he goes back and forth, he is monitoring the work progress of all teams. If his team only completes transplanting in two *mu* of land when another team completes in more than three, he would remind his team workers, 'That team has completed more work than us! We have to work harder!' ... From all these years' experience, (I have found out that) if I hire three or four teams of workers, the land area of paddy field each team finishes transplanting in by the end of a day usually differs only by 0.4 to 0.5 *mu* among different teams (a team consists of eight workers could normally complete the transplanting in 8 to 10 *mu* of paddy field). The minor disparity is mostly due to the differences of natural conditions. For example, some paddy field is far from the rice seedling bed while the other is nearer; some field is on rough terrain while the other is not. Even if I do not say anything, the workers themselves would feel ashamed if lagging behind too much. (Laugh) I did not figure out this way until the second year (when I am engaged in large-scale farming). You know what it means? When they work together, as I said, they have the sense of competition. Things would be completely different if I hire only one team of workers. It would not be easy for me to monitoring their work progress.'

As an experienced *big farmer*, Zhang makes good use of the local knowledge in labor supervision. If twenty workers are in need for the rice seedling transplanting work, Zhang would strategically choose to recruit two teams of workers, each comprising ten people, instead of one team comprising twenty. The competition between teams would make it easy for the employer to monitor the workers. As Zhang explains, workers may feel ashamed for falling behind others in the seedling transplanting work, as being inferior to others in farm work is *mianzi*-losing. Therefore, when there is more than one team of wage labour, all teams would consciously maintain consistent efficiency in working. In a sense, Zhang has delicately created 'a game of making-out' (Burawoy 1979) in labor supervision on his farm by taking advantage of *mianzi* competition in rural society. Zhang also mentions that this strategy in

⁶ The emergence of large-scale rice producers has incurred the need for wage labour in doing the rice seedling transplanting, because of the immaturity of machine transplanting technology in County Pingwan. The specialized rice seedling transplanting teams have developed in recent years. These teams are composed mostly of women aged from 40 to 60 years old, organized by team leaders who are normally the well-connected people in the countryside. The team leaders usually have wide social networks both in and outside their villages, which allows them to have quick access to 'job opportunities' on nearby farms. The transplanting work is normally outsourced to the team leaders, who are in charge of the labor arrangement and the payment of labor remuneration.

labor recruitment has been widely adopted by large-scale producers.

Additionally, to avoid the situation that all teams keep a same low productivity in working, what is crucial is that the employer recruiting reliable team leaders. At least one of the team leaders should be a responsible labor organizer that has credit with the employer. Since Zhang's farmland is located mostly in his village, he enjoys the advantage of being a local CTH. His social network allows him to know a number of trusty leaders of rice seedling transplanting team, who play important roles in managing the team workers (the role of leader will be further discussed later).

The boundary of 'shuren shehui' (face-to-face society): social exclusion/discrimination of the 'outsiders'

Whereas 'local' CTHs have more advantage in farm management by utilizing the rural social resources in labor recruitment and supervision, non-locals encounter various difficulties. The disregard of the interest of 'outsiders', or rationalization of the use of violence or violence threat against 'outsiders', is reflection of the social exclusion/discrimination (Chen 2006: 124). Rural residents seem to have a clear recognition on who is 'one of us'. As a matter of fact, the boundary is between 'insiders' and 'outsiders' has been historically developed. Before the establishment of a modern state, the traditional Chinese state had very little capacity to provide the rural society with public goods, such as farm irrigation, social assistance and social security, which, rural individual households on their own had very limited access to either. Thus the 'shuren shehui', characterized both by the blood ties and locality ties, undertook the responsibility of providing the public goods. Members of a *shuren shehui* are closely bound together by rural social customary norms and ethics, and are supposed to undertake responsibilities in public affairs. Thus, the social exclusion of outsiders, who do not share the internal norms or assume obligations, is essential to maintain a functional face-to-face society (Chen 2010: 51-52). Although mutual dependence within a rural community is not as urgent now, the historical inertia of social exclusion still maintains, and would immediately be activated when there is a conflict of interest (which has been discussed in the second section) between 'insiders' and 'outsiders'.

The case of Zhou Huasong may reveal who are considered as 'outsiders' in the rural society. Zhou Huasong and his wife, from Fengsan village of Shuichuan town, have contracted over 400 mu of land from company Ace since 2013, located both in his village and the neighbor village (Songbai village). Zhou's wife resentfully talked about an unpleasant experience happened not long before the interview.

'My husband and I spread fertilizers in that paddy field the other day, in Songbai village. We had plugged all the outlets⁷ (in the paddy field) before we left. We cannot keep watching that field all the time, right? We have quite a lot of work to do. You know what? Someone excavated the ridge of my paddy field and all the water (with the fertilizers in) flew away (to others' field)! ... I happened to find out the next day when I rode past by that paddy field on a motorcycle. They (referring to those who excavated the trench) must not have thought that I would go back to check that field right in the next day. I found that there was not even one drop of water left in my field and all the outlets were wide open! You can see if there were any fertilizers left! I stood by that field and asked angrily and loudly: 'who is this wicked? My husband and I just spread fertilizers here yesterday, and there was full of water in my field then. We plugged all the outlets before we left. How come there is no water at all now? You know we have just spread fertilizers. Why still excavating my field ridge?' You know what they said? They said: 'it might not have been done by humans. It may be the mice who excavated the soil.' Do you believe the mice could dig such a big hole? Where was the soil they excavated? Even if it is the mice, there should have been mice footprints, isn't it? Why should a mouse dig in the field ridge? Then I refuted: 'you say it was the mice. Why the mice had not come before I spread the fertilizers?'

⁷ The outlets are for irrigation water to flow in and out. When it is time to drain off water, people have the outlets open. When irrigation is needed, people could plug the outlets after watering in.

The deliberate sabotage activities reflect social discrimination on the ‘outsiders’. It is important to note that when cultivating the farmland located in Zhou’s own village, he does not have such troubles. It implies that even those who from a neighbor village are discriminated as ‘outsiders’. Seemingly, only those who are in a same village are considered ‘insiders’, and they constitute a face-to-face group. Nonetheless, the views shared by Zhou and his wife might indicate that it is the production team that is the basic unit of a face-to-face society.

Interestingly, the Zhou family expresses their identification of the discrimination and exclusion principles, although they are angry about what has happened to them. They explain with the example of farm irrigation. Zhou’s wife notes that her fellow villagers, she herself included, would not allow ‘outsiders’ to use the public irrigation facilities without charging them, even if the outsiders contract land from her production team. In the same way, Zhou holds that only members of a production team are eligible to use the public resources for free, whereas those who come from a different production team – even if they are from a same village – will be hindered from using the irrigation facilities without payment. It implies that it is the ‘membership’ of a production team that determines the qualification of utilization of public resources. This has also been confirmed by other cases, such as that of Ma Anguo and Zhang Qiushi, whose land locates (or mostly locates) in their production teams.

The reason could be traced back to the initial formation of ‘production team’. The ‘production team’ was constructed as a basic unit of the three-tier structure (*commune, production brigade and production teams*) since the collectivization period (Bramall, 2008: Chapter 7 ‘Collective farming’), and most production teams used to be *natural villages*, which are historically formed as rural habitats consisted by one or a couple of clans. Production teams are preserved after the implementation of Household Responsibility System. People in the same production team know well about each other because of the long-term social interaction. Historically, rural people depend heavily on each other, not only in agricultural activities, but also in daily life. The mutual aid in farming activities, house constructions, wedding/funeral banquets and so on happens primarily within a production team, which makes the production team the basic unit of a face-to-face society (*shuren shehui*). Moreover, as mentioned earlier in this section, membership of a *shuren shehui* is established in the history, loaded with responsibilities in public affairs. Typically, the maintaining of village irrigation system requires members to input labor and sometimes funds every year, and the long-term contribution is highly valued. Thereby, the outsiders are excluded not just because of their non-involvement in *renqing* relations of a *shuren shehui*, but more importantly, because they have made no contributions to the group. As a matter of fact, He Xuefeng (2000), predicated on his study of China’s rural self-governance and the practice of direct election of village committee, also considers a production team, rather than a village, to be *shuren shehui*, and the latter is termed as a *semi-face-to-face-group* (*ban shuren shehui*). In this context, the ‘local’ CTHs should only be those who cultivate land that locates in their production teams.

In general, the successful CTHs are mostly those who manage farmland located in their production teams. Whereas the non-local CTHs are excluded/discriminated, local ones enjoy the advantages in labor recruitment, labor supervision, and the free use of public resources. By mobilizing the rural social resources, local CTHs have more advantages in dealing with the villagers, and overcome the difficulties in labor management. In this sense, the advantage of ‘household farming’ should be examined in the village context. Once uprooted from the rural community, household farming does not necessarily show advantages in agricultural production.

What should be noted is that the company has purposefully visited those who are well-connected in the countryside since the very beginning when they contracted land in the countryside. Mentioned by a staff of Ace, they conduct blanket search for these people in and around the villages where they contract land from. The village cadres, owners of village grocery stores, agricultural machine operators, big farmers, and middlemen in grain purchasing, are all the potential targets to be incorporated as CTHs. The local CTHs’ mobilization of rural social resources eventually contributes to the capital accumulation of this agribusiness. However, the employment of rural social networks in profit making has adverse impact on the rural society, which also calls into question the sustainability

of such strategies.

The dilemma of the employment of rural social resources

The employment of rural social resources in farm management has been transforming the rural society. The case of Zhang Qiushi could provide some perspectives.

As mentioned earlier, Zhang Qiushi has rich experience in labor management. His own social network plays an important part in the labor management. There are basically two methods of labour remuneration in agricultural activities: time rate system and piece rate system. Take the rice seedling transplanting work as an example. Under the piece rate system, workers get paid of 130 RMB for the completion of rice seedling transplanting on one *mu* of land, whereas under the time rate system, workers get paid of 100 *yuan* for a working day. According to Zhang, both systems have pros and cons. On the one hand, the quality of the rice seedling transplanting work would be better if the workers get time-based payments, but the employer should be more cautious in labour supervision, as the work speed might be pretty slow. On the other hand, the transplanting work could be completed in a relatively short time if the workers are paid by piece rate, but the quality of work might be relatively poor, which might eventually result in a lower yield. Zhang notes that he prefers to the time rate system. He explains that:

‘Generally, I would rely on a couple of acquaintances (who are leaders of the rice seedling transplanting worker teams) in doing the rice seedling transplanting, and let him organize the workers. Each team consists of eight or so workers, the team leader included. They would conduct the transplanting work carefully. They (the team leaders) said, ‘I get 100 *yuan* from you (for each working day), and I will complete the same quantity of transplanting work each working day, just as the amount of work that could be accomplished each day by those who get paid of 130 *yuan/mu*. You do not have to worry about me not working hard. **If I get 100 *yuan* from you for one (working) day, I would surely do the work by taking those who are paid 130 *yuan/mu* as a reference. I would make my work worth the payment (*duideqi laoban*).’ See, I do not have to emphasize to the workers the quantity of work they must complete each day. ... What matters is to build good relationship with people (*zuo ren*). The team leaders, who are both workers and indirect overseers, must be the ones that I can trust. These people help me to organize the workers, and they do the organization work for free. ... Why don’t I use the piece rate system? See, I ask the leaders to organize workers for me. This is like I assign them some sort of power. A leader would be in a dilemma if I pay the workers by piece rate. As the leader of a team, he should further the interest of his co-workers, which means to complete the work as fast as they can under the piece rate system, but it may probably compromise the quality of work. In that case, he would be embarrassed when faced with me, because he and I are acquaintances, and he should be live up to my trust. I would not put them in such dilemma.’**

Zhang explains that the key of using the time rate system is that employers maintain trust with the worker team leaders, as he relies completely on these leaders in labor supervision. As an intermediary, the worker team leaders are very likely to fall in to a dilemma whether to take the side of his co-workers or the employer. Zhang chooses the daily rate payment so that the leaders could avoid such a dilemma. Whereas a leader might probably further the interest of his co-workers under the piece rate system, he should care more about the employer’s interests and serve as an overseer under the daily rate system since the payments are fixed. This dilemma faced by the worker team leaders actually shows the conflict of interest between the employer and the hired workers. By hiring an acquaintance as the intermediary and overseer, Zhang Qiushi only temporarily ‘resolves’ the contradiction.

What should be noted is that the interaction dynamics in an employment relationship has become different from that in a *shuren shehui*. Even though the worker team leaders and the employer are acquaintances, the former now calculate precisely the costs and returns when employed to do the rice

seedling transplanting work. The idea that '*making my work worth your payment*' is obviously diverged from the principle of *renqing* relations, which normally implies the returning of a bigger favor to others. Fei Xiaotong (1992: 125-126) notes that the maintenance of an intimate society depends on the fact that people always owe favors to each other. However, the employment relationship has been gradually transforming this dynamics, particularly in the sense that people now prefers to square their accounts with each other after each exchange. They would make sure that their work 'worth the payment', but never contribute more.

As a matter of fact, Zhang still felt embarrassed when having to refer himself as a '*laoban*' (boss, employer) in the interview. For Zhang and his generation, *laoban*, as an exploiting class, has been eliminated in the socialist transformation. This might probably be the reason why he has been feeling awkward when the employment relationship returns. But the class relations have emerged in the countryside even when villagers are not well conscious about it.

4 Conclusion

I have argued in this paper that large-scale farms have been emerging in China, and agro-capital has explored ways to overcome the obstacles in farm management in the Chinese context. Large-scale farming in China distinguishes itself from that in other regions like African and Southeast Asia in two senses. First, the development of large-scale farms in China, to a large extent, is driven by surplus industrial/commercial capital. Agriculture is a new, or remaining, field for capital accumulation, which forces agro-capital to find out effective ways to deal with all the difficulties in operating large-scale farms. Second, the only way for China's agro-capital to access to farmland under the HRS is through land transfer, which means to contract land from the countryside. As agribusinesses normally contract only the good land, they have to deal with the remaining villagers in farming.

After the failed attempt of establishing a wage labour-based capitalist farm, the enterprise has decided to delegate the farmland to a number of CTHs, whereas the enterprise is still able to exert dominance and disciplinary power over these households, which helps to overcome some of the difficulties in large-scale farming and make accumulations. The CTHs now take the natural risks in farming, pay the land rent and absorb the delay of realization of surplus value. Additionally, the relatively small farm area allows CTHs to use only seasonal wage labour instead of regular workers, which means the non-identity of *production time* and *labour time* is no longer a problem. Moreover, it is the CTHs that deal with labor employment and supervision, as well as the local villagers now.

This paper argues that by incorporating the CTHs in its industrial chain, the rural social resources of those local households could be mobilized in labor management, and contributes to the agribusiness's capital accumulation. By contrasting with non-local CTHs, local ones – referring to those households whose contracted land from the company locates in their own production teams – enjoy the advantages in labor recruitment, labor supervision, and the use of public resources. The *renqing* relations and *mianzi* competition in rural society are utilized in labor recruitment and supervision, whereas the membership of a production team, which is a basic unit of the *shuren shehui*, allows local CTHs to use the public facilities for free. What should be noted is that the contradictions between the external agro-capital and local villagers are virtually conflict of interests, which should not be understood simply as some form of cultural exclusion. In a sense, the integration of CTHs by the agribusiness has only transferred the conflicts instead of resolving them. By the mobilization of rural social resources, the reproduction of capital has only been disguised by the reproduction of rural social relations, which put in doubt the sustainability of such strategies. As a matter of fact, the employment of rural social resources has been transforming the rural society, in the sense that the dynamics of social interaction in a face-to-face community is fundamentally diverged from that of the employment relationships.

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The 4th International Conference of BICAS
November 28-30, 2016
China Agricultural University, Beijing, China

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