

Land outsourcing and labour contracting: Labour management in China's capitalist farms

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Abstract

Difficulty in labour supervision has been considered to be one of the obstacles to the development of capitalist agriculture. This paper presents two distinctive labour management strategies in China's large-scale agriculture, which contribute to the development of agrarian capitalism in China. As shown in these cases, agribusiness companies engaged in grain crop production retreat from direct labour management by outsourcing crop cultivation, while acquiring profits from upstream and downstream activities. On the other hand, capitalist producers, who are involved in the labour-intensive and capital-intensive crop production, tend to mobilize local elites to manage the farmworkers. Although independent labour contracting services have not emerged, a specialized group of labour contractors is being cultivated. Rural social resources are utilized in labour recruitment and supervision to minimize the labour management costs in both strategies. However, the conflicts between capital and labour are covered or replaced instead of being settled.

KEYWORDS

capitalist farms in China, labour contracting, labour management, land outsourcing

1 | INTRODUCTION

This paper concerns the dynamics of managing labour in China's newly emerging capitalist farms. One of the most prominent changes of China's agriculture in the last few decades is the rapid growth of large-scale farms across the country. Although the difficulty of labour supervision in large-scale agriculture has long been noted as one of the

obstacles that inhibited capital from direct investment in farming (e.g., Bernstein, 2009; Koning, 2002), in practice, large-scale agricultural producers in China have developed different strategies in labour management. This paper aims to explore the labour management issues so as to understand how agrarian capitalism is developing in China.

It is worth noting the institutional context of the emergence of China's large-scale farms. Following the founding of the People's Republic of China in 1949, a nationwide land reform, which was characterized by the abrogation of ownership of land by landlords and the introduction of peasant landownership, took place largely between 1949 and 1952. This reform destroyed the feudal system of ownership and eliminated the landlord class completely. Private land ownership was soon replaced by the introduction of collective land ownership, represented by the establishment of rural communes beginning in 1958. When the Household Responsibility System (HRS) reform in the 1980s disbanded the communes in China, a separation between land ownership rights and land use rights was created. Whereas land ownership rights remained with the village collective, land use rights were equally divided and contracted to rural households. To ensure the equal distribution of land, land was divided into different grades based on the fertility of the soil, and thus, one household usually contracted several plots of land.

Therefore, petty commodity producers dominated China's agriculture in the early 1980s. Nonetheless, the scaling up of agriculture began soon after the HRS reform. As early as 1982, the Chinese central government's No. 1 Policy Document advocated cultivating a multitude of "specialized households," and the 1984 No. 1 Policy Document promoted the concentration of land use rights in the hands of specialized households. Before 2007, the commodification of farmland use rights proceeded relatively slowly, and the transferred land accounted for 16% of the total land in cultivation by 2006 (Wan, 2009). But after the promulgation of the *Property Law (wuyuan fa) of the People's Republic of China* in 2007, which made it clear that rural households have the right to transfer their land use rights, the process has accelerated. Since 2008, the Chinese central government has enthusiastically encouraged the development of specialized big households, family farms, rural cooperatives, and dragon-head agribusinesses (which are called "new subjects of agriculture" in official discourse) through the transfer of land use rights, which has promoted the development of large-scale agriculture in China. According to the official report, the percentage of transferred land has increased to 35% by the end of 2016 (Renmin Wang, 2017). The proactive governmental policies and the enormous amounts of surplus capital (Wen, 2006) both contribute to the vigorous growth of large-scale farms in China.¹ A number of researchers have highlighted that the dynamics of the capitalist market has destabilized, differentiated, and transformed household farming, and most small producers in China have been subsumed to capital in a variety of ways (Yan & Chen, 2015; Huang, 2015; Zhang, 2015a; Zhang & Donaldson, 2008).

The interest in this paper is to further explore how agrarian capitalism is developing in China by examining large-scale agriculture from the perspective of labour management. Labour supervision has been considered to be one of the main obstacles in the development of large-scale capitalist agriculture. Derived from Marx's value theory, Mann and Dickinson (1978) argued that the non-identity of "labour time" and "production time" in farming prevented the efficient use of hired labour and also had adverse effect on the rate of profits. Additionally, difficulties in labour supervision and the rise of labour prices both discourage agrarian capitalists from engaging in direct agricultural production (Koning, 2002; Griffin, Khan, & Ickowitz, 2002; Deininger & Feder, 1998, p. 17). However, in the Chinese context, due to the decrease of profit margins in most other industries, agriculture has become a new field of investment for China's surplus capital. Investors thus have to explore effective labour management strategies in order for surplus appropriation.

Moreover, since farmland is transferred from local villagers, these "new subjects of agriculture," who are largely non-locals, have to deal with villagers in farm management. The daily conflicts between local villagers and external agribusinesses have been widely observed (e.g., Xu, 2016; Yan & Chen, 2015), which has complicated the labour management practice. Thus, this research will bring in the village context in examining labour recruitment and supervision in China's large-scale agriculture. In contrast with the labour management system in the existing literature on

¹For a detailed review of China's rural land institutions since 1949, see Ye (2015).

capitalist farms across the world (see below), farm labour in China is mostly comprised of local villagers rather than migrant workers. Thus, the labour management strategies in China's large-scale agriculture might be different from that in other countries.

In the following paper, I will first review the existing literature on labour management in capitalist farms across the world in order to present the transformation of "paternalism" to the market-oriented labour management system. Following that, I will briefly introduce the data used in this paper in Section 3. Then I will provide an in-depth discussion of three cases to illustrate how China's large-scale producers adopt the strategies of "land outsourcing" and "labour contracting" in labour management to resolve labour supervision problems. The institutional context that these strategies are developing is also discussed in the interpretation. Section 5 concludes this paper by briefly comparing China's labour management strategies with the paternalist system.

2 | LABOUR MANAGEMENT IN LARGE-SCALE AGRICULTURE IN DIFFERENT COUNTRIES: A REVIEW

"Paternalism" is a key word in the literature on labour management in large-scale agriculture or plantations in Africa, Latin America, South-East Asia, and North America. The paternalistic relations date back to the colonial period, particularly in Africa and South-East Asia. The farmworkers in these regions were largely migrant workers whose households were located in residential compounds on the farms. The farmer's role was a paternal one, who was the final authority on all matters of substance on the farm, whereas his wife's role might be a "maternal" one, who is concerned with the workers' hygiene, health, and education. As the relationship between farm owners and farmworkers replicates familial relations, this system of labour management is known as "domestic government" or "paternalism" (Gibbon & Riisgaard, 2014).

Research on paternalism or neo-paternalism in China has primarily found it in the industrial fields, with a focus on the paternalistic dormitory labour system (e.g., Chen, 2003; Ngai & Smith, 2007). Since the emergence of large-scale agriculture in China has occurred only in the past two or three decades, labour management in agriculture has rarely been studied. What should be emphasized is that the majority of farm labour under paternalism was migrant workers. In contrast, farmworkers in China's large-scale farms are mostly from local villages, which might suggest a distinctive system of labour management. It is necessary to briefly review the studies on paternalism, particularly the new tendencies that involve using labour contractors as employment intermediaries, in order to comparatively examine the practice in China.

2.1 | Paternalism and its metamorphoses

Paternalism is a means to secure stable and disciplined labour. Migrant labour was organized in ways that reproduced paternalism. The farm owners provided housing, education, health care, pensions, insurance, and saving programs, and organized leisure activities for workers, intending to induce loyal behaviour and self-supervision (Alston & Ferrie, 1985, p. 101; Standing, Sender, & Weeks, 1996, pp. 172–172; Sage, 2004). Moreover, paternalism often, if not always, involves practices of coercion, such as physical violence and withholding of specific liberal freedoms (Gibbon, Daviron, & Barral, 2014, p. 172).

However, the trend of market-oriented labour management and legalization (mainly referring to the extending of minimum wage regulation and legal protection to farmworkers) has been a challenge to paternalism, which has led to the reduction of permanent employment and senior workers' privileges, the end of housing provisions and other benefits, and the closure of farm schools. This new trend did not suggest the end of paternalism; rather, a variety of metamorphoses were found in practice. Farm owners who value the farmworkers' tacit skills either seek to upgrade paternalism (Barral, 2014; Riisgaard & Gibbon, 2014) or resort to an increased reliance on temporary labour, but with

repeat or semi-continuous employment of the temporaries organized by a trusted employee or an independent labour contractor (Addison, 2014; Ewert & Du Toit, 2005; Theron, 2010).

It should be highlighted that it is the coercive power of the employer and the dependence of farm labour that have ensured an efficient supervision of labour. Even the new system of labour management is more or less affected by the tradition of paternalism. But the farm owners' coercive power has been increasingly undermined by legalization, which means the labour supervision strategies should also be updated. How the market-oriented principles in labour management can ensure the workers' obedience still needs to be explored.

2.2 | Alternatives to paternalism and divided interpretations

The transformations of labour management strategies, represented by the externalization and casualization of labour (Barrientos & Kritzing, 2004; Du Toit & Ally, 2003; Hall, Wisborg, Shirinda, & Zamchiya, 2013), have been widely observed in the existing literature, but the interpretations of new systems are divided.

Some researchers viewed the changes in labour management as an upgrade of paternalism (as presented above). They argued that although on-farm paternalism seemed to have been eroded, the personal power of the farmer was reinforced by the use of new patronage tools such as credit (Guérin, 2013), and labour contracting might reproduce some elements of paternalism in an "off-farm" form (Du Toit, 2004). Others suggested that a new labour management system in which "wage relations" play a dominant role has emerged. They insisted that market-related principles were the essential features of labour management today, although these principles were intertwined with elements of paternalistic hierarchy and dependency (Murray & Van Weelbeck, 2007; Roberts, 2009). Labour contracting, for instance, may reproduce some elements of paternalism but was generally considered as a "market model" of labour management (Riisgaard & Gibbon, 2014). Labour contracting, originated from the gangmaster system, was viewed as a correspondence to the restructuring of rural labour process. Agribusiness enterprises and commercial farmers, which pursued for cost-cutting, chose to adopt this highly exploitative form of labour contracting (Brass, 2004).

Although the alternatives to paternalism have been widely observed, there has not been a consensus on the interpretations. The market-oriented labour relations need to be further examined, as the dynamics of market-oriented labour supervision are not well interpreted. For instance, research on labour contractors has shown that they were more efficient in labour recruitment as they have built vast social networks, which enabled them to recruit from near and faraway labour pools. By delegating some of the farmwork to labour contractors, such as product harvesting, employers could control costs as well as enjoy more flexibility in labour management. Therefore, farm owners developed different strategies to ensure contract compliance with labour contractors (Ortiz, Aparicio, & Tadeo, 2013). However, how these contractors effectively supervise direct workers is still unanswered.

To summarize, it is noteworthy that the paternalist labour regime may share many of the same characteristics of the landlord-tenant relationship in China before the foundation of the People's Republic of China. But since China's land reform from 1949 to 1952 wiped out the landlord class completely, and there were not any privately owned large-scale farms in the following thirty years, China's newly emerged large-scale agriculture has inherited hardly any labour management "traditions" from history, as compared to that in other countries. Moreover, the large-scale farms in China acquire their land by transferring the land use rights from local villagers and mainly depend on local labour rather than migrant workers, which are also particularities of the case of China.² The characteristics of labour management strategies in China's large-scale agriculture have not been effectively pursued in the literature. This might

²There is a handful of research that concerns the farms dependent on local labour (Martínez Valle, 2017). These territories are densely populated by peasants and thus create a surplus of cheap labour. The peasant agriculture is functional to the needs of agribusiness and the organizational weakness of farmworkers allows the companies to implement "clientelar strategies," the paternalistic approach of which hampers the creation of unions. But since the land institutions are different from that of China, the agribusiness companies in China are faced with different challenges.

be because large-scale farms have newly emerged in China. The exploration of labour management could also contribute to the understanding of China's agrarian transformation.

For the large-scale agricultural producers in China, labour supervision is one of the main difficulties in farm management. The transformations of labour management strategies in the literature, represented by the casualization and externalization of labour, provided important references for exploring China's practice. This paper attempts to discuss the strategies adopted by China's agribusiness enterprises. Although the existing researches have discussed the development of labour contracting, the question how the contractors supervised the direct workers is not answered. As the form of labour contracting has also been observed in China's large-scale agriculture, I will explore the dynamics of labour contracting by introducing the case of China. Moreover, I will also examine the other forms of labour management besides the use of labour contractors in the Chinese context to enrich the discussion.

3 | DATA AND METHODOLOGY

The three cases presented in this paper were collected in different regions of China. In data collection, I conducted interviews with company managers, village cadres, farmworkers, local households who were incorporated by the companies, and the local elites who served as labour contractors.

The case of Company Ace³ was collected during my fieldwork in 2012–2013 in Pingwan County of Hunan province, which is located in the central part of China. This county has a long history of rice cultivation. Only small and medium farm machines could be used because of the hilly terrain. Company Ace only transferred the land in flat terrain in a village and then outsourced the land to local households. This strategy has turned out to be effective for the company.

The case of company Changhua was collected in Linhe County, Shaanxi province, in 2015. This county, located in the northwest part of China, is well known for its apple production. In this case, company Changhua transferred large tract of farmland to establish its base farms since 2008. The company directly hired farm labour to work on the base farms and delegated the labour management to local agents who actually served as labour contractors. What should be noted is that company Changhua used temporary workers.

The third case, the case of company Lianhe, was collected in Taiping County of Guangdong province in 2015. This county is located in the southern part of China. The planting area of citrus trees rises significantly in recent years. Company Lianhe is a small enterprise, which has transferred over 300-mu⁴ of land to grow sugar orange trees. This company also used hired labour to work on its farm, but unlike the case of company Changhua, company Lianhe hired permanent workers. In both cases, these companies incorporated local elites to manage the farm labour.

These companies were involved in cultivation of different crops. The labour management strategies in China's capitalist farms differed between the production of grain crops, which are neither labour-intensive nor capital-intensive, and the cash crops, which are labour-intensive and capital-intensive. Even among companies engaged in large-scale cash crop production, the labour management strategies are not the same when some companies hire temporary workers whereas others hire permanent workers.

4 | LABOUR MANAGEMENT IN CHINA'S LARGE-SCALE AGRICULTURE: LAND OUTSOURCING AND LABOUR CONTRACTING

According to China's Ministry of Agriculture (MOA), the average annual growth rate of farmland transferred to agribusiness companies was over 20% from 2012 to 2015 (Renmin Ribao, 2015) and approximately 10% from 2016 to

³The names of the county, the company, and the people in this paper are all given as pseudonyms.

⁴One hectare is equal to 15 mu.

2017 (Ministry of Agriculture and Rural Affairs, 2017, 2018). By the end of June 2017, farmland transferred to agribusiness enterprises has accounted for 10% of the total transferred land (Ministry of Agriculture and Rural Affairs, 2018). In the operation of large-scale farms, agribusiness enterprises in China not only need to overcome the difficulties in labour management that are commonly encountered in large-scale agriculture in other countries but also need to deal with the local villagers in farm operation, which is a particular challenge in the Chinese context.

The agribusiness enterprises, which acquire farmland through land transfer, may easily be involved in conflicts with the local villagers. The contradictions are generated mainly by the interest conflicts between the enterprises and three groups of villagers. The first group is the “middle farmers.” As noted by Yan and Chen (2015), the rural producers have undergone differentiation ever since the rural reform in the early 1980s, which is characterized as “capitalism from below.” Other than small-scale household producers, there are also “middle farmers” and “big farmers” emerging within villages. The middle farmers are essentially petty commodity producers, who are slightly different from peasant households in the sense that their land scale is larger. They cultivate not only their own land but also the land of their friends and relatives who are migrant workers in cities and offer their land at a rent lower than market rate or free of rent. They are able to accumulate from agricultural production, thanks to the low land rent, and their agricultural income could potentially be equal to the average annual income of those migrant couples (He, 2011). The “big farmers” are more market-oriented and profit-driven and tend to pay land rent at the market rate to acquire land for expanded production. Although the emergence 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 intensified the land competition, which contributed to the formation of the rented land market. It has hindered middle farmers from acquiring free/low-rent land via informal social networks (Chen, 2013). A large part of the previous middle farmers were forced to migrate to cities in search of employment. But those who had no choices but to stay in villages, either due to lack of skills or because of their caring responsibility for elder parents or young children, held resentments against the companies. The second group is made up of some of the small-scale producers who were reluctant to transfer their land to the company initially but were “forced” or persuaded by the local government to compromise.⁵ They also shared the resentments to the companies with the middle farmers. The third group is the local farm machine operators. These local operators used to profit from providing farm machinery services to their fellow villagers, but they were squeezed out because the agribusiness companies conducted the machinery work with their own machines. Also, the agricultural inputs retailers and merchant aggregators who used to supply fertilizers and pesticides and buy outputs from small producers are negatively affected by agribusinesses.

Because of these conflicts, agribusiness enterprises were deeply involved in difficulties including being victimized by having their products “stolen” in the harvest season, being overcharged in using public irrigation facilities, or being asked for unreasonable excessive compensation if the villagers' crops were poisoned by the pesticides drift from the company's transferred land. Dealing with these troubles costs the companies a lot of manpower and material resources.

Therefore, labour management in large-scale agriculture in China includes not only labour recruitment, deployment, and supervision but also strategies for resolution of the companies' conflicts with local villagers. Moreover, the social networks of local villagers could also be utilized by these companies in farm management.

4.1 | Land outsourcing: Recruitment of labour organized in family units

Pingwan County in Hunan province (central China) has a long history of producing rice. During my field research in this county in 2012–2013, Company Ace was the most well-known and largest dragon-head enterprise there. The

⁵The 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).

company used to be an enterprise specializing in agricultural inputs, manufacturing, and marketing. The fierce market competition of agricultural inputs drives the company to engage in farmland transfer and agricultural production. In 2009, the company contracted nearly 2,000 mu of land in the countryside of Pingwan County, and by 2013, the company had expanded its transferred land area to 30 000 mu, most of which was transferred on a 5-year contract. The transferred land was distributed in different villages. Pingwan County is located in a hilly area. In order to facilitate agricultural machinery operation, Company Ace only transferred the land in flat terrain in a village, which means the company only contracted land from some of the villagers.

Inexperienced 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 employees of the company, to do the agricultural work. It turned out that not only did the labour costs vastly exceed the budget, but also the labour supervision was ineffective, which caused the company great economic losses. One of the managers of Company Ace complained that some of the farmworkers were irresponsible in spraying pesticides, and the uneven spraying of pesticides resulted in ineffective pest control. Worse still, some workers stole the fertilizers and used them on their own farmland. Because of the failure in labour supervision, the company had to recruit more workers for remedy. The operating loss of the company amounted to over 200,000 yuan in 2009, estimated by one of the managers, and most of the loss was attributed to the overspending on labour and the low yield. Moreover, in the harvest season in 2009, Company Ace was victimized by stolen rice even though they had employed a team of "overseers." Additionally, one manager of the company complained that local villagers overcharged them for the use of irrigation facilities. The endless daily conflicts with local residents were time- and effort-consuming.

The company made significant changes in farm management during the following year. By delegating all of the farmland to several contracted tenant households (CTHs) on terms that CTHs pay the company land rent and pay for an "agricultural inputs package" provided by the company (including rice seeds, pesticides, fertilizers, machine seedling transplanting, machine ploughing, and machine harvesting) and sell their products to the company, Company Ace released itself from direct rice cultivation but still reserved dominant and disciplinary power over these tenant households. Although the company tended to outsource the land to the CTHs for as long as possible, these households were reluctant to accept a contract for a term of over 1 year in order to avoid operational risks.

The majority of the CTHs were from the aforesaid "middle farmers." While most of the middle farmers were squeezed out from agriculture, a small number of them have successfully transformed themselves into "big farmers" by contracting land from Company Ace. There are two reasons why these middle farmers were motivated in contracting land from the company. On the one hand, their access to large tracts of farmland in compact areas was quite limited. The land they acquired at the rent lower than the market rent or free of rent was highly fragmented, which was inconvenient for the use of agricultural machinery. Contracting land from Company Ace was a shortcut to acquire large tracts of land. On the other hand, scaling up the operation requires large funds, which was a great challenge for the rural households. In Pingwan County, it costs over 100,000 yuan⁶ to run a 100-mu farm, far beyond the means of an ordinary household. These households had very limited access to bank loans due to a lack of mortgage guarantee.⁷ But Company Ace relieved its tenant households from immediate financial pressure by allowing them to pay for the agricultural inputs after harvest.

After some trial and error, managers of this enterprise found out that 100 to 500 mu should be an "appropriate" land area for one tenant household to cultivate. If the contracted land area were too large or too small, it would be

⁶One Chinese yuan (CNY) was equal to approximately 0.16 US Dollar in 2012. The farming cost included land transfer fee (200 yuan/mu), agricultural inputs cost (200 yuan/mu for fertilizers, 90 yuan/mu for pesticides, 60 yuan/mu for seeds), labour cost on manual rice seedling transplanting (135 yuan/mu), machinery ploughing (90 yuan/mu), machinery harvesting (110 yuan/mu), and labour cost (150 yuan/mu, for doing irrigation control, manual weeding, spreading fertilizers, spraying pesticides, etc.). The average cost for cultivating 1 mu of land was around 1,000 yuan/mu in 2012.

⁷According to the Guaranty Law of the People's Republic of China, "the land use right to the land owned by the collectives such as cultivated land, house sites, private plots, and private hills, with the exception of those provided in sub-paragraph" may not be mortgaged. (For an English translation of the law, see http://www.eduzhai.net/yingyu/615/763/yingyu_247321.html) It indicates that the contracted land from the collectives could not be used as a mortgage guarantee.

difficult for the CTHs to acquire profits from farming. As explained by one manager of Ace, it was important that the CTHs could make profits so that they could be retained. Keeping a low turnover rate of CTHs enabled the company to minimize management costs.

The social arrangements of outsourcing provided the company with several advantages. First, by delegating all the transferred land to the CTHs, Company Ace could acquire relatively stable profits from the upstream (the sales of agricultural inputs) and downstream of farming (the processing/marketing of products), without directly becoming involved in farm management. The tenant households are required to pay for the “agricultural inputs package” provided by the company and sell rice to the company, which allows the company to make profits not only from the sales of agricultural inputs but also from the marketing of rice. The average profits Company Ace acquired was over 200 yuan/mu. Moreover, the strong control over land brings not only *general benefits* to this enterprise but also *extra profits*, as the “package” price of the agricultural inputs is higher than the market price.

As noted by the general manager of Company Ace, “As long as the land has been transferred to our company, we can ensure that all the seeds, chemical fertilizers and pesticides needed for rice cultivation on this land are provided by our company. There is no way that other (agricultural inputs) manufacturers/retailers can sell their commodities to producers cultivating our land!” This explains why this company is so motivated to expand the area of land transfer. The more land the company controls, the more profits it can obtain from the sales of agricultural inputs. The competition in land transfer has been called a new “land enclosure” in China (Zhang, 2015b).

Secondly, Company Ace has freed itself from direct labour management by outsourcing its land to the CTHs. Delegating its land to the tenant households was a delicate strategy of the company in the deployment of labour resources. Take the case of one tenant household as an example. Ma Fumin and his wife⁸ contracted 50 mu of farmland from Company Ace in 2013. Their net profits from rice cultivation were 464 yuan/mu in 2013, including the 150 yuan/mu of government subsidies for those who cultivated double-cropping rice. Ma and his wife input their family labour in rice cultivation and used hired labour only in the peak season of rice seedling transplanting.⁹ Ma estimated that their family labour input in cultivating each mu of double-cropping rice was approximately 4 to 5 working days¹⁰ on average. It means that for each working day, his family obtained an income of approximately 100 yuan, which was the same as the labour wage on the local labour market. Ma's family was a typical case in all CTHs. Although the enterprise did not directly hire these tenant households as farmworkers, the “profits” they acquired from rice production were only equal to the remuneration of their labour input. These tenant households, in this sense, were essentially “wage labour” to Company Ace. The profits made by this company from the upstream and downstream of farming were essentially the “agriculture surplus” produced by the CTHs. What should be highlighted is that in the social arrangements of land outsourcing, the tenant households should assume sole responsibilities for their profits, losses, and risks and thus free the company from supervising the labour process.

For the tenant households like Ma and his wife, the expansion of their cultivation area permitted the full use of family labour, which has powerfully motivated these households to work without supervision. Even though the returns from farming are only equal to the local labour wage, being a tenant household is appealing for those who could not join the labour market due to caring responsibilities.

Thirdly, by incorporating the CTHs in its industrial chain, Company Ace could utilize the social resources of the local tenant households in solving its conflicts with the local villagers. China's rural society is still characterized as a “face-to-face society” (*shuren shehui*), although there have been debates on whether the Chinese rural society has transformed qualitatively.¹¹ It is unsurprising that the “stolen rice” incidents rarely happened to the local CTHs, even

⁸Ma's contracted land area was less than 100 mu because 2013 was the first year when Company Ace transferred land from Ma's village, and the transferred land area in that village was limited at that time.

⁹The mechanization of agriculture has not covered the work of rice seedling transplanting in Pingwan County by 2013 due to technical problems. Thus, the seedling transplanting was generally finished manually.

¹⁰A “working day” is not a calendar day. In a calendar day, Ma Fumin might be engaged in many different activities, such as livestock breeding, doing a part-time job at a construction site, and spraying pesticides in his rice paddy. The “working days” he calculated only included the time he spent in rice cultivation.

¹¹For a detailed examination of debates on the transformation of the Chinese rural society, see He (2000) and Liu (2014).

if the land they cultivated was contracted from Company Ace. This is mainly because the social discrimination towards “outsiders,” which means to violently threaten the “outsiders” or even damage their interests, has been rationalized in the customary norms of rural China. Moreover, as “insiders,” the local tenant households could utilize the irrigation facilities without being charged. As explained by one of the tenant households, local villagers regarded it very reasonable to charge the “outsiders” like Company Ace in using public facilities, as these “outsiders” had made no contributions in the maintenance of the public facilities. In this sense, by outsourcing rice cultivation to the tenant households, Company Ace has avoided many of the direct conflicts with the local villagers.

It should be additionally stressed that “land outsourcing” in this case is different from that of contract farming, in the sense that agribusiness companies that adopt contract farming normally do not transfer land from the out-growers. In contract farming, an agribusiness company provides credit, agricultural inputs, farm machinery, and technical advice for purchasing products of *independent* agricultural producers at a fixed or a differential price (Eaton & Sheperd, 2001; Glover, 1994). The enterprises gain control over the production process and the use of labour and land owned by rural households through setting requirements on the quality, quantity, and delivery time of products. However, although the social arrangement of contract farming allows agribusiness enterprises to control the labour process without directly engaging in farm management, the high rate of defaulting by producers (as much as 80%) has been widely observed. The most frequent form of defaulting is side-selling (Liu, 2003). In order to protect their interests, agribusiness companies used various approaches to form a market monopoly, such as selecting a remote mountainous area as the operation base so that the producers could be geographically locked into the companies' monopoly or selecting products that have no local market to maintain the companies' monopoly power in product purchasing. The difficulties in the establishment of a market monopoly are among the key reasons why contract farming is an unstable and less prevalent form in commodity production in China (Zhang, 2012). In this sense, the direct control of land through land transfer is a more reliable way in maintaining agribusiness companies' domination. In the case of Company Ace, if the CTHs violated contracts, either by side-selling their rice or by purchasing agricultural inputs from other retailers, the company would no longer subcontract land to them.

The case of Company Ace serves as an instance of how an agribusiness company retreated from direct labour management through the social arrangements of land outsourcing. The labour supervision problem has been replaced by the retaining of tenant households. It should be noted that this strategy has been developed in the context of growing rural social differentiation. As explained by Yan and Chen (2015), rural households are experiencing differentiation both owing to the functioning of the market and to state policies that nurture large-scale producers. There are a number of petty commodity producers who are motivated to scale up but have difficulties in access to land. It is a shortcut for them to “collaborate” with the agribusiness companies who have controlled large tracts of land with the assistance of local government.

The strategy of land outsourcing is not uncommon in large-scale agriculture. In my fieldwork in Hubei province (central part of China) in 2012, a well-known dragon-head enterprise, which specialized in rice processing and marketing, has contracted over 10,000 mu of land from the villagers to grow rice since 2010. This enterprise adopted the land outsourcing strategy in order to minimize farm management costs. Xu Zongyang's (Xu, 2016) study in North China also noted that an agribusiness company, which has transferred over 5,600 mu of land in wheat and corn production, has subcontracted all its land to tenant households. It seems that the outsourcing of land is a strategy that could apply to the large-scale farms engaged in growing the staple crops (neither labour-intensive nor capital-intensive).

4.2 | Labour contracting: Management of temporary workers

Apart from outsourcing cultivation, direct labour employment is a more commonly used practice in large-scale farm management. However, since agribusiness enterprises depend on local labour and have to deal with village society, these enterprises normally rely on local agents for labour management. These agents have served as labour

contractors no matter what they are called. Labour contractors are defined as those independent intermediaries who, for a fee, recruit, deploy, and supervise farm labour (Vandeman, Sadoulet, & de Janvry, 1991). Although the development of China's large-scale agriculture has not been in progress long enough to develop a specialized group of independent labour contractors, it is not uncommon that well-connected local people are mobilized by agribusiness companies to serve as labour contractors.

There are two characteristics shared by labour contractors in the Chinese context. First, they are the ones with extensive social networks in the local society. As the companies depend on these labour contractors for labour recruitment, a wide net of networks within and beyond their own villages is important for them to access to near and faraway labour pools. Second, a qualified labour contractor should be able to mediate conflicts between companies and farmworkers and the contradictions between companies and local villagers; thus, they normally enjoy prestige in their villages. In this sense, the labour contractors are mainly derived from local elites. Village cadres, retired primary-/middle-school teachers, marketing intermediaries of agricultural products, grocery owners in villages, local truck drivers, and so forth are more likely to become labour contractors.

In the case of Company Changhua, an agribusiness specialized in apple breeding, cold storage of apples, apple marketing, apple processing, and so forth established the first base farm in 2008 through transferring land from villagers in Linhe County, Shaanxi province. In the following years, Company Changhua has expanded its transferred land area and established two more base farms by 2015.

The company delegated the labour management on the base farms to local agents who were in charge of labour recruitment, deployment, and supervision and kept records of the workers' working hours each day. These local agents were in fact labour contractors who have played irreplaceable roles not only in labour management but also in mediating conflicts between the villagers and Company Changhua.

Yang Yong, a retired middle-school teacher from the Yang village, was the labour contractor on the company's third base farm. This farm was established in 2014, covering an area of 300 mu of farmland that was transferred from Yang village. Since work opportunities were in short supply in the countryside, particularly for those who were over 50 years old, the villagers who had transferred their land use rights to Company Changhua demanded that they should be given priority in labour recruitment. Although the remuneration of farmworkers was lower than the average wage in the local labour market, many villagers still preferred to work on the farm because the farmworkers could receive salaries on time each month.

There were two types of workers on the base farm: the "long-term temporary workers" and "short-term temporary workers" (named by the company). All these workers were paid on a day rate basis. One of Yang Yong's tasks was to assign the farm work to the long-term workers to ensure that they work 8 hours a day, at least 25 days a month. He hired five of the most capable and disciplined workers, carefully selected from over 100 temporary workers hired by the company when the apple orchard was first established, as long-term temporary workers. The screening of workers has made it easier for Yang Yong to supervise these employees. However, only one villager among the five workers had transferred his land to Company Changhua.

Additionally, Yang Yong delegated the recruitment of "short-term temporary workers" to the five long-term workers and reminded them to hire the villagers whose land had been transferred to the company. In the busy season in 2015, nearly 30 "short-term temporary workers" worked on the farm for approximately 2 weeks. However, over two-thirds of these temporary workers were not even from Yang village, which was a breach of company's promise in the land transfer process. What needs to be noted is that most of these temporary workers were from neighbouring villages, and thus, the well-connected local elites like Yang Yong were familiar with.

Yang Yong noted that many of his fellow villagers who had transferred their land to the company wrangled with him for not being hired, his own younger brother included. Yang Yong's younger brother complained that he had transferred 7 mu of farmland to Company Changhua, but his wife did not get a work opportunity on the farm. His family was so indignant that they stopped visiting Yang Yong. Yang Yong felt aggrieved and explained that his sister-in-law was an inefficient worker who did not deserve the work. He insisted that it was reasonable for him to recruit others. In order to defuse his younger brother's anger, Yang Yong asked for his relatives' (for example, his aunt and

uncle) help. These people helped to mediate the Yang brothers' conflict. Although Yang's brother still refused to make peace with him, the conflicts did not worsen. Likewise, for those villagers who were unhappy about not being hired, Yang Yong managed to defuse their anger by pleading with tactful words or by asking those who were close with these villagers—and also close with Yang Yong—to mediate. These villagers might still hold the resentments, but they would not keep wrangling with Yang Yong out of respect to the “mediators.” Yang Yong's personal ties in the village contributed to the settlement of the conflicts. Therefore, although many villagers were dissatisfied, the situation had not evolved into collective actions against the company.

It should be noted that Company Changhua has made a delicate arrangement by hiring Yang Yong, the labour contractor, as an employee of the company, titled “production manager.” Yang Yong was paid a fixed salary on a monthly basis by Company Changhua. This is in contrast to labour contractors in the existing literature, who serve as independent third parties. The reason why I define Yang Yong as a labour contractor rather than a regular employee of Company Changhua is that Yang Yong would be laid off once the company chose not to renew the land transfer contract in Yang's village. Yang Yong was hired as an employee only because the company needed to establish closer relations with him. The official identity of “production manager” could break the social links between Yang Yong and his fellow villagers, which is important to the company. There will be a counterexample below, showing that taking local elites as an independent third party would result in the local elites' dilemma in balancing the interests between the company and their fellow villagers. The incorporation of local labour contractors brings the company at least two benefits.

First, it has released local labour contractors from the dilemma of being intermediaries. As intermediaries, the contractors have dual identities. On the one hand, the labour contractors are usually local elites on whom their fellow villagers have pinned hopes for employment opportunities. On the other hand, contractors were expected by the company to recruit capable labourers and ensure that they work efficiently. The intermediaries would have a dilemma if they attempted to meet the expectations of both sides. But when a local contractor is incorporated as an employee of the company, he/she is justified to protect the company's interests. The social resources of the contractors could be utilized in favour of the companies. For instance, Yang Yong's local knowledge and his familiarity with fellow villagers, particularly their work efficiency, could be used in labour recruitment and labour supervision.

There are also counterexamples. In my fieldwork in a rice-producing county of Hubei province in 2012, an agribusiness enterprise that was engaged in rice cultivation through transferring large tracts of land from the county encountered difficulties in labour recruitment. This enterprise offered a fee to the village cadres for their assistance in labour employment. However, it turned out that many of the temporary workers were either too old or too weak and worked inefficiently or carelessly. One of the village cadres explained that since work opportunities were in short supply in villages, their primary concern was not the work efficiency of the villagers but the equal distribution of work opportunities among them. This village cadre added, “Some villagers will come to fight with you if you do not ‘assign work’ to them!” On the one hand, the cadres are in *renqing*¹² (favours given and returned) relations with their fellow villagers. On the other hand, they need the villagers' support in the democratic election of village committees. Therefore, they would avoid offending the villagers just for the interests of an “outsider.” This suggests that taking the local elites as an independent third party is not enough to break the links between them and the villagers. By incorporating them as part of a company, the local elites could be freed from the shackles of their “social bonds” and serve as agents of capital.

Second, the incorporation of local elites as labour contractors has weakened the self-organizing capacities of the local villagers. In the case of Company Changhua, since the interest of Yang Yong has been tied with that of the company, he would protect the interests of the company as much as possible. A group of unorganized villagers poses little threat to the company. This explains why the company could break its promises to hire those who had transferred their land.

¹²For a detailed interpretation on *renqing*, see Yan (1996).

Even though some of the villagers negatively resisted the company by stealing the products, it was no serious damage to the company because of the relatively rare occurrences. In the village, which is a face-to-face society, it was not difficult to identify the “stealers.” When Yang Yong, a local native, was in charge of the base farm, the stealing was not just a resist to the company but also violated Yang Yong’s interests. People would avoid direct conflicts with fellow villagers. Although some villagers were unsatisfied with Yang Yong, direct violating his interests would still be unacceptable, particularly when Yang Yong had asked fellow villagers to mediate. Things would be different if the conflict of interests happened between villagers and “outsiders,” because damaging the interests of outsiders, not the insiders, has been rationalized in the customary norms of rural China as mentioned above.

The case of Company Changhua has shown how the agribusiness company successfully turned the conflicts between itself and local villagers into the contradictions between the local contractors and their fellow villagers by hiring labour contractors. This is typically represented by the fact that when the villagers felt angry for not being hired, they chose to wrangle with the labour contractor instead of those who were in charge of the company. By using labour contractors, the company in this case not only increased the flexibility of labour management but also resolved its conflicts with local villagers at a low cost. The contractor’s role in the resolution of conflicts is equally important as that in labour recruitment and supervision. The use of labour contractors in labour management is a common practice in the large-scale production of cash crops, particularly labour-intensive crops. In my fieldwork in a large-scale ginger farm in Guangdong province and a large-scale farm producing hotbed chives in Sichuan province in 2016 and 2018 respectively, the use of labour contractors has been relatively common.

4.3 | Labour contracting: Management of permanent workers

In the second case, the company used temporary workers on the base farms and delegated the labour management to labour contractors. The third case involves a rural cooperative that uses labour contractors to manage permanent workers. It should be clarified that the so-called “cooperative”¹³ is essentially an enterprise, which is not uncommon in China. The Chinese central government has provided large amounts of subsidies to support the development of the “new subjects of agriculture,” that is, family farms, rural cooperatives, specialized big-households, and dragon-head enterprises, but in different periods, the government prioritized preferential policies and subsidies in support of certain types of “new subjects.” Thus, a family farm may also get registered as a rural cooperative or an agribusiness enterprise in order to benefit from local and central governments’ subsidies and preferential policies for cooperatives or enterprises. Also, it has been widely observed that China’s rural cooperatives are dominated by “big households” (e.g., Yan & Chen, 2013; K. Zhang & Zhang, 2007). In this case, the so-called Lianhe Cooperative has also registered itself as an agribusiness enterprise. Therefore, in order to reduce misunderstanding, I re-define this “cooperative” as Company Lianhe.

Company Lianhe has transferred over 300 mu of farmland since the beginning of 2015 to grow sugar oranges from two adjacent villages (including approximately 100 mu of land from Tianxi Village and over 200 mu from Qiaodong Village) in Taiping County, Guangdong province. The sugar orange was in extremely short supply during those couple of years because the main producing area of sugar oranges, Jiangxi province, had been destructively hit by the *Candidatus Liberobacter* (citrus Huanglongbing, a highly contagious citrus disease that causes yellow halo-like lesions or scabs on the fruit and is incurable) in 2015. Therefore, the growing area of sugar orange trees has expanded exponentially in Guangdong province since then. Since the growing of sugar oranges required a large capital investment, the expansion of the growing area was promoted mainly by agribusiness enterprises or large agricultural producers. The competition for land was quite intense. Villagers explicitly stated that they would transfer their land to the enterprises/large producers only if they could be recruited as farmworkers, which is why the company in this case hired permanent workers.

¹³For a detailed review of China’s rural cooperatives, see Yan and Chen (2013).

Approximately 100 mu of the company's land, located in Tianxi Village, was transferred from nine individual households in this village. The company recruited one labourer from each of these households as permanent workers, with only one exception, as one of the households chose to migrate to work in the cities. The company has also transferred the use rights of a collective-owned aquaculture farm from Tianxi Village, which covered an area of approximately 200 mu. The eight permanent workers worked not only on the sugar orange farm but also on the aquaculture farm.

The registered capital of company Lianhe totalled one million yuan, to which Lin Qiang and Huang Cheng contributed 400,000 and 300,000 yuan respectively. Another three shareholders, who were invited by Lin and Huang to join the company, each invested 100,000 yuan. Lin Qiang had run a furniture business for years, while Huang Cheng owned a small construction company in Taiping County. They were the actual "owners" of the company. The other three shareholders were village cadres¹⁴ from Tianxi Village and Qiaodong Village where the company acquired its land. Whereas Lin Qiang and Huang Cheng were in charge of the market promotion of sugar oranges and planting technique guidance respectively, the three small shareholders were in charge of labour management. This means that the company has delegated the labour deployment and supervision to the three small shareholders, who actually served as labour contractors, but received year-end bonuses rather than direct payment for their labour contracting service as remuneration.

In order to motivate the workers, the company adopted a smart strategy by including these permanent workers as "shareholders." In transferring the land use rights from these workers, the company offered a price of 300 yuan/mu, which was lower than the market price of 400 yuan/mu. "Part" of the workers' transferred land use rights were accepted as the shareholders' capital contribution to the company, and thus, they were eligible for year-end bonuses. However, because these workers had a share of the year-end bonuses, their wage was much lower than the average wage in the local labour market. Whereas the average daily wage was 120 to 130 yuan, these farmworkers' daily wage was 70 yuan. Lin Qiang, the largest shareholder of this company, explained that this arrangement was a result of negotiations between the company, represented by the two largest shareholders, and the villagers. According to Lin Qiang's cost accounting, the year-end bonuses of the permanent workers were included in the labour cost. He noted that by including the permanent workers as shareholders, the expenditure on the workers was approximately the same as directly hiring labour at the market price. But this arrangement has connected the interests of the workers more closely with that of the company, which served as a motivation to the workers.

Moreover, by mobilizing the village cadres in labour management, the company could utilize their social resources in labour supervision. There are many situations in which villagers have to deal with the village cadres. For instance, villagers need the assistance of village cadres to register newborns, apply for rural subsistence allowances, apply for homesteads, and so forth. Village cadres also play key roles in the mediation of neighbourhood disputes. Since there will always be chances that villagers need to make requests to the cadres, villagers will not easily offend the cadres. Thus, it is a cunning strategy to motivate the village cadres to be labour contractors. As Lin Qiang explained, their strategy in labour recruitment and management was taken as a reference by an increasing number of companies in the county.

In this case, the village cadres played crucial roles in labour supervision. They supervised the whole labour process. Since the workers were offered permanent positions, the greatest difficulty in labour supervision was the workers' dawdling over their work. But when the village cadres acted as overseers, workers' slacking off would not only violate the company's rules but also damage the village cadres' interests. People would not easily offend the cadres. As mentioned above, labour supervision problems had troubled Company Ace in its first year of farm management. The workers' stolen of fertilizers and the irresponsibility in pesticides spraying never happened in Company Lianhe. Such activities would easily be witnessed in the village. In this case, these activities would be taken as an offence to the village cadres. When the village cadres acted as labour contractors, the misconducts during labour

¹⁴Villages in China are self-government organizations. Village cadres are not civil servants who receive salaries from the government. Rather, village cadres are engaged in production, and they are subsidized for their loss of working time by local governments when they spend time on public services in their villages. Thus, the village cadres are engaged in various economic activities.

process reduced sharply. On the one hand, it could be attributed to the influence of the village cadres/labour contractors. On the other hand, it is also because the permanent employment opportunities were so rare that most of the workers cherish them.

Similarly to the second case, the incorporation of local elites (in this case, the village cadres) to be labour contractors allows the company to use the social resources in labour management while weakening the organizational capacities of local villagers. But in this case, the labour contractors dealt with permanent workers, who might need more motivation. By adopting a strategy of including the permanent workers as “shareholders,” the company manages to link the interests of workers and the company more closely, which has functioned as a strong motivation for the workers. Additionally, when village cadres were recruited as labour contractors, their social resources also contributed to the supervision of local workers.

To conclude this section, it is necessary to note that the strategy of land outsourcing is more often used in growing grain crops, which are neither labour-intensive nor capital-intensive, whereas the strategy of delegating labour management to labour contractors is more commonly found in growing labour-intensive and capital-intensive cash crops. Large-scale producers who were engaged in grain crop production could retreat from labour supervision by adopting the former strategy. Contracted tenant households were able to manage a small farm mainly with their family labour—although they need to hire a few farmworkers in busy season—and with the company's finance assistance—by allowing the tenant households to pay for the agricultural inputs after harvest. These companies could minimize their labour costs through this arrangement. But for the capitalist producers who were engaged in labour-intensive and capital-intensive crop production, the strategy of land outsourcing was not applicable, as it was difficult to find eligible tenant households with sufficient manpower and capital. The use of direct wage labour was more convenient, particularly if they could successfully mobilize local elites to serve as labour contractors.

Additionally, although labour contractors in agriculture are not independent agents in China, we can see that large-scale producers have been cultivating a specialized group of labour contractors by mobilizing rural elites in labour management. That the development of China's labour contracting service has fallen behind that of large-scale agriculture is understandable, since large-scale operation in agriculture is still in its early phases. Additionally, with the development of large-scale capitalist farms, labour contracting has been developing into an independent industry. The specialized teams of rice-seedling transplanting workers, cotton-picking workers, tea-plucking workers, and tree pruning workers have emerged in different regions of China.¹⁵ Some of the team leaders have transformed themselves into independent labour contractors.

5 | CONCLUSION

This paper presents the Chinese experiences of labour management in large-scale agriculture. The case studies have shown that the dynamics of labour management in China's large-scale farms, which depend mainly on local labour, differ significantly from the “paternalist” system of labour management, which relies primarily on migrant workers, in the academic literature. There are no forms of personal bondage or paternalistic hierarchy in the labour relations in the three cases. Instead, market-related principles are the essential features of labour recruitment and management. The argument here is that large-scale producers in China have developed different strategies in effectively recruiting and supervising labour, which might expand the discussion on how agro-capital overcomes the obstacles to the development of capitalist agriculture.

Because of collective land ownership, China's large-scale agriculture producers acquired land through transferring land use rights from large numbers of individual households. Undoubtedly, the arrival of agribusiness companies

¹⁵During my field research in different provinces, I have learned that such specialized teams widely exist, although the development is unbalanced among different regions. But the team leaders of these specialized teams are not exactly labour contractors discussed in this paper, as these specialized teams are usually hired to complete only part of the agricultural activities, such as rice seedling transplanting or cotton picking. The labour contractors discussed in this paper are in charge of the whole production process.

had impacts on the existing benefit structure in the countryside, which resulted in endless daily conflicts between the large-scale producers and local villagers. In this sense, resolving these conflicts was at least as important as overcoming the labour supervision problems for China's capitalist agricultural producers. By outsourcing production or contracting labour management to local agents, agribusiness companies could utilize rural social networks and social resources both in labour management and in dealing with the villagers.

Through outsourcing the cultivation process, an agribusiness enterprise could release itself from direct labour supervision but still dominates the production process because of their control over land. Since one of the terms that the tenant households had to accept was to purchase the agricultural inputs provided by the company and sell their products to the company, the land outsourcing arrangement allowed the company to make profits from the upstream and downstream of farming. Moreover, the tenant households were actually hired labour organized in family units, as the benefits they gained from agricultural production simply equalled the remuneration of their labour inputs. The social arrangement of outsourcing production not only reduced the company's cost on labour supervision, as the tenant households assumed sole responsibilities for their profits and losses, but also allowed the company to resolve its conflicts with villagers by utilizing the social resources of the tenant households.

For those agribusiness companies who were engaged in labour-intensive and capital-intensive cash crop production, it was important that they mobilize local elites to be labour contractors. Although independent labour contracting services in agriculture have not developed in China, the rapid development of large-scale capitalist agriculture has been cultivating a specialized group of labour contractors by mobilizing rural elites in labour management. Because of collective land ownership, agribusiness enterprises in China acquired farmland mainly through transferring land use rights from villagers. The arrival of these companies has broken the existing interest structure in villages. Consequently, they were deeply involved in daily conflicts with the villagers. Moreover, conflicts could also break out in labour recruitment due to the short supply of work opportunities in the countryside, as those who were not hired often held resentment against the companies. By incorporating the local elites, either by recruiting them as regular staff of their companies or by including them as shareholders, these companies could turn the conflicts between themselves and the local villagers into the contradictions between local contractors and their fellow villagers. The social resources of the labour contractors, such as their social networks, social prestige, and local knowledge, could be utilized in labour management. Additionally, the disassociation of local elites and the villagers weakened the organizational capacities of local villagers, which was advantageous to the companies.

It should be highlighted that large-scale farm operations in China should resolve not only the problems in labour supervision and management but also the conflicts between themselves and the local villagers. Either by adopting the strategy of land outsourcing or by using labour contractors, large-scale producers have utilized the rural social resources of the tenant households or local labour contractors to resolve their conflicts with the local villagers. However, since the conflicts of interest between the large-scale producers and local villagers persist, these strategies may only be temporarily effective. The conflicts are covered rather than settled, particularly when rural social differentiation is deepening.

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